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The world this week

Politics

Dec 05, 2024 03:44 PM



In [France](#), the National Assembly voted out the centrist government led by Michel Barnier, who was appointed prime minister by Emmanuel Macron, the president, in September following an inconclusive parliamentary election in July. Marine Le Pen's hard-right National Rally joined forces with parties on the left to oust Mr Barnier after he forced his budget through parliament without a vote. The last time the assembly voted a government out of office was 1962.

The Pentagon announced that it was sending more weapons to [Ukraine](#) using a “drawdown” facility that allows it to transfer arms from American stockpiles. The weapons include drones and anti-tank missiles. Meanwhile, Ukraine’s foreign minister said that “the only real security guarantee for Ukraine” is full membership of NATO, pointing out that past agreements on his country’s security had turned out to be useless.

The crisis in **Georgia** intensified, as the pro-Russian prime minister, Irakli Kobakhidze, insisted that the pro-democracy president, Salome Zourabichvili, leave office. Opposition demonstrations were held over consecutive nights after the Georgian Dream government said it would suspend accession talks with the EU. Police fired tear-gas and water cannon at the protesters and detained opposition leaders. Mr Kobakhidze warned that the opposition's attempted "revolution" was over.

Fianna Fáil took the most seats in **Ireland's** general election. It will govern in a new coalition with Fine Gael; the two parties have been in an alliance since 2020. Negotiations over forming a government are expected to last a month, with Micheál Martin, Fianna Fáil's leader, tipped to be prime minister.

British MPs voted by 330 to 275 in favour of legalising **assisted dying** for terminally ill patients in England and Wales who have no more than six months to live. The vote was for the crucial second reading of the bill in the House of Commons. Some MPs who voted "yes" have suggested they could switch to "no" if the concerns they raised about safeguards are not tackled before the bill's final reading.

Glad to be out of Washington

Joe Biden visited **Angola**, the first trip to sub-Saharan Africa by an American president since 2015 and the first by any to Angola, which has recently moved closer to America after years of dependency on China. In a speech in Luanda, the capital, he talked about slavery, calling it "our nation's original sin", and claimed that America was "all in on Africa" regarding investment on the continent.

At least 56 people, many of them children, were killed in a crush at a football stadium in **Guinea** as they tried to escape from police firing tear gas to stop violence during a match. Local groups put the death toll at 135, with 50 still missing. They blamed the deaths on Guinea's military junta, which organised the tournament.

After years of stalemate rebels in **Syria** swept into Aleppo, taking control of the city. The rebels were led by Hayat Tahrir al-Sham, a jihadist group formerly aligned with al-Qaeda. Their offensive was supported by the Turkish-backed Syrian National Army. The rebels' leaders assured Aleppo's remaining Christians and other minorities that they had nothing to fear, though there are many Islamist militants among the ranks of HTS fighters.

Tensions increased between **Bangladesh** and **India** over the alleged mistreatment of Hindu minorities in Muslim-majority Bangladesh. Indian protesters vandalised the Bangladeshi consulate in Agartala, a city on the border, which prompted anti-India demonstrations in Bangladesh.

The death toll from sectarian fighting between Shia and Sunni Muslims in **Pakistan's** north-west rose to at least 133. The government is attempting to maintain a ceasefire.



South Korea's National Assembly took steps to impeach Yoon Suk Yeol, after the conservative president rocked the country by ordering martial law. Resorting to measures not used since the military dictatorship that ended in the 1980s, Mr Yoon accused politicians in the parliament, which is controlled by the left-wing opposition, of collaborating with North Korea. As armed soldiers stormed the assembly building, protesters took to the

streets calling for Mr Yoon to be arrested. He soon withdrew his order. America urged South Korea to resolve its issues “democratically and constitutionally”.

A court in **Vietnam** confirmed the death sentence given to Truong My Lan, a property developer, for embezzling \$12bn from a bank. But the court said Ms Lan could avoid execution if she repaid 75% of the funds. She is scrambling to raise the cash.

A month after America’s general election, California at last finished counting its vote, with a Republican district switching to the Democrats. The new **House of Representatives** will now have 220 Republicans and 215 Democrats when it convenes in the new year.

Joe Biden was roundly criticised, including from within the Democratic Party, for **pardoning**: his son, Hunter, for various convictions, including tax evasion. The president had previously said he would not issue a pardon. His decision diminishes the Democrats’ efforts to take the high ground against Donald Trump, who will issue some weighty pardons of his own when he enters office in January.

Part of Mr Biden’s motivation for the pardon may have been Mr Trump’s nomination of **Kash Patel**: as director of the **FBI**. Mr Patel is a firm believer in the deep-state conspiracy. He has called for America’s national-security establishment to be overhauled and for officials who are biased against Mr Trump to be purged.

Keeping it in the family

In other controversial **appointments** Mr Trump chose **Massad Boulos**, the father-in-law of his daughter Tiffany, to be a senior adviser on the Middle East and Charles Kushner, the father-in-law of his daughter Ivanka, to be ambassador to France. In his first term as president Mr Trump pardoned Mr Kushner for tax evasion.

Justin Trudeau, **Canada’s** prime minister, visited Mr Trump at his Mar-a-Lago residence in Florida following the president-elect’s threat to **impose**

stiff tariffs on Canada and Mexico. Mr Trudeau has little choice but to soothe Mr Trump, as Canada sends over 75% of its exports to the United States. To allay Mr Trump's concerns about fentanyl and illegal migration coming across their border, Mr Trudeau has mustered more helicopters, drones and Mounties to stop the illicit flows. Mr Trump said their meeting was productive.

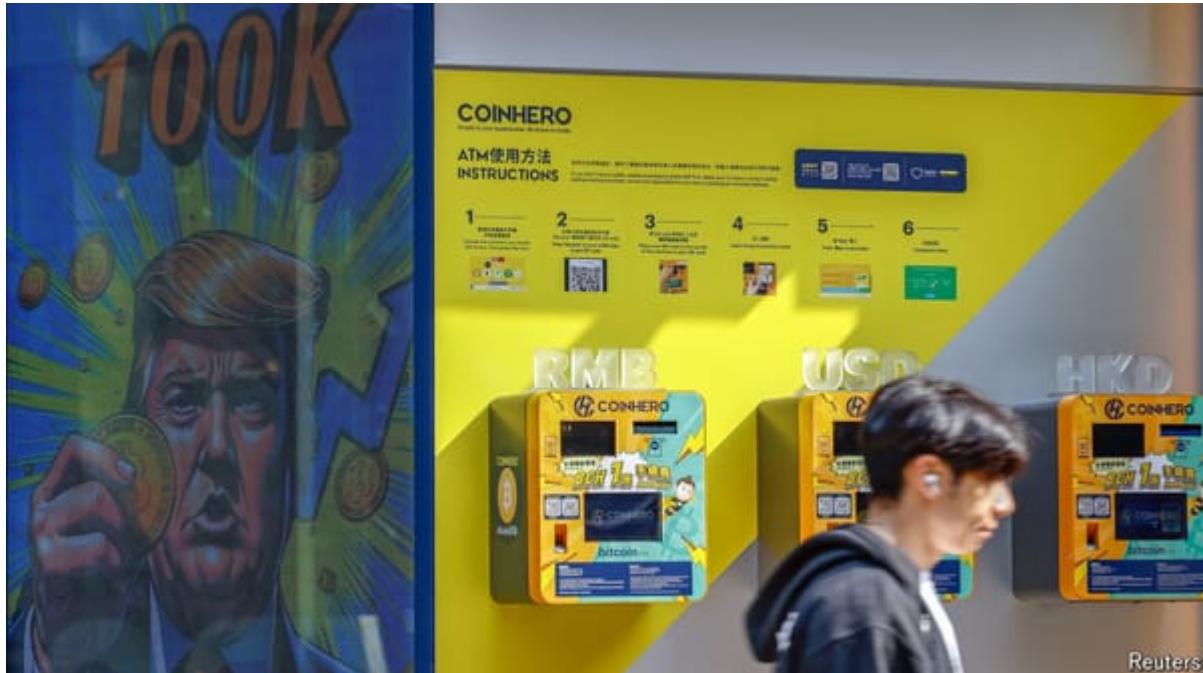
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The world this week

Business

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Donald Trump **ominated** Paul Atkins to run the Securities and Exchange Commission. Mr Atkins has criticised the current head of the SEC, Gary Gensler, for cracking down on crypto exchanges and has championed cryptocurrencies. Bitcoin surged above \$100,000 for the first time. Mr Trump also picked Gail Slater to run the Justice Department's antitrust division, vowing to continue its crackdown on big tech firms.

The unexpected resignation of Carlos Tavares as chief executive of **Stellantis** shocked the carmaking industry. The owner of the Chrysler and Fiat vehicle manufacturers has experienced a sharp drop in sales and profit, but Mr Tavares was expected to stay on until the end of his contract in 2026. No reason was given for his departure with immediate effect, but reports suggested tensions had arisen in the company over the cost-cutting strategy being driven by Mr Tavares.

Underlining the malaise in the car industry, **General Motors** said in a regulatory filing that it would book \$5bn in charges reflecting the restructuring and reduced value of its joint ventures in China. GM's market share in the country has declined sharply in recent years.

The union representing **Volkswagen** employees in Germany said that almost 100,000 workers had taken part in a day of industrial action. The union is threatening to cause more extensive disruption as it continues to negotiate with management over the carmaker's restructuring plans, including the first-ever closure of some of its factories in Germany.

Stellantis was not the only big company to see its chief executive depart abruptly this week. **Intel** announced that Pat Gelsinger had left the firm. It appointed two interim CEOs while it searches for someone to fill the position. The chipmaker reported a \$16.6bn net loss in its most recent quarter related to write-downs and restructuring costs. It was recently booted off the Dow Jones Industrial Average.

BlackRock undertook another big acquisition, agreeing to buy **HPS Investment Partners** in a transaction worth about \$12bn. HPS has \$148bn in assets under management and is one of the big Wall Street players dealing in private credit, which has boomed as companies tap markets for loans from firms that are not banks.

The poor man

A judge in Delaware rejected Tesla's latest attempt to push through 2018's pay package for **Elon Musk**. The judge threw out the package of stock options in January, worth around \$56bn at the time, describing it as "an unfathomable sum" that was not good for shareholders. In June, 72% of shareholders in the carmaker approved the package, but the judge found that Tesla had "no procedural ground" to reverse her decision. "Absolute corruption," fumed Mr Musk on X.

Brian Thompson, the chief executive of UnitedHealthcare, one of America's biggest health insurers, was shot dead outside a hotel in

Manhattan ahead of an investor event. Mr Thompson appears to have been targeted by his murderer.

Joachim Nagel, the president of **Germany**'s Bundesbank, added his support to calls to ease the country's constitutional debt brake, which constricts government borrowing. With the German economy stagnant and not projected to grow much next year, Mr Nagel said a little fiscal headroom was needed to boost infrastructure and defence spending.

Carlsberg struck a deal to sell its business in Russia to local investors. In 2022 the Danish brewer said it intended sell the assets and leave the country, but the Russian government seized the business in July 2023. "Considering the circumstances, we believe it is the best achievable outcome," Carlsberg said in a statement.

Uniqlo became the latest international clothing retailer to fall foul of Chinese sensitivities after its boss said it did not use cotton from Xinjiang, a region where ethnic Uyghurs are suppressed. His comments prompted calls for a boycott of Uniqlo from Chinese users of social media under hashtags such as "I support Xinjiang cotton."

Let's do it again at Christmas



Getty Images

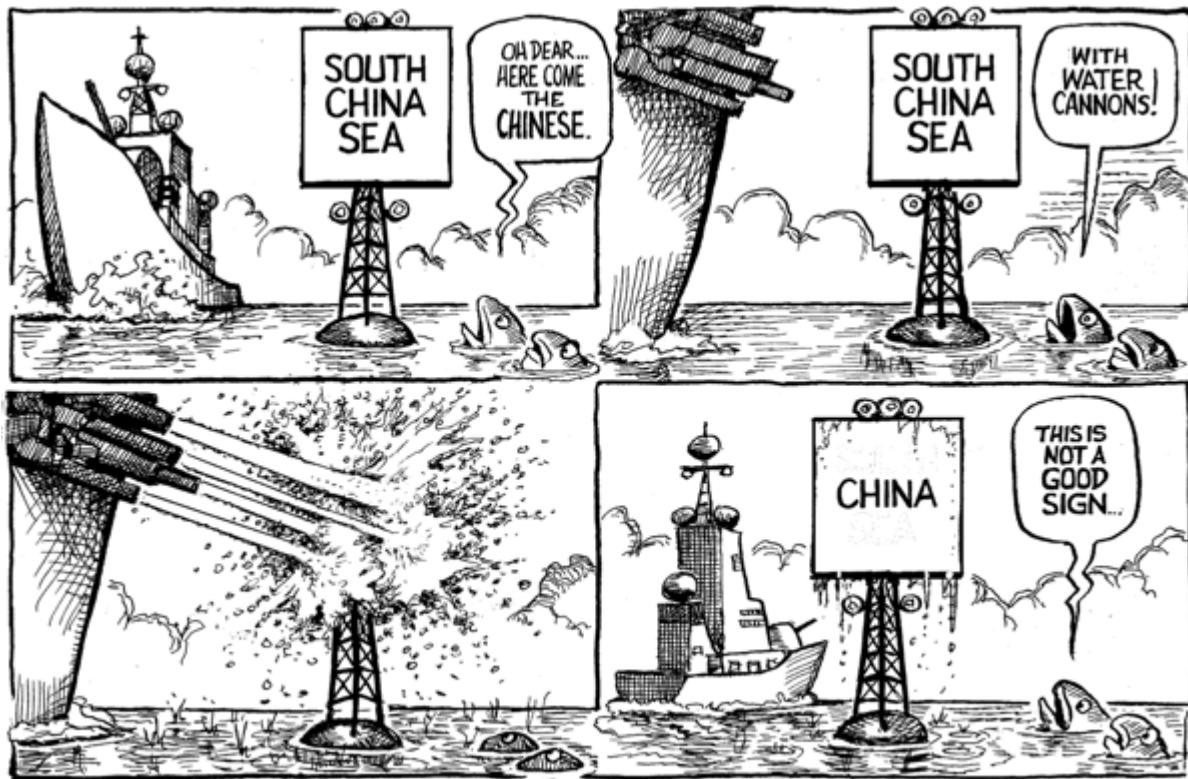
A record number of travellers passed through America's airports over the **Thanksgiving** period, according to statistics from the Transportation Security Administration. The TSA screened 3.1m passengers on December 1st, the busiest day of travel, up from just over 3m on July 7th, which had held the previous record. Cheaper air fares are one reason why the TSA has notched up its ten busiest days ever in 2024. Around 126m Americans visited bricks-and-mortar shops over Thanksgiving, according to the National Retail Federation, up by 5m from last year, while the number of online shoppers fell by 10m, to 124m.

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The world this week

The weekly cartoon

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

The World Ahead: [The South China Sea could become a major flashpoint in 2025](#)

Asia: [The scary new map of the South China Sea](#)

Asia: [Can the Philippines keep Donald Trump on its side?](#)

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

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The Economist

The Economist's covers, December 7th 2024

How we saw the world

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WE HAVE TWO covers this week. In one we focus on France, a country mired in a deep political crisis after the sacking of the government by parliament. With no party or alliance close to a majority in the National Assembly, France faces the prospect of a series of short-lived minority governments that will struggle to accomplish anything. The country offers a stark warning about where the politics of disappointment leads today. When voters have tired of centrist coalitions or weak minority governments, the only other choice before them is the political extremes. There is a real possibility of a government next year led by Marine Le Pen's hard-right National Rally, or even a Le Pen presidency in 2027 when the next election must be called.

The Economist

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America's gambling frenzy

Turmoil in South Korea

Tariffs: how would China retaliate?

DECEMBER 7TH-13TH 2024



France steps into the unknown

Leader: [France steps into deep trouble](#):

Europe: [Emmanuel Macron loses another prime minister](#):

Finance: [France is not alone in its fiscal woes](#):

Our other cover studies the craze for betting that is sweeping over America. This year Americans are on track to wager nearly \$150bn on sports, having bet a paltry \$7bn in 2018. The revolution has been unleashed by the overturning of bans, the rise of always-available betting apps and a booming economy. What to make of this upsurge? One view is that it is a worrying sign. Many people see gambling as a vice that ensnares the poor. But the lesson from other countries is not to ban gambling, but to regulate its harms. Much about today's gambling boom should be celebrated as an expansion of people's freedom to lead their lives as they choose.

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DECEMBER 7TH-13TH 2024

AMERICA'S GAMBLING FRENZY



Leader: [America's gambling boom should be celebrated, not feared](#)

Briefing: [Gambling is growing like gangbusters in America](#)

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A crisis in Paris

France steps into deep trouble

It has no government and no budget, and is politically gridlocked

Dec 05, 2024 03:44 PM



ON DECEMBER 7TH, 50 heads of state and government will take their places to celebrate the reopening of Notre Dame, Paris's 12th-century Gothic cathedral, gutted by fire five years ago but now restored with astonishing speed and loving skill. Donald Trump will be there (Joe Biden, only the second Catholic president of America, sadly will not) to witness France at its best. It has pulled off, on time and to budget, a feat of

craftsmanship and renewal that surely no other country could have managed.

Yet that same magnificent France is also mired in a [deep political crisis](#). The government was sacked by parliament on December 4th. Its prime minister, Michel Barnier, had tried to [force through](#) his budget for 2025 two days earlier, but met the brutal reality of life without a majority and became the shortest-serving prime minister of the Fifth Republic. In a grubby political compact Marine Le Pen, boss of the hard-right National Rally (RN) party, joined forces with a left-wing alliance dominated by a former Trotskyite, Jean-Luc Mélenchon, to squeeze the life out of France's centrists.

France's plight holds lessons. The country's traditional parties of centre-left and centre-right have fragmented. In its recent presidential elections, half of voters have opted for extremists in the first round. President after president has failed to get the budget under control. An ageing population and growing threats to national security mean that the fiscal burden will grow. The country's crass and obstructive political discourse only accelerates the drift to the extremes—and thereby makes solutions harder. In one way or another, much of Europe is caught in the same wretched trap.

The result, in France at least, is gridlock. With no party or alliance close to a majority in the National Assembly, the country now faces the prospect of a series of short-lived minority governments that will struggle to accomplish anything. Because the president, Emmanuel Macron, called his ill-judged snap election only six months ago, France cannot call a fresh election until July next year—and even then, there is no guarantee that any party or coalition will win a majority. Although a government shutdown should at least be avoided, because this year's budget can probably be rolled over into next year, the situation precludes any reform.

The underlying problem is that most French voters are unwilling to face economic reality. Like other ageing European countries facing competition from America and Asia, France is spending unsustainably. This year its budget deficit is forecast to exceed 6% of GDP. Mr Barnier, at Mr Macron's behest, was trying to fix that. His package of €40bn (\$42bn) in spending cuts and €20bn in tax rises would have brought the shortfall down, though

only by a percentage point or so. Even that was too much for the irresponsible right and left, which would rather chase power by fanning popular discontent.

It is hard to see how this can be resolved. Until voters rediscover the merits of frugality, they will go on voting for the fantasies peddled by the extremes. Sensible, ie painful, budgets will not be passed. Economic growth would make all that easier, but France is growing by barely 1% a year—not too bad for the euro zone, but not nearly enough to make a dent in the budgetary problem. France's debt stock is an alarming 110% of GDP. Northern Europeans used to mock the PIGS—Portugal, Italy, Greece and Spain—for their profligate ways. France has now turned porcine, while the PIGS have largely reformed.

So far, the financial markets have remained calm. French sovereign-debt yields have ticked up a little, but the government can still borrow for less than a percentage point more than Germany's can. Contrast that with the spreads of over ten percentage points that Greece faced during the euro-zone crisis. The declaration by Mario Draghi in 2012 that the European Central Bank stood ready to do “whatever it takes” to defend the euro remains in force today.

Yet Mr Draghi's promise is merely a reprieve from the chronic problems of France and Europe, not a solution. Europe's economies are not growing fast enough to finance the demands upon them. The euro zone is projected to grow by just 0.8% in 2024. Mr Trump is threatening tariffs on all imports into America of 10% or perhaps 20%, with a lot more for countries he particularly dislikes, such as China, which might lead to a spate of dumping into Europe.

Across the continent the demands on government spending are increasing. Defence is a good example. France, like Germany, only just meets the spending target set in 2014 of 2% of GDP, and that is plainly not enough in a world where Vladimir Putin menaces his neighbours. At the same time, Mr Trump rightly complains that European members of NATO are free riders on America's far greater defence budget. Either because Mr Trump demands it or because he starts to withdraw from NATO, European countries will need to find a lot more money to spend on security.

Unfortunately, Europe's governing politicians are unable to generate a consensus on how to pay for existing and future demands. Across Europe, political fragmentation is leading to unstable governments, either because it creates scrappy coalitions, as in Germany or the Netherlands, or minority governments like France's or Spain's. Their weakness infects the EU as a whole because, without leadership from France and Germany, nothing ambitious can happen in Brussels.

The threat ahead

In the past, voters' discontent would have led to a healthy change of government. However, France is also a stark warning of where the politics of disappointment leads today. When voters have tired of centrist coalitions or weak minority governments, the only other choice before them is the political extremes. There is a real possibility of an RN-led government in France next year, or even a Le Pen presidency in 2027 when the next election must be called. If Mr Macron stuns France by deciding that his presidency has become so unbearable that he resigns, it might come even sooner. ■

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High rollers

America's gambling boom should be celebrated, not feared

The gambling frenzy is mostly about people being free to enjoy themselves

Dec 05, 2024 03:44 PM



A CRAZE FOR betting is sweeping over America. This year Americans are on track to wager nearly \$150bn on sports, having bet a paltry \$7bn in 2018. Another \$80bn is being wagered in online casinos; in the few weeks when election gambling was legal before the presidential vote, hundreds of millions of dollars were placed on the outcome. Even physical casinos are spreading. Soon the island of Manhattan could have its own casino towering over Times Square.

As our [Briefing](#): this week explains, the revolution has been unleashed by the overturning of bans, the rise of always-available betting apps and a booming economy. It is turning gambling into a mammoth business. Americans may wager as much as \$630bn online by the end of the decade, quadrupling gambling companies' revenues from sports-betting and virtual casinos. Earlier this year the market capitalisation of Flutter, a company that owns online betting platforms including FanDuel, the biggest sports-betting site in America, overtook the biggest behemoth in physical casinos, Las Vegas Sands. Gambling is changing the nature of sports, too, invigorating fans and enlivening broadcasting. Last year ESPN, the sports network owned by Disney, launched its own betting app.

What to make of this upsurge? One view is that it is a worrying sign. Many people see gambling as a vice that ensnares the poor. For them, taking a punt is an indicator of economic immiseration, and the loosening of prohibitions is a mistake that must be corrected as soon as possible. In fact, much about today's gambling boom should be celebrated as an expansion of people's freedom to lead their lives as they choose.

In part America's boom reflects the fact that it is catching up with the rest of the world. For decades Uncle Sam confined gambling to casinos, which themselves were restricted to Las Vegas, tribal reservations or riverboats. America's attitudes to sex, drugs, alcohol and gambling are shaped by its puritanical past. In many states, liquor cannot be sold before church wraps up on Sunday. Hollywood long followed a morality code, which barred depictions of illegal drugs or "licentious" nudity and warned film-makers not to make criminals appear sympathetic.

But court rulings in recent years have paved the way for states to legalise and regulate gambling. Many of them, thirsty for new revenue streams, have flocked to gambling as a money-spinner. In 2018 sports-betting was legal only in Nevada. Now it is permitted, with some restrictions, in 38 states. By contrast, sports-betting has long been legal in Australia, Canada and much of Europe and South America. It has been legal in Britain since the 1960s.

Another reason for the boom is technology. The ability to bet using your smartphone, and from the stadium or comfort of your own sofa, has boosted

bookmakers and online casinos everywhere. Through apps, bookies can offer punters countless types of bet, from play-by-play wagers, to how many fouls a team will commit or yards a player will gain. These can be combined and bundled up into “parlays”, which pay out only if all bets come good. Even as online-gambling revenues have soared by 40% year on year in America, they are growing by double digits in places as varied as the Philippines and Poland.

Considering gambling’s seedy, unsavoury reputation, it is tempting to write all this off as unhealthy and dangerous. And it is true that, for some, gambling is a ruinous addiction. However, whereas state lotteries are disproportionately played by the poor, the new forms of gambling are less regressive. Sports punters are mostly relatively well-off young men. According to one survey 44% of them earn more than \$100,000 a year, compared with 28% of full-time workers.

And sports-betting is a far cry from sitting at a machine, alone, feeding quarters into a slot. It is often a communal activity. Unlike roulette, a game of luck in which everyone understands that the house always wins, it can be a skill. Other vices that America enjoys and taxes, like alcohol, are responsible for more catastrophic harm.

It is also true that America has a habit of rushing into liberalisation before it has put enough guardrails in place. Just look at Oregon’s experiment in drug decriminalisation, which led to a worrying spike in overdose deaths, because the framework and funding for addiction treatment had not yet been established. However, the lesson from other countries is not to ban gambling altogether, but to regulate its harms. Some countries place restrictions on how accounts must be funded (via bank account, not credit card) and on when and how gambling companies can advertise.

The gambling industry itself could do more to quell fears about its practices. Its approach to customer selection means that good players are quickly identified and their stakes limited to a few dollars or even pennies. Being more open about that practice, or even relying on it less, would do a lot to dispel fears that the odds are stacked against the player.

However, trying to shut gambling down again would probably leave America worse off. In China the Communist Party has long [waged war on all forms of gambling](#): outside Macau and Hong Kong, but today it is struggling more than ever to suppress the industry. Criminalising gambling would deprive tens of millions of people of entertainment and drive the most compulsive bettors underground, where they would be more vulnerable to abuse.

All aflutter

The boom in betting is worth celebrating. One reason is that gambling in casinos becomes more popular in a strong economy—unlike participation in state lotteries, long tolerated in America, which tends to rise in downturns.

The more important reason, however, is that the boom is a consequence of people's enjoyment. In surveys 40% of Americans say they bet on sports—and the share would be higher still if all states legalised it. Freedom is not only measured by speech and political liberty, but also by the ability to spend your money as you wish.■

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Seoul saved

Yoon Suk Yeol of South Korea should resign, or be impeached

His coup attempt was foiled. But grave tests still remain for the country

Dec 05, 2024 03:44 PM



AS WITH MANY attempted coups, it started late at night. Around 10pm on December 3rd [Yoon Suk Yeol](#), the conservative president of South Korea, suddenly declared martial law: banning all political parties and severely curbing media freedom. Soldiers were deployed to the parliament building and riot police lined the roads. But six hours later, after opposition politicians had barricaded themselves inside parliament and thousands of courageous protesters had taken to the streets, he abruptly reversed course.

That a liberal democracy should suffer so brazen a coup attempt is as disgraceful as it is shocking. The good news is that South Koreans swiftly

and firmly rejected it. The furious crowds in Seoul insisted that Mr Yoon had no right to take away their freedoms, confronting soldiers who seemed visibly uncomfortable with what they had been ordered to do. Lawmakers voted unanimously against the imposition of martial law. Even Mr Yoon's own party stoutly refused to back him. In short, the checks and balances held, at least for now.

The bad news is that the story is not over. South Korea is a youngish democracy that was under military rule until the 1980s and it has taken a beating. Mr Yoon is still president. What happens in the next few weeks is of importance both to South Korea and the [politics of East Asia](#), where America and China vie for influence.

Mr Yoon's motives are still not known. He was losing his grip and beset by scandals, including one involving his wife being filmed accepting a luxury handbag as a gift. His approval ratings fell to around 20% last month, down from around 50% when he [took office in 2022](#). His agenda was being blocked by the opposition, led by the Democratic Party (DP), which [won legislative elections](#) in the spring and had just trimmed his budget by \$3bn, or 0.16% of GDP. Such things are normal in a democracy, but Mr Yoon claimed that the National Assembly had "become a monster". He even implied that its members were collaborating with North Korean "communist forces". He provided no evidence for this slur.

Mr Yoon should resign immediately. He has proved himself unfit for any office, let alone the presidency of South Korea. Rich, free and a key member of the global coalition of democracies, it is a treaty ally with America, a supporter of Ukraine and a nation that has stood firm against communist aggression since the 1950s. It is also creative and innovative in fields as varied as artificial intelligence and pop music. It is alarming that the president of a country that stands as an example of a successful democratic transition would flirt with reverting to autocracy.

If Mr Yoon does not step down, the impeachment proceedings against him that have already started should press ahead. Securing the necessary two-thirds majority would require only eight members of his own People's Power Party (PPP) to vote against him. They should do so in large numbers, even if it puts the opposition in charge. Their spines ought to be stiffened by

cabinet resignations and mass demonstrations. Besides, Mr Yoon's ties to the PPP are recent and shallow.

Even if Mr Yoon is ejected, it will be too soon to relax. South Korea's institutions have proved resilient. But politics remains polarised and bitter, in a world where that often saps the spirit of democracy. In addition, South Korea's next chapter may be difficult. Mr Yoon, for all his dire faults, was pro-American. A president from the DP would lean more towards China than he did, and may take a less robust view of North Korea. Expect further twists and turns in this terrifying K-drama. ■

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Wessex and the White House

Joe Biden abused a medieval power to pardon his son

The president's reversal is understandable, humane and wrong

Dec 05, 2024 03:44 PM



ONE QUESTION facing the framers of America's constitution was how to check the judges. Part of their answer was the presidential pardon. If it seems a bit medieval to let one man dispense (and dispense with) justice, that is because it is. In British law the "prerogative of mercy" can be traced back to the reign of King Ine of Wessex in the seventh century.

In pardoning his son Hunter for convictions on [tax](#) and [gun charges](#), Joe Biden has abused it. The Supreme Court has described the pardon as "an act of grace"; and which loving father, having lost one child in a car crash and

another to cancer, could resist sparing his addiction-prone son prison time and, possibly, further prosecutions?

Yet Mr Biden is the president. The court has also said that pardons can advance “the public welfare”. This one harms it.

Mr Biden broke his word. Asked in June about a pardon for Hunter, the president replied: “I said I’d abide by the jury decision, and I will do that. And I will not pardon him.” If the harm from this were just to Mr Biden’s reputation, it might be contained. Other presidents have pardoned people close to them: Jimmy Carter pardoned his brother, Bill Clinton his half-brother, Donald Trump his daughter’s father-in-law (and has just appointed him ambassador to France).

More damaging, Mr Biden’s pardon also blurs a crucial distinction Democrats make between themselves and their MAGA opponents. Several cited Mr Biden’s refusal to interfere in the Department of Justice’s (DoJ) investigation into his son as evidence that, unlike Donald Trump, whose respect for the rule of law and norms like DoJ independence was selective, their party acted on principle. That argument now seems hollow.

When President Trump pardons those convicted over [the attack on the Capitol](#) on January 6th 2021, as is likely, what principle will Democrats appeal to? DoJ independence is a relatively new convention, developed in the aftermath of Watergate. The Biden administration paid some respect to this principle. But through an independent counsel, it brought federal cases against Mr Trump which had the effect, for those sympathetic to him, of appearing to politicise justice. Mr Trump does not bother with such niceties. His picks to run the DoJ and its constituent bits seem chosen largely for their willingness to act according to his will. They will now be harder to stop.

“The charges...came about only after several of my political opponents in Congress instigated them to attack me and oppose my election,” Mr Biden wrote in the preamble to the pardon. Sound familiar? The prosecution may indeed have been selective and flimsy, but it was conducted by an independent special counsel in front of an independent judge, and won a conviction from an independent jury.

The pardon thereby confirms the cynicism many Americans feel about their politicians and institutions. In his speech to the Democratic National Convention, Barack Obama warned Americans that Republicans will “tell you that government is corrupt; that sacrifice and generosity are for suckers; and that since the game is rigged, it’s OK to take what you want and look after your own”. With this pardon, Mr Biden applies one set of rules to himself and his family members and another to the people he serves. At best he has sacrificed his legacy to his love for his son; at worst he has endorsed the view that the system is too rotten for principled gestures to count any more.

One of the many disappointments about Mr Biden is that he talked as if Mr Trump was a threat to the republic, yet never acted as if he truly believed it. When his own party’s voters were worried that he was too old to run, he stayed stubbornly in the race. He warned about Mr Trump abusing the machinery of justice, then pardoned his son—but so far none of the other people who might be pursued by a vindictive DoJ. It is an ignominious coda. Unfortunately, it is also a prelude. ■

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Heavy lift

NASA is an obvious target for Elon Musk's axe

Its Moon programme is a mess. But DOGE is likely to struggle to cut it to size

Dec 05, 2024 03:44 PM



Getty Images

THEY SAY you should do something you love. Jared Isaacman, a tech billionaire nominated on December 4th as Donald Trump's choice to run NASA, is so keen on space that he has spent hundreds of millions of dollars of his own money to go there not once, but twice.

But Mr Isaacman did not go into space using a NASA rocket. Instead he bought propulsion and spaceships from SpaceX, a private firm whose cheap, reusable launchers have revolutionised the space business. Those experiences seem likely to influence how Mr Isaacman would run NASA.

SpaceX's owner Elon Musk, to whom Mr Isaacman is close, is one of the two bosses of the new Department of Government Efficiency (DOGE), a presidential advisory commission tasked with cutting wasteful government spending. Everyone likes cutting government waste in theory and NASA offers plenty of targets. Yet, as both Mr Isaacson and Mr Musk are likely to discover, it is cutting waste in practice that is hard.

To see why consider Artemis, the late-running, \$93bn-and-counting programme to return astronauts to the Moon. It is organised around the giant [Space Launch System \(SLS\) rocket](#), which is built from upcycled Space Shuttle parts, ostensibly to save money. Yet NASA's inspector-general reckons the first four flights will cost \$4.1bn each—perhaps 20 times the price of one of SpaceX's Falcon Heavy rockets.

Artemis is also saddled with a pointless, make-work space station near the Moon, the Lunar Gateway. The crew capsule, Orion, has absorbed over \$25bn in funding over 20 years yet still does not function: a problem with its heat shield seems certain to cause delays. Even the relatively simple job of building a mobile tower to hold the SLS upright has been a disaster. Budgeted at \$383m, for completion in 2023, the current cost estimate is \$2.7bn, to be ready six years late.

Old NASA hands admit Artemis is a mess. But it has proved impossible to kill, or even modify, despite the fact that the state of the art has left it further and further behind. When in 2019 Jim Bridenstine, then NASA's boss, floated the idea that the Falcon Heavy might be able to get astronauts to the Moon sooner than the SLS, he nearly lost his job.

He was dressed down by Richard Shelby, then a senator from Alabama, home to the NASA centre that manages the SLS. For although NASA is a space agency, it is also a well-engineered machine for distributing pork. When NASA was founded in 1958 it established centres across America, cannily recruiting a phalanx of congressional bodyguards who would be keen to preserve high-paying jobs in their constituencies. These days, as Mr Shelby demonstrated, it is the bodyguards who run the show.

Mr Isaacson and Mr Musk certainly have the experience and the zeal to whip Artemis into shape. Unfortunately, it is far from clear whether that

will be enough to overcome Congress, which exercises control over NASA's budget and which looks on delivering goodies to constituents as a higher purpose.

And while Mr Isaacson and Mr Musk are well-suited to the task in some ways, in others the two friends are the worst people to take an axe to NASA. As the owner of SpaceX, the only plausible alternative, Mr Musk stands to benefit from cancelling the SLS. No matter how justified, it will be impossible to avoid accusations of self-dealing. That will give DOGE's foes even more ammunition. Do not bet against Mr Trump eventually writing the whole thing off as too much trouble—and Artemis plodding on with its lumbering journey into space. ■

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Letters

- **[Letters to the editor](#)**

On Northvolt, veterans' benefits, iodine, Somalia, farm villains :: A selection of correspondence

On Northvolt, veterans' benefits, iodine, Somalia, farm villains

Letters to the editor

A selection of correspondence

Dec 05, 2024 03:44 PM



Letters are welcome via email to letters@economist.com

Northvolt's restructuring

“[Lessons from the failure of Northvolt](#)” (November 30th) highlighted the company’s challenges but missed a crucial point. Northvolt continues its mission, even as it navigates a restructuring process. This is not a retreat but a recalibration, a necessary step to advance Northvolt’s mission with a different capital structure, but with the same ambition.

Northvolt’s trajectory underscores the risks inherent in pioneering industrial transformation. Battery cells are not commodities and their production is

one of the most complex challenges in modern engineering. Europe is behind and shouldn't accept that 40% of the electric-vehicle value chain goes elsewhere. Northvolt took this challenge head-on and is now delivering to customers. Although the company has yet to fully scale its breakthroughs, it is Europe's leading homegrown battery manufacturer. For the sake of competitiveness, strategic autonomy and green transition, Europe requires such bold ventures.

You pointed out that a reliance on government support can create a false sense of security. This falls wide of the mark, as Northvolt has relied less on public funding than most competitors. However, we are grateful for our strategic partnerships with the EU and with the German and Canadian governments. Big industrial transitions rarely succeed without collaboration between governments and private investors. Government support beyond solely funding is crucial in complex industrialisations like these.

Northvolt's journey reflects the challenge of transitioning to a sustainable future. Our Chapter 11 filing is not merely a response to challenges but a proactive measure to embark on new operational and financial partnerships. Based on the strong foundation of the resources, relationships and expertise accumulated over years of effort, Northvolt continues to pursue its vision for clean-energy innovation. The restructuring underscores our resilience, positioning Northvolt as a beacon for European industry and a vital driver of the green transition.

TOM JOHNSTONE
Interim chairman
Northvolt
Stockholm



Getty Images

Veterans' benefits

Your article characterising disability benefits for American veterans as “absurd” struck a painful chord (“[The price of patriotism](#)”, November 30th). I served for 21 years and feel compelled to respond. These benefits weren’t handed out as gifts. They were earned through sacrifice and suffering. Each disability payment you label as “absurd” represents a real person coping with lasting injuries, whether visible or invisible. Many veterans struggle daily with post-traumatic stress disorder, traumatic brain injuries and physical disabilities that fundamentally altered their lives.

The real absurdity lies in the suggestion that caring for those who served their nation in war is a matter of fiscal convenience rather than moral obligation. If your intent was to highlight waste or inefficiency, then there are countless other places in government (and even the Pentagon) to look at without vilifying veterans who gave so much and asked so little in return.

DANIEL SHIRES
Pinehurst, North Carolina

I respect your concern about rising veterans' benefits, but I strongly disagree with the description of these payments as "absurdly generous." The increase reflects the lasting toll of modern warfare, including PTSD, traumatic brain injuries and exposure to toxins like burn pits. Comparing today's system to its origin in the first world war ignores these realities.

Disability prevalence is also rising across the general population in America, driven by ageing, chronic disease, improved survival after severe injuries and greater recognition of mental-health conditions. Long covid has added to this trend. Veterans' benefits align with this broader need, addressing significant service-related disabilities that require life-long care.

Meanwhile, waste elsewhere far exceeds the Veterans Affairs' \$336bn budget. Over \$403bn was lost to covid-19 relief fraud and waste. Focusing on veterans' benefits while tolerating such losses is unjust and short-sighted.

Veterans' benefits are not excessive. They are deserved and just. Undermining them betrays the promises made to those who served.

DR AARON NAJI (US AIR FORCE VETERAN)
Yorktown, Virginia

Your article was good as far as it goes. When my father retired from a military career, the doctor at his exit physical actually pushed him to accept full disability. My father felt insulted and refused, even though he had contracted tuberculosis on active duty and had residual problems. When I left the armed forces after my two-year obligation, I was also encouraged to accept partial disability even though I was healthy. I have friends who are on full disability, one from knees that have been wrecked by too much handball.

There is a wink, wink, nod, nod conspiracy within the medical branches of the military that would be very difficult to root out. Well-meaning disability decisions and outright fraud make this third-rail issue pretty much unfixable.

NAME WITHHELD BY REQUEST

Prescott, Arizona



The importance of iodine

As you explained, iodine deficiency causes inadequate production of thyroid hormone, which is needed for normal migration of neurons and brain development during fetal and early postnatal life ("[Worth its salt](#)", November 9th). Low thyroid hormone during these early periods causes brain damage. To avoid such damage, salt has been iodised in many countries, though the use of iodised salt is somewhat sporadic.

In Britain we found a significant association between low iodine status in pregnant mothers and their children's brain development. Children whose mothers were iodine deficient in pregnancy (67% of those surveyed) had an approximately 60% greater risk of being in the bottom quarter of scores for IQ and reading ability at 8- to 9-years old. The more severe the level of iodine deficiency in the mother, the worse the effects on verbal IQ and reading comprehension.

Your report showing that iodine deficiency may once again be on the rise in America should raise alarm bells, as should the fact that only 40% of European countries have mandatory salt-iodisation policies. British pregnant women are required to take folic acid each day. Given the near-absence of iodised salt in Britain and the move away from dairy milk (which has been iodised since the 1930s) to plant-based milks, those folic-acid tablets should also contain iodine.

MARGARET RAYMAN

Professor emeritus

University of Surrey

Guildford



Somalia responds

The headline to your article on an election in Somaliland was misleading, presenting its claim to statehood as inevitable (“[The world’s next country?](#)”, November 16th). This undermines Somalia’s internationally recognised sovereignty. And the framing of your article was provocative. It is worth noting that international observers covered only four of Somaliland’s 24

districts, and the entire eastern region abstained from participation in the election, facts that were omitted from the piece.

You selectively amplified narratives favouring Somaliland's claims and ignored Somalia's legal position and the perspectives of clan groups, such as those in the Khatumo and Awdal regions, who have actively opposed secession. Furthermore, citing J. Peter Pham on Somaliland's secession without providing a counter-argument undermined your credibility and violated the principles of balance and fairness.

Additionally, the article didn't mention the critical context regarding Somalia's territorial integrity, which is enshrined in international law, including the United Nations Charter. This omission creates a distorted narrative that implicitly endorses a divisive and contentious position, jeopardising the peace and stability of the Horn of Africa.

DAUD AWEIS JAMA

Minister of information, culture and tourism

Government of Somalia

Mogadishu



Down on the farm

Bagehot's list of farmer villains in children's books (November 9th) omitted one such baddy who surely ranks high in the pantheon of this dubious company. Beatrix Potter's immortal character, Mr McGregor, who tenaciously but vainly hunted Peter Rabbit. His wife baked Peter's father in a pie.

JACKSON GILMAN-FORLINI
Baltimore

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By Invitation

- **An agenda to maximise AI's benefits and minimise harms, by David Patterson**

Artificial Intelligence :: How technologists, researchers and policymakers can reassure people AI will serve the public good

- **How to turn European savings into investment, innovation and growth, by Christine Lagarde**

Economies of scale :: A fragmented financial infrastructure means that Europe gets less bang for its euro

Artificial Intelligence

An agenda to maximise AI's benefits and minimise harms, by David Patterson

How technologists, researchers and policymakers can reassure people AI will serve the public good

Dec 05, 2024 03:44 PM



PEOPLE ARE reacting with both fascination and fear to the rapid deployment of artificial intelligence (AI). Some see the next era of humanity and others, imminent dangers. Without visibility into how AI is being developed and brought into their lives, people just aren't equipped to navigate the rapidly evolving landscape.

This was the subject of a spirited conversation I had in February 2024 with Andy Konwinski, a former student of mine and the co-founder of two AI-related startups, Databricks and Perplexity. Andy shared his disbelief that a friend's son had dropped out of his computer-science programme. This bright student believed AI would soon make programmers obsolete.

He isn't alone: according to Gallup, three-quarters of Americans say that AI will reduce the total number of jobs within ten years. It reminded me of a similarly promising student who, 20 years ago, abandoned computer science owing to his fear that offshoring meant virtually all programming jobs would shift to lower-income countries like India. His panic was misplaced: since 2000, both the number of jobs for programmers in America and their inflation-adjusted salaries grew by half.

Our conversation turned to shared frustration over the polarised discourse between AI "accelerationists" and "doomers". The reality, we agreed, is more nuanced. We concluded that there is an urgent need for computer scientists to take a more active role in both steering research and shaping the narrative. Rather than simply predict what the impact of AI will be given a laissez-faire approach, our goal was to propose what the impact could be given directed efforts to maximise the upsides and minimise the downsides.

We then assembled nine of the world's leading computer scientists and rising AI stars, from academia, startups and big tech, to explore the pragmatic near-term impact of AI. We also interviewed two dozen other experts about AI's impact on their specialties, including John Jumper, a winner of this year's Nobel prize in chemistry, on science; President Barack Obama on governance; his former UN ambassador and national security adviser Susan Rice on security; and Eric Schmidt, a philanthropist and Google's former chief executive, on several topics. For those interested, we've compiled our learnings into a more detailed 25-page paper.

Five guidelines emerged for harnessing AI for the public good. We believe they should guide our efforts in both the discovery and deployment of this transformative technology.

First, humans and AI systems working as a team do more than either on their own. Applications of AI focused on human productivity produce more positive benefits than those focused on human replacement. Tools that make people more productive increase their employability, satisfaction, and opportunity. People can act as safeguards if the AI veers off course in areas for which it is not well trained. In short, focussing on human productivity helps both people and AI succeed.

Second, to increase employment, aim for productivity improvements in fields that would create more jobs. Despite tremendous productivity gains in computing and passenger aviation, America in 2020 had 11 times more programmers and eight times more commercial-airline pilots than in 1970. This growth is because programming and air transport are fields for which, as economists say, demand is elastic. Agriculture, on the other hand, is relatively inelastic, so productivity gains meant the number of agriculture jobs fell by three-fourths in one human lifetime (1940 to 2020). If AI practitioners aim to improve productivity in elastic fields, despite public fears, AI can actually increase employment.

Third, AI systems should initially aim at removing the drudgery from current tasks. Releasing time for more valuable work will encourage people to use new AI tools. Doctors and nurses choose their careers because they want to help patients, not do endless documentation. Schoolteachers prefer teaching, not grading and record-keeping. High priority should be given to AI tools that are going to improve the meaningfulness of people's current work in hospitals and classrooms.

Fourth, the impact of AI varies by geography. [Eric Schmidt](#) emphasises that while rich countries worry about AI displacing highly trained professionals, countries with lean economies face shortages of skilled experts. AI could make such expertise more widely available in such regions, potentially enhancing quality of life and economic growth, becoming as transformative there as mobile phones have become. For example, an AI system that improved the skills and productivity of nurses and physician assistants would also give more patients access to high-quality health care in regions that are short of doctors. The increasing popularity of smartphones in low- and middle-income countries enables widespread access to multilingual AI

models that can dramatically help people in low- and middle-income countries to get access to information, education, media/entertainment, and more in their native languages if desired. Improvements to local economies and critical services may even provide alternatives to emigration for some in middle income countries.

And finally, we need better metrics and methods to evaluate AI innovations. At times the marketplace can do this, such as for AI tools for professional programmers. In high-stakes domains it cannot, because we cannot risk harming participants. We need to use gold-standard tools: A/B testing, randomised controlled trials, and natural experiments. Equally urgent is post-deployment monitoring to evaluate whether AI innovations do what they say they are doing, whether they are safe, and whether they have externalities. We also need to continuously measure AI systems in the field so as to be able to incrementally improve them.

There is no shortage of concerns about the risks and complexities of AI, which we address in the long paper: data privacy and security, intellectual-property rights, bias, information accuracy, threats to humanity from more advanced AI, and energy consumption (though on this last point, AI accounts for under a quarter of 1% of global electricity use, and the International Energy Agency considers AI's projected increased energy consumption for 2030 to be modest relative to other trends).

Although there are risks, there are also many opportunities both known and unknown. It can be as big a mistake to ignore the benefits of AI as it is to ignore its risks. AI moves quickly, and governments must keep pace. Similar to how the government collaborated with industry in the successful development and deployment of chips and cars, we propose a coordinated public-private partnership for AI. Its goal would be to remove bureaucratic roadblocks, ensure safety and provide transparency and education to policymakers and the public.

At this point, readers might expect that we scientists are about to ask for government funding. But we believe that money for these efforts should come from the philanthropy of the technologists who have prospered in the computer industry. Several have already pledged support, and we expect more to join. We think these commitments should be deployed in two ways:

to create major inducement prizes to stimulate research and recognise breakthroughs, and to fund ad hoc three- to five-year multidisciplinary research centres.

We brainstormed on an AI moonshot. But which goal? We might create an AI mediator that orchestrates conversations across political chasms to pull us out of polarisation and back into pluralism. We can leverage the growing prevalence of smartphones by aiming to create a tutor app for every child in the world in their language, for their culture, and in their best learning style. We might enable biologists and neuroscientists to make a century of progress in a single decade. But if we create the right blueprint for innovation, and bring experts and users together into the conversation, we don't have to pick just one moon. ■

David Patterson is the Pardee Professor of Computer Science, Emeritus at the University of California at Berkeley.

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Economies of scale

How to turn European savings into investment, innovation and growth, by Christine Lagarde

A fragmented financial infrastructure means that Europe gets less bang for its euro

Dec 05, 2024 03:44 PM



EUROPE IS NOT short of ideas, innovators or savings. Europeans save more of their income than Americans, and their share in global patent applications is close to that of the United States. But Europe often struggles to turn ideas into new technologies that can drive growth. One reason is that it is much less able than the United States to channel its significant savings into scaling up innovation.

In response, the EU has spent years trying to build a “capital markets union”. Since 2015, there have been more than 55 regulatory proposals and 50 non-legislative initiatives. But a broad agenda has led to little progress. Europe must refocus, exposing the key blockages in the financing pipeline and identifying a smaller number of solutions with the highest return. Three stand out today.

First, Europe’s savings are not entering capital markets in sufficient volume. Europeans hold one-third of their financial assets in cash and deposits, compared with one-tenth in America. If EU households were to align their ratio of deposits to financial assets with that of American households, a stock of up to €8trn (\$8.4trn) could be redirected into long-term, market-based investments.

A barrier to such diversification is the retail investment landscape in Europe. Many households face few suitable investment options and high fees. Retail investors in European mutual funds, for example, pay almost 60% more in fees than their American counterparts.

A standardised, EU-wide set of savings products—a “European savings standard”—is the best way to move forward. Such products would be accessible and transparent, offering a range of investment options structured according to clear criteria. And they would be affordable, because there would be less red tape, more comparability and more competition. The attractiveness of the European standard would also be enhanced by harmonising tax incentives across countries.

Second, when savings do reach capital markets, they are not expanding throughout Europe. That limits the ability to build up large pools of capital to finance transformative technologies. For example, more than 60% of households’ equity investment takes place within their own country.

These national silos are sustained by an extraordinarily fragmented set of financial market infrastructures. The EU boasts 295 trading venues, 14 central counterparties and 32 central securities depositories (CSDs). In the United States, there are only two securities clearing houses and one CSD.

A patchwork of different corporate, tax and securities laws hinders consolidation, exacerbated by national authorities mandating the use of national CSDs for certain transactions. Europe's approach to overcome these barriers has been incremental harmonisation. But progress is much too slow.

Europe needs a change in method to bypass entrenched vested interests. That is why last year I called for a “European SEC” to provide enforcement of a common rulebook across the EU as the Securities and Exchange Commission does in America. But alongside this goal, there are complementary options Europe can pursue.

One would be a two-tier approach, as Europe already has for competition enforcement and banking supervision. Financial-services providers that fulfil certain criteria—such as size or cross-border activity—would fall under European supervision. National authorities would continue to supervise smaller national players.

Another option would be to use “28th regimes” in areas where progress has stalled—a special EU legal framework with its own regulations sitting alongside those of the 27 member states. For example, we could envisage a 28th regime for issuers of securities providing unified corporate and securities law.

Third, once savings have been allocated by capital markets, they are not exiting towards innovative companies and sectors, owing to an underdeveloped ecosystem for venture capital (VC) in Europe. VC investment is only around one-third of American levels, and Europe is largely reliant on American VCs to fund innovation. More than 50% of late-stage investment in European tech comes from outside.

Europe should aspire to have American levels of VC, but it will not happen overnight. In the meantime, the EU needs to use all the flexibility in its financial system to help plug the gap.

Given that institutional investors have long investment horizons, the EU's regulatory regime should allow them to contribute more to long-term growth. For example, EU pension funds allocate just 0.01% of total assets

to European VC, a fraction of what their American counterparts invest in American VC.

The EU should also fully harness the potential of the European Investment Bank to pool risks and crowd private capital into European VC. And it should explore how to support innovation not only through equity, but also through debt. Developing securitisation in Europe could allow banks to free up balance-sheet space and play a greater role in financing innovation.

Progress in these three areas will be self-reinforcing. More high-growth companies will mean higher valuations, greater liquidity in EU markets and higher returns for savers. But it will require a change of approach from taking a large number of small steps to a small number of large ones—and choosing those that are most feasible and that will make the biggest difference. ■

Christine Lagarde is president of the European Central Bank

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Briefing

- **Gambling is growing like gangbusters in America**

What are the odds? :: Technology and legal changes are spurring a betting bonanza

What are the odds?

Gambling is growing like gangbusters in America

Technology and legal changes are spurring a betting bonanza

Dec 05, 2024 03:44 PM | NEW YORK



NEW YORKERS who wished to gamble used to be limited to a series of peculiar options: a lottery run by the state, raffles run by charities, casinos run by Native Americans, slot machines run by racetracks, horse-betting run by local governments—or a trip outside the state to a more permissive spot such as Atlantic City, New Jersey. In recent years, however, it is New York that has become more permissive. The state's first ordinary, commercial casinos started opening in 2016, although none in the area around New York City. In 2022 it became legal to bet on sporting events online. Next year or the year after the state is due to issue three licences to operate a casino in or near the Big Apple.

Jay-Z, a rapper, is teaming up with Caesars Entertainment, a big casino chain, to promote a proposed complex in Times Square. Wynn Resorts, which runs casinos in Boston, Las Vegas and Macau and is building one in the United Arab Emirates, is proposing a ritzy development by Penn Station, with a school, a park and low-income housing thrown in to appeal to the civic-minded. Steve Cohen, the owner of the New York Mets, a baseball team, wants to build an \$8bn gambling mecca next to their stadium in Queens. New Yorkers should soon be free to bet with abandon.

It is not just New York: “gaming”, as the industry euphemistically calls itself, is booming across the country. Some 40% of Americans say they wager on sport—a business that was illegal in every state but Nevada until 2018. The amount punters bet on sport on apps such as FanDuel and DraftKings was a mere \$7bn that year; this year it should reach almost \$150bn. That will generate around \$14bn in revenue for the companies concerned. Online casinos, which bring in around half the revenue that sports-betting does, are growing almost as quickly. And in October it became possible to bet on election outcomes, which led to a surge in wagers before America voted on November 5th.

Betting on betting

To hear the industry tell it, this is only the beginning. The leading provider of online sports-betting and online casinos estimates that by 2030 online gambling will generate some \$60bn-70bn in revenue each year, three or four times today’s haul. Then there is the conventional casino business, which generates around \$85bn in annual revenue, but would see that number jump if New York and other states mulling new licences, such as Texas, went ahead and issued them.

More esoteric forms of speculation, although not technically gambling in most regulators’ eyes, are growing equally fast. Day-traders are loading up on futures and options that expire in hours, as a way to bet on how a share-price will move in the very short term. Most such contracts earn little or no return, but some yield ten or 100 times the initial outlay. By the same token, much of the enthusiasm for certain cryptocurrencies can seem like a high-octane game of chance. Tot all of this activity up—betting in physical and

online casinos, on sport and on elections—and Americans are on track to wager \$700bn in 2024, up from \$400bn five years ago. In addition, they are probably betting several hundred billion dollars more each year on short-term equity moves.

Several different forces have fuelled this explosion. Legal changes, whether demanded by courts or ordained by legislatures, have been instrumental in opening up new markets. But so has technology, with mobile phones, geolocation and peer-to-peer betting allowing an array of new gambling formats that simply would not have been possible in the past. The new formats, in turn, have attracted younger, wealthier gamblers. These new punters have different habits from the gamblers of the past: activities like betting in online casinos and crypto-trading tend to increase when the economy is doing well, unlike lotteries, which attract more custom when times are tough. Perhaps as a result, the gambling boom is not upending as many lives as you might expect, although there is some evidence of harm.

Punters' progress

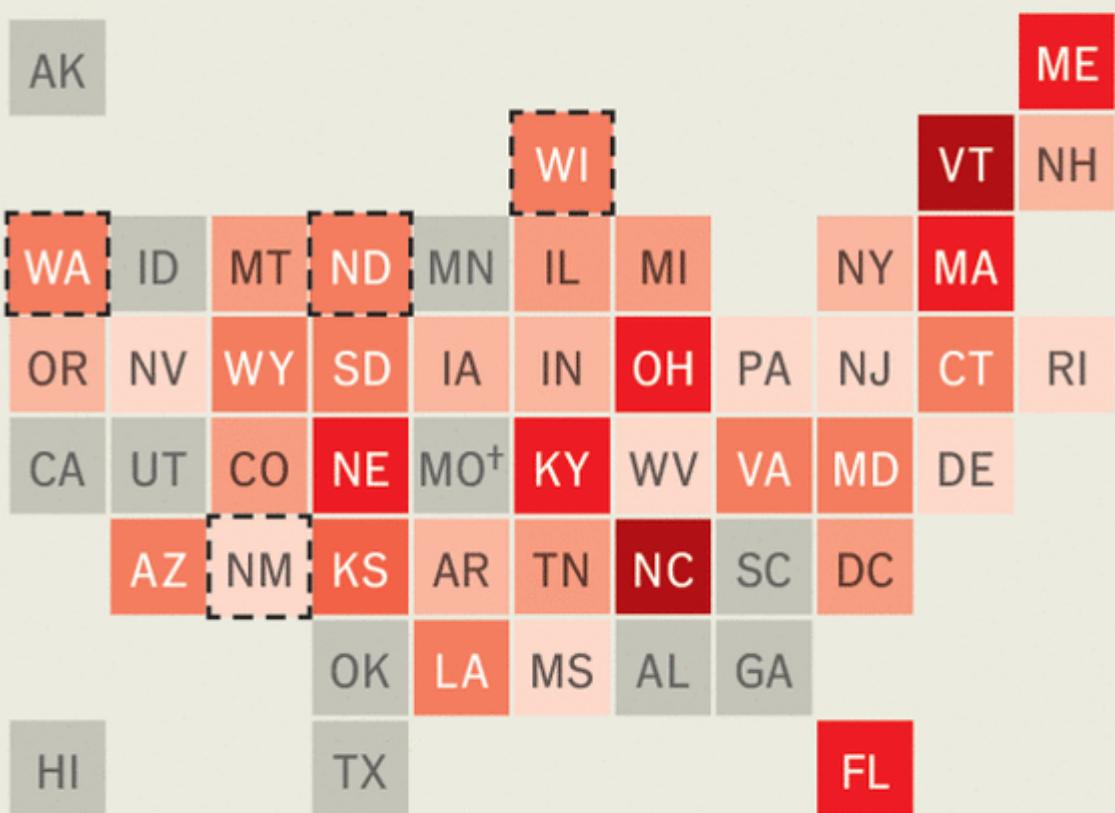
1

United States, availability of sports betting

Operational since



Only on tribal land



*Or earlier †Legal but not operational

Source: American Gaming Association

The Economist

State governments all across America, at any rate, seem to believe the benefits outweigh the costs. On May 14th 2018 the Supreme Court, at New Jersey's behest, threw out the law that limited gambling on sport to Nevada. "I sometimes will tell people that one day that will be a company holiday, because it was such an important day in the history of our firm," says Peter

Jackson, the boss of Flutter, which owns a vast portfolio of betting sites, including Paddy Power and Betfair as well as FanDuel, the biggest online sports-betting service in America. Over the six years since the ruling 38 states plus the District of Columbia have legalised sports-betting (see chart 1). For a change that must be enacted state by state, and in some places approved by referendum, that is a blistering pace.

In a sense, America is simply shedding an old aversion to gambling. Early Puritan settlers in New England banned possession of cards or dice, even at home. A second wave of restrictions dates to campaigns for “temperance” in the early 1900s. There has been slow, piecemeal liberalisation since, starting with horse-racing and lotteries in many states. For a long time Nevada was the only state to allow casinos. A Supreme Court ruling in 1987 paved the way for gambling on Native American reservations. Some states also allow casinos on boats. The result is a bizarre hotch-potch and lots of pent-up demand.

Odds and mods

But it is technology, as much as liberal state legislators, that has propelled gambling’s expansion. After all, online sports-betting and other digital forms of gambling are [growing in many markets](#): around the world. “I think what has really changed, over the last 20 or 30 years, is the impact that technology has had,” says Mr Jackson. “The Betfair exchange that started more than 20 years ago was one of the first peer-to-peer platforms that let people bet against each other without having a bookmaker sat there in between them. When people can pull their cell phones out and access the product there now, it gives them a lot more choice than they ever would have had going down to a local bookmaker.”

Sports fans tend to want to bet on their team, and popular teams tend to be the favourites and therefore offer miserly odds. But such bets, with their meagre returns, do not carry the same excitement as a long shot. A type of bet called a “parlay” in America and an “accumulator” in Britain gives sports-betting firms a way round this problem. These give customers the ability to combine a series of wagers in a higher-risk, higher-reward (and higher-margin-for-the-bookmaker) compound bet. They are priced by

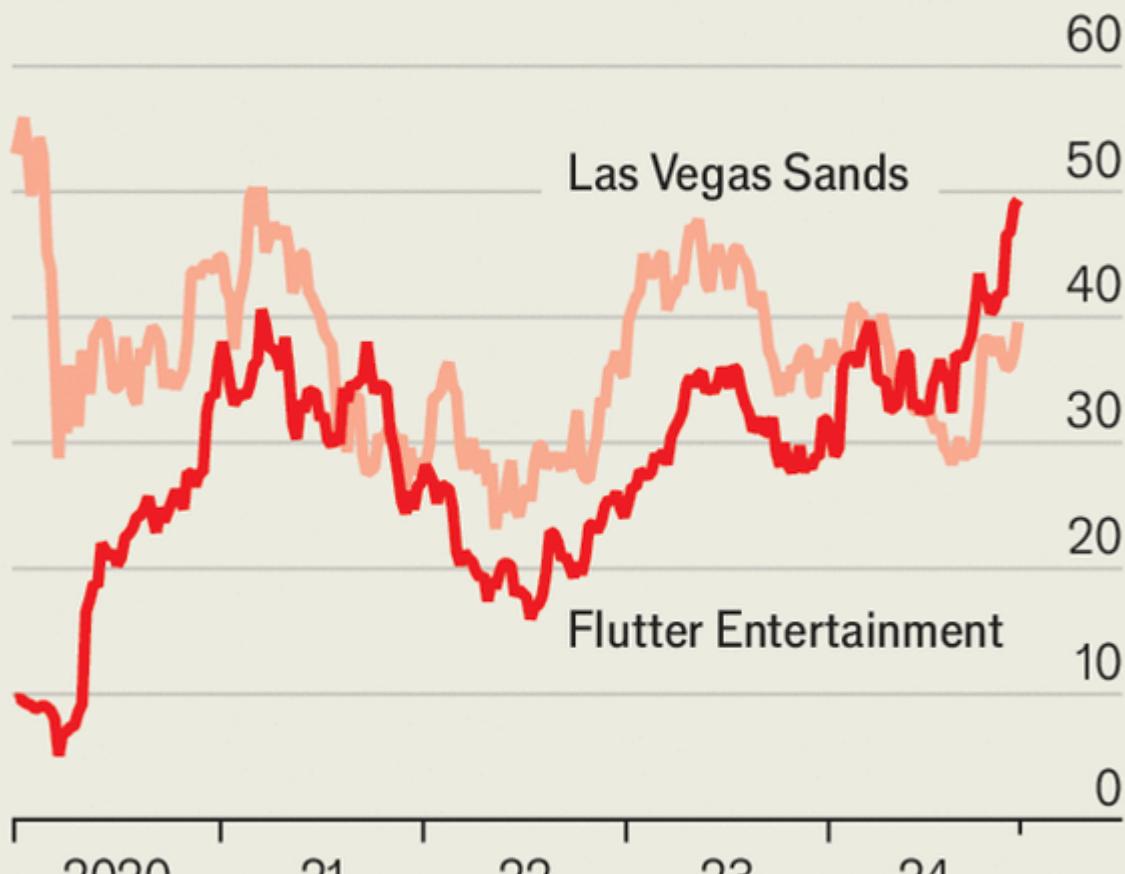
bookmakers using sophisticated models, which allow gamblers to dream up any combination of events they like—that the Kansas City Chiefs (an American football team) will win their next game by more than ten points, for example, and that Patrick Mahomes, their star quarterback, will throw passes totalling at least 300 yards in length and that Travis Kelce, their tight end, will catch passes totalling at least 100 yards in length. These bets pay out only if all the predicted events occur, and therefore have long odds. The popular parlay bets on FanDuel and DraftKings pay 25- or 30-to-1.

Technology also allows betting to occur as a sporting event takes place. A decade ago punters, where sports-betting was legal, would have to visit a betting shop to make a wager before watching the game from home or a pub. Now they can bet at any time. The odds update with every play. Fans love this. On the opening day of the American football season this year betting apps detected nearly 21,000 attempts to wager online from a stadium in Missouri, even though sports-betting was still illegal in the state. (Voters in Missouri approved its legalisation in a referendum in November, but the margin was so narrow—50.1% in favour—that a recount may be coming.)

Raising the stakes

2

Market capitalisation, \$bn



Source: LSEG Workspace

The Economist

Despite the punters' obvious enthusiasm, it was not initially clear how profitable online sports-betting would be. When it first got going in America in 2018 the hold percentage—the share of the total amount wagered that companies keep in revenue—was a miserly 5% or so. Table games in casinos tend to yield a healthier 15-20%, slot machines around 9%. Moreover, the big sports-betting firms' revenue was quickly ploughed back into advertising and promotions, which often take the form of free wagers. Over Thanksgiving FanDuel was offering a free \$150 to bet if a

customer deposited \$5, wagered it and won. And before the election FanDuel and DraftKings together spent more than \$40m trying to persuade Missourians to legalise sports-betting. Until recently neither firm was profitable.

But the economics are improving. The hold percentage has climbed steadily, probably helped by enthusiasm for long-shot parlays, to around 10-11%. Flutter turned a profit for the first time last year. It paid a paltry \$158m to buy a 58% stake in FanDuel back in 2018 before spending a heftier \$4.1bn to increase its stake to 95% in 2020. Both sums now look like pocket change, however. FanDuel commands a 53% market share in online sports-betting in America. Flutter should earn about \$7bn in revenue from the business in 2024. Its market capitalisation has soared, even as conventional gambling firms have stalled (see chart 2). It is now the most valuable gaming company in the world.

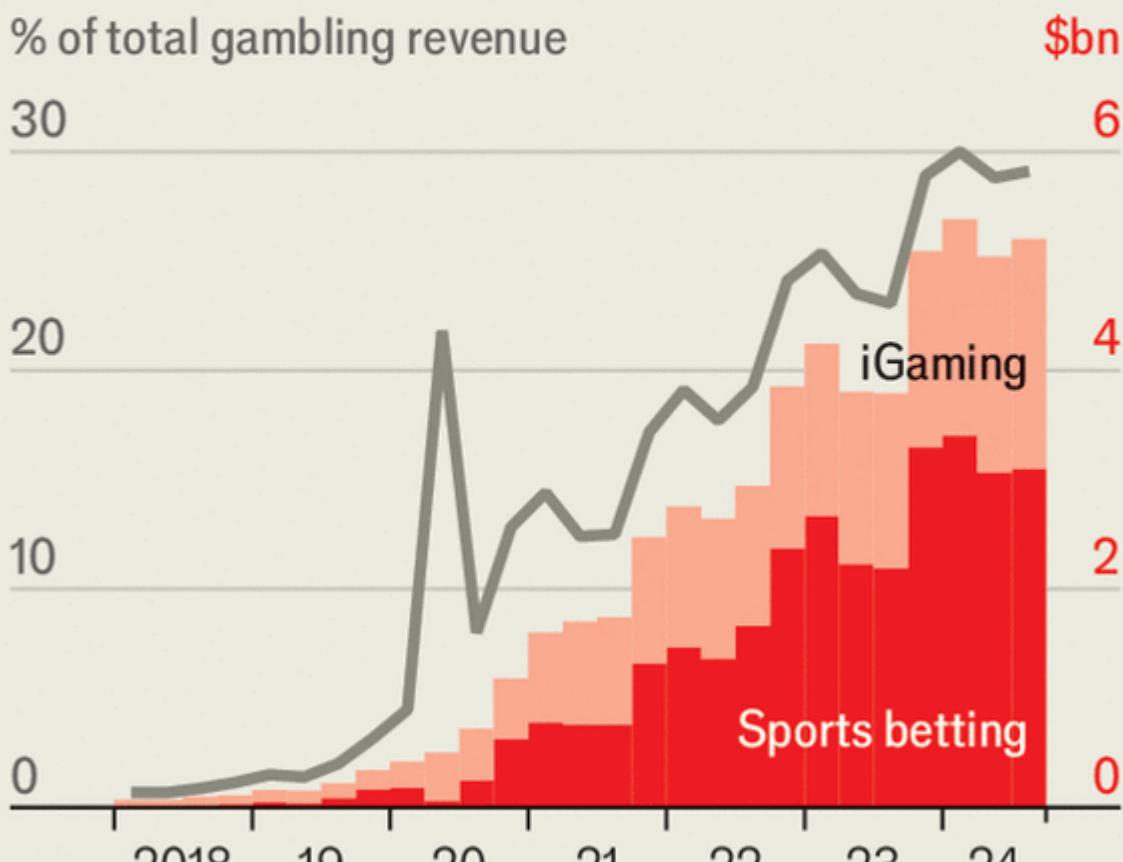
A major wager

There is more to come. Just as states have embraced sports-betting, a few have also legalised online versions of casino gambling—poker, blackjack, slot machines and so on. iGaming, as it is known, is legal only in Connecticut, Delaware, Michigan, New Jersey, Pennsylvania, Rhode Island and West Virginia. Because location software on phones is so accurate, use of iGaming apps really is restricted to these states. Yet even this small slice of America's gamblers generated around \$6bn in revenue for gaming firms in the first nine months of 2024, roughly 60% of the sum generated by sports-betting firms. Should more states legalise such gambling, the business will presumably grow accordingly. It is easier to make money from, since there is no chance a well-informed gambler can outfox the house. It also lends itself to more frequent betting, since spins of a roulette wheel take up much less time than sports matches. Sports-betting and iGaming already account for nearly a third of all gambling revenue in America, a proportion that is growing fast (see chart 3).

Cyber attack

3

United States, online gambling revenue



Source: American Gaming Association

The Economist

Another potential area of growth is elections betting. It is still a rounding error in comparison with conventional gaming or sports-betting—but that is because it was severely restricted until October, when a federal judge struck down a near-total ban put in place by the Commodity Futures Trading Commission (CFTC). Kalshi, the platform that brought the suit against the CFTC, ended up handling \$500m in wagers on this year's election, of which \$300m were placed in the week of the election itself.

Perhaps the best proof of Americans' growing taste for risk is the boom in short-dated options. These derivatives work a bit like lottery tickets. A trader pays a "premium" to secure a contract that will become valuable only under certain circumstances: for instance, if shares in Nvidia, a chipmaking firm (currently trading at around \$145), rise above \$150 in a week. The notional exposure to the stock might be \$10,000, or 70 shares. If Nvidia's shares rise to \$160, the trader gets to buy 70 at \$150, and can pocket the difference (a handsome \$700). On that notional \$10,000 investment such an option might only cost \$60.

Early in 2020 the retail share of such derivatives leapt from around a third of total options contracts to more than 40%. The share rose again in early 2021, to almost 50%, as retail punters, who shared stock tips and investment "porn" (large gains or losses) on social media, ganged together to buy options or shares in a firm called GameStop—pushing its price up 30-fold in a matter of weeks.

Nate Silver, a political modeller and former professional poker player, considers short-dated options a form of gambling. While writing a book on risk-taking he was contacted by Runbo Li, a prolific trader in them. Mr Li, who has a master's degree in economics and has worked in data science, began using options to invest in the stockmarket in 2017. He won big on his first trade—an option to buy Nvidia shares—and began investing huge sums. He has since lost around \$1m on such trades. "It could easily have been something else like sports gambling," Mr Li told Mr Silver. "But for me, it was easier to rationalise trading options because it has that guise of investing." It is "the perception that options trading is a skilled activity", writes Mr Silver, that makes it "hard to quit".

That raises the question of how harmful all this new gambling is. Encouragingly, the types of gambling that are growing in popularity are pro-cyclical, meaning that people indulge in them more when the economy is doing well. Given how strong the economy has been in recent years, the growth of gambling may simply reflect how prosperous Americans are feeling, rather than hint at a deep social malaise.

That does not mean this gambling's growth is harmless, however. Because of the way legalisation has occurred—state by state—it is relatively easy for

economists to measure what the impact has been, by comparing what happened to households in states that have legalised with the fortunes of households in nearby states that have not. A paper by Scott Baker of Northwestern University and colleagues finds that after sports-betting is legalised households that gamble tend to spend around \$720 a year on it.

A chancing blow

Perhaps because those who bet on sports tend to be wealthier than the norm, sports-betting seems to crowd out investing, rather than consumption of other things, such as entertainment (money spent on that actually rises in conjunction with sports-betting). The authors find that for every \$1 wagered, households that bet on sports contribute a little under \$1 less to their investment accounts. (Only a small slice of these investments are via crypto platforms or brokerages that offer short-dated options.) Credit-card debt tended to rise in betting households. And these effects were strongest in households that were already under financial strain.



A second paper by Brett Hollenbeck of UCLA and Poet Larsen and Davide Proserpio of the University of Southern California looks at things like credit scores and bankruptcy. They find a small but negative effect on credit scores (these drop by about 0.3% after legalisation). They also find a substantial increase—a 25% jump—in the probability that a household goes bankrupt. To be clear, these risks are very small to begin with, but an increase of that magnitude would suggest an additional 30,000 bankruptcies a year across the states that have legalised online sports-betting. A third

paper finds an uptick in incidents of domestic violence in states with sports-betting.

As bad as that may sound, many state governments have long tolerated such negative consequences for the sake of the extra revenue gambling can bring. State lotteries, for instance, tend to be played much more regularly by lower-income households than rich ones. And the state tends to keep around 30% of the money spent on tickets, which is a much higher hold percentage than those of sports-betting firms—making state lotteries a much worse deal for the gamblers. Yet 45 of the 50 states operate such lotteries.

The most important consideration for state governments tends to be how much money ends up in state coffers. That depends on the specifics of each state's laws. So far the sums raised tend to be small relative to state budgets, but meaningful nonetheless, especially in places where the pandemic hit tax collections hardest, such as New York. Its revenues are projected to fall 2% short of expenditure over the next three years. When it legalised sports-betting it imposed the highest tax take of any state, at 51% of gaming revenue. Although sports-betting started in the state only in 2022, it is currently contributing about 0.4% of state revenues, not a sum legislators would want to forgo, given the state's fiscal straits.

In fact, the budget shortfall is likely to encourage New York's politicians to double down, as it were. They will probably encourage state officials to issue the promised casino licences promptly, rather than letting the selection process drag on indefinitely. The gambling industry has won over local unions: one recently renamed itself the “Hotel and Gaming Workers Association”. Local businesspeople are keen, too. “In business, everyone likes a new taxpayer who isn't them,” says Kathy Wylde, boss of the Partnership for New York, a business association. There is still opposition, chiefly from NIMBYs of various sorts rather than anti-poverty campaigners. But Ms Wylde thinks the licences will be issued, at the latest, towards the end of 2025 or early in 2026, ahead of the next round of state elections. So will Manhattan soon boast its own casino? “I wouldn't bet against it,” she says, “There is a lot of money at stake.” ■

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Pete-ering out

Would you put Pete Hegseth in the nuclear chain-of-command?

A steady stream of scandal may capsize another of Donald Trump's nominees

Dec 05, 2024 03:44 PM | WASHINGTON, DC



THE LAST time the Senate formally rejected a president's cabinet nominee came in 1989 when John Tower, George H.W. Bush's nominee for defence secretary, was denied because of his boozing and womanising. Time may be linear but politics is cyclical. The next entry in this ledger could well be [Pete Hegseth](#), Donald Trump's choice for defence secretary, because of his boozing and womanising.

Although afflicted with similar vices, the two men differ in their qualifications: Mr Tower was a former senator rebuked by his former

colleagues; Mr Hegseth was, until recently, a Fox News anchor with no government experience (though he is a decorated veteran of the wars in Afghanistan and Iraq). Republican senators, who will control the chamber by a margin of 53-47, are very much minded to give Mr Trump the cabinet he wants. But they seem unwilling to overlook grievous flaws.

The first warning signs for Mr Hegseth emerged shortly after Mr Trump announced his nomination. It came to light that in 2017 a woman [alleged to police](#) that Mr Hegseth had sexually assaulted her in a hotel room in California. Mr Hegseth later paid a settlement in a confidential agreement; he has denied all wrongdoing. Still, the news was an unwelcome revelation for Mr Trump's transition team, who were, until very recently, forgoing the usual process of having nominees vetted by the FBI.

Republican senators were discomfited by it, too, but seemed as if they could have been mollified. They had already handed Mr Trump the embarrassment of one nomination setback. [Matt Gaetz](#), a former congressman from Florida chosen to be attorney-general, withdrew from contention after it became clear his own improprieties would make him impossible to confirm. The Republican senators, who are keenly aware of whom their voters would choose in a conflict between themselves and Mr Trump, did not especially want to anger the president-elect any further.

Unfortunately, the bad news continued to come in. On November 29th the *New York Times* reported the contents of an email that his own mother had sent him amid divorce proceedings with his second wife (Mr Hegseth had fathered a child out of wedlock with his current spouse). "You are an abuser of women—that is the ugly truth and I have no respect for any man that belittles, lies, cheats, sleeps around, and uses women for his own power and ego," she wrote. In a clean-up television interview, she pleaded for senators to confirm her son, saying she had written the message in anger and haste.

Then on December 1st, the *New Yorker* published an investigative article documenting, among other things, allegations of alcohol abuse that wrecked Mr Hegseth's leadership of two non-profits "dedicated to supporting veterans". On December 3rd *Vanity Fair* alleged that Mr Hegseth had billed hotel rooms used for his affair with his future second wife to his first wife's credit card. On the same day NBC news published a story relying on

anonymous sources in Fox News who said that they worried about Mr Hegseth's drinking and smelled alcohol on him as recently as a month ago. The Trump transition operation has dismissed this reporting as false.

Already there are signs that Republican senators are contemplating defection. Lindsey Graham, a senator from South Carolina and a close ally of Mr Trump's, called the reporting "disturbing" and said that defending the nomination was "going to be difficult". Only four dissenting Republican senators would be sufficient to torpedo Mr Hegseth's bid. And despite his public pronouncements of support, Mr Trump's own patience may wear thin as even more stories are published.

Should Mr Hegseth make it to confirmation hearings (he has vowed to fight on and told Republican senators that he would not drink on the job), they would be a circus. Not only would his personal life be raked over; his previously expressed views on military matters would also be subject to strict scrutiny.

Take his recent comments on the "Shawn Ryan Show", a podcast, a week before he received Mr Trump's nod. He argued that the American military had been intentionally enfeebled by its embrace of DEI (diversity, equity and inclusion) initiatives ("by ideologues who want to bring a meritocracy to heel"); that women were unfit for combat roles ("I'm surprised there hasn't been blowback on that already...because I'm straight up just saying that we should not have women in combat roles"); and that investigations of war crimes hindered American troops ("these are rules written by dudes in cloakrooms in Europe after World War I because they thought they could fight polite wars in the future").

Mr Hegseth is a polished communicator. But he may still find himself squirming at a televised senatorial skewering. "He's just got to go through the vetting process and withstand what I'm sure is going to be a very interesting murder board in the Senate Armed Services Committee," Senator Thom Tillis told reporters. That was before all the subsequent scandals broke.

Though Mr Trump is inclined to dismiss the mainstream media, all this has had an effect. Both *Politico* and the *Wall Street Journal* have reported that

the president-elect is considering nominating Florida's governor, Ron DeSantis, as defence secretary instead. ■

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Murder mystery

A health-care CEO is murdered in Manhattan

A gunman killed Brian Thompson, boss of UnitedHealthcare, a leading insurer

Dec 05, 2024 03:44 PM | New York



Getty Images

IT WAS STILL dark at 6.40am on December 4th when Brian Thompson walked alone from his hotel to the Hilton in Manhattan's midtown. A resident of Minnesota and the chief executive of UnitedHealthcare, one of America's biggest health insurers, Mr Thompson was in town for his company's annual Investors Day. Just as he arrived at the Hilton, a masked gunman approached from behind and shot him several times. He was pronounced dead at a nearby hospital. Jessica Tisch, the city's police commissioner, called the killing "a brazen, targeted attack" that "does not appear to be a random act of violence."

The murderer escaped and, as *The Economist* went to press, police had yet to make an arrest or announce a possible motive. The attack stunned investors gathered in a conference hall at the Hilton to hear about UnitedHealthcare's strategy and performance. It shocked and baffled New Yorkers, too. New York has the lowest murder rate of any big American city. The murder took place in a part of midtown full of workers and tourists, in an area that is surveilled by cameras and drones and well-served by beat-walking police.

The shooter displayed skills. He "was lying in wait", according to police, near a side-entrance to the hotel. In surveillance footage the assailant is seen holding a gun with both hands, striking a professional stance, according to one security expert. The gun seemed to jam as he fired on Mr Thompson, but the shooter cleared the chamber and continued to fire. He fled through an alley, hopped on an electric bicycle, rode the short distance to Central Park, and disappeared.

Jillian Snider of John Jay College of Criminal Justice, a retired police officer, reckons the killer may have had advanced firearms training. "It's not the easiest thing to unjam a gun...and then let off rounds in succession," Ms Snider says.

Mr Thompson had been the target of "some threats," his wife, Paulette, told NBC News. The reason was "basically, I don't know, a lack of coverage?" she said. About 26m Americans lack health insurance, and many who have coverage struggle nonetheless with the costs of care; medical debt is a leading cause of personal bankruptcy in America. Relatedly, health-care workers and executives receive more threats than employees in almost every other industry, according to one security expert. Whether the holes in the country's health-care safety net had anything to do with the attack on Mr Thompson is mere speculation, however. Whatever the shooter's motive, says Rafael Mangual of the Manhattan Institute, a New York think-tank, the killing is a reminder "there is little anyone can do to stop a determined offender from carrying out violence...even in New York City."

A graduate of the University of Iowa, Mr Thompson was a 20-year employee of UnitedHealthcare, the insurance arm of UnitedHealth, a publicly traded firm with a market cap of \$560bn. As he rose through the

ranks, Mr Thompson ran the firm's government and Medicare programmes before his appointment as chief executive in 2021. "Brian was a highly respected colleague and friend to all who worked with him," UnitedHealth Group said in a statement. A senior executive at the company described him as "an incredible leader".

Assassins targeting big companies are a rarity in the Big Apple. Suspected anarchists bombed JP Morgan's Wall Street headquarters in 1920. One George Metesky, who evidently became aggrieved after he was injured on the job while working for Con Edison, a utility, planted at least 33 pipe bombs around the city between 1940 and 1956. CNN evacuated its Manhattan offices in 2018 after the discovery of a mail bomb addressed to former CIA director John Brennan, an on-air commentator.

The security practices of America's chief executives vary widely. Some travel with bodyguards, others tote their own luggage and move about unprotected, as Mr Thompson did on the morning of the 4th. One security expert said he was asked earlier this week via text, "Why do CEOs need bodyguards?" Today, he received a text from that person saying, "Okay, scratch that." ■

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Transgender rights

The US Supreme Court appears likely to uphold a medical ban affecting trans youth

At oral arguments, the justices divided on ideological lines

Dec 05, 2024 03:44 PM | Washington, DC



IN 2020 JUSTICE NEIL GORSUCH delighted progressives and infuriated many on the right when he wrote, for a 6-3 majority, that Title VII of the Civil Rights Act of 1964 barred discrimination against gay, lesbian and transgender employees. That ruling, *Bostock v Clayton County*, so alarmed Josh Hawley, Missouri's junior senator, that he rose on the Senate floor to warn against the “end of the conservative legal movement....as we know it”.

Four years on, battles over transgender rights in America have expanded. Fights over access to public bathrooms, trans people playing on women's sports teams and medical care for trans minors have animated elections and courtrooms alike. The most significant change in the public policy landscape is the adoption of laws banning certain medical treatments for transgender minors. In 2020 there were no such laws; today they are found in 26 states. *United States v Skrmetti*, which the Supreme Court heard on December 4th, concerns one such law in Tennessee.

Skrmetti asks whether Tennessee's restrictions on medical treatment for trans minors violate the equal-protection clause of the 14th amendment. The law's challengers—three children and their parents, along with the federal government—say denying puberty blockers and hormone therapy to trans youth, while allowing them for others, amounts to unconstitutional discrimination.

After two and a half hours of argument, the court's three liberal justices—Ketanji Brown Jackson, Elena Kagan and Sonia Sotomayor—seemed to side with the challengers. Four of the court's six conservative justices—Samuel Alito, Brett Kavanaugh, Clarence Thomas and the chief, John Roberts—looked to be on Tennessee's side. Justice Amy Coney Barrett's questions suggested an open mind, leaning toward Tennessee, while the author of the last win for transgender plaintiffs, Justice Gorsuch, was the only member of the court to remain silent throughout the hearing.

The Biden administration's solicitor general, Elizabeth Prelogar, told the justices that Tennessee's law discriminated on the basis of sex and should be analysed under a "heightened scrutiny" standard—the rigorous evaluation that courts must apply when the government treats women and men differently. But Matthew Rice, Tennessee's solicitor general, said the state's legislation was designed to "protect minors from risky, unproven medical interventions" and bars treatments "for some medical purposes" but not others. "That is not sex discrimination", he said, so heightened scrutiny does not apply.

Ordinarily, conservative justices disdain looking abroad for legal inspiration. But Justice Alito, in particular, noted increasing scepticism toward paediatric transitioning in Finland, Sweden and the United

Kingdom. He pointed to the Cass Review (a report on the UK's services for children diagnosed with gender dysphoria led by Hilary Cass, a retired paediatrician), which Justice Alito said found no "high-quality evidence" showing that the treatments' benefits outweigh the risks.

Ms Prelogar acknowledged the "debate happening here and abroad" about such treatments and "how to identify the adolescents for whom it would be helpful" but noted that none of these countries—in contrast to Tennessee—has "outright banned this care". And she offered an example of an approach that would not offend the constitution. West Virginia, she said, has adopted "a set of guardrails that are far more precisely tailored" to address concerns around care, including mental health screening, needing two doctors to diagnose gender dysphoria and permitting treatment only when "medically necessary to guard against the risk of self-harm".

But several justices resisted sending *Skrmetti* back to the lower court with instructions to analyse it anew with heightened scrutiny. This path would require "determinations by lay judges regarding complicated medical issues", Justice Alito said. Chief Justice Roberts, who joined the majority in *Bostock*, worried that judges may not be suited to conduct this scrutiny, as they would be picking sides in the face of "medical nuances". He told Chase Strangio, the lawyer representing the Tennessee children (and the first openly transgender person to argue at the Supreme Court), that trans healthcare is an area "where we are extraordinarily bereft of expertise".

The most neutral-sounding jurist during the hearing was Justice Barrett. She inquired about several alternative pathways should the plaintiffs fail—as they seem destined to do—in *Skrmetti*. Parental rights to control their children's medical care, she noted, is a possible approach for a future challenge.

Whether or not healthcare bans return to the court, prospects are good for more quandaries about public policies toward transgender Americans to reach the justices—and soon. About half the states bar athletes from competing with those of the opposite sex, and Idaho and West Virginia's bans have been stymied by lower courts. Both states are petitioning the Supreme Court to step in. ■

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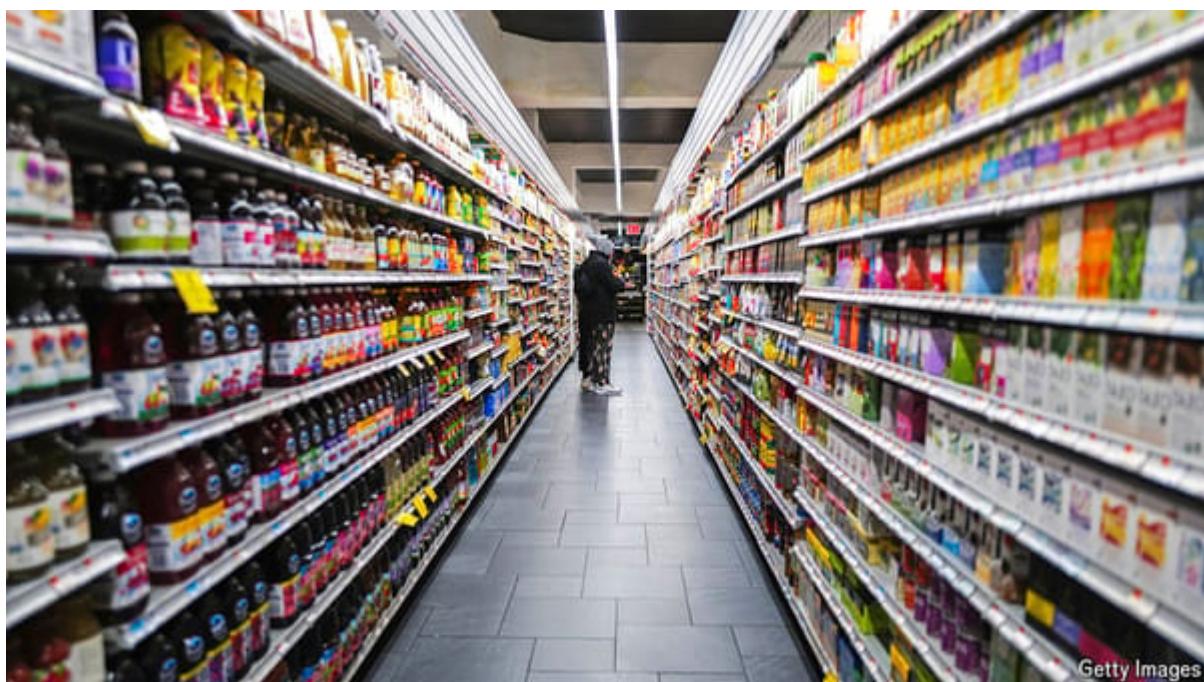
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GRAS negligence

The FDA does not know what chemicals are added to foods

A rule concocted in the 1950s for vinegar and spices has had unintended effects

Dec 05, 2024 03:44 PM



THE IDEA that American children are being poisoned by the food industry, with the blessing of regulators, sounds like classic conspiracy theory. But when that is the stated belief of the man who may soon become America's secretary of health, it is sensible to ask whether there is something to it. Robert F. Kennedy junior, Donald Trump's choice for the job, wants to get rid of the entire nutrition division of the Food and Drug Administration, which he has accused of allowing toxic chemicals in foods. On that he may, or may not, have a point. The real story is that nobody knows.

Mr Kennedy's ire has to do with the hands-off way in which the FDA regulates food additives such as artificial flavours, colours and preservatives. It allows food companies themselves to decide whether such chemicals are safe, and whether they want to notify the FDA about them at all. They are not required to list all ingredients on food labels. For example, a chemical concocted in the lab may appear on a pack of biscuits as "flavouring".

Behind this is a loophole in the food-safety law from 1958 that put the FDA in charge of vetting food ingredients. A sensible exemption from full FDA assessment was carved out for things like vinegar and spices, which were put in a category called "generally recognised as safe" (GRAS). In the decades that followed, the number of chemicals concocted to make foods crunchier, tastier and longer-lasting shot up—along with waiting times for review by the FDA. Food companies began to sneak some novel ingredients through the GRAS loophole, helped by vague rules.

To resolve the backlog, the FDA did not get funding to hire more staff. Instead, in 1997, it increased the GRAS loophole to the size of the Hoover dam, changing the rules so food companies no longer had to tell the FDA about ingredients they deemed safe.

In 2014 the FDA's deputy chief in charge of foods, Michael Taylor, admitted the obvious: "We simply do not have the information to vouch for the safety of many of these chemicals." According to a tally by the Environmental Working Group, a consumer advocacy group, between 2000 and 2021 the FDA received only ten applications for full safety assessment of new food additives. At the same time, about 750 new chemicals entered the food supply with GRAS notices to the FDA.

The lax rules have led to greater use of food chemicals in America than elsewhere. The FDA's registry has nearly 4,000 substances. Experts estimate that there are also more than 1,000 that the FDA does not know about. By comparison, the EU food-safety agency has approved about 400 additives. It is also reassessing those approved before 2009, to take into account new data on their safety.

America's food industry maintains that self-regulation is keeping foods safe. Acute toxic reactions to additives are, indeed, rare. But such incidents have shown that some ingredients lack even a basic safety assessment. In 2022 nearly 400 people were taken ill and 133 were hospitalised (some with permanent organ damage) after consuming foods containing a protein called tara flour. The FDA took two years to conclude that publicly available studies of the ingredient showed it was unsafe, an episode that also showed how slowly the wheels of its bureaucracy turn.

Health experts worry that some additives may be causing cancer or other chronic diseases. Americans get most of their daily calories from so-called ultra-processed foods that are packed with them. Nearly 9,000 foods sold in America contain Red 3 dye, which is banned in the EU in food and in cosmetics in America over concerns that it is carcinogenic. Potassium bromate, which plumps up bread, is also banned in the EU for the same reason but can be found in nearly 600 foods in America. Studies in France, using food labels and information on what people eat, have found links between other common additives and cancer—the sort of data that help EU regulators decide what to ban when they reassess the safety of previously approved additives.

Tired from fruitless lobbying for change at federal level, consumer-safety lobby groups are trying their luck at the state level. A bill they have proposed at New York's state legislature would require food companies to disclose their safety assessments of chemicals in foods sold there. As a result some could choose to replace certain chemicals with safer ones, says Jensen Jose from the Centre for Science in the Public Interest. Big brands would sell these reformulated products nationwide, he says, because it is impractical for them to make different versions.

The bill, its proponents argue, is the most important reform to the food chemical review process in decades. If it succeeds, everyone would have access to a complete list of chemicals that are staples of America's diet—including the FDA. ■

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The muted megaphone

Donald Trump may find it harder to dominate America's conversation

A more fragmented media is tougher to manage

Dec 05, 2024 03:44 PM



DONALD TRUMP'S first term in office was a bracing experience for reporters, whom the president spent much of his time castigating. But it was a happier period for their bosses, who enjoyed a "Trump bump" in ratings and subscriptions. The [second Trump term](#) promises to be different. Old-school television viewership has collapsed as audiences flip to entertainment-focused streaming. At the same time the social-media landscape, which Mr Trump once dominated with his Twitter megaphone,

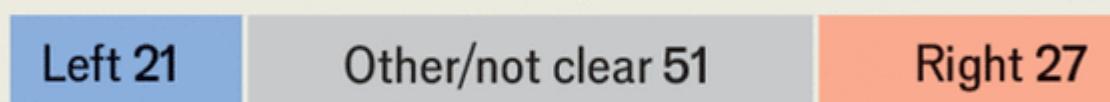
has fragmented. As political news is squeezed out of both old and new media, it is becoming harder to control America's conversation.

One thing that has not changed is Mr Trump's gleeful bullying of the mainstream media. At a rally in November he said that any would-be assassin would have to shoot at him through the press pen, "and I don't mind that so much". He has mounted flimsy lawsuits against the *New York Times* and CBS, calling for the latter's broadcast licence to be revoked. His continued focus on "failing" legacy media reflects his own viewing habits, which appear to include as much cable TV as ever.

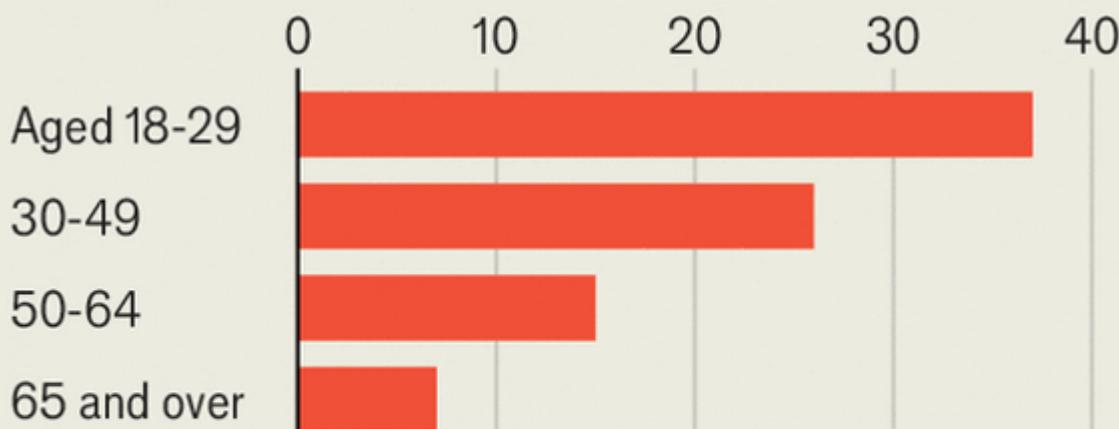
All the news that's fit to tweet

United States, July 15th-August 4th 2024

News influencers* % who identify as leaning...



Adults who regularly get news from news influencers*, %



*Individuals who regularly post about current events and civic issues on social media and have at least 100,000 followers
Source: Pew-Knight Initiative

The Economist

But the news consumption of the rest of the country has changed radically. The “Trump bump” of 2016 has become a slump: television viewership on election night this year was 25% down on 2020 and 40% down on 2016,

according to Nielsen, which measures such things. Media companies can see the writing on the wall: on November 20th Comcast announced that it would spin off its cable-TV business.

Some viewers are avoiding the news, out of weariness or mistrust. But the news is also avoiding them. Streaming platforms, which now account for a bigger share of TV viewing than either broadcast or cable, don't do current affairs. Netflix, in the words of its founder, is "not in the truth-to-power business". Apple TV+ parted ways last year with Jon Stewart, a liberal satirist, after his output became uncomfortable. Warner Bros Discovery canned its CNN+ streaming platform after 30 days.

A drought of news in mainstream media may not concern Mr Trump. But the online landscape has also fractured, with the emergence of TikTok (whose chances of survival have edged up on Mr Trump's election) and the president-elect's own Truth Social. "It's not enough to just go to Twitter [now X]. You're going to have to figure out who are the types of voters you're trying to attract, and where are they in the information ecosystem," says Joshua Tucker of New York University's Centre for Social Media and Politics. Reaching them has been made harder still by the fact that social networks have cooled on news—"not at all worth the scrutiny, negativity (let's be honest), or integrity risks", as Instagram's boss put it last year. In Canada, Facebook and Instagram have blocked news links altogether. Elon Musk's rebranded X is less news-centric than the old Twitter, with a TikTok-esque "for you" tab that appears to prioritise entertainment.

Search engines are putting further barriers between readers and news. AI-powered results on Google summarise answers rather than simply providing a list of links. The combination of news being downgraded by social-media algorithms and buried in search results is hurting some sites that thrived in Mr Trump's first term. Breitbart's traffic is down. Infowars, a conspiracy mill, has become a target for acquisition by the Onion, a satirical site (it is not always easy to tell the difference).

As conventional sources of news decline, audiences appear to be worse informed. A study by Pew during the 2020 campaign found that those who got their news mainly from cable TV were twice as likely to be politically well-informed as those who got it from social media; those who stayed

informed from news sites were nearly three times as clued up. In the same year Mr Tucker and colleagues found that Facebook users whose newsfeed was algorithmically sorted saw 13% less political content than those who followed the old-fashioned chronological feed.

As reaching audiences via the old channels becomes harder, catching people while they are being entertained is the new name of the game. During this year's campaign Mr Trump sat for 16 hours of interviews with podcasters and YouTubers, according to a tally by "Colin & Samir", a podcast. (Kamala Harris, his opponent, did only three hours' worth.) Most of the shows, such as those hosted by Joe Rogan, Logan Paul and Lex Fridman, were not political or news-focused but general-interest programmes, followed by a young, male audience that is otherwise hard to reach.

Although they are better at digesting news than breaking it, such shows do seem to encourage listeners to dig deeper into the ideas they hear about. Two-thirds of Americans under 30 have consumed a book, a film or music because it was recommended on a podcast, according to Pew. Since Spotify, the biggest music and podcast streamer, began including audiobooks in its subscription last year, demand has soared: digital audio sales this year are 27% higher than last, according to the Association of American Publishers. Booksellers report growing interest in non-fiction "self-improvement" titles of the sort that young men devour.

Podcasters and YouTubers may seem to give the powerful an easy ride, with a chummy style that has made them popular with CEOs as well as politicians (Mark Zuckerberg, a punchbag for mainstream journalists, has sat for long interviews with podcasters such as Mr Fridman). But their political leanings are less predictable than of those older media. A study by Pew of "news influencers" with more than 100,000 followers found that self-described conservatives slightly outnumber liberals, but that around half identify with neither left nor right. Independent-mindedness is part of many influencers' brand: Mr Rogan, who eventually endorsed Mr Trump, last time backed Bernie Sanders.

Mainstream media are also cutting partisan ties. Whereas in 2008 only eight of America's 100 highest-circulation newspapers declined to endorse a presidential candidate, this year around three-quarters kept shtum,

according to Joshua Benton of Harvard's Nieman Journalism Lab. Some proprietors were no doubt shaken by Mr Trump's threats (titles that backed Hillary Clinton in states that Mr Trump went on to win were most likely to cease further endorsements, Mr Benton found). But a new breed of startup digital news organisations, such as Axios and Politico, are also dispensing with opinion journalism. Opinion articles travel farthest when they are most extreme, threatening to "overshadow and swallow your brand", says Ben Smith, editor of Semafor, one such outfit. "We think the thing readers are looking for right now isn't having their mind changed, but more modestly to be oriented amid this flood of facts and arguments."

That flood may rise higher than ever in the next four years. But controlling it is no longer within the power of one platform—or of one man. ■

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Category swap

Dinesh D’Souza admits his documentary was fiction

An influential political documentary was

Dec 05, 2024 03:44 PM | Atlanta



Getty Images

ONE YEAR into Joe Biden’s presidency all the lawsuits were failing. The red-capped Trumpworld was desperate for hard evidence of what they knew in their hearts to be true: that the 2020 election was stolen.

Enter Dinesh D’Souza, a conservative storyteller who Donald Trump pardoned for campaign-finance crimes. In 2022 he published “2,000 Mules”, a film that matched mobile-phone data to surveillance footage compiled by True the Vote, a Texas group, to allegedly show that leftist cabals had paid “mules” to stuff ballot boxes in swing states. In one clip a man steps out of a white SUV to deposit a stack of envelopes into a

dropbox in an Atlanta suburb. “What you are seeing is a crime,” Mr D’Souza explains in a voiceover. “These are fraudulent votes.”

The film tied all the dubious claims of home-grown election-deniers across America into a neat bow—to tremendous effect. According to Salem Media, the distributor, it grossed \$10m from 1m views in the first fortnight, making it, they say, “the most successful political documentary in a decade”.

Donald Trump touted it as “irrefutable proof” that he was the race’s real victor, despite the fact that his own Justice Department had declared otherwise.

But two-and-a-half years on Mr D’Souza has quietly rolled back the claims and apologised to the man in the van, who was found by the Georgia Bureau of Investigations to be legally dropping off ballots for his family members. On December 1st he wrote that he had “recently learned” that the video was not tied to the tracking data, discrediting the film’s core claim. He blamed True the Vote for misleading him. True the Vote retorted that it had “no editorial control” over which clips were “used for dramatic effect”.

The admission marks the final unravelling of the weary stop-the-steal movement. “He was the biggest name holdout,” says Mike Hassinger, a spokesperson for Georgia’s secretary of state. But the diehards who may have been bothered that their gospel has turned out to be fiction have little reason to fret: the man who did most to spread it will soon be president again.■

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Lexington

King Donald's Wizard

Kash Patel wants to reform the FBI, but his list of political enemies would be a scary place to start

Dec 05, 2024 03:44 PM



David Simonds

WHEN WORD reached the president that the FBI, without informing him, had warned members of Congress that a foreign nation was meddling in American politics, he blew his stack. He had already lost trust in the director of the bureau, who he now also concluded had kept him in the dark in hope of catching him accepting illegal foreign help. “That bastard was trying to sting us!” he exclaimed.

The country was China, the president was Bill Clinton and the FBI director was Louis Freeh. But you could substitute Russia, Donald Trump and James Comey and arrive at a similar episode in the century-old saga, by turns tragic and comic, of manipulation, suspicion and outright enmity between

America's presidents and its national law-enforcement agency. The bureau was created in an act of deception, when President Teddy Roosevelt's Justice Department circumvented bipartisan opposition in Congress, and it has never shaken the habit.

Of course, to suggest Mr Trump's skirmishes with the FBI fit a familiar storyline is to challenge the essence of Mr Trump's overwrought politics: that he is history's singular actor, its greatest victim and greatest hero. Fortunately for Mr Trump, he has found someone who shares that grandiose vision. He now wants this person, Kash Patel, to run the FBI.

In "The Plot Against the King," a picture book by Mr Patel, apparently meant for children who do not overhear enough Fox News at home, Kash the Distinguished Discoverer is a wizard "known far and wide as the one person who could discover anything about anything". Hillary Queenton has lost on Choosing Day to the merchant Donald, but a shifty knight claims to have a paper in a steel box showing the Russionians helped him cheat after drinking cherry ginger ale with him in the Swirly Tower Tavern in Russinia. Lexington is not making this up—for that you can thank Mr Patel and the Steele dossier, the gossip-packed bit of Democratic opposition research that fanned suspicions of collusion between Mr Trump and Russia in the 2016 campaign.

Mr Patel's book for grown-ups, "Government Gangsters", is as vainglorious. As an investigator for House Republicans, Mr Patel did expose FBI corner-cutting in the investigation into Russian interference. But his findings did not discredit the investigation, as he claims, or blow open "the biggest political conspiracy in American history". From the staff of the House Intelligence Committee, Mr Patel moved to the national security staff at the White House, he reports, after Mr Trump was told "I had saved his presidency".

Mr Patel's zeal for Mr Trump is profound (one senses a childlike joy as he uses "one of President Trump's famous Sharpies that he gave me personally"), but, wherever he served, he picked up critics. "Over my dead body" was the reaction of Bill Barr, then attorney-general, when he discovered in 2020 that Mr Trump wanted to appoint Mr Patel as deputy director of the FBI.

To Mr Patel such critics are among the “incestuous, power-hungry, unelected oligarchs in Washington who hate us”. He includes Mr Barr among dozens of other “members of the executive branch Deep State” in an appendix to “Gangsters”. Mr Patel also lists the FBI director, Christopher Wray. Mr Trump appointed him, but now wants him gone before his ten-year term ends in 2027 because his agents, the former president feels, spent too much time investigating him rather than his opponents. Mr Patel sees the Deep State as a conspiracy reaching far beyond those he names, beyond even the state itself, to implicate “the Democrat Party, the media, Big Tech, and all the major power centres of America”. In a speech to a conservative conference in February, wearing a green scarf emblazoned “Fight with Kash” that is among the merchandise he sells under the logo K\$H, he called the mainstream media “the most powerful enemy that the United States has ever seen”.

Mr Patel sees a one-to-one correspondence between critics of Mr Trump and members of the Deep State. The desire he has expressed to investigate them is sure to be a topic of the Senate hearings to confirm him as America’s next Distinguished Discoverer. So are some episodes of his government service, including one in which, according to Mark Esper, Mr Trump’s former secretary of defence, Mr Patel appears to have supplied false information that almost upended a hostage-rescue operation in West Africa. Mr Patel blames Mr Esper, and he appears in the appendix.

Mr Patel, who is 44, lacks experience in running a giant organisation. But his background in government, including as a federal prosecutor, is conventional for an FBI director. He also spent years as a public defender, which seems to have sensitised him to the rights of the accused, a welcome attribute in an FBI chief.

Watching the detectives

Mr Patel’s views of FBI reform should also occupy the Senate confirmation hearings. He may be right that the headquarters building, the ugliest in Washington, is overstaffed, though his proposal to empty it and turn it into a museum of the Deep State would probably undercut the FBI’s effectiveness.

He is surely correct in arguing that Congress should more actively oversee the bureau.

For all the Democratic piety now about the FBI's independence, a tension has always existed between that and its degree of democratic accountability, between its powers to protect Americans' safety and the scope that provides to abuse their freedom. As John Harris concludes in "The Survivor", his biography of Mr Clinton, the president probably should have fired Mr Freeh despite the political storm that would have ensued. Their mutual contempt contributed to the breakdown in intelligence-sharing that the 9/11 commission later found to have enabled al-Qaeda's attacks. It is just too bad, as usual, that Mr Trump should be the first president, in a long time, to take the need for change so seriously. ■

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After the FARC

Colombia's president had a bold peace plan. It is not working

Negotiations that are not backed up by military muscle merely let armed groups expand

Dec 05, 2024 03:44 PM | Bogotá



ANTHONY COLMENARES would pick up some nappies for his newborn and be home soon, he told his mother in San Cristóbal, a city in Venezuela. That was on July 17th 2019. He did not return. “We started calling, calling, calling,” his mother, Zenaida Basto, recalls tearfully. No reply. Police tracked his phone; the last ping was from near the Colombian border. She says they concluded that he had been snatched by the National Liberation Army (ELN), a 6,000-strong Marxist-Leninist rebel group with a history of kidnappings. Ms Basto believes her son may be alive, held as a forced worker.

The ELN is one of dozens of armed groups that have been locked in six decades of conflict in Colombia which have left some 450,000 people dead. Almost exactly eight years ago Juan Manuel Santos, then the president, struck a historic peace deal with the Revolutionary Armed Forces of Colombia (FARC), then the biggest rebel group, and scooped up the Nobel peace prize. That seemed, surely, to be the end of the fighting. Yet dozens of armed groups live on, and new ones have emerged.

In 2022 [Gustavo Petro, a former guerrilla](#), was elected president on a promise of *paz total*, total peace. The idea was to enter negotiations with almost every armed group at once, including criminal gangs, not just with political groups. That way no single group would feel reluctant to disarm for fear that those that did not would seize their assets or kill them. “Three months into my presidency, the ELN will be finished,” Mr Petro promised on the campaign trail. The prospect of negotiations gave Ms Basto “sweet hope” of seeing her son again, she says.

Alas, Mr Petro’s *paz total* is foundering. Start with the ELN rebels. The government agreed to a ceasefire in August 2023 and began talks. But little had been achieved by the time the agreement expired a year later. In September the ELN killed two soldiers. Mr Petro suspended the talks. The government tried to restart negotiations, but on November 21st another ELN attack killed five more soldiers. The results of the ELN talks will be “very small, very poor,” says Carlos Velandia, a former ELN negotiator who now advises the government.

Mr Petro also agreed to a ceasefire with the Central General Command (EMC), a group of dissident FARC fighters. But in March it was suspended in much of the country. Most of the group abandoned the talks. Another ceasefire, with the Clan del Golfo, a 9,000-strong criminal outfit that controls the lucrative migration route towards the United States via the Darién Gap between Colombia and Panama, collapsed in March 2023. The government is trying to resuscitate those talks, too.

It also pursued ceasefires with urban gangs in three cities. They have already collapsed in two. In one of those, Quibdó, gangs now circulate kill lists of women allegedly linked to rival gangsters. Jorge Acevedo, the mayor of Cúcuta, a city on the Venezuelan border, warns that urban

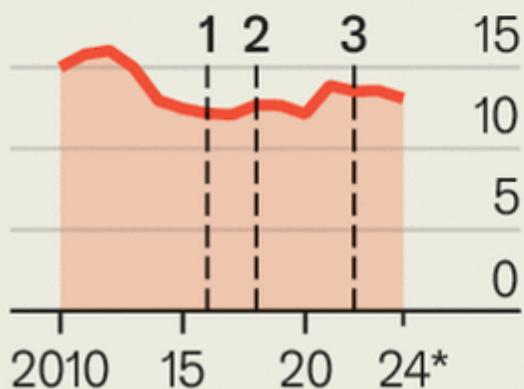
ceasefires can lead to a “false peace”, in which gangs expand anyway but do their killing outside the city. Iván Cepeda, a senator and architect of *paz total*, waves away any worries: “Peace processes in Colombia are always full of difficulties.”

Not so peaceful

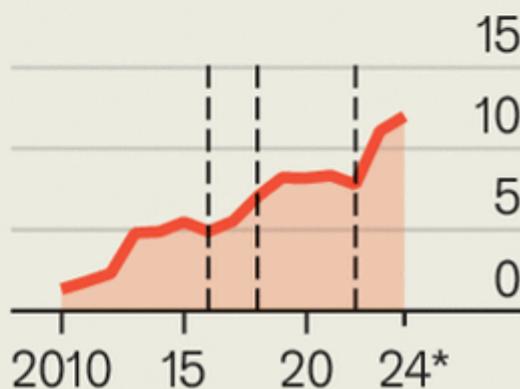
Colombia, '000

1. Peace accords signed
2. Iván Duque becomes president
3. Gustavo Petro becomes president

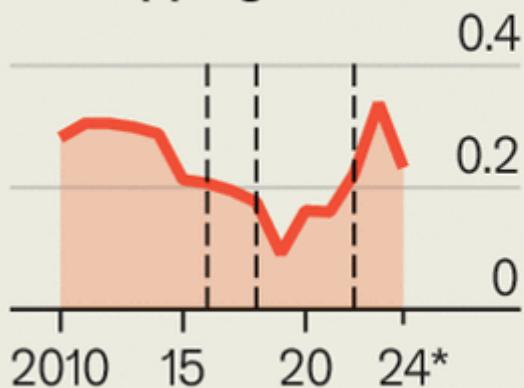
Homicides



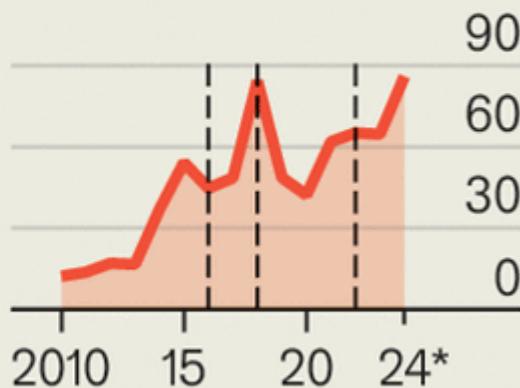
Extortions



Kidnapping



Threats[†]



Source: SIEDCO

*Forecast †Reported to police

The impact on security has been mixed (see chart). The murder rate fell slightly last year, probably in part thanks to the temporary ceasefires. But kidnappings are up, and threats and extortions have soared since Mr Petro took office. Worse, armed groups seem to have used the ceasefires to expand. The government has lost control of territory, admits Iván Velásquez, the defence minister. Armed groups now have a foothold in almost half the country. They operate in areas in which some 8.4m Colombians live, an increase of 70% from 2021. Clashes between rival groups are up 40% on Mr Petro's watch. The number of fighters in the main groups leapt last year and cultivation of coca-leaf, the raw ingredient for cocaine, hit a two-decade high. All of this augurs badly.

What is going wrong? One problem is that the government lacks credibility. Almost 70% of the stipulations in the peace agreement with the FARC have not been fully implemented. The previous president, Iván Duque, deserves much blame for that, but Mr Petro has been sluggish, too. Armed groups will not lay down their weapons in return for promises when governments do not tend to keep their word.

The government also failed to take charge in many areas that used to be controlled by the FARC. New men with guns took over instead. More than 400 former FARC members have been killed since 2016 to settle old scores or for refusing to join the new rebel groups. A stronger disincentive for disarming is hard to imagine. “We are not going to be so stupid, so idiotic as the FARC who gave up their weapons,” say ELN fighters, according to a well-placed source in an ELN-controlled area.

The approach also lacked muscle. During the negotiations with the FARC the rebels stopped attacking, but the army continued operations until just before the final deal was signed. Without that kind of military pressure there is little incentive to compromise. “Nowadays the carrot is very big and the stick very small,” admits Mr Velandia, the former ELN negotiator.

Pushed on whether the ceasefires were a mistake, Daniela Gómez, the deputy minister of defence, says “the search for peace is never a mistake.” That ignores trade-offs inherent in even the most effective ceasefires: they can build trust and reduce violence, but if they let armed groups expand, they reduce the likelihood of peace in the longer run. Ms Gómez says that,

outside the ceasefires, the army has carried out more operations than ever. But it is precisely the many attempted ceasefires that have taken the pressure off armed groups. Often the operations that are conducted are not co-ordinated with peace negotiators, making them less effective at building up pressure for a settlement.

The government may also overestimate armed groups' interest in peace, when there is money to be made through conflict. Even nominally political groups, such as the ELN, are deeply involved in criminal activities like cocaine- and people-trafficking. No group will be allowed to keep running drugs in a peace deal, but the state has nothing to offer that is similarly lucrative. That conundrum will exist for as long as cocaine remains illegal.

Some groups, like the Clan del Golfo, are designated criminal, not political. That presents another problem: the government lacks a legal basis for dealing with them. Last year it tried to pass a law to let gang leaders get reduced sentences and keep some assets if they turned themselves in. It sank in Congress. The public does not like cutting deals with violent men, especially when their only agenda is greed.

None of this means that negotiating is a mistake. “The policy of *mano dura* [iron fist] and the war on drugs has resoundingly failed,” points out Mr Cepeda. Conflicts often end through talks. But not all negotiations further the cause of peace. The manner in which they are pursued matters.

Mr Petro’s *paz total* is running out of time. Presidential elections are due in 18 months and he cannot stand again. Total peace is not popular; some two-thirds of Colombians say it is going badly. Mr Petro’s successor may well ditch it. To avoid that he needs big wins, fast. Sadly for him, for Colombians and for Ms Basto that looks unlikely. ■

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X marks the spot

Canada has finally decided where to store its nuclear waste

It took 14 years to find a suitable site: a deep cavern in the rock

Dec 05, 2024 03:44 PM



Nuclear Waste Management Organization

IT TOOK 14 years to find a spot on the barren saucer of ancient rock that encircles Hudson Bay, but on November 28th Canada's nuclear waste was at last given a home. The Nuclear Waste Management Organisation (NWMO), a non-profit organisation established by Canada's nuclear-power companies, announced that it had selected a site between Wabigoon Lake Ojibway Nation (WLON) and the town of Ignace, Ontario, to host a "deep geological repository": a cavern drilled out of the rock, 500 metres underground, where Canada's spent nuclear fuel will be stored in perpetuity.

Only a few countries are making serious efforts to build permanent storage for spent nuclear fuel. Finland is furthest ahead; it is set to put the first canisters of waste underground in 2025 or 2026. Canada is two decades behind. It is not expected to put any waste into the repository before 2040. But eventually the millions of bundles of spent nuclear fuel that Canada has accumulated will be nestled deep underground. It will be Canada's first permanent storage site for the waste from nuclear-power plants, which will be radioactive for hundreds of thousands of years.

The selection process began with the NWMO asking towns and cities to put themselves forward as potential sites. The payoff was investment and the promise of good jobs. After an examination of the terrain, including seismic tests and borehole drilling, and a long process of community engagement, Ignace and WLON got the nod.

As the selection process honed in on Ignace, bright yellow placards started popping up across the surrounding region, emblazoned with “Say no to nuclear waste”. Opposition was fuelled by fear of disaster, minuscule though the chances of that are. But in the end, for a small town with few other prospects, the pros of the C\$30bn (\$22bn) repository outweighed the cons. Ignace held a referendum on the matter this summer. Three-quarters voted in favour. The chief of WLON, Clayton Wetelainen, calls the cavern one of the “most important responsibilities of our time”.■

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Monumental victory

Brazilian football looks like the next Premier League

Awash with money, the country's teams are conquering South America

Dec 05, 2024 03:44 PM | BUENOS AIRES



Getty Images

ON NOVEMBER 30TH 70,000 football fans piled into La Monumental stadium in Buenos Aires. They came to cheer on two Brazilian teams, Atlético Mineiro and Botafogo, in the final of the Copa Libertadores, South America's premier football tournament. The match was ferocious. In the first minute Gregore da Silva, a Botafogo midfielder, got a red card for sticking his studs into an opponent's face, leaving his team with ten men. Seconds before the end of extra time Botafogo's Júnior Santos sliced through three Atlético players to whip the ball into the goal, sealing a 3-1 victory for his team.

The match was historic for several reasons. It was the first Libertadores trophy for Botafogo, perennial underdogs. It was the sixth Libertadores win in a row for a Brazilian team, the longest streak by any country. And both finalists were “football PLCs” (SAFs by their Portuguese acronym), a new type of public limited company. Botafogo’s is the most spectacular success story since Brazil allowed football clubs, which had historically been structured as non-profit associations, to incorporate in 2021. It will not be the last. Thanks to the rise of SAFs and sports betting, Brazilian football is awash with money. Its clubs are becoming more competitive, making Brazil the most exciting market for investors in the beautiful game.

Botafogo’s arc is legendary, and illustrates the forces in play across Brazilian football. In the 1960s and 1970s the club was a factory for the world’s best footballers. It has supplied more players to Brazil’s national team than any other club. But for the past 40 years it has been in a tailspin. It last won an international cup title in 1993. Between 2000 and 2020 it was relegated from Brazil’s first division three times. Its finances sank with it. By 2020 it had debts of over 1bn reais (\$170m), and annual revenues of just 151m reais.

Along came John Textor, an American businessman. His firm, Eagle Football Holdings, owns stakes in Crystal Palace in England and Olympique Lyonnais in France. He bought Botafogo in 2022 for some \$66m. The team’s debts have been cut in half. This year he paid record sums for Luiz Henrique, a rightwinger, and Thiago Almada, an attacking midfielder. “We Botafogo fans have John Textor on earth and God in heaven,” beams Isaias Lieberbaum, a 70-year-old fan.

The rewards are sweet. Mr Textor received a \$23m cheque for the Libertadores victory, but winning also qualifies Botafogo to take part in FIFA’s Club World Cup next year. The prize pot is gigantic. He wants to take Eagle Football Holdings public and expects to raise at least \$1bn.

Even the losers are optimistic. “We have everything in Brazil to become like the [Premier League],” says Daniel Vorcaro, the president of Banco Master, a Brazilian bank, who co-owns Atlético Mineiro. “We have the passion, the talent, the fan base and the potential for growth.” Four of Brazil’s “Big Twelve” teams have become SAFs since 2021. More are

expected to follow as the success stories pile up. In 2021 Ronaldo, a famed Brazilian striker, bought Cruzeiro, a team with eye-watering debts that had slipped into the second division, for \$70m. He sold it in April for \$100m, after bringing it back into the first division.

Brazilian football has also reaped financial gains from sports betting, which was legalised in 2018. The country's Central Bank reckons that Brazilians spent more than \$3bn per month this year on bets through PIX, a digital payments system it runs (including other payment forms, the real value is much higher). This enthusiasm for gambling has worried the government, which passed a law in 2023 forcing betting firms to obtain licences.

Despite the euphoria around them, SAFs cannot solve every problem. In 2022 an American investment group called 777 Partners bought Vasco da Gama, one of Brazil's biggest teams. The group went bankrupt in October and is being investigated in the United States for fraud. "SAFs are not a magic wand—you need good governance," says José Francisco Manssur, co-author of the SAF law.

Others think there is more to Brazil's dominance than SAFs and gambling money. Irlan Simões of the University of the State of Rio de Janeiro notes that Colombia and Chile adopted SAF-like models before Brazil, but that their teams remain middling. He says Brazil's rise was inevitable. The country's large population means a bigger market for tickets, merchandise and broadcasting rights. In 2016 Conmebol, which organises the Libertadores, allowed more teams to compete in qualifying rounds, which benefited Brazil simply because it has more clubs.

More money, fewer problems

Yet the money clearly helps. "The association model is not fit for purpose," says Mr Manssur, because clubs today have millions of fans and need money to buy the best players. He thinks Brazil's SAFs could become a model for others in the region. That is a risky thought for a Brazilian. No country would benefit more from an injection of capital than Brazil's footballing nemesis, Argentina. The country produces a disproportionate number of the world's best players, but its domestic teams are a shambles.

After the Libertadores final Argentina's president, Javier Milei, posted on X: "Shall we talk about SAFs?" The country's football association has fiercely resisted such efforts. Perhaps the shame of watching Brazilian teams dominate on their home turf will sway it. ■

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South Korea's wild night

Martial law in South Korea—and then not. What comes next?

A rash, unexpected move by Yoon Suk Yeol, the president, tests the country's democracy

Dec 05, 2024 03:44 PM | SEOUL and WASHINGTON, DC



Editor's note (December 4th 2024): This story has been updated.

DECEMBER 3RD began as an uneventful day in Seoul, [South Korea](#)'s capital. Many went to sleep soundly that evening. By the next morning, the country's president, [Yoon Suk Yeol](#), had declared martial law, attempted to [forcibly take control](#) of the National Assembly—and then abruptly reversed course. This extraordinary turn of events has thrust his country into chaos, called the future of his presidency into question and tested the strength of South Korean democracy.

The wild night began with an unexpected address by Mr Yoon at 10.30pm local time, announcing the imminent imposition of martial law. The decree banned all political activities and limited media freedom. It was the first use of such emergency powers since the country's military dictatorship fell in the late 1980s. Providing no evidence for his claims, Mr Yoon alleged that the National Assembly, which is [controlled by his political opponents](#) in the Democratic Party (DP), had "become a monster" that threatens democracy. He implied that they collaborated with North Korean "communist forces".

Although successive constitutions have weakened the presidency and given more authority to parliament, South Korea's system remains one in which the president wields tremendous power, including over the security services. Following Mr Yoon's statement, armed forces were deployed in Seoul and riot police lined the roads.

The decision was taken by the president and a small cabal around him. Fewer than ten people are believed to have been in the know, including the defence minister. Mr Yoon's own administration was left flat-footed. "It was a huge surprise to most of the staff here, and the cabinet members as well," says a source in the presidential office. American officials received no advance warning from their treaty ally, which hosts nearly 30,000 American troops.

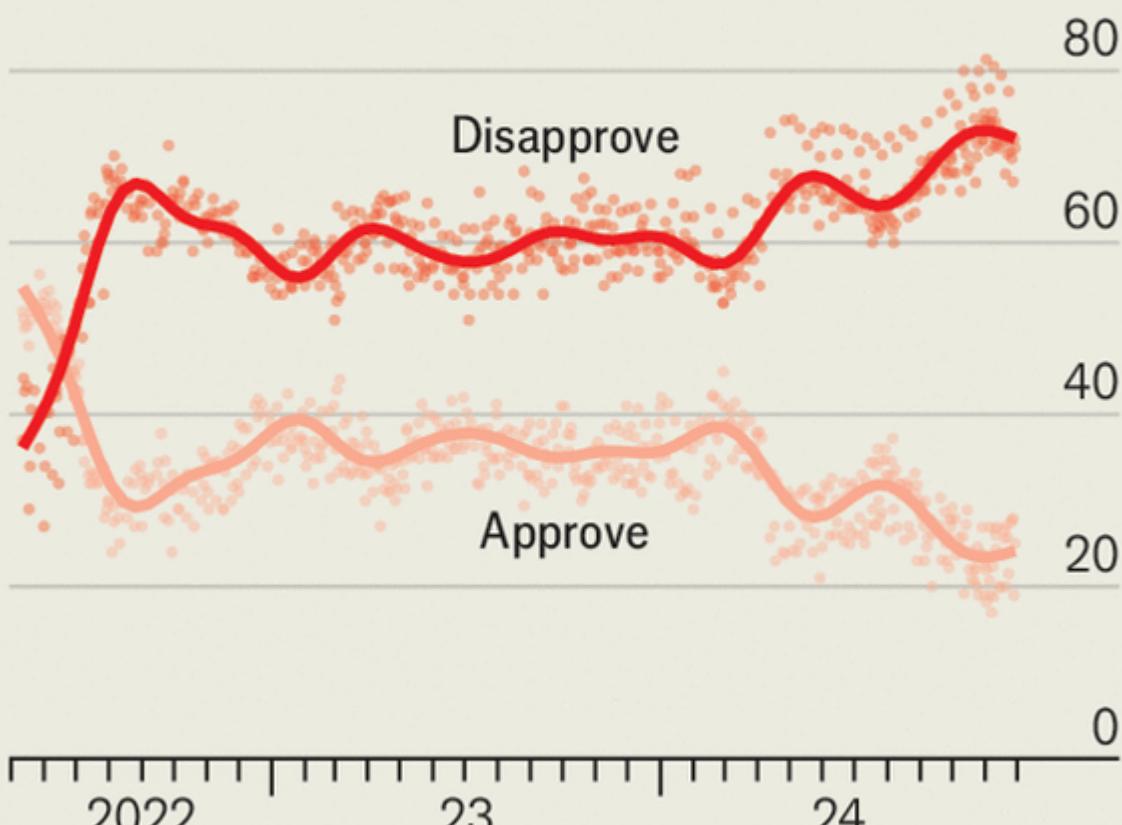
The counter-reaction came swiftly. Thousands of protesters took to the streets chanting "Arrest him!" The mood was one of outrage mixed with utter shock. "It feels like Yoon just got drunk and suddenly announced this late at night," quipped one protester. "Is this reality?" asked another. Currency markets shuddered, sending Korea's won down by as much as 3% against the dollar. The Bank of Korea called an emergency meeting.

Political opposition to Mr Yoon mobilised throughout the night. The DP called the president's declaration "essentially a coup". Han Dong-hoon, the head of Mr Yoon's own People's Power Party (PPP) came out against the move. As heavily armed troops stormed the parliament, the 190 lawmakers who had barricaded themselves inside the chamber, a majority of the 300-strong body, voted unanimously to revoke the president's decree just two hours after it took effect. The armed forces began to leave shortly afterwards.

Just after 4am Mr Yoon made a second televised address, announcing that he would respect the National Assembly's will and lift his martial-law order. Troops returned to their bases. As dawn broke, Mr Han called for the defence minister's resignation and apologised to the public for the "disastrous situation". Businesses and schools opened as usual. By the afternoon, opposition parties had submitted a motion to impeach Mr Yoon, with a vote expected on December 6th or 7th. As the sun set again, hundreds gathered for a candlelight protest at the National Assembly.

Plenty of room to fall

South Korea, president Yoon Suk Yeol
approval rating*, %



Source: National polls

*Excludes undecided/no answer

Mr Yoon, a conservative former prosecutor, took office in 2022 after narrowly defeating Lee Jae-myung, the DP's leader. In office he has proved divisive: alienating not only his opponents but many who had initially supported him. Scandals have also marred his image, in particular allegations surrounding his wife, who was caught on video accepting a luxury handbag as a gift. His approval ratings slid to around 20% last month (see chart).

The DP swept general elections to retake control of parliament earlier this year. Mr Yoon refused to attend its opening session on September 2nd, the first time a president has done so since democratisation. Last week parliament voted to trim Mr Yoon's budget for next year.

Mr Yoon may have thought he could outmanoeuvre his opponents. Yet his move went far beyond the bounds of normal politics, evoking instead the tactics of Park Chung-hee, a military dictator who ruled the country in the 1960s and 1970s. "He's used the nuclear bomb," says Victor Cha of the Centre for Strategic and International Studies, an American think-tank.

By setting it off, Mr Yoon has almost certainly sealed his own downfall. "The only thing that is certain is that President Yoon will not be able to finish out his term," says Ha Sang-eung of Sogang University in Seoul. If Mr Yoon does not resign himself, impeachment requires a two-thirds majority vote in parliament and then a trial by the constitutional court. (Mr Yoon's party controls 108 seats, so just eight would need to defect.)

The process could drag out for months, leaving an interim president in charge and the political system in limbo. The turbulence will spook investors, who already place an elevated risk premium on South Korean assets. The Korean Confederation of Trade Unions and transit workers have promised to strike until Mr Yoon steps down. Whenever new elections are held, the DP candidate will probably win.

The foreign-policy implications of this would be vast—and come at a sensitive time, as Donald Trump prepares to take office in America and North Korea takes an ever more hostile stance towards the South. During his tenure, Mr Yoon has deepened his country's alliance with America, steadied a troubled relationship with Japan, and provided indirect support

for Ukraine by backfilling American stocks of ammunition. He has also taken a hawkish approach towards North Korea, which has entered into a new security pact with Russia and sent troops there. By contrast the DP tends to be sceptical of Japan, due to grievances over its colonial-era atrocities, and to favour engagement with North Korea; it has opposed calls to provide direct military aid to Ukraine.

The sordid episode also speaks volumes about the state of South Korean democracy. On the one hand, if Mr Yoon does indeed back down and is replaced through a constitutional process, the system will have survived an enormous test. The short-lived nature of the martial-law declaration demonstrates the strength of present-day Korean democracy, says Shin Gi-wook of Stanford University. By contrast, the last time martial law was declared, in 1979, it started eight more years of autocratic rule, including a massacre of protesters in Gwangju in 1980.

But the fact that Mr Yoon turned to such an extreme measure points to a deeper malaise. Political polarisation has become entrenched. Misbehaviour by political leaders, followed by aggressive criminal proceedings against them, is all too common. The threshold for prosecutions is now so low that political accountability has become a cycle of “political bloodletting”, laments Christopher Green of the International Crisis Group, a think-tank.

Earlier this year Mr Lee, the DP leader, was himself convicted on charges of lying to investigators about a bribery case, calling into question his ability to run for president again. (He denies the charges and plans to appeal.) Park Geun-hye was impeached as president in 2016 and sentenced on corruption charges; her predecessor, Lee Myung-bak, was also convicted of bribery after leaving office. The latest fiasco could become an opportunity for the country to reflect and regroup—or it could fuel further division and enmity. ■

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Spousal support

Bushra Khan, Imran Khan's wife, marches on Pakistan's capital

Although her protest didn't free him, it perhaps launched her political career

Dec 05, 2024 03:44 PM | Islamabad



IT WAS BILLED as a “do or die” protest. On November 26th Bushra Khan, wife of Imran Khan, a jailed former Pakistani prime minister, rode into the capital, Islamabad, on a shipping container, vowing to set her husband free. “I will be the last woman to leave here and I will not leave without [him],” Mrs Khan (pictured) told thousands of cheering supporters. By midnight her triumphant entry had collapsed into chaos. Police and paramilitaries violently cleared the city centre. Mrs Khan decamped to Khyber Pakhtunkhwa, a province in the north. She has not been heard of or seen in public since the protest.

What transpired on the night of the protest is hotly disputed. Mr Khan's party, Pakistan Tehreek-e-Insaf (PTI), alleges a "massacre", claiming at least 12 protesters were killed. The government denies anyone was killed by security forces, blaming instead PTI "trained miscreants" for instigating violence. Four security people died during the protest.

But what is not in dispute is that Mrs Khan's turn in the harsh spotlight of Pakistani politics has upset the PTI. The party has long railed against dynasties in politics, especially the Sharifs of the Pakistan Muslim League-Nawaz (which leads the government) and the Bhuttos of the Pakistan Peoples Party (which is a government ally). "The bigger debacle was not the end of the protest but Bushra's active entry into PTI politics," says Kamran Khan, founder of Nukta, a digital-media outlet (and no relation of the Imran Khans).

Opposition to Bushra Khan has been sharp and swift. Party leaders blame her for pushing towards D-Chowk, the political heart of Islamabad, instead of hunkering down outside the capital for negotiations with the government, as the leadership preferred. In the immediate aftermath of Mrs Khan's first political foray, the PTI's secretary-general briefly resigned and a key ally quit party committees.

Mrs Khan has largely stayed in the background since her marriage in 2018. A self-styled faith healer, she has been the subject of lurid gossip accusing her of practising witchcraft. But a nine-month stint in jail on corruption charges, which she denies, appears to have pushed her into politics after her release on bail in October from the same prison her husband has been held in since 2023. "In this region... family gets pushed to the front, fights the hardest," says Maryam Riaz Wattoo, Mrs Khan's sister.

Amid the PTI finger-pointing, Shehbaz Sharif, the prime minister, has pounced. A slew of new charges has been filed against Mr Khan, his wife and party members. Mr Sharif has called the PTI a party of "saboteurs and anarchists", reviving talk of banning it. A federal anti-riot force is to be set up to deter future PTI protests. (Ms Khan's march was the fourth big PTI protest this year, the third in two months.) The government puts the cost of standoffs and shutdowns because of such protests at an implausible \$680m a day. But it is the government's own heavy-handed response—which

includes closing motorways, switching off mobile networks, and throttling the internet—that drives the economic hit.

The battle is also escalating online. The government has blocked X, formerly Twitter, since February. A national firewall, to ramp up online surveillance and censorship, is being set up with Chinese technology at an estimated one-off cost of \$70m-100m. In November the powerful army chief, General Asim Munir, demanded stricter rules for social media, calling “false and misleading information” online a “significant challenge”. General Munir has also tightened his grip on office. Last month parliament increased the tenure of military chiefs from three years to five, abolishing the retirement age of 64. General Munir is now in place until November 2027, when he will be eligible for another five years.

“Both sides are fuming right now, but dialogue is the only way forward,” says Muhammad Ali Saif, who is negotiating on behalf of the PTI with military representatives. Mr Khan has other ideas. On December 4th he called on the PTI to “prepare for the next phase of our struggle for liberation from the mafia”. ■

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An unending nightmare

Suffering from the Bhopal disaster in India continues, 40 years on

So does the search for justice for victims of the world's worst industrial accident

Dec 05, 2024 03:44 PM



SHORTLY BEFORE midnight on December 2nd 1984 methyl isocyanate (MIC), a highly poisonous gas, began leaking from a storage tank at a pesticide factory in the Indian city of [Bhopal](#). During the night, 27 tonnes of the gas spread through the city, choking residents in their sleep. By dawn, Bhopal's streets were strewn with corpses, mostly those of residents of the slums surrounding the factory, which was owned by Union Carbide, an American company. The number of deaths is disputed. According to Amnesty International, a human-rights group, up to 10,000 people died

within three days of the accident, and another 12,000 perished later. Over half a million people still live with injuries.

Neither Union Carbide nor its employees have faced any consequences for their role in the [disaster](#). Survivors and families of the dead are fighting for compensation. Worse, the toxic effects of the gas continue to poison successive generations.

India's notoriously sluggish courts have been especially slow in this case. Warren Anderson, the chairman of Union Carbide, was arrested during his visit to the site shortly after the accident but was released on the same day, reportedly under pressure from the American government. Anderson, who died in 2014, never returned to India to face investigation or trial. In 2010, after decades of legal proceedings, seven Indian employees of Union Carbide's Indian subsidiary were sentenced to two years in prison and fined around \$2,000 each for their role in the disaster. Their appeals against the verdict are still under way and none of them has spent a day in jail.



In 2001 Dow Chemical, a large chemical company, bought Union Carbide. Between 2004 and 2023 a court in India issued several summonses on Dow to attend the criminal proceedings. It was only in May 2023 that America's Department of Justice served a summons to Dow. When the firm appeared

in a court in Bhopal, it argued that the court lacked jurisdiction over an American company and disavowed any responsibility for Union Carbide's Indian subsidiary.

Compensation for the victims has been paltry. In 1989 the Indian government and Union Carbide settled for \$470m, a fraction of the \$3.3bn India had sought, without consulting the victims. This figure was based on the claim that only 3,000 people had died and that few more than 100,000 suffered permanent disabilities. Most survivors received little more than \$500; families of the dead got \$2,000. Activists allege that government agencies downplayed the number of fatalities and the extent of the injuries to make the overall damage bill fit the amount offered by Union Carbide.



Surviving victims suffer from a host of chronic and debilitating illnesses, including respiratory problems, eye diseases and weakened immune systems. Miscarriage rates quadrupled in the aftermath of the disaster. One study found that the incidence of cancer among people exposed to the gas was eight times higher than in the unexposed population. A study by the Indian Council of Medical Research found that women exposed to MIC, as well as their daughters, are seven times more likely to have children with birth defects than women with no history of exposure. The damage is also more far-reaching than previously believed. There is evidence that the gas

caused harm up to 100km from the site—far beyond the 4.5km radius originally identified by public-health officials.

The site of the accident remains toxic but is still populated. Union Carbide did not complete its clean-up of the surrounding area, and in 1998 the site was handed to the state government. Thousands of tonnes of toxic waste remain buried in the abandoned plant. Rachna Dhingra, an activist who works with survivors, says that 150,000 people still live in the area because housing there is cheap.

The victims of Bhopal continue to press for fair compensation and access to health care and clean water. They also want Dow or the government to clean up the soil and groundwater contaminated by the accident and its aftermath. But successive governments, both local and at the national level, have done little. Ms Dhingra says that is because many victims belong to lower castes or to the Muslim minority and are therefore considered expendable.

The Indian authorities appear to have learned one lesson from the catastrophe: in 2010, keen to woo foreign companies for energy investments in the country, the central government passed a bill that capped foreign firms' liability for nuclear accidents at \$180m. For the victims of Bhopal, however, there does not seem to be a limit to their suffering. ■

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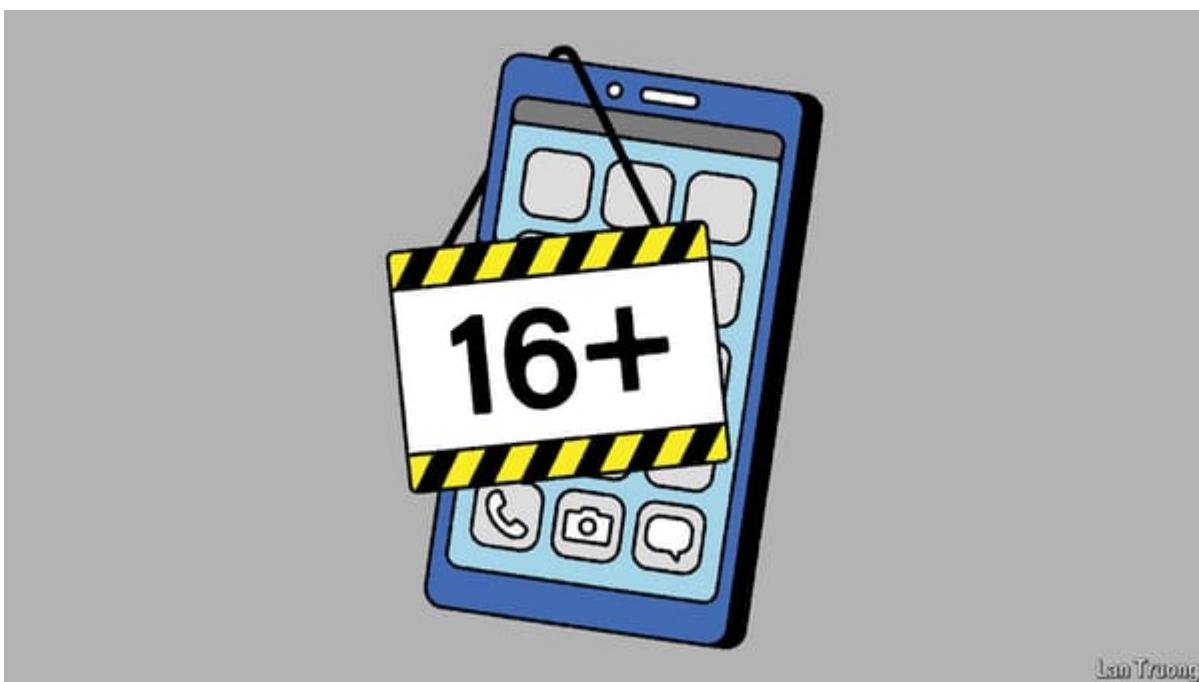
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Banyan

Australia wants to lead the big tech crackdown

It is more likely to be an example of how not to go about banning social media

Dec 05, 2024 03:44 PM



OF THE 31 bills rushed through Australia’s Senate on November 29th, one drew attention. An amendment to the country’s Online Safety Act will ban under-16s from social media from next year. Under the law, platforms that fail to take “reasonable steps” to verify the age of users can be fined up to A\$50m (\$32m). “The whole world is watching,” crowed Anthony Albanese, the centre-left Labor prime minister, as the column inches multiplied.

Underlying the ban is a complex debate about whether social media, and the screen time that goes along with it, is harmful. Mr Albanese's government believes that it is so bad for adolescent health that it should be treated no differently from smoking—a habit on which Australia also led the crackdown. "I've met parents who have had to bury their children as a result of the impact that social media has had," he said. "The harm that is being done to young people now is established," claims Peter Malinauskas, the Labor premier of South Australia, who started the campaign.

The reality is more complicated. Young people are spending increasing hours on smartphones and social media. Alongside this, many report a decline in their mental health. It could be that those two phenomena are connected: their reported wellbeing began to slide as screentime rose. However there is not yet much proof of a causal link. "The evidence isn't there to show that social media is doing more harm than good," argues Axel Bruns, a researcher at the Queensland University of Technology.

And social media are not just cesspits of bullies and groomers. "It's the only way I keep in contact with my friends," says Grace, a 14-year-old in Sydney. Many child-welfare advocates oppose sweeping bans, arguing that teenagers nowadays build their communities online. Far from protecting the vulnerable, they say prohibition could isolate them further. Plus, the "ban does nothing to make the social-media platforms safer," writes Lorraine Finlay, Australia's human-rights commissioner, and Anne Hollonds, its children's commissioner. Mr Albanese's government also plans to legislate a "digital duty of care", which would require platforms to prevent harm to users.

Then there are [technical challenges](#). It is unclear how many companies the law might apply to. YouTube is exempt, on the basis that parents felt it was educational. Gaming platforms are also out. To ensure that Australians are not forced to upload their IDs, social-media groups will have to offer other age-verification options, such as facial recognition. Either way, some worry about how much data Australians of all ages will have to hand over. "And kids are just going to steal their parents' IDs and create fake accounts anyway," says Grace.

Yet Australians—at least, the adult ones—are overwhelmingly in favour. Polling suggests that over three-quarters of them back the ban. For once, the two big parties are united. The conservative Liberals also backed the bill. When it comes to getting tough on big tech, all sides like to see Australia as a leader. It is “a jurisdiction that like-minded governments look to for guidance”, says the government’s memorandum for the bill.

On this front, its biggest export has not been successful. In 2021 a conservative Australian government created a “news media bargaining code”, which required Google and Meta to pay news companies when search results or social-media feeds linked to their articles. The two giants forked out \$130m in the subsequent year. Others rushed to follow Australia. But in Canada, which passed a similar law in 2023, the approach has backfired. Meta blocked news links instead of paying up, crippling some sites that relied on Facebook for traffic and distribution. The company now threatens to take similar measures in Australia, where it has refused to renew its handouts.

What makes Australia a testbed for such policies? Many of its politicians care deeply about the harms caused by big tech, and rightly so. But another explanation may come from its old media. It is dominated by Rupert Murdoch’s News Corp, which controls about two-thirds of the country’s newspaper circulation. The company campaigned in favour of both the bargaining code and the ban. Since its efforts to “extract rent” from tech giants are failing, “it is looking for new ways to claw back lost ground,” says Suelette Dreyfus, a technology researcher at the University of Melbourne. Australia’s latest crackdown may prove as vexed as its last.■

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China

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Bribes and brass

Fresh doubts about China's ability to invade Taiwan

How corruption in the PLA is changing the calculations of analysts

Dec 05, 2024 03:44 PM | WASHINGTON, DC



Reuters

SINCE TAKING power in 2012, Xi Jinping has worked to purge corruption from the ranks of China's armed forces. The country's ability to fight and win wars depends on this effort, he has said. But even Mr Xi's protégés, appointed to restore order, seem to be part of the rot. The latest sign came on November 28th, when the defence ministry announced that Admiral Miao Hua, one of China's most senior officers (pictured, in white), had been suspended pending investigation for "serious violations of discipline", often a euphemism for corruption. Ostracism or imprisonment will probably follow.

The news came just after reports that Admiral Dong Jun, the defence minister (a more junior position in China), was also under investigation. The ministry denied the claim as “sheer fabrication” and later noted that Admiral Dong had met foreign officials in Shanghai on December 5th. Rumours suggest other senior officers are under scrutiny. Defence-industry figures also seem to have disappeared.

The turmoil in China’s high command reinforces a belief among several senior American officials that China will not be ready to invade Taiwan in this decade, as some had feared. That is not to say that China will stop using military force to coerce and intimidate neighbours. On November 29th it sent a nuclear-capable H-6N bomber for the first time on a joint patrol with Russian aircraft over the Sea of Japan. Later this week it may launch another large military exercise around Taiwan, in a show of displeasure at America’s decision to allow the self-governing island’s president, Lai Ching-te, to stop in Hawaii and Guam during a tour of the Pacific.

Mr Xi has long resorted to purges to consolidate his grip on the People’s Liberation Army (PLA), and other levers of power, promising to go after all ranks—“tigers and flies” alike. Admiral Miao is a tiger, one of only six members of the Central Military Commission (CMC), China’s supreme military body, headed by Mr Xi himself.

The admiral may not be quite as large a beast as Generals Xu Caihou and Guo Boxiong, both former vice-chairmen of the CMC, who were arrested for bribery in 2014 and 2015. The former died of cancer; the latter was sentenced to life in prison. But Admiral Miao’s suspected wrongdoing may be felt more keenly by Mr Xi.

The admiral rose through the ranks in Fujian province where Mr Xi also served. Under Mr Xi’s leadership, his ascent included an unusual move from the army to serve as the navy’s political commissar in 2014, a promotion to admiral in 2015 and elevation to the CMC in 2017, taking charge of the Political Work Department. This is the Communist Party’s ideological-enforcement arm. It oversees military personnel, promotions and the political commissars who shadow operational commanders in most units, ensuring the party’s “absolute leadership” over the armed forces.

Those associated with Admiral Miao will, inevitably, come under scrutiny. That may explain the rumours surrounding Admiral Dong. If he is removed he would become the third successive defence minister—and yet another Xi appointee—to be disgraced. The purge of Mr Xi's favourites may suggest he is poor at choosing officers (though able to admit to mistakes). Or it may be a sign that corruption is so endemic that no senior officer is unblemished.

The cause of Admiral Miao's downfall may never be revealed. PLA-watchers propose different interpretations. A narrow one, offered by Lonnie Henley of the Foreign Policy Research Institute in America, is that given his position Admiral Miao may have been caught in a "pay to play" scheme, where officers bribe superiors to obtain promotion. A broader thesis, set out by Andrew Erickson and Christopher Sharman of the US Naval War College, is that the anti-corruption campaign has moved from the PLA's rocket force to the navy. If so, two of the most important components of the PLA's modernisation have become engulfed in scandal, after last year's purge of several rocket-force commanders.

Corruption, says Mr Erickson, "is not a bug, it's an enduring feature of a system in which the Communist Party is inherently above the law". The PLA's expansion has created many opportunities for bribe-taking. In the past Mr Xi has blamed its failings on Westernised thinking and a lack of combat experience, but he may not have appreciated how far the rot had spread.

Mr Henley admits it is difficult to assess whether dishonesty merely raises the cost of running the PLA or causes more lasting damage by saddling it with underqualified officers and shoddy kit. Bloomberg, a news agency, reported in January on American intelligence assessments about Chinese missiles being filled with water and silos being fitted with doors that did not open properly. In September satellite imagery suggested a new submarine had sunk while under construction.

China aims to become a "world-class" military power by 2049. But Mr Xi has ordered the PLA to be ready to invade Taiwan by 2027, says the CIA. American military officials have long worried about a "window of vulnerability" in the second half of this decade, before new American

bombers, subs and other weapons enter into service in substantial numbers in the 2030s.

In recent weeks, however, senior American military and government officials, speaking in off-the-record forums, have sounded sanguine. They suggest the disruption in the PLA's upper ranks is evidence that Mr Xi does not yet have confidence in its ability to take Taiwan quickly and at acceptable cost. Other recent factors may give him pause, too. Among them are Russia's failure to swiftly overrun Ukraine, Taiwan's shift to a more defensive asymmetric military policy and America's deepening military alliances in Asia. Above all, China's economic woes and social discontent mean that Mr Xi is turning inward and wants stability abroad.

"The period of greatest danger has probably been pushed out for several years as Xi Jinping addresses the loyalty in his military and the corruption problems," says Bonnie Glaser of the German Marshall Fund, a think-tank in Washington.

Such views are not universally shared, in or out of government, not least because Donald Trump's return to power raises uncertainty about America's alliances. Mr Erickson notes that past corruption scandals have not stopped China's relentless military growth. "Politicised corruption investigations impact and impose costs on China's military to the extent that some dirty laundry occasionally emerges—but are fundamentally a speed bump, not a showstopper," he says. "Xi has his foot firmly on the accelerator and a full tank of gas." ■

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Trees to the rescue

Will China's “green Great Wall” save it from encroaching sands?

A big part of it has just been completed. Its effect is hotly debated

Dec 05, 2024 05:00 PM | BEIJING

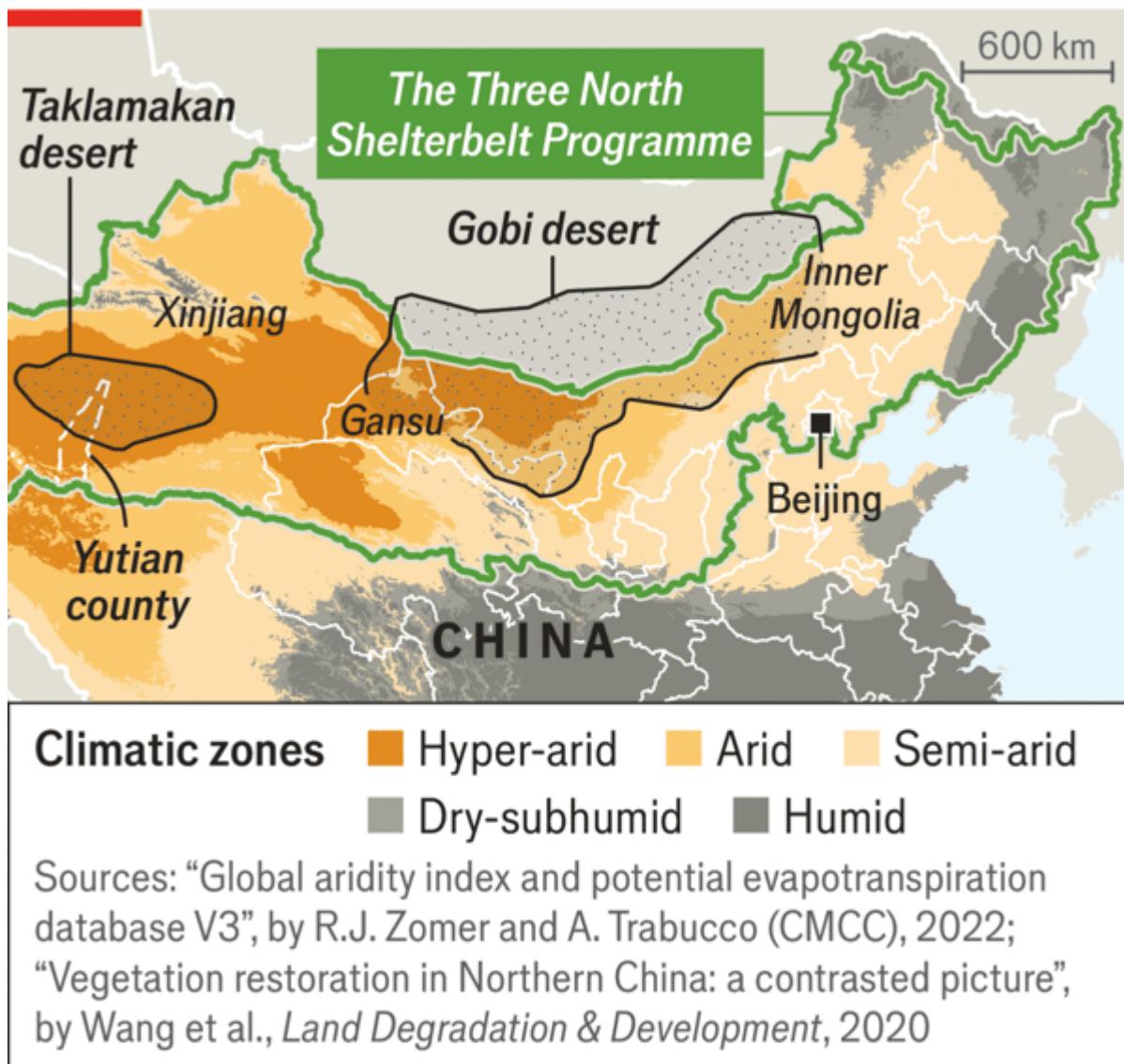


Getty Images

IN ANCIENT TIMES the shifting sands of the Taklamakan, a desert in China's north-western Xinjiang region, swallowed up entire cities. Today they still cause trouble. On the edges of the desert, sand can smother crops, bury houses and block roads. Strong winds can also carry it thousands of miles away to choke the inhabitants of Beijing and other cities in the east.

Officials have long hoped that trees could help solve the problem, by acting as windbreaks and anchoring the ground in place with their roots. For decades they have been planting a ring of vegetation round the desert's edge that is 3,000km long and over 1km wide in places. This year hundreds of

thousands of workers were mobilised to finish the last stretch. On November 28th the final section of trees was planted in Yutian county, on the southern side of the Taklamakan. The desert is now “locked shut”, say officials.



The Taklamakan project is just one part of a scheme dating back to the 1970s. At that time China was losing about 1,500 square kilometres of land to deserts each year thanks to deforestation and overgrazing of grasslands. So in 1978 officials started to plant trees in arid areas across northern China (see map). Collectively, these desert-taming projects were named the Three North Shelterbelt Programme. It is due to be completed by 2050, when it

will have formed an “unbreakable green Great Wall”, according to government plans.

China boasts that the scheme has already been a great success and highlights its technological prowess. According to official data, tree cover in arid areas of northern China has increased from 5% to 14% since the project began. These new trees have protected 23m hectares of agricultural land from desert sands, say officials. And the green wall may have even turned the sands back a fraction. A decade ago 27.2% of China’s total land area was desert. Now that proportion has fallen to 26.8%.

But not all this progress is thanks to the green wall. A big reason China’s deserts are no longer expanding is that northern China is seeing more rain, say researchers at the Northwest Institute of Eco-Environment and Resources, a state-backed think-tank. Human efforts, such as planting trees, have accounted for only about half the reduction in the size of deserts over the past two decades, the researchers estimated. (Others studies have found that afforestation had even less of an effect.)

Critics also question how sustainable the green wall is. For decades local officials rushed to plant trees in order to hit targets set by the government. Many were unsuited to the arid climates of northern China, so they failed to sprout or quickly died. Others were packed in too densely, draining the region’s groundwater reserves and making desertification more likely.

Some of the people meant to benefit from the green wall have been alienated by it. Farmers grumble that they are forbidden to plant cash crops on land set aside for the project. In 2017 farmers in Gansu province were accused of felling trees and planting vineyards in their place.

Chinese officials seem to be learning from their mistakes. Over the past few years they have been creating the wall in a more sophisticated way, planting different types of trees, shrubs and grasses, depending on local ecosystems. They have also let farmers plant more profitable trees, such as those bearing dates and walnuts.

Lately China’s leader, Xi Jinping, has been more sombre when discussing the challenges facing the green-wall project. After a spike in the number of

sandstorms affecting Beijing last year, which spurred debate over the effectiveness of afforestation, Mr Xi met officials in Inner Mongolia, a region of northern China prone to desertification. Beating back the desert would be “arduous and uncertain”, he told them, akin to “rolling a stone up a hill”. ■

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Rewriting the script

Chinese women are making themselves heard on the big screen

A hilarious and heart-rending new film explores feminist themes

Dec 05, 2024 03:44 PM | BEIJING



Maxtime Pictures

THE HIGHEST-GROSSING Chinese film in the last week of November was not an action flick or sci-fi thriller, two genres that often top the country's box office. It was "Her Story", a comedy-drama that follows a single mother, called Tiemei, and her eccentric new neighbour, Xiaoye, in Shanghai. Together the two women face various challenges, such as raising nine-year-old Molly, navigating old and new romances, and handling online harassment. The low-budget film, by turns hilarious and heart-rending, has far exceeded expectations, taking in more than 440m yuan (\$61m).

“Her Story” is the second feature film written and directed by Shao Yihui. Her script has resonated with young Chinese women, who are pleased by its focus on female experiences and problems related to their sex. The hard and often thankless work of motherhood is a theme. The protagonists also dispel taboos about menstruation. One criticises male fantasies based on pornography. “The mood is never ruined by politeness,” says Tiemei to a potential partner.

Some online commenters (mostly male) have criticised the film for belittling men or portraying them in a stereotypical fashion. Tiemei’s ex-husband and her new lover jockey for her affection by acting out a clumsy form of feminism. They bang on about the patriarchy and structural oppression, and refer to Shizuko Ueno, a popular feminist author from Japan. Most viewers, though, have found this to be amusing.

It is interesting that the film was given the green light by government censors. Official narratives emphasise women’s traditional roles in society. Communist Party leaders have cracked down on feminist activism, seeing it as a front for anti-party dissent. But while the characters in “Her Story” are fluent in feminist rhetoric, none calls for activism or protests in a way that might frighten officials. And though censors may not have liked Tiemei being divorced, they were probably pleased to see her raising a child. The state is desperate to stem China’s falling birth rate.

Studios, for their part, are studying how “Her Story” became a box-office success. One screenwriter notes the environment. Patriotic epics and rags-to-riches tales seem out of touch with how ordinary Chinese are feeling. Many young people are unemployed and frustrated—and want to watch films that reflect their angst. Then there is the fact that women make up an increasing share of the cinema-going public. They have accounted for 58% of ticket sales this year, up from 51% in 2018. Those aged 25 to 29 make up the largest cohort, according to Alibaba Pictures, a studio. That a film about young women is a hit shouldn’t have been such a surprise.■

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Closing in

Syria's Bashar al-Assad is in mortal danger

Whether he survives may depend not on his allies but on his one-time foes

Dec 05, 2024 03:47 PM | DUBAI



AFP

NOT EVEN the Syrian rebels themselves thought they would be so successful. When they began a [surprise offensive](#) in northern Syria on November 27th, they found Bashar al-Assad's regime in disarray. His troops fled. Within days the insurgents had captured Aleppo, Syria's second city. The advance slowed around Hama, 120km to the south—but did not stop. On December 5th the rebels reportedly took the city (see map). For the first time in a decade, Mr Assad's rule looks vulnerable.



The Economist

Two rebel groups are leading the push. One is Hayat Tahrir al-Sham (HTS), which emerged from al-Qaeda's Syrian affiliate. It cut ties with the jihadist group in 2017 and has since set up a provisional government in rebel-held Idlib province in north-west Syria. The other faction, the Syrian National Army (SNA), is a Turkish proxy.

They are far better trained than the rebels of a decade ago: they have made good use of drones, both for surveillance and combat, and deployed special-

forces units ahead of their main thrust. Fleeing Syrian troops left behind tanks, artillery and other kit, which the rebels will no doubt put to use.

After Hama, HTS's next goal will be Homs, 50km farther south. A victory there would sever the main road linking Damascus to the coast, the heartland of Mr Assad's Alawite sect. That would make it extremely difficult for the regime to defend and resupply the capital.

At the same time, rebels are also consolidating their control around Aleppo. This has led to tension with the Syrian Democratic Forces (SDF), a mainly Kurdish militia (backed by America) that controls much of the north-east. HTS has told the group's leaders that it has no quarrel with them, only with the Assad regime, and has offered them safe passage. The SNA has not been so benevolent: its Turkish backers consider the SDF a terrorist group because of its ties to Kurdish separatists in Turkey. There have been reports of clashes between the SNA and the SDF.

Residents of Aleppo are nervous, both that the regime will fight to retake the city and about the prospect of HTS rule. [Abu Muhammad al-Jolani](#), the group's leader, has tried to reassure Christians and other minorities that they have nothing to fear. His fighters distributed sweets outside churches and unfurled the Syrian opposition flag on Aleppo's ancient citadel rather than an Islamic banner. On December 1st the Orthodox church in Aleppo celebrated mass as usual. Not everyone is convinced: even if Mr Jolani is sincere about his break from jihadism, some of his allies are not.

Another fear is that HTS will turn out to be little better than Mr Assad's regime. The group has become increasingly authoritarian in recent years, jailing and torturing hundreds of critics. Corruption is a growing problem. There have been protests in Idlib over unemployment and high taxes. The SNA is far worse: many Syrians regard it as a collection of thugs and criminals.

All this is a reminder of just how maddeningly complex the Syrian conflict has become—and that is before you get to foreign powers. Mr Assad was thought to be in Moscow when the rebel offensive began, returning to Damascus over the weekend. On December 1st Abbas Araghchi, the Iranian foreign minister, paid him a visit. The Syrian president is pleading with

Russia and Iran, his two closest allies, to help him push back the rebel offensive.

Over the past week Russian jets have bombed Idlib and Aleppo. But Russia's ability to help is limited. It leases a naval base in the coastal city of Tartus and keeps a detachment of warplanes at nearby Khmeimim airbase. Small contingents of Russian troops across the country have tried to train the Syrian army into a more professional force (the rout in Aleppo suggests those efforts have gone poorly).

But Russia's presence in Syria has shrunk since its invasion of Ukraine in 2022. Even at its peak, its role was that of a force multiplier: helping the regime plan military operations and offering air support, surveillance, logistics and intelligence. It preferred to leave most of the ground fighting to others.

Iran supplied much of the cannon fodder, but it too has been diminished. Hizbulah, the Lebanese Shia militia it supports, has been battered by a year of war with Israel. It cannot deploy thousands of fighters to help Mr Assad as it did a decade ago. Iran itself has endured a year of Israeli strikes on its military infrastructure in Syria. It is also under pressure in eastern Syria, where the SDF, with American support, is battling Iranian-backed militias for control of villages near Deir ez-Zor.

A few weeks ago, Mr Assad might have felt confident. Most Arab states had restored diplomatic ties with him; some were even lobbying America to lift sanctions on his regime. Russia thought it could convince Donald Trump to withdraw American troops from eastern Syria.

The precipitous reversal was predictable. Mr Assad's regime has been hollowed out by years of war and corruption. Syria's economy has collapsed: unemployment is high, inflation higher. The army is full of young men press-ganged into long service for low pay. Mr Assad might find loyalists willing to fight for their own villages, especially in Alawite areas. But his army is too demoralised to do much more than that.

He may hope that a deal will save him. The front lines in Syria had been largely frozen since 2020 because of an agreement between Russia and

Turkey. Though the latter has supported both HTS and the SNA, it is probably edgy about the idea of a rebel march on Damascus. Recep Tayyip Erdogan, the Turkish president, instead seeks a deal with the Syrian dictator to send back millions of Syrian refugees and establish a buffer zone that will push the SDF away from the border.

For months Mr Erdogan has tried to negotiate such an agreement, only to be rebuffed: Mr Assad does not make concessions to anyone. (Indeed, his stubbornness has even irritated Vladimir Putin.) Now, though, his position is far weaker. The fall of Aleppo gives Turkey a larger buffer zone than it could have imagined. Mr Erdogan may hope this will let him dictate terms —and that Mr Assad, desperate to save what remains of his rump state, will have no choice but to accept them. ■

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A shaky truce

The ceasefire between Israel and Hizbulah holds, for now

People on both sides of the border are returning to devastated homes

Dec 05, 2024 03:44 PM | Beirut and Jerusalem



ON THE OUTSKIRTS of Tyre in southern Lebanon wailing mothers dressed in black gathered the bodies of their sons, which they had been unable to bury for weeks. In a village nearby, one man came home to find his dog had been shot dead; in another, a woman discovered piles of excrement in her bed. Others found that after months of Israeli bombing and ground operations by Israeli troops they no longer had homes to go to. On the other side of the border in Israel, most people's homes were still standing. But thousands had been damaged by rockets fired by Hizbulah, the Iran-backed Shia militia that had dominated southern Lebanon.

Israeli and Lebanese civilians who live near the border between the two countries have begun to return home after a ceasefire on November 27th ended nearly 14 months of war between Israel and Hizbulah. Yet even as those who return survey the devastation, it remains far from clear that they will not have to leave again soon.

Since October 8th 2023, when Hizbulah began firing rockets to support the bloody attack a day earlier on Israel by Hamas, more than 4,000 Lebanese and 127 Israelis have been killed in the conflict. (Israel claims three-quarters of the Lebanese victims were members of Hizbulah. Lebanon says the toll includes nearly 800 women and more than 300 children.) Some 70,000 Israelis and around 1.3m Lebanese have been forced to flee their homes. In Lebanon, entire villages have been destroyed in the south. Scores of neighbourhoods have been levelled. Israel says it has targeted its attacks on Hizbulah headquarters and weapons stores hidden beneath civilian buildings.

Over the next couple of months, Hizbulah is supposed to withdraw from all its positions in southern Lebanon, as Israeli troops leave Lebanese territory, creating the conditions for repairing some of the damage. Yet the truce is already shaky.

Over the past week both sides have committed numerous violations of the accord. On December 2nd Hizbulah fired two rockets at an Israeli position on a long-disputed section of the border. In response, the Israel Defence Forces (IDF) carried out air strikes against what it claims were “launchers and terrorist infrastructure”. The IDF has also fired at Lebanese trying to return to their homes in the south, claiming that they were Hizbulah members in breach of the agreement.

For now, both parties have an interest in sticking to the deal. Israel has achieved its objectives in Lebanon. It has killed most of Hizbulah’s leadership, including Hassan Nasrallah, its veteran leader, and destroyed most of the group’s guided-missile arsenal, as well as its military infrastructure close to Israel’s northern border. The ceasefire aims to ensure that Hizbulah will be kept well away from the border.

Agreeing to the ceasefire was a bid by Hizbulah to hang on to what remains of its military power and political authority in Lebanon. The drubbing it has received in the past few months has not just battered the group but has also eroded the regional standing of Iran, its main sponsor.

That, in turn, has weakened Iran's main client, [the regime of Bashar al-Assad](#): in neighbouring Syria. Iran's worry that it is overstretched in the region may have spurred it to press Hizbulah to accept the ceasefire, even though Hizbulah used to maintain that it should depend on Israel stopping its war in Gaza.

The deal may still collapse. It is based on UN resolution 1701, which ended the previous war between Israel and Hizbulah in 2006 and mandated that Hizbulah withdraw its forces to the area north of the Litani river. Both the Lebanese army and the UN peacekeeping force in south Lebanon known as UNIFIL failed miserably to enforce Hizbulah's withdrawal at the time. The countries guaranteeing the latest ceasefire are not about to send troops of their own to enforce it, so it is unclear what will stop Hizbulah from re-establishing its presence in the south.

European diplomats are scrambling to funnel cash and equipment to the Lebanese army to bolster it for the task. Though they acknowledge that the army chief, General Joseph Aoun, wants to enforce the ceasefire, many remain sceptical that his army is up to the task. Israeli officers suspect they may eventually have to return. They are banking on Hizbulah and its Iranian backers not wanting to provoke another round of fighting.

For now, the Shia group may be content to lay low. Though its ability to launch attacks has been diminished, it retains some of its hold over the Lebanese state. In Beirut's southern suburbs, some of its supporters held a night-time vigil at the site where Mr Nasrallah was assassinated by a barrage of Israeli bunker-buster bombs in late September. At his upcoming public funeral, the movement's surviving leaders are likely to proclaim victory for evicting the Israelis from Lebanon.

However, many Lebanese, while glad to see the back of the IDF, have had enough of suffering the consequences of Hizbulah's wars, which have inflicted much more damage on Lebanon than on Israel. In Bint Jbeil, a

town in the south, some were grievously offended by a Hezbollah lawmaker's assertion that the 4,000 Lebanese deaths were a price worth paying.

Yet some worry that the hit to Hezbollah's reputation caused by its hammering by Israel may leave the group with a point to prove. Says one Lebanese opposition politician: "What I fear now is that they will do something to reassert their authority—a show of force is what scares me." ■

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Pick your poison

Ghana, Africa's model democracy, is losing its sheen

Ahead of an election on December 7th, the mood in the country is grim

Dec 05, 2024 03:44 PM | Accra



GHANA HAS long been a trailblazer in African politics. One of the first countries on the continent to win its independence, in 1957, the west African country led the way in ditching dictatorship for democracy in the 1990s. Since then, it has been an example of relative political and economic stability in a highly unstable environment. It has taken a big part in regional diplomacy and has proved a reliable ally for America and Europe, even as many of its neighbours have turned against their erstwhile Western backers.

Yet as Ghanaians go to the polls to elect a new president and parliament on December 7th, this hopeful legacy is being threatened by economic strife,

democratic backsliding and instability elsewhere in the region. The dissatisfaction of Ghana's 34m people with their economy and democracy matters far beyond its borders.

The election is happening in the wake of what is likely to be remembered as the worst economic crisis in the country's democratic history. The government of Nana Akufo-Addo, the president, was elected with a mandate to bring the economy back from the brink. But it has proved a huge disappointment, borrowing heavily and presiding over a debt default in 2022. The ensuing IMF bailout (Ghana's 17th) entailed a restructuring not just of external liabilities but also, painfully and unusually, of domestic debt.

It went some way towards stabilising the economy, with the debt-to-GDP ratio falling from 92.7% in 2022 to a still eye-watering 82.5% today. But it wiped out a chunk of Ghanaians' savings and pension pots. This angered the middle class, which had put its money into government-backed investments it had considered safe. Adding to the pain, the cedi weakened against the dollar for most of Mr Akufo-Addo's tenure, compounding economic pressure on a country that depends on imports for consumer goods. Inflation, which hit 23% in November, continues to rise. "It sometimes feels very difficult to go on in life," says Vicky, a 25-year-old saleswoman.

The economic malaise is a big problem for Mahamudu Bawumia, the ruling National Patriotic Party's presidential candidate. As Mr Akufo-Addo's vice-president and the boss of his economic management team, Mr Bawumia has found it tricky to shrug off responsibility for the crisis.

Meanwhile, John Mahama, the candidate for the opposition National Democratic Congress, who was president between 2012 and 2016 and is on the ballot for the fourth time, is trying to sell his experience as a basis for a fresh start. "My focus is to come and reset Ghana," he says. "We have the experience of pulling our country out of adversity." Yet he lost the election in 2016 amid blackouts, inflation and a collapsing currency. The excessive borrowing that led to Ghana's recent default began during his time in office.

Neither candidate has a convincing plan for reviving the economy, though both will be bound by the IMF deal, reducing their room for manoeuvre. Voters sound unimpressed by both men. “I don’t trust them—they’re all liars,” says Anthony, a 48-year-old who sells bags in a market in Accra, the capital. Even so, the current government’s poor record, a global trend against incumbents and Ghana’s history of tight elections is said to be giving Mr Mahama the edge against Mr Bawumia.

Grumpiness all around

Mr Mahama may also be hoping to capitalise on voters’ concerns about Mr Akufo-Addo’s increasingly authoritarian tendencies. The outgoing president’s cabinet once contained more than 120 ministers and deputies, making it the most bloated in Ghana’s history. He made his cousins cabinet ministers, appointed partisans to the electoral commission and curbed the freedom of the local press, which he has barely talked to since 2021. Copying his boss, Mr Bawumia declined to be interviewed by *The Economist*.

These shortcomings have increased discontent. A recent survey by Afrobarometer, a continental pollster, found that 95% of Ghanaians consider the presidency corrupt; 74% said corruption had risen this year; and 82% of citizens think the country is heading in the wrong direction. Yet rather than look to the opposition, voters appear cynical about politicians in general, though an independent candidate popular with young urbanites may get enough votes to force a run-off. “Ghana has become a corrupt country without apology,” says a 27-year-old woman who is not planning to vote. Some worry that the people’s contempt for the institutions of democracy could threaten a peaceful transition, particularly if the result is close. Whoever loses is likely to cry foul.

All this is bad news not just for Ghana, but for west Africa as a whole. In recent months jihadist violence in the Sahel has continued to spill over into neighbouring states. A Ghana-led initiative to prevent this is widely considered a failure and is unlikely to be revived if Ghana is grappling with domestic turmoil after the election. Burkina Faso, Mali and Niger, all ruled by military juntas, are planning to pull out of the Economic Community of

West African States, which would cripple one of the only forums for regional co-operation. Strong leadership from Ghana, as well as Nigeria, will be needed to coax them back in.

Whoever wins on December 7th must dampen discontent at home and strengthen Ghana's role as a source of stability in the region. Otherwise, he will risk squandering the country's political legacy. ■

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A very long election

Namibia's tired old liberation party stays in power

But voters are unhappy and frustrated

Dec 05, 2024 03:44 PM



LINES STRETCHED around the block, motionless, as voters stood for hours in the searing heat of a Namibian summer, waiting for ballot papers. On November 27th, long after voting had begun in the country's presidential and parliamentary elections, over a third still lacked election materials. Thousands went home without casting their vote. Then the electoral commission announced it would extend voting in some polling stations for three more days. Voters returned, multiple times. "It's like you are a mad person," one frustrated citizen told local media.

Finally, six days later, Netumbo Nandi-Ndaitwah, known as NNN, was declared president, with 58% of the vote. As leader of SWAPO, the party that has ruled Namibia since independence in 1990, she held off a challenge by Panduleni Itula, a 67-year-old dentist, lawyer and former SWAPO youth campaigner, who spent 33 years in Britain before coming back home in 2013. With 15 candidates competing, he got 26% of the vote as head of the Independent Patriots for Change (IPC).

In February this year, President Hage Geingob, a SWAPO stalwart, died in office. He was replaced by an interim president, who then handed the presidential candidacy to the 72-year-old NNN, Namibia's vice-president. Educated in the Soviet Union and Britain, she is married to a former head of Namibia's armed forces. She will be Namibia's first female head of state.

Her victory, however, has been sorely marred by the failings of the electoral commission. The IPC called the voting extension illegal and criticised it for reopening only some polling stations, without explaining how they were selected. There were reports that SWAPO had been bringing its supporters by bus to the polling stations that had reopened. The IPC is refusing to recognise the results and says it will "pursue justice through the courts". On December 3rd, when the result was declared, opposition parties led by the IPC boycotted the announcement.

As results stand, Ms Nandi-Ndaitwah faces an uphill task. SWAPO lost 12 seats in the parliament, putting it well below the two-thirds-threshold needed to pass legislation. So she will have to cosy up to opposition parties, themselves a fractured group. In the previous two general elections SWAPO's tally had already dropped from 87% to 65%. This time it got just 53%.

Namibians are frustrated by falling living standards and rising corruption. Many of the country's 3m-odd people are short of basic housing. Two-thirds of urbanites live in shanty towns. Unemployment is stubbornly high. From next year the daily minimum wage for farm workers will be ten Namibian dollars (55 American cents).

The SWAPO government has been increasingly blamed for the poverty. Namibia is the second-most unequal country in the world, just ahead of

neighbouring South Africa, according to World Bank numbers from 2022. Of the 1.4m Namibians registered to vote, more than half were born after independence, so many felt no residual gratitude to SWAPO for winning it from South Africa. In the run-up to the elections an air of expectation was heightened by the defeat or decline of time-worn ruling parties in neighbouring Botswana and South Africa that were deemed to have succumbed to corruption over too many years in office.

SWAPO has likewise been dogged by allegations of corruption. The so-called Fishrot scandal, which was exposed in 2019 and is still dragging on, brought a clutch of SWAPO ministers to court and prison, revealing a web of bribery and chicanery in the fishing industry, a big chunk of Namibia's economy. According to Afrobarometer, a continental pollster, two-thirds of Namibians believe corruption has risen in the past year. New oil finds and plans to harness Namibia's wind and solar energy to create green hydrogen have yet to benefit ordinary Namibians. Oil reserves being tapped by TotalEnergies and Shell are not expected to begin flowing until 2030.

So it is surprising, to say the least, that Ms Nandi-Ndaitwah beat the dentist by so wide a margin. In any event, she will start her presidency under a cloud of doubt and has a hard task ahead. ■

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India Inc in trouble

Adani's problems in Kenya undermine Narendra Modi's ambitions for Africa

Competing with China will now be even harder for India's prime minister

Dec 05, 2024 03:44 PM | Nairobi



THE TWO deals, worth some \$2.5bn, were meant to boost Kenya's creaking infrastructure. Yet the country's MPs roared with delight on November 21st as William Ruto, the president, told them his government would not lease Kenya's main international airport to the Adani Group, an Indian conglomerate, and would cancel a separate agreement with an Adani company to build new transmission lines. After months of controversy over the allegedly unfavourable terms of the deals, the decision was clinched

when American prosecutors filed charges against Gautam Adani, the group's boss, for conspiring to bribe Indian officials (he denies the charges).

The episode does not just cast doubt on Adani's investments in Kenya and across Africa. It also has implications for other big Indian companies operating on the continent, and for the geopolitical ambitions of Narendra Modi, India's prime minister, who has close ties with Mr Adani.

India's connection with Africa is long-standing. Indian traders first began sailing their ships along the Swahili coast centuries ago. An Indian architect designed several of Ethiopia's imperial landmarks. Kenya's British colonial-era railway was built by indentured Indian labourers. A sense of camaraderie that grew from all being former colonies brought India and many African countries together in the "Non-Aligned Movement" that sought to circumvent and exploit Cold War rivalries. Many members of India's diaspora of around 3m people do business across the continent.

Under Mr Modi, who has been in power since 2014, India has sought to intensify its links with Africa. Between 2018 and 2022 Indian investment in the continent exceeded \$26bn, bringing it to more than five times the amount over the previous five years. India today is the second-biggest bilateral creditor to Africa after China. With a total trading volume of \$83bn in 2024, it is now also Africa's third-largest trading partner after China and the EU.

Beyond advancing its economic interests, India's push into Africa is part of its bid to claim leadership of the global south amid rivalry with China. India has ramped up its diplomatic presence, opening new embassies and dispatching ministers and business delegations. In November Mr Modi visited Nigeria, while Droupadi Murmu, India's president, toured Algeria, Mauritania and Malawi.

Adani, the corporate face of Mr Modi's India, has played a big role in this push for influence. The group recently signed a contract to operate a big shipping terminal in Tanzania, where it is touting a \$900m project for electricity power lines. It is eyeing deals in Egypt, Morocco and Zambia.

Now Adani looks like a liability. Before Mr Adani's troubles in Kenya, most big Indian investments in Africa had been seen as politically innocuous. Indian firms were widely praised for hiring locals and, on the whole, avoided the sort of corruption or environmental scandals which can make companies politically toxic in Africa. Unlike Chinese ones, they were considered independent of the Indian state. Mr Modi's government had worked to improve transparency in schemes previously plagued by graft allegations, such as India's flagship subsidised credit programme.

Yet the Adani episode is a reminder that India Inc remains far from spotless. And Mr Modi's close ties to Mr Adani may throw doubt on the sincerity of his government's commitment to fight corruption. It may also revive interest in the shortcomings of other Indian firms. Last year Vedanta Resources, owned by an Indian billionaire, Anil Agarwal, agreed to a \$1bn settlement with Zambia's government in order to reclaim copper mines it had been accused of leaving idle. Earlier this year Kenya's government threatened to close Africa's largest soda-ash factory, owned by Tata Chemicals, over a tax dispute.

Beware of the big boys

With Adani gone, Africans may also remember that the performance of big Indian firms on the continent has often been underwhelming. Take the Tata Group, perhaps India's most venerable conglomerate. It first arrived in Africa in the 1970s and in 2013 announced a major new drive for African markets. But in recent years it has sold off some of its African operations and abandoned big mining projects in Madagascar and Côte d'Ivoire.

That points to a further challenge: competition from China. For Kenya and other African countries, the appeal of Adani lay in its ability to build the huge infrastructure that Africa sorely needs, without some of the risks associated with Chinese investors. But beyond Adani, Indian firms in key sectors such as construction struggle to match their state-backed Chinese rivals. "India just doesn't have the resources to do such big projects as China," says Barnaby Dye of King's College London. The number of infrastructure contracts awarded to Indian companies has fallen, according

to the African Development Bank. Indian construction firms complain their government does too little to help them.

The future of Indian investment in Africa may instead lie beyond large infrastructure and politically connected conglomerates. Ashish Patel of Aavishkaar Capital, a Kenya-based investor, describes India Inc's strength as being "physical asset light, intellectual capital heavy". Examples include tech companies and digital public-infrastructure innovations. Smaller firms will probably continue to blaze India's path with little support from the state, whether or not bigger rivals join them. ■

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Barnier's exit

Emmanuel Macron loses another prime minister

Michel Barnier's fall accelerates the unravelling of the French centre

Dec 05, 2024 03:44 PM | PARIS



EMMANUEL MACRON, France's president, had barely landed from Saudi Arabia when he lost another prime minister, his third this year. In a no-confidence vote on December 4th, an unholy alliance of the left and Marine Le Pen's hard-right National Rally (RN) [brought down Michel Barnier](#), a conservative with whom Mr Macron has shared power since September, by a total of 331 deputies, 43 more than was needed. The vote followed Mr Barnier's use of a special provision to force his budget through parliament. It marks the first time deputies have toppled a government since 1962. With Mr Barnier, the budget falls too, plunging France into yet more political instability. Mr Macron's great centrist project is unravelling fast.

At the head of a minority coalition, Mr Barnier failed despite his best efforts to secure broader support. He had drawn up €60bn (\$63bn) of tax increases and budget cuts, designed to shrink the deficit from 6.1% of GDP this year to 5% next. In a final effort Mr Barnier ceded ground to the RN and its friends, who hold 140 seats in the 577-seat lower house. To no avail. “The country is going through a profound crisis,” lamented Mr Barnier before the vote.

Mr Macron seems to want to appoint a successor swiftly. A new team, or the old one, could use special measures to roll over this year’s budget provisions, without inflation adjustments, into 2025. Various veteran centrists or conservatives could be stop-gap options. Some centrists are pushing the president to name a figure from the moderate left, in an attempt to split the left-wing alliance. Whoever takes over, however, the underlying problem remains: a deadlocked lower house split into three blocs and a chronic inability to forge cross-party compromise. Fresh legislative elections cannot be called until next July.

It is all a long way from the great hope the Macronist centre once represented. When Americans first put Donald Trump in the White House, Mr Macron was transforming soggy centrisim into a powerful pro-European post-partisan platform. Twice he kept Ms Le Pen from the presidency. Borrowing ideas from left and right, Mr Macron built the centre into a force for consensus and stable government.

Thread by thread, this achievement is unravelling. In 2022 Mr Macron lost his parliamentary majority. In July, at the snap election he rashly called, it shrivelled further. The shrinking centre represents both a political threat for France and Europe, and a personal drama for Mr Macron. The constitution bars him from standing for a third consecutive term in 2027. The courts may yet ban Ms Le Pen from standing for public office for five years, in a case over the misuse of public funds to be judged in March. If not, though, she is the candidate French voters told one pollster they most want as their next president. On re-election in 2022, says an aide, Mr Macron told his team: “We’ve got to get to work, because I don’t want to hand the keys to Marine Le Pen.” If the centre cannot sort itself out, his greatest worry could be his legacy.

The unravelling, or *détricotage*, of Mr Macron's power at home has been abrupt. The president still runs defence and foreign affairs. But under Mr Barnier domestic policymaking swung firmly to the prime minister. Shared advisers were scrapped. Several presidential aides quit. Mr Barnier's team was relieved to find that the president "interfered less than we expected". For Mr Macron, whose appetite for detail extends to texting ministers at all hours, it was "an enormous change", says an aide. "Do you have any idea how he felt having no say on the budget? It was a nightmare," says a former minister.

Power-sharing has had two other consequences. First, it reinforced Mr Macron's isolation. Defenders of his decision to dissolve parliament became scarce; would-be successors, ever more outspoken. Edouard Philippe, who served as his first prime minister, accused the president of "killing" his previous parliamentary bloc. Gabriel Attal, an ex-prime minister, has taken over Renaissance, the party his mentor founded. In November Mr Macron's popularity sank to 23%. "Let's just say he's not living his best moment," says a centrist friend.

Second, it rearmed parliament, creating a "triangular power relationship", notes Roland Lescure, a centrist deputy and ex-minister. The prime minister's ousting is the starkest evidence yet of parliament's new clout, and Ms Le Pen the greatest beneficiary, although she may hesitate before trying it again. The RN leader is treading a fine line between a desire to acquire respectability and a need to flex her muscles to please her base. "She doesn't want to be the architect of chaos," says an RN deputy.

All this has spread a sense of dismay among Macronist centrists. Rival figures are nonetheless trying to work out how to protect the endangered centre, keep Ms Le Pen from office—and promote their own careers. At the very least, the centre needs to do three things: rally around a single post-Macron candidate, renew its stock of ideas, and find a way to speak to voters turned off by what they see as the arrogance of *la macronie*. If it can't do this, comments one long-standing member of the tribe, "the centre could die."

On the first task, there is no shortage of aspirants. Besides Mr Philippe, the 35-year-old Mr Attal and Bruno Le Maire, a former finance minister, may

fancy their chances. Broadening out, half a dozen other hopefuls lurk among moderate Socialists and centre-right Republicans. If the centre does not watch out, overcrowding could hand a run-off place instead to the hard-left Jean-Luc Mélenchon.

In shorter supply are ideas. Mr Macron's central insight was that on big issues—Europe, climate change, technology—moderates from left and right are closer to each other than to their sides' extremes. A post-partisan movement, he argued, could forge a different majority and “unblock” France. Once in office, however, Mr Macron bequeathed less a party than a “residual fan club”, says an insider. Now in charge, Mr Attal “understands that he needs to build an army, not just operate a small commando”, says a fellow deputy. But he inherits few activists or members. The party neither produces serious policy papers nor organises many conferences or debates. It is not too late to “renew its software”, argues Clément Beaune, a former minister and senior party figure. But individual ambitions and structural weakness will make collective work difficult.

Mr Trump's re-election underlines a third condition: the need to understand and respect those who vote for populists. The complex policy trade-offs that shape centrist politics do not lend themselves to simple messages. Nor, as Mr Macron has learned, is it enough to create more jobs, lure investors or keep inflation low if people do not feel you are fighting for them.

Post-partisan centrism may survive. “It remains 100% pertinent,” argues Mr Le Maire: “The left-right divide is totally inefficient in dealing with the big challenges of our day.” Or it could turn out to be a parenthesis, replaced by the party system it overthrew, or far worse. This week's drama is a sobering reminder of the centre's fragility and its eroding capacity to bring about the stability that France needs. ■

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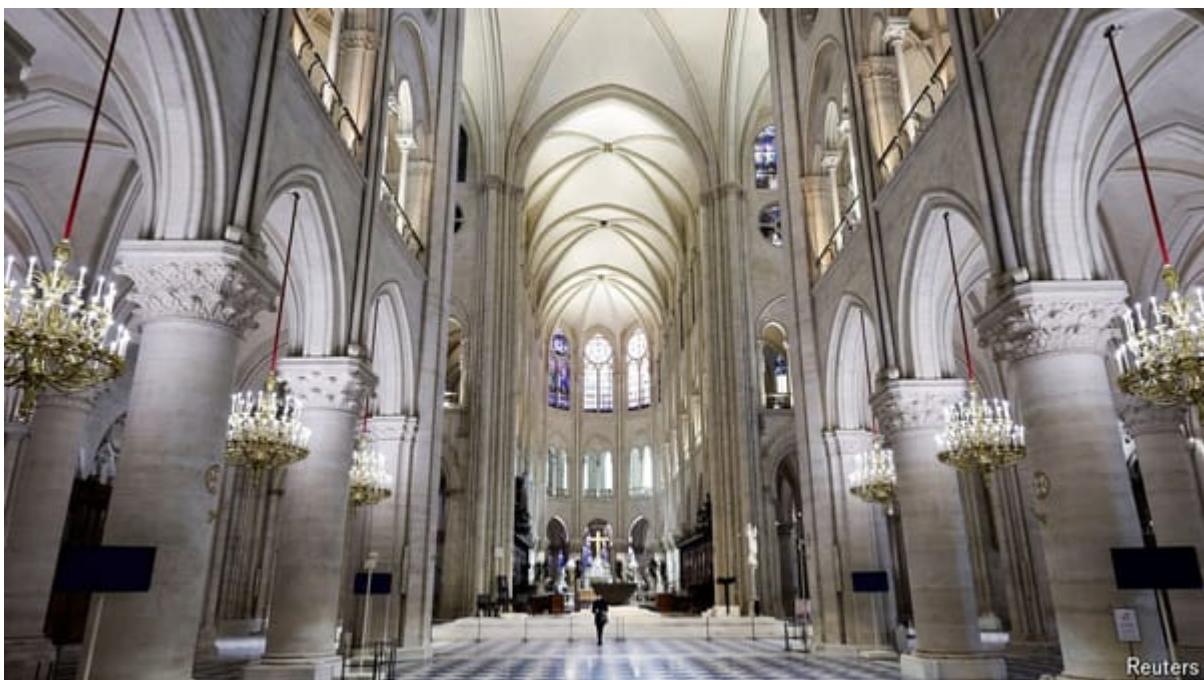
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Resurrection

Emmanuel Macron shows off the gloriously restored Notre Dame

Five years after it was gutted by fire, the cathedral is more beautiful than ever

Dec 05, 2024 03:44 PM



Reuters

“IF THIS MONUMENT is one day finished,” wrote Robert de Thorigny, a 12th-century Norman monk, of Notre Dame cathedral, “no other will ever compare.” The gothic edifice on an island in the historic heart of Paris is perhaps not unique. But it touches people—the spiritual and the secular, French and non-French—in unusually powerful ways. It is a place of worship, a testament to human ingenuity and a symbol of resilience. When on the evening of April 15th 2019 flames engulfed its timbered roof and toppled its spire, the shock and sorrow were global.



Today Notre Dame has been rebuilt. The archbishop of Paris, Laurent Ulrich, will ceremonially open its doors for the first time since the fire on December 7th, and hold the first mass the next day. Against the odds, France has stuck to the five-year timetable set by President Emmanuel Macron. On a final pre-opening visit on November 29th to what he called the “building project of the century”, Mr Macron brought cameras inside to reveal the restored interior for the first time.

Perhaps the most breathtaking feature is the cathedral’s newly luminous quality. After being darkened by centuries of grime, the blanched stonework of the pillars and vaults now appears as it would have done in medieval times. The pristine aspect of the stone—cleaned, consolidated, recut and replaced—will doubtless take by surprise visitors expecting to find the pillars rising “majestically into the gloom”, as Victor Hugo wrote of them in “The Hunchback of Notre Dame”. So might the bright pigment of the restored 19th-century chapel wall paintings, not to mention the modern liturgical furnishings in dark bronze. When the cathedral opens for mass, the congregation will be seated on 1,500 modern solid-oak seats. The clergy will be dressed in newly-designed contemporary ecclesiastical robes for the opening and until Pentecost next year.



The restoration of Notre Dame is remarkable in other ways, too. The rebuilding work scrupulously respects both the cathedral's original design and its construction techniques. Sculptors and stonemasons worked with chisels and brushes to restore gargoyles and chimerae. Craftsmen used hand-forged axes to hew oak logs into square beams. Wooden dowel pegs hold the roof trusses together without metal pieces. The spire is a faithful reconstruction of the 19th-century version designed by Eugène Viollet-le-Duc, which the flames destroyed. The project, involving over 2,000 workers and 250 firms, many of them small family businesses, has been a showcase for French craftsmanship. "You have transformed ashes into art," Mr Macron told the artisans present during his tour.

The cathedral belongs to the French secular state. Yet its rebuilding has been carried out with almost no contribution from the public purse. This is thanks in part to the generosity of France's richest businessmen, including two luxury-goods magnates, Bernard Arnault (head of LVMH) and François Pinault (founder of Kering). But hundreds of thousands of smaller donations have also flowed in, from France and around the world. Notre Dame, which had struggled before the fire to raise funds for restoration, collected a total of nearly €900m (\$950m) in contributions.



The restored cathedral will have its detractors. Traditionalists will bristle at the touch of modernity. Modernists will regret the lack of a bold contemporary architectural statement. Purists will say it has been “over-restored”. But the quality and craftsmanship are hard to fault. “This is not a monument like any other,” Philippe Jost, who runs the public body in charge of the restoration, [told *The Economist*](#) earlier this year: “We are restoring a cathedral that is 860 years old so that it can last for at least another 860 years.” ■

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Bling-grabbers

If you've got it, don't flaunt it in Sweden

A new law lets police seize unexplained luxury goods

Dec 05, 2024 03:44 PM



IMAGO

THE AIM, says Erik Nord, head of a team of detectives in Gothenburg, Sweden's second-largest city, is "to get a grip on the situation". Police are certainly getting a grip on something. In the week after November 8th, when a law came into force allowing them to detain people flaunting ostentatious luxury goods, the Gothenburg *polisen* made 30 arrests. One woman arrived at the airport wearing a Rolex watch and carrying 1.5m kronor (\$137,000) in cash. She picked a bad week.

The new law allows police to seize expensive goods even from people who are not under investigation for a crime, if they cannot prove they acquired

them lawfully. Police could arrest a teenager sporting a gold watch, or someone driving a Porsche whom they know is on the dole, and confiscate their swag. The idea is to undermine gang leaders who recruit youngsters by dangling such wares.

Politicians have been hyping the new measure. At a press conference introducing it, Ulf Kristersson, the Swedish prime minister, called it the biggest reform since the Swedish criminal code was introduced in 1965. A week after it came into force, police around the country had seized goods worth 10m kronor.

The impulse behind it is a sense of helplessness over a long-term rise in violent crime. Ten years ago Sweden, with 10m people, had one of the lowest rates of gun violence and murder in Europe. It now has one of the highest, averaging a shooting a day. In 2022, 62 people were shot dead; last year it was 53.

There is no consensus on the main cause of this surge in violence, says Sven Granath, a criminologist at Stockholm University. Gangs have mushroomed. The Oresund bridge between Denmark and Sweden, which opened in 2000, made illegal firearms and drugs easier to transfer. Other proposed factors include the country's widening income gap, the dismantling of welfare institutions, high immigration rates and poor integration.

Law enforcement was slow to respond at first, hampered by lenient penalties for gun crimes and strict data-protection laws. That is slowly changing. Since 2023 a new law has made it easier to tap suspects' phones, helping to improve the low clearance rate for murders. The government has also declared several time-limited weapons amnesties, during which illegal firearms can be surrendered to the police without criminal charges, bringing in thousands of illegal guns.

Critics of the luxury law say it disregards the presumption of innocence and that its guidelines for searches are vague. Other countries, including Britain, allow seizure of property through "unexplained wealth orders", but these are usually used to take yachts or flats from big-time criminals or oligarchs. American police have been excoriated for abusing a similar procedure,

known as civil asset forfeiture. The Swedish law requires court approval to keep the goodies, and advocates say it is needed to stop gangs' efforts to recruit people under 15, the age of criminal responsibility. Whether it will help bring down the rate of shootings is doubtful. ■

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Coming up on the right

The hard-right Vox party is winning over Spain's youth

The kids like TikTok, Instagram and radical nationalism

Dec 05, 2024 03:44 PM | Cordoba

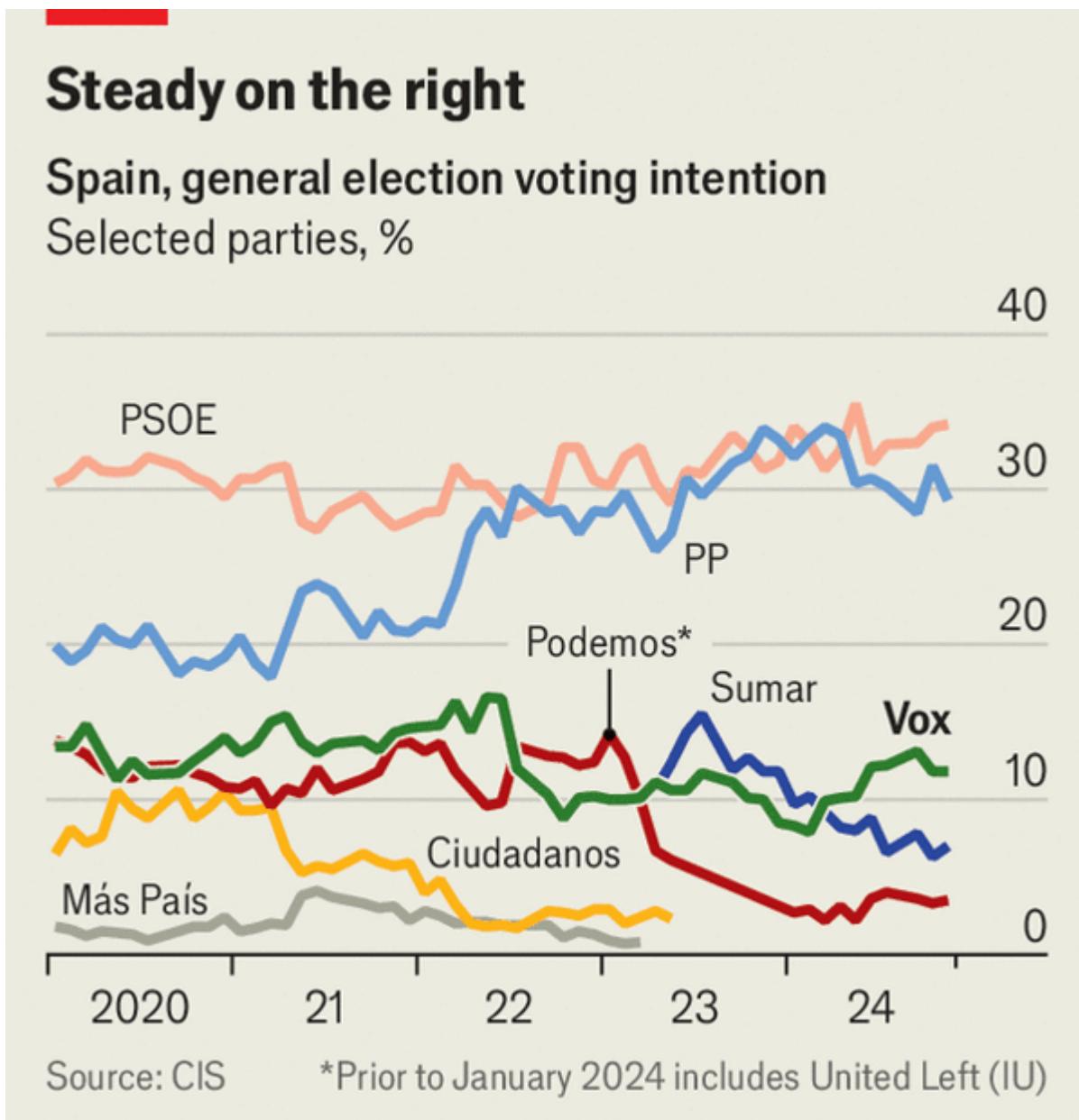


AP

PEDRO SÁNCHEZ, Spain's socialist prime minister, likes to boast of "feminist Spain". But at the Transatlantic Summit for Freedom and the Culture of Life, held on December 2nd in the halls of the country's senate, a different Spain was on view. Representatives of the hard-right Vox party denounced abortion and railed against a "culture of death". The gathering was not all greybeards. Vox is making a fair bid to appeal to Spain's youth, not despite its traditionalism but because of it.

Vox first won a big share of the vote in 2019. Since then its support has stayed above 10% in each election. A notable recent trend is its strength

among young people. Polls this autumn put its support among 18-30-year-olds between 16% and 20%, roughly even with the centre-right People's Party (PP). Vox does much better with voters under 45 than with older ones; for the PP the reverse is true.



The Economist

Vox's appeal to young people mixes populist economics with cultural provocation. In a recent post on the Instagram page of its youth division, Santiago Abascal, the party's leader, said the country needs *mas muros y*

menos moros—“more walls and fewer Moors”, an insulting reference to North African immigrants. At the anti-abortion summit, the party’s general secretary, Ignacio Garriga, accused opponents of favouring “substitution policies instead of promoting birth rates”, echoing conspiracy theories that elites are trying to replace Europeans with immigrants.

The party’s appeal to youth is also rooted in economic frustration. Where older generations associated Spain’s transition to democracy with a higher standard of living, newer ones feel duped, says Oriol Bartomeus of the Autonomous University of Barcelona. Youth unemployment is the highest in the European Union: 26.5% as of September, almost double the average in the EU. Home ownership among those under 35 has fallen from nearly 70% to 32% in the past decade. Over 70% of those with jobs live with their parents.

Young people who vote for Vox are often looking for any alternative, says Antonio Jesús, a 19-year-old in Cordoba. They have grown cynical towards mainstream politics. Antonio Jesús’s friend Leonor did not vote in last year’s general election: “I don’t think that any party, either on the left or the right, represents me.”

That anti-establishment mood is buoying other political entrepreneurs as well. In the European Parliament elections in June, Luis “Alvise” Pérez Fernández, a far-right influencer, raked in over 800,000 votes for The Party Is Over (SALF), a party he had founded only 40 days before the vote. His campaign relied mainly on TikTok, Instagram and podcasts. Viewers “want to hear something different”, says Isaac Parejo, a YouTuber known to his 411,000 followers as InfoVlogger. Mr Parejo says his audience is being radicalised not by his videos, in which he rages against Muslims, wokery and the LGBT agenda, but by the realities of Spaniards’ everyday lives.

Vox has yet to score the sort of victory won by hard-right parties in countries like Hungary, Italy and the Netherlands. Its share of the vote fell from 15.1% in the 2019 election to 12.4% in last year’s election. But the party’s gains among young voters are striking. In a country ruled for decades by the right-wing dictator Francisco Franco, some older moderate Spaniards find its appeal hard to understand. “If they had lived just a small

period of the dictatorship,” says Ángela Reyes Gutierrez, a 64-year-old from the small town of Dos Torres, “they wouldn’t be voting that way”. ■

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Death from above

How Ukraine uses cheap AI-guided drones to deadly effect against Russia

Ukraine is making tens of thousands of them

Dec 05, 2024 03:44 PM | KYIV



Reuters

A HUNDRED METRES above a white Lada saloon, the drone locks onto its target: red lights blink to blue. [AI takes over](#) and the drone swoops in for its kill. The Lada is spared at the last moment, with the drone just two metres away. The mission is a test conducted in a field outside Kyiv to fine tune the system. But the technology is already being deployed by dozens of Ukrainian units on the front line. “It’s the best feeling to see your drone enter a tiny opening in an enemy trench,” says Denys, an engineer at The

Fourth Law, the Ukrainian firm which makes these autonomous drones. “I used to be a pacifist, but Russia’s war has stripped me of that privilege.”

Ukraine’s drone war is evolving rapidly. Once a cheap answer to Russia’s artillery dominance, Ukrainian small and inexpensive [first-person view \(FPV\) drones](#) are now a force in their own right. They are used on a huge scale, with Ukraine projected to produce 2m this year. Ukraine now observes 1,000 Russian drones in every 24-hour period, says an insider. That has made some sections of the front lines, for example around Siversk in Luhansk province, practically no-go areas for humans. Drones are now responsible for a majority of battlefield losses, overtaking artillery, according to Ukrainian sources.

They are carrying more explosives and flying farther per dollar, says Andrey Liscovich of the Ukraine Defence Fund, which crowdsources non-lethal aid. When FPVs were introduced at scale at the beginning of 2023 they could fly 10km or so, notes Yaroslav Filimonov, the CEO of Kvertus, a Ukrainian firm which makes anti-drone gear. Now 30km flights are routine, thanks to more powerful antennae and signal-repeater drones that let them communicate with base stations from greater distances. They are becoming more diverse, too. Large “bomber” drones scatter 10kg landmines on Russian supply roads. FPV “interceptor” drones have now taken out more than 850 Russian surveillance drones in the air, according to Tochnyi, a research group, easing the burden on the country’s air-defence missile stocks and undermining Russia’s ability to co-ordinate strikes.

The biggest change of all is that [electronic warfare](#)—essentially jamming—has consumed the battlefield. That started with the jamming of GPS signals from satellites, which caused American precision-guided weapons to fail at alarming rates. It has extended to the communication link between pilot and drone. By the beginning of this year, says Gundbert Scherf, the co-founder and CEO of Helsing, a German military AI firm, jamming was no longer “spotty” but “pervasive”. Dronemakers are having to change their radios and antennae at ever shorter intervals. They face a dilemma: if they rely on common frequencies, the parts are easy to source but jamming is worse; rare frequencies are jammed less, but require more obscure hardware. The

solution is to avoid jamming altogether by relying on AI to guide the drone to its target in the final stages of flight.

Rudimentary object-recognition software has been in use, on both sides, for over a year. But it is getting better. Lorenz Meier of Auterion, a firm based in America, says that between spring and summer his firm's software, known as Skynode, managed to double the range at which a drone could engage a target, from 500 metres to 1km or so. He says that improvements in the resolution of images captured by drones have since increased that further. *The Economist* understands that AI systems are sometimes locking onto targets at perhaps double that distance, far beyond the range at which basic jammers could take out the drone.

Data from the battlefield suggest that the hit rate for these AI-guided drones is currently above 80%. That is higher than the rate of manually piloted drones. As important, the training burden declines dramatically. Mr Liscovich notes that, although there are now more highly experienced drone pilots, some with thousands of hours of flying time, the average quality of Ukrainian personnel has fallen over time as less motivated people are conscripted. "We can train an operator within 30 minutes and the quality of the engagement doesn't depend on their piloting skills," says Mr Meier.

The result is that Ukraine has become the furnace of a new kind of software-defined warfare which combines precision with mass. Helsing is selling Ukraine 4,000 of its HF-1 strike drones, which it says will have the same payload as the Russian Lancet, around 5kg or so, and perhaps triple the range (up to 100km) but at a lower price (the Lancet costs around \$30,000). Auterion, which had its first combat engagement in the spring, plans to field tens of thousands of drones powered by its software by early next year, with each unit (a chip pre-loaded with software) about the cost of an Android smartphone.

In both cases the drones themselves are made in Ukraine, by Ukrainians. One advantage of that is scale. Auterion's largest partner in Ukraine, one of many, churns out 300,000 drones per year. Although recent Chinese sanctions have threatened to disrupt Ukraine's drone supply chain, Mr Meier says that alternatives from Taiwan are now available. "We're sitting on top of a consumer and automotive electronic supply chain—tens of

thousands are nothing for these industries.” Many Ukrainian manufacturers are pre-emptively switching to Ukrainian and European components too.

Mr Meier reckons that fewer than a tenth of drones are AI-guided at present. But that number is rising. Ukraine’s innovation cycles are relentless, with feedback loops in some cases down to a few days. The simplicity of FPV drones, which Ukraine builds from off-the-shelf components, can also act as a hindrance: it makes them easy to replicate. One manufacturer says Russian reverse engineering can be as quick as three weeks, but encryption means that the software can be protected from copying.

Yaroslav Azhnyuk, the founder of The Fourth Law, says that his own “autonomy module” is around \$50 to \$100 per unit for Ukrainian customers buying thousands of units. “There are Western firms which charge one to two orders of magnitude more for systems with similar or weaker capabilities,” he claims. After pioneering much of the technology, Ukraine is still ahead of Russia—just ahead in airframes, but perhaps by three months in software for autonomy, which is encrypted and harder to reverse engineer.

Finance remains a huge problem. The Ukrainian state is buying more than it once was, but voluntary foundations still provide at least a third of all drones used by the army. Western companies are yet to fully commit to Ukraine’s burgeoning industry. Mr Azhnyuk complains that his other tech business—Petcube, a remote-controlled system for pet owners to take care of pets using lasers and mechanical treat-givers—received more in foreign investment than the whole of the Ukrainian drone sector in 2023.

The tech entrepreneur rejects talk of military automation as some kind of dystopian future. “Using AI to accurately target is far more ethical than lobbing missiles and artillery,” he says. Ultimately, a human still has to make the final call on any engagement, says Mr Scherf. But Western and Ukrainian companies are busy working on deep-strike drones whose AI systems will be able to hunt for a wide range of potential targets far from the human operator. Mr Azhnyuk of The Fourth Law sees current technology as just the start. He hopes to have a prototype of a fully automated system, from launch to strike, built by early next year. ■

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Charlemagne

Will Giorgia Meloni turn out to be Europe's Trump card?

The Italian leader is among those angling to be the linchpin of the transatlantic relationship

Dec 05, 2024 03:44 PM



GENERATIONS OF ITALIANS have flocked to America in search of opportunity and enchantment. One recent arrival to New York, albeit only for a short trip in September, looked like she had hit upon both. Giorgia Meloni, the Italian prime minister, found herself feted in unique style at a glitzy ceremony on the sidelines of the annual United Nations confab in Manhattan. Bestowing an award upon her was none other than Elon Musk, a peddler of electric cars, rockets and political influence. The world's richest man declared Ms Meloni "someone who is even more beautiful on the inside than she is on the outside", among other compliments. Reciprocal

flattery ensued: Mr Musk is a “precious genius”, apparently. Pictures of the two staring deep into each other’s eyes soon had tongues wagging. It fell to the entrepreneur’s mother to pour cold water on the rumours: Musk *mère* had been accompanying her son and could attest he had returned to his hotel alone that night.

Ms Meloni is back in Europe now, while Mr Musk can at times be found at Mar-a-Lago, the Floridian lair from which Donald Trump is preparing his return to the White House. His second term is the cause of much anxiety in Europe, a place that depends on America for its defence (through NATO, but also by ensuring the flow of weapons to Ukraine) and flogs it lots of cars, handbags and other European trinkets. Awkwardly for Europe, Mr Trump says he wants to end the war in Ukraine “within one day” (pesky details to be confirmed), thinks of NATO as a ploy to bilk America and loudly promises to throttle imports by means of tariffs. Desperate for a “Trump-whisperer” to soften the blow, Europeans are scouring their ranks for someone to rein in the mercurial president, should such a thing even be possible. Ms Meloni has perhaps the most credible claim. But getting closer to America could jeopardise more important relationships with her EU peers.

Two groups of Europeans are jostling for Mr Trump’s affections. The first is the continent’s old guard—the leaders of France, Germany and Poland, as well as grandes of the European Union and NATO—who have traditionally handled the European end of the transatlantic relationship. Though they may privately loathe Mr Trump, all think they have an “in” with him. (France’s Emmanuel Macron, for instance, was already in office for part of Mr Trump’s first term and will host him in Paris to unveil the renovated Notre Dame cathedral on December 7th.) But that group is in precarious shape. Mr Macron presides over the most chaotic political scene outside the Korean peninsula; Germany’s Olaf Scholz will probably be ousted in February; Poland faces divided government, at least until presidential elections in spring. Only the EU’s institutions have stable leadership. But Mr Trump views the bloc—the apotheosis of globalist norm-setting—with contempt.

The second group of Trump hopefuls are his ideological chums. Viktor Orban, the Hungarian prime minister, has cultivated ties with the MAGA movement (he promises to Make Europe Great Again, details also to be confirmed) and publicly backed the once-and-future president's candidacy. Alongside others who share his autocratic bent, such as Robert Fico of Slovakia, he has swept aside checks and balances in ways Mr Trump can only aspire to. But for that very reason Mr Orban would make for a wobbly liaison between the EU and America: influential as he might be in Trumpian circles, he is not trusted by anyone in Europe. If he is a bridge from the MAGA right, it is a bridge to nowhere.

Ms Meloni in contrast finds herself with a foot in both camps. She hails from the hard right, and can bash migrants and “woke” types with as much aplomb as anyone at a Trump or Orban rally. Beyond her ties to Mr Musk, for years she was cosy with Steve Bannon, a MAGA ideologue (though he has since denounced her as a turncoat pro-globalist, and his allies now dub her “phoney Meloni”). In power since 2022 and not facing elections for another three years, Ms Meloni has adroitly managed to stay in the EU mainstream. Unlike others in her political camp, she has supported Ukraine to the hilt. Far from picking fights with Brussels, she has gone out of her way to appear a constructive partner.

Mr Trump is likely to have his share of gripes with Italy, which does two things he considers reprehensible. The first is to ship too many posh loafers (among other things) America’s way; Italy is the EU’s second-biggest goods exporter to America after Germany, and buys comparatively little from there. The second is to scrimp on defence. Italy spends a mere 1.5% of GDP on its armed forces, well short of the 2% target agreed a decade ago by NATO allies.

Divide and rue

Ms Meloni faces a balancing act: how to benefit from her proximity to Mr Trump without alienating existing EU allies. In the past, being on good terms with both Europe and America was compatible. Soon it may not be. “The meaning of what being a good transatlanticist is could change fast,” says Lorenzo Castellani at LUISS University in Rome. On Ukraine, Ms

Meloni may find herself having to choose between Mr Trump's "plan" and one favoured in European capitals. Mr Trump has tried divide-and-rule on the EU in the past, for example on trade. It may prove tempting for Italy to align with the new establishment in Washington if, in return, Parmesan cheese would face lower tariffs than, say, Gouda.

Ms Meloni's Italy could end up as a sort of swing vote, a large EU country with the ability to sway the bloc in line with Mr Trump's world-view. But only up to a point. "Giorgia Meloni has a lot to lose picking fights with Brussels," notes Riccardo Alcaro of the Institute for International Affairs, a think-tank in Rome. Italy has high debts and tepid economic prospects, and it benefits from EU funds as well as implicit guarantees on its borrowings. Ms Meloni may have a new friend in Washington, but she will need to stay on good terms with her old ones closer to home. ■

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Britain

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Devolution in the United Kingdom

Welsh voters think their government has mismanaged public services. Rightly

Trouble in the Labour heartlands

Dec 05, 2024 03:44 PM | CARDIFF



Getty Images

WHEREVER YOU stand in the Caerphilly Miners Centre, somebody will ask you to move. The grand building, acquired by pitmen in the early 20th century for use as a hospital, now hosts a busy programme of toddler groups, social clubs, exercise sessions and Welsh-language classes. It keeps alive a tradition of working-class self-help and self-improvement, which is stronger in the Welsh Valleys than almost anywhere else in Britain.

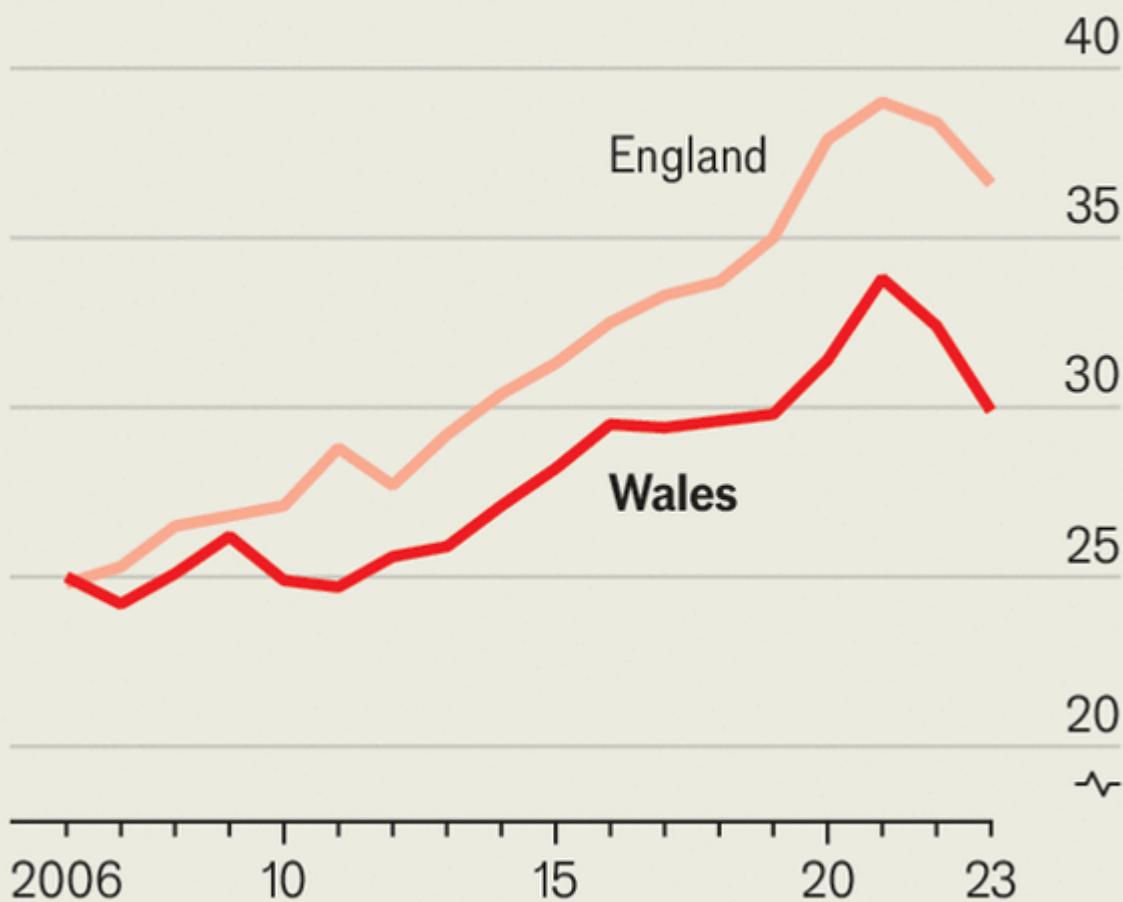
Yet the conversation, among women who have finished a tai-chi class, is about private health care. Jill, a retired secretary, has shelled out for one operation after the NHS cancelled on her five times. She is now thinking about paying for a cataract procedure. She knows half a dozen others who have decided to do the same. If you need to drive, you have no choice, she explains.

Public services are in a sorry state all over Britain. They are worst in Wales. Before the general election in July, Conservative politicians pointed to the country of 3.2m people, where Labour dominates politics at all levels, and argued that the party had messed up so badly that it could not be trusted with national power. The argument failed to land. But the Tories' observation about Wales was correct.

In 2022 Welsh 16-year-olds scored worse than their peers in England, Northern Ireland or Scotland in tests of reading and maths set by the OECD, a club of mostly rich countries. Wales also fell behind the international averages. Few alarm bells rang in Cardiff as a result. "The performance was so low, and the reaction was so shoulder-shrugging," marvels Luke Sibieta, who studies education at the Institute for Fiscal Studies, a think-tank.

Underwhelming

18-year-olds entering higher education, %



Sources: Education Policy Institute; UCAS

The Economist

It is hard to know how teenagers in Wales are faring in other exams, as its curriculum and grading systems are distinct. But they are not impressing admissions officers. In 2023, 30% of Welsh 18-year-olds were accepted to university, compared with 37% of English 18-year-olds. The gap is widening (see chart).

As the young fall behind in school, the old wait for medical procedures. In June the Office for National Statistics estimated that the number of “open

patient pathways” (not exactly the same as the number of waiting patients) was equivalent to 22% of the Welsh population. In England the ratio was 13%. The Opinions and Lifestyle Survey shows that a larger share of people are waiting in Wales than in any English region, including the poor north-east.

One consequence is the zeal for private medical treatment seen in the Caerphilly Miners Centre. The Private Healthcare Information Network, a non-profit outfit, estimates that 7,900 people were admitted to private clinics and hospitals in Wales in the first quarter of this year, almost twice as many as five years earlier. Wales is unique in the United Kingdom in that most people who receive private medical treatment pay for it themselves. Elsewhere it is usually covered by health insurance.

Other parts of the state seem to be functioning little better. Robert Jones of Cardiff University calculates that 159 out of every 100,000 Welsh people were in prison in 2023, many of them in English cells. That is higher than the imprisonment rate of English people (140 per 100,000); indeed, it is the highest rate in western Europe. Why this should be is a puzzle. Wales has a slightly lower rate of recorded crime than England.

It does not help that Wales is poor, with a GDP per head about one-quarter lower than the United Kingdom as a whole. Westminster’s formulae for spreading money around treat the country less generously than Northern Ireland or Scotland. But money cannot explain everything. In the most recent OECD test of reading ability, the average Welsh pupil fared worse than the poorest quarter of English pupils. “We’re poorer in Wales, but even if you adjust for that, we’re underperforming,” says Tom Giffard, the Welsh Conservatives’ education spokesman.

A more likely explanation for Wales’s dismal performance is policy. The country voted narrowly for a devolved assembly in 1997, and its government has gradually acquired more power. It has pursued ostentatiously distinctive policies, putting what a former first minister, Rhodri Morgan, once called “clear red water” between Wales and the rest of Britain.

Some of those policies are popular or clever. Wales does not charge for medical prescriptions, and it funds social care for old people more generously than England. It was the first country in Britain to charge for plastic bags. A new default speed limit of 20mph in built-up areas, though hugely unpopular with drivers, could catch on elsewhere. But the Welsh government's policies on public services have failed.

Schools remain under local-authority control, in contrast to England where many have become independent academies. Whereas schools east of Offa's Dyke churn out data, Welsh ones generate little for public consumption. What data are available are almost incomprehensible. "I can't make head nor tail of it," says Mr Sibieta, an expert on these matters. The Welsh NHS has not subjected hospitals to targets as stringent as those in England, and has been less keen on using private providers. Health spending has been less protected from cuts.

Sometimes incomplete devolution seems to be the problem. Richard Wyn Jones of Cardiff University thinks that is true of criminal justice, where Wales remains bound to the English legal system but has acquired control over matters like drug rehabilitation. The result is a complicated pattern of responsibilities with nobody truly in charge.

Welsh people are becoming more willing to assign blame locally, however. Earlier this year the Welsh Election Study found that 87% of people think the health service is worse than five years ago and 54% think the education system is worse. More blame the Welsh government for those failings than the British government (by contrast, they tend to condemn Westminster for declines in law and order and in the standard of living).

In 2026 Wales will elect a new Parliament. Labour seems likely to face a strong challenge from Plaid Cymru, a nationalist party, and Reform UK, a radical-right party. If it is pushed into second place, it will snap a remarkable record, since Labour has come first in every nationwide election in Wales since 1922. And it would lead to a cheery conclusion: failure has a price. ■

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Assisted dying (what next)

Britain's vote on assisted dying is just the beginning

There are still plenty of chances to kill the bill

Dec 05, 2024 03:44 PM



A DEBATE THAT had shown the best of Westminster, passionate and thoughtful, ended in a fittingly respectful manner. There were no loud cheers when, on November 29th, the speaker of the House of Commons announced that MPs had [voted in favour of legalising assisted dying](#) in England and Wales. Not only would any celebrations have been insensitive, they would also have been premature. The bill, put forward by a Labour backbencher, Kim Leadbeater, must pass through many more stages before it can become law.

It will now move to the committee stage, where it will be reviewed by a group of MPs with divergent views. These MPs can propose amendments; unusually for a private member's bill, the committee will also be able to gather its own evidence. The bill will then advance to the report stage, in which all MPs can debate and vote on amendments. At a third reading of the bill, opponents could still put forward an amendment to defeat it. If it continues to be voted through, it will have to navigate a similar process in the House of Lords before the end of this session of Parliament (or risk having to start all over again).

Whatever happens next, a majority of 55 at second reading is almost certain to diminish rather than grow. "I spoke to MPs that hadn't made their minds up minutes before the vote was called," says Chris Webb, a Labour MP. Mr Webb supports the bill in principle, but still wants to be reassured by the detail before voting for it again. "A change in 28 minds and the bill fails," he notes.

Though the government has so far remained neutral on assisted dying, it will almost certainly have to play a more active role to give Ms Leadbeater's bill sufficient parliamentary time. It will also have to begin the work to ensure that any future law can be implemented. One big consideration will be how to engage with the Welsh government, after the Senedd voted to reject a similar motion in October (health care is [devolved in Wales](#)). Much work will also be needed to prepare the English National Health Service and the courts.

Then there is the issue of palliative care: some MPs worry that its poor state could make assisted dying a necessity rather than a choice. A new independent commission is to recommend how to improve end-of-life care. But ultimately the problem will be for Wes Streeting, the health secretary, to fix.

For all the government's neutrality, the prime minister, Sir Keir Starmer, voted in favour of the bill. He may yet have moments when he wishes that it had not passed. Assisted dying will suck up time and energy in 2025 (though a law would realistically come into effect no earlier than 2027). And given that 234 Labour MPs backed the bill and 147 opposed it, including Mr Streeting, the issue is plainly one that divides his party. Set

against these considerations is another. This reform may prove to be his government's greatest legacy.■

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Whitehall reform

New marching orders and a new leader for Britain's civil service

Keir Starmer gives the new head of the civil service a near-impossible job

Dec 05, 2024 05:56 PM



SIMON CASE sounded more than ready for retirement as he gave his valedictory speech on December 3rd. The cabinet secretary, Britain's most senior unelected official, was dressed for a shooting weekend, in a green tweed check suit, and leaned on a cane—the result of a health condition that, he has revealed, has unjustly forced his exit from government at the age of 45. In four years he had served through a pandemic, an economic crisis, four prime ministers and two monarchs; at times, he felt that “the weight of some of the world” was on his shoulders. He sounded stung by the cynicism that greeted those who gave themselves to public service. He read passages of Teddy Roosevelt’s ode to “the man in the arena”. “It is not

the critic who counts, not the man who points out how the strong man stumbles.”

Sir Chris Wormald, his successor, will take office on December 16th. In recent decades cabinet secretaries have tended to be either Treasury wallahs (such as Jeremy Heywood, Gus O’Donnell and Andrew Turnbull), securocrats (such as Mr Case and Mark Sedwill) or both (such as Robert Armstrong). Sir Chris breaks the mould in coming from a big spending department; he has spent eight years running the health department, and four years at education.

That may be a deficiency, given that the job advert had called for a knowledge of geopolitics (and cabinet secretaries who know the Treasury’s ways are better at standing up to it). But Sir Chris’s elevation reflects the priority of the prime minister, Sir Keir Starmer, of turning public services round before the next election: bedpans beat battleships.

Sir Keir set out the in-tray in a speech on December 5th, which—perhaps belatedly in his five-month old premiership—outlined a series of headline targets to be met by the end of the parliament that would fix the “basic functions of the state”. These included an increase in household disposable income; the approval of “at least” 150 major infrastructure projects; a reduction in National Health Service waiting times so that 92% of patients do not wait longer than 18 weeks for elective treatment; and seeing that 75% of new primary-school pupils are deemed ready to learn when they start school.

The prime minister declared that the targets would “land on desks across Whitehall with the heavy thud of a gauntlet being thrown down”. He suggested that the civil service had responded to the public’s low trust in politics by reducing its ambition and setting goals that would be easily met. “I don’t think there’s a swamp to be drained here, but I do think too many people in Whitehall are comfortable in the tepid bath of managed decline,” he said.

A lot is riding on it—not just for Sir Keir’s future, but that of Britain’s civil service, which enjoys a permanent tenure of employment in exchange for loyally executing the elected government’s agenda. Faith in this 170-year-

old model fell among some Conservative ministers, who characterised the machine as ineffective and partisan. If the civil service is deemed unable to deliver by Labour ministers too, then its position will be precarious, says Alex Thomas of the Institute for Government, a think-tank. In a recent speech to Parliament Lord Turnbull lamented how Sir Keir has followed a recent trend in filling his Downing Street with politically appointed special advisers, tipping the balance from the permanent institutions.

It leaves Sir Chris with a near impossible job. He must be Sir Keir's trusted right-hand man and keeper of secrets; among the cabinet secretary's tasks are oversight of the intelligence agencies and liaison with Buckingham Palace. But he must also be the leader of the 500,000-strong civil service, which is both demoralised and in need of radical reform. Mr Case's critics say he was too inexperienced and too chummy with Boris Johnson, his first prime minister, to properly lead his embattled colleagues. "The barons around the table, the departmental permanent secretaries, were less inclined than they might have been to accept his authority as a given," said Sir David Lidington, a former Conservative minister.

Sir Chris's stature as a civil-service lifer should help, says one Whitehall veteran, who calls him "the doyen of the permanent secretaries". He has kept a low profile, but a public inquiry into the handling of covid-19, expected to run for two more years, has the potential to produce plenty of dangerous moments. People who worked with him under the last administration describe a shrewd strategist. "He literally sits in his office and thinks," says one wonk, "often bouncing a rugby ball in his hand as he does." He has managed the friction between ministers and officials by taking time to understand what makes them tick, and ferreting out smarter ways to execute what they want. "He is an absolute democrat," says one former colleague. "He wants politicians to make the decisions." ■

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Electric dreams

Britain's electric-car roll-out is hitting speed bumps

Some clumsy EV targets will probably get revised. After that, the road should get smoother

Dec 05, 2024 03:44 PM



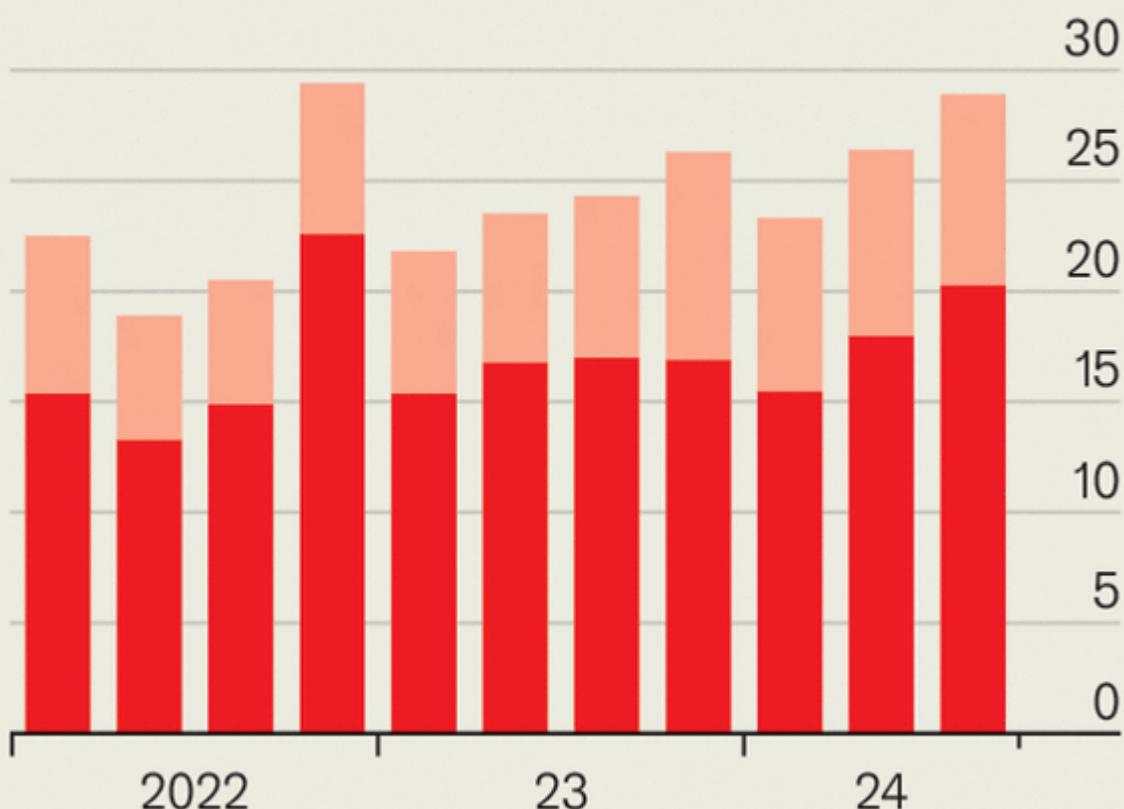
THE FINAL months of 2024 should have been a landmark moment for Britain's car industry. For the first time electric vehicles (EVs) consistently made up more than one in five new cars sold (see chart 1). In 2019 that figure was closer to one in 50. Instead, the mood has been soured by a row with the government. A new zero-emission vehicle (ZEV) mandate is kicking in, which requires at least 22% of each carmaker's sales in 2024 to be EVs. That will rise to 28% in 2025, and again each year until 2030, when the government wants to end the sale of petrol and diesel vehicles entirely.

UnEVen progress

1

Britain, electric vehicles, % of new car market

■ Battery ■ Plug-in hybrid



Sources: SMMT; Schmidt Automotive Research

The Economist

The trouble is, quite a few companies look set to miss that target. Nissan, Ford and Renault are all well behind, according to estimates from New Automotive, a consultancy. Hyundai should just scrape by; BMW and Mercedes are ahead. So is Tesla, as it sells only EVs, as do EV-focused Chinese brands like BYD and Great Wall.

Breaching the mandate would be pretty painful. Under the current rules, each internal-combustion engine (ICE) car sold over the limit would leave

its manufacturer on the hook for a £15,000 fine. Some carmakers have started selling fewer petrol cars in response. Stellantis, which owns the Fiat and Vauxhall brands, among others (and whose biggest shareholder partly owns *The Economist*'s parent company), even partly blamed the mandate for its recent decision to close a factory in Luton, though that is probably a stretch.

Companies do have some room for manoeuvre. Selling lower-emission ICE cars can pull down the mandate. Taking that into account, New Automotive reckons the effective requirement for the industry in 2024 is closer to 18%. Carmakers can also buy credits from firms which have exceeded their own target, though making legacy European carmakers hand cash to nimbler Chinese rivals might be embarrassing for the government. Still, the industry as a whole will probably sell more EVs than the mandate requires in 2024, so ample credits should be available.

All this has left the industry understandably grumpy. Nor is it an especially good look for a government that claims to be determined to raise economic growth. Jonathan Reynolds, the business secretary, has promised a “fast track” consultation on easing the rules but insists that shifting the end-date beyond 2030 is off the table.

The mandate’s core problem is that, though it has successfully nudged carmakers to make EVs more widely available, it has not also ensured there will be enough punters willing to buy them. Sufficient demand has been slow to materialise.

Why? Britons see two main barriers to buying EVs. The first is cost, the top reason cited in a survey by YouGov of those considering a non-EV car: 54% said it was a hurdle. EVs are generally still more expensive than equivalent ICE cars. But prices have fallen rapidly and should come down steeply as technology improves. New models due out in 2025, like the new electric Renault 5 or offerings from Leapmotor International, a Stellantis-led Chinese joint venture, will already be a notch cheaper. EVs also have much lower running costs: electricity is cheaper per kilometre than petrol. For many drivers, that pulls the total cost of EVs below ICE cars.

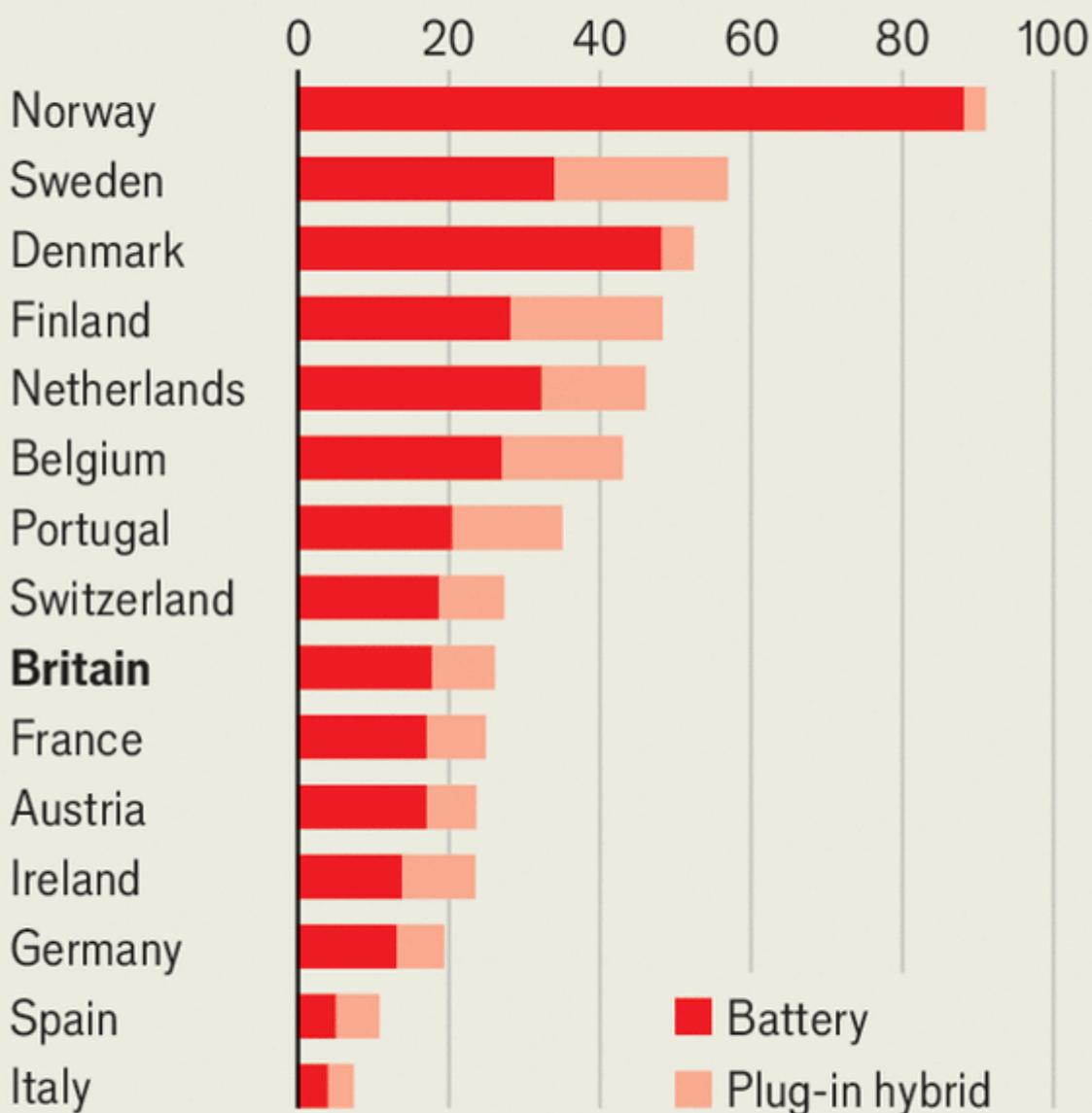
Some in the industry are keen on household EV subsidies to shimmy along this process. That would boost demand. After Germany rolled back its subsidies at the end of 2023, EVs lost seven percentage points of market share. But subsidies would be expensive and, given how quickly prices are falling, probably unnecessary.

Who's charging ahead

2

Electric vehicles, % of new car market

Selected countries, Jan-Sep 2024



Sources: Schmidt Automotive Research;
National Trade Associations

As ever-lower prices reduce the cost concern, that leaves a second worry: inadequate charging infrastructure, flagged by 44% of YouGov's respondents. But Fiona Howarth of Octopus Electric Vehicles points out that the ZEV mandate has done a decent job of driving private investment in charging infrastructure by guaranteeing that there will be enough EVs on the road to justify buildout costs. Britain now has almost one charger per electric car.

Maintaining adequate charging will get tougher, though. EVs are a much easier sell for people with driveways who can charge with power from their homes. Making sure that there is also an adequate network of chargers on streets and motorways will be vital as the roll-out continues. Public charging projects could easily get gummed up waiting for planning permission or grid connections. The government will need to watch closely, and step in as necessary.

Successive governments have seesawed over whether ending the sale of ICE cars by 2030 is realistic. The goal was initially set out by Boris Johnson, but Rishi Sunak pushed the target out to 2035. Britain's new Labour government thinks 2030 is viable, but plans to maintain some flexibility around hybrid cars. Compared with European peers, Britain's EV roll-out is near the middle of the pack (see chart 2). The clearest sign that 2030 is worth shooting for is that some countries are already not far off. Nearly 90% of new cars sold in Norway this year were electric. ■

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Tidings of joy

Fortnum & Mason caters to a demand for festive fun

The 317-year-old British retailer lights up for Christmas

Dec 05, 2024 03:44 PM



BRITISH RETAILERS are short on festive cheer. Consumer confidence remains weak ahead of Christmas. But behind the illuminated façade at Fortnum & Mason, an upmarket department store, the show goes on. Dancing pine cones adorn its atrium. Shelves are stacked with seasonal treats from mince pies to cognac butter and sparkling tea. “People are looking for a bit of joy,” says Tom Athron, Fortnum’s CEO.

From BHS to Debenhams, a tough environment has wiped out four-fifths of British department-store chains in eight years. The recent budget dealt the latest blow. Changes to national-insurance contributions and a jump in the

“national living wage” will raise Fortnum’s costs by about £3m (\$3.8m), equivalent to two-fifths of its pre-tax profits last year.

Fortnum’s is faring better than most. One reason is its focus on food, sales of which have largely remained offline. Fancy department stores with big apparel businesses such as Harvey Nichols and Liberty have struggled with the rise in online shopping. But Fortnum’s own-label biscuits, Scotch eggs and other edible indulgences still draw people in.

In-store experiences have driven traffic. Fortnum’s has replaced its menswear section with a food hub hosting cooking demonstrations, supper clubs and a gin distillery—a redesign aimed at domestic shoppers, who account for 70% of sales. “We want to devote some space to pure theatre... something you can’t experience online,” says Mr Athron. Fewer Chinese tourists and the loss of VAT-free shopping for overseas visitors have not hurt much. Footfall at the flagship Piccadilly store is a fifth higher than before the pandemic.

Portraying Fortnum’s as an accessible brand has also helped. “Luxury is not a word we use,” says Jono Holt of Otherway, a branding agency which has advised the firm for a decade. Fortnum’s is hardly aimed at the frugal: its priciest wicker hampers retail for £6,000, and it will provide Christmas puddings for the royal household. But with the price of an item averaging £12, it caters to a broad range of shoppers. “You might not be able to afford a Chanel dress or a Hermès scarf, but you can buy a jar of Fortnum’s jam for £5.95,” says Mr Athron.

Supply chains are newer terrain for the 317-year-old brand. Online orders have grown to over a third of its sales, up from a tenth before the pandemic. Fortnum’s has doubled its warehouse capacity in Britain and opened a new facility in Belgium in the past year. It plans to expand in America. But back on Piccadilly, its physical store attracts crowds. Behind its famed-glass vitrines, two squirrels kiss under mistletoe. ■

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[for-festive-fun](#)

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Moonlighting members

How lucrative are MPs' second jobs?

We crunch the numbers on MPs' earnings from media gigs

Dec 05, 2024 03:44 PM



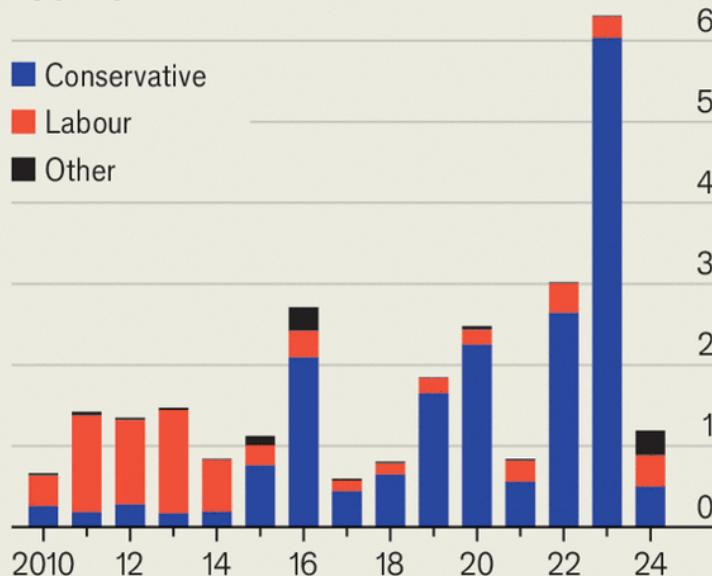
GETTING PAID for eating camel's penis and sheep's vagina on television may be an unnatural activity for an MP, but it was lucrative work for Matt Hancock. The former health secretary, who represented West Suffolk in the House of Commons for 14 years until May, pocketed £320,000 (\$400,000) for appearing on "I'm a Celebrity... Get Me Out of Here" in 2022. Second jobs reward some MPs handsomely. Do they serve their constituents' interests?

That is the question Parliament's Modernisation Committee seeks to answer over the coming months. Chaired by Lucy Powell, the leader of the House, it will explore what "media appearances, journalism and speeches furnish to the public, versus the potential conflicts of interest". A new analysis by *The Economist* of MPs' financial disclosures between 2010 and 2024, finds that they spent a collective total of 50,000 hours and earned £27m doing such jobs.

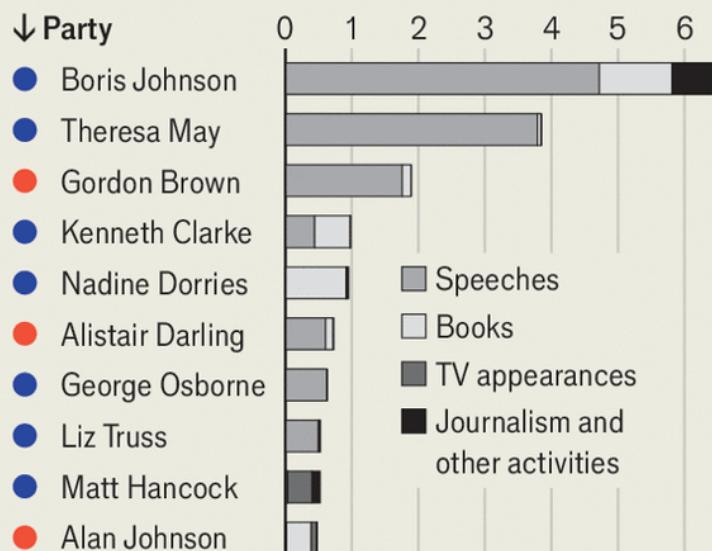
A nice sideline for some

Britain, Members of Parliament, media* earnings

By party, £m



Top ten MPs, 2010-24, £m



*Books, broadcast and print journalism,
speeches and other media activities

Sources: House of Commons, Register of Members' Financial Interests; membersinterests.org.uk; OpenAI; *The Economist*

For years MPs were encouraged to take on other work. In 1995 a parliamentary committee set up in response to a “cash for questions” scandal concluded that a chamber full of exclusively full-time MPs “would not serve the best interests of democracy”. But another scandal in 2009—about parliamentary expenses—meant that for the past 15 years MPs have had to provide details about their finances, including remuneration from second jobs and total hours worked. The messy data remained largely inaccessible for analysis. We have cleaned it up using code and artificial intelligence.

The numbers are striking. MPs have raked in £65m across all kinds of second jobs over the past 15 years. In addition to the £27m from media gigs and speeches (see top chart), they have earned £38m from practising law, medicine or consulting. Although paid lobbying is prohibited under the MPs’ code of conduct, its restrictions on second jobs are open to some interpretation. Owen Paterson, a Tory MP from 1997 to 2021, was found to have breached the code by receiving a £100,000 salary for lobbying, in “an egregious case of paid advocacy”. Ms Powell closed two potential loopholes in October to further restrict which jobs are permitted. But should media appearances and speeches continue to be allowed?

Although Mr Hancock’s TV foray was unorthodox, media moonlighting is nothing new. Boris Johnson, a former prime minister, earned £275,000 a year (roughly £5 a word) for writing a weekly column in the *Telegraph* when he was a backbencher. Before David Lammy became foreign secretary he was paid £180,000 for presenting a radio show between 2019 and 2024. Nigel Farage, the new MP for Clacton, has taken home £95,000 for 36 hours’ work since July, hosting the 7pm slot on GB News.

The media-gig economy

We have split income from media work and speeches into five categories. The most lucrative is speeches (£16.5m, including Mr Johnson’s £276,130 for remarks at the Council of Insurance Agents & Brokers in Colorado Springs in October 2022), followed by books (£5.8m), print journalism (£2.0m), TV appearances (£1.8m) and £500,000 for other channels such as radio. It is a minority pursuit: of the 1,369 MPs that have served in the

Commons between 2010 and 2024, only 412 have earned any income from media jobs and, of those, 253 earned less than £5,000.

The biggest ten earners—among them four former prime ministers—account for some £17m, or 63%, of the total media earnings (see bottom chart). The ministerial code prevents ministers from doing any paid media work, but it does not stop them once they return to the backbenches. Mr Johnson earned £4.3m from speeches in the nine months between being ousted from Downing Street and standing down as an MP. Theresa May, another former prime minister, earned £3.9m in her five years as a backbencher before her ascent to the Lords. Since he was elected Mr Farage has earned £39,000 for three days' work producing videos for Cameo, a personalised-video service.

The disclosures also shed light on how the media landscape has changed. Excluding the pay for star columnists like Mr Johnson, the average pay per article at a national newspaper has fallen from £750 in 2010-14 to £550 over the past five years. Speeches pay £1,900 per hour on average, compared with a mere £225 for an hour of print journalism and £160 for radio.

Britain's lower chamber is not unusual. All other G7 countries allow its elected representatives to have second jobs (as long as they are declared). But Simon Weschle, a professor of political science at the University of North Carolina at Chapel Hill, finds that MPs in Britain are about eight times more likely than politicians in other countries to moonlight in the media, perhaps because so many MPs are former hacks.

Sir Keir Starmer, the prime minister, has said that restoring trust in politics is the “great test of our era”. The Modernisation Committee may follow the lead of America’s Congress, which limits second incomes to 15% of salaries (a cap that would have affected some 200 MPs in 2010-24). But base salaries in the House of Representatives are 50% higher than in the Commons, whose members periodically complain that their £91,000 a year is too low.

Public opinion is clear: 68% of respondents to a YouGov poll in August said that MPs should have second jobs only in exceptional circumstances, if at

all. The weight of outside interests has skewed heavily to Conservative MPs in recent years, notes Hannah White of the Institute for Government, a think-tank. For Labour, therefore, “as well as fulfilling its manifesto pledge, restricting the earnings of MPs who may be critical of the government on right-wing media outlets may have some political attraction too.” ■

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Bagehot

The British state is blind

How to cope when a government can no longer see

Dec 05, 2024 03:44 PM



BRITAIN IS A bit bigger than it thought. In 2023 net migration stood at 906,000 people, rather more than the 740,000 previously estimated, according to the Office for National Statistics. It is equivalent to discovering an extra Slough. New numbers for 2022 also arrived. At first the ONS thought net migration stood at 606,000. Now it reckons the figure was 872,000, a difference roughly the size of Stoke-on-Trent, a small English city.

If statistics enable the state to see, then the British government is increasingly short-sighted. Fundamental questions, such as how many people arrive each year, are now tricky to answer. How many people are in work? The answer is fuzzy. Just how big is the backlog of court cases? The

Ministry of Justice will not say, because it does not know. Britain is a blind state.

This causes all sorts of problems. The Labour Force Survey, once a gold standard of data collection, now struggles to provide basic figures. At one point the Resolution Foundation, an economic think-tank, reckoned the ONS had underestimated the number of workers by almost 1m since 2019. Even after the ONS rejigged its tally on December 3rd, the discrepancy is still perhaps 500,000, Resolution reckons. Things are so bad that Andrew Bailey, the governor of the Bank of England, makes jokes about the inaccuracy of Britain's job-market stats in after-dinner speeches—akin to a pilot bursting out of the cockpit mid-flight and asking to borrow a compass, with a chuckle.

Sometimes the sums in question are vast. When the Department for Work and Pensions put out a new survey on household income in the spring, it was missing about £40bn (\$51bn) of benefit income, roughly 1.5% of GDP or 13% of all welfare spending. This makes things like calculating the rate of child poverty much harder. Labour MPs want this line to go down. Yet it has little idea where the line is to begin with.

Even small numbers are hard to count. Britain has a backlog of court cases. How big no one quite knows: the Ministry of Justice has not published any data on it since March. In the summer, concerned about reliability, it held back the numbers (which means the numbers it did publish are probably wrong, says the Institute for Government, another think-tank). And there is no way of tracking someone from charge to court to prison to probation. Justice is meant to be blind, but not to her own conduct.

Crime, immigration and benefits are not the only fraught political debate fought in the statistical gloom. Rows about how to care for the elderly are shaped by the image of grannies forced to sell their houses to pay for a care home. It is the main political obstacle of arguably Britain's biggest public-policy failure. How many pensioners are forced into this unhappy situation? No one knows.

Rather than trying to learn what it can, the state sometimes deliberately compounds its ignorance. Patients can opt out of their medical data being

used for research and planning, making the National Health Service harder to improve. Since the option to opt out was introduced, almost 4m patients have done so. Likewise, the future of the census, which has run since 1841, is in doubt. It is old-fashioned, instantly outdated and, at a cost of just shy of £1bn, expensive. Yet it is still useful. Scrapping it is the equivalent of responding to failing eyesight by gouging out an eye.

Simple solutions exist. The state could invest in better spectacles. In a system that adores false economies, skimping on the statistics agency is the worst value. Political prioritisation would help. Data-flows between the Home Office and the Ministry of Justice fall off the agenda if officials have to spend their days wondering if it is legal to stick a prisoner in a van and drive him round the M25 due to a lack of cells.

What would help more is a shift in attitude. If the state can compel people to sit in a stale room for hours to decide if someone is a thief, it can force people to fill in a form. There is no good reason to pander to the paranoid when it comes to health data. No such opt-out exists for education data, points out Tim Leunig, a researcher at Nesta, also a think-tank. To put it bluntly: the state is always allowed to know about the thick, so why not the sick?

A naive idea that more data inevitably lead to better governance should also be abandoned. It is too easy for a government to be sidetracked by what it can see. Britain now has excellent data when it comes to sewage spills (of which there were 464,056 in 2023). Every year brings a new high not because nefarious water companies suddenly decided to pump effluent into waterways but because new laws introduced stricter monitoring. The result? British politics is now obsessed with crap, with 1,700 mentions of “sewage” in Hansard over the past four years.

Inside the nonopticon

Humility would help above all. Though accurate data are harder to come by, analysis of available statistics has never been easier. The result is often junk. Grand narratives rest on shaky numbers. Why did Britain, alone among rich Western countries, suffer a boom in economic inactivity?

Everyone had an answer. For the right, the culprit was a soft-touch welfare state; for the left, it was a broken health service. Few alighted on the most plausible explanation: that it was a statistical artefact of increasingly dodgy data, rather than a moral crisis that confirmed political preconceptions.

A scepticism about statistics once so ingrained it became a cliché (“lies, damned lies and statistics”) has been replaced by arrogant credulity just as British data sources have developed serious flaws. Instead, smug sayings such as “the plural of anecdote is not data” abound, as if “data” are anything other than anecdotes, piled high and categorised. Immaculate analysis is impossible when the state is blind. All that is left is for the state to be curious about what it does not know and humble about what it thinks it does. ■

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A pope of colour :: Those are the regions where the Catholic church is growing fastest

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A pope of colour

Could the next pope come from Africa or Asia?

Those are the regions where the Catholic church is growing fastest

Dec 05, 2024 04:18 PM | ROME



IN THE SHADOW of the giant pillars that encircle St Peter's Square, Nancy Samai sells visitors tickets to the Vatican Museums. A Roman Catholic, Ms Samai arrived in Italy 22 years ago after fleeing the civil war in her native Sierra Leone. As she works, she can see the very window from which Pope Francis greets pilgrims on a Sunday. Like many of them, she wonders whether one day the face that emerges from that window might be black. "If America can have Barack Obama as its president, then surely the next pope can be African," she says. "That's my dream. That's what I'm praying for."

Similar thoughts may occur to the 21 prelates whom Pope Francis will appoint as cardinals on December 8th. Those still below the age of 80 when he dies or retires will be eligible to take part in the conclave, the assembly at which the next pope will be chosen. Francis has used his power of nomination to alter a geographical balance that, until quite recently, heavily favoured the rich world, particularly Italy. At the last conclave in 2013, Europeans and North Americans cast 64% of the votes. In an election held immediately after the consistory, they would have 52%.

The pope now carries out most of his duties from a wheelchair. But that is because of a dodgy right knee, not a life-threatening disease. In September Francis embarked on his longest-ever foreign trip, flying more than 30,000km to visit Indonesia, Papua New Guinea, East Timor and Singapore. Still, at 87, the punishing demands of the pontificate must weigh

increasingly heavily and, as time goes by, the temptation to hand over to a younger, fitter man will surely grow.

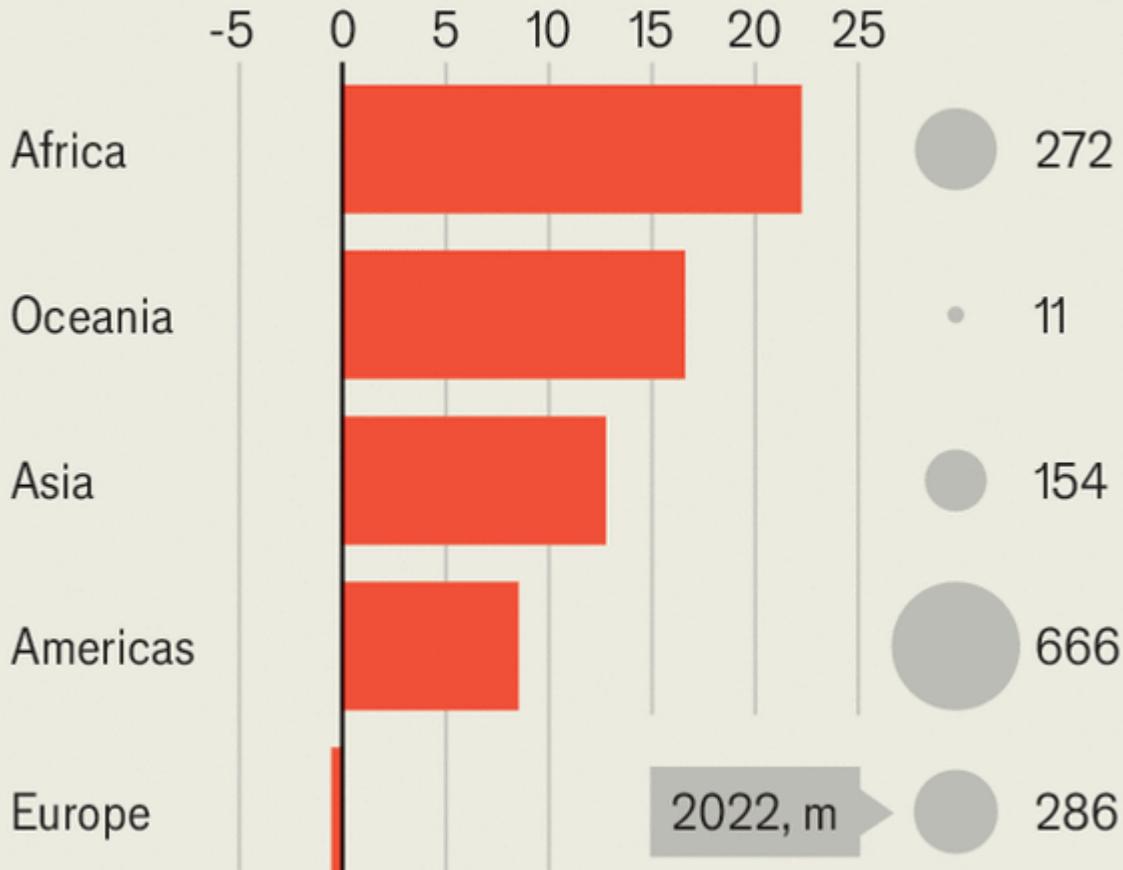
As an Argentine, Francis is the first non-European to head the church since 741AD, when a Syrian, Gregory III, ended his reign. Now that the church has broken a mould that had remained intact for almost 13 centuries, there is inevitably speculation that his successor might be from Africa or Asia. Peter Turkson, a Ghanaian, was widely tipped for the papacy at the last conclave, but his star has since dimmed.

The two continents accounted for 31% of a global Catholic population of almost 1.4bn at the end of 2022, according to the Vatican. But these figures understate the continents' importance because they do not include China, where there are perhaps an additional 12m Catholics.

Moreover, they record the number of baptised Catholics thought to be alive but take no account of those who have since abandoned their faith: in Europe and North America, which nominally contain a further 27% of the worldwide flock, secularisation and disillusion with clerical-abuse scandals have prompted large numbers of Catholics to abandon their faith or their allegiance to Rome. The same is increasingly true in South and Central America, which accounts for 41% of the total. It is, however, not true for Africa, the continent where the Catholic flock is growing fastest: between 2013 and 2022, it grew by 22% (see chart). Over the same period the number of Catholics in Asia (excluding China) increased by 13%.

Believers

Catholic population, 2013-22, % change



Source: The Vatican

The Economist

There is, of course, no scientific method for gauging the intensity of collective faith. But a couple of rough-and-ready yardsticks suggest that Africa is also where belief is most fervent. The first is levels of observance. In 2023 researchers at Georgetown University in Washington looked at attendance at mass in 36 countries. Though only two African ones were included, they were ranked first and second: 94% of Catholics in Nigeria and 76% in Kenya said they went to mass at least once a week. A second yardstick, at least for men, is the number studying for the priesthood. The

Vatican's figures show that over the ten years to the end of 2022, that number dropped on every continent except Africa, where it rose by 24%. The Bigard Memorial Seminary at Enugu in Nigeria is thought to be the world's largest training school for Catholic priests, with more than 700 seminarians.

Other powerful arguments also strengthen the case for an African pontiff. But formidable obstacles rise up, too. The first, usually discussed sotto voce, is "safeguarding", a term that those in and around the Vatican prefer over "sexual abuse". It is feared that the scandals that have already rocked the church to its core in Europe, North America and parts of South and Central America could start to erupt in Africa during the next papacy.

That is not the only such risk. On a continent where a man without a woman often courts social disapproval, some priests take a female partner early in their careers and sometimes father children, only to dispense with both partner and offspring if promoted. A pontiff who was discovered after his elevation to have followed that path would cause immense embarrassment to the church.

The other factors all have to do with the character and composition of the next conclave. After the forthcoming consistory, there will be 140 so-called cardinal-electors. Of these, all but 30 will have been appointed by the ruling pontiff, who has mostly favoured men with a similarly broad-minded outlook to his own. The African cardinals may simply be too forcefully conservative for them, though some would doubtless appeal to the more traditionalist cardinals in America's deeply divided Catholic church. Back in the 1990s, Pope Saint John Paul II complained privately that African prelates were too reticent in their dealings with him. Francis is unlikely to share that view: two of the most blatant challenges to his authority have come from African cardinals.

Robert Sarah of Guinea, whom Francis put in charge of the Vatican department that polices liturgy, hurled down the first gauntlet. One of the most visible changes introduced by the reforming Second Vatican Council in the 1960s was to make priests and bishops say mass facing their congregations. But in 2016 Cardinal Sarah told them they should revert to the earlier practice of facing away. Six days later, he was reprimanded by

the pope and the Vatican issued a statement claiming his words had been “incorrectly interpreted”.

The second rebellion was more broad-based and forced Francis into a mortifying U-turn. Last year, the Vatican’s chief theologian published a document authorising the blessing of same-sex couples, so long as it was not done as part of a liturgical ritual, let alone a gay marriage. The document caused an uproar in Africa. The head of the continent’s bishops, Cardinal Fridolin Ambongo Besungu of Congo, flew to Rome and browbeat Francis into endorsing an opt-out for Africa. It was a rare, if not unprecedented, declaration that one area of the notionally universal church did not have to follow the Vatican’s guidance on a specific issue.

A further reason for doubting that the next pope will come from Africa stems from Francis’s policy of choosing cardinals from unlikely places, often in countries where other faiths are dominant, to show that no part of his church is forgotten. He has conferred the scarlet biretta, the four-pointed headgear of cardinals, on the bishops of Ulaanbaatar in Mongolia, Ekwulobia in Nigeria, Huehuetenango in Guatemala, Tonga and Stockholm.

“The result is that at the next conclave very few of the cardinals will know each other—or who to vote for,” says Andrea Gagliarducci, an independent Vatican analyst. One cardinal they all know is Pietro Parolin, the Vatican’s most senior official. In November bookmakers gave him the best odds for succeeding Francis. But many regard Cardinal Parolin with more fear than affection, and the unique character of the next conclave could also mean that a little-known cardinal with a magnetic personality could emerge as a serious candidate. Few of Africa’s cardinal-electors fall into that category. But there is an exception: Cristóbal López Romero, a jovial, bearded Spaniard and member of the Salesian order who is the archbishop of Rabat in Morocco. Like Francis, a second-generation son of Italian immigrants, Cardinal López Romero, a white cardinal with an African archdiocese, has the advantage of strong links with both the poorer and the richer worlds. He lived for more than 20 years in Latin America.

Pope for the best

A final consideration is that although the cardinal-electors do not always vote for papal candidates from their own neighbourhood, Africa's representation in the next conclave will not reflect the importance of Africa. The continent's Catholics account for a fifth of the total. Yet, after the consistory, Africa will have only 18 cardinal-electors able to cast 13% of the votes. In sharp contrast, Asia, which has barely half as many Catholics, will soon have 18% of the clout. Largely because of Francis's appointments, it is likely to have a bigger say in who becomes the next pope than even Latin America. "It is as if he were pointing us in that direction," said a Vatican official.

Until recently, the bookmakers' favourite was Luis Antonio Tagle, a much-liked cardinal from the Philippines who headed the Vatican department responsible for most of the poor. But his chances suffered in 2022, when Francis removed him as president of the Catholic church's global charity, Caritas Internationalis, along with the organisation's entire leadership. The Vatican cited failures of "management and procedures, seriously prejudicing team spirit and staff morale".

Asia, like Africa, is a growth area for the Catholic church. In Georgetown University's ranking of attendance at mass, Lebanon (69%) and the Philippines (56%) placed third and fourth. Although the number of Asian candidates for the priesthood fell by 9% from 2013 to 2022, this was less than the dizzying 31% drop in Europe.

So could a surprise emerge from the east? A name sometimes mentioned is that of Cardinal Lazarus You Heung-Sik from South Korea, who heads the Vatican's department for the clergy. Like many Asian Catholics, he was baptised late, at 16. Said to be theologically mainstream, but active in denouncing social injustice and political authoritarianism, Cardinal You has a profile not unlike that of the late pope, Saint John Paul II, who stood for a Catholicism with few ifs or buts. Kim Whanyung, a Korean writer on religion, says the cardinal has all the characteristics of the inhabitants of his native region of Chungcheong: "They are kind and respectful, and faced with controversies they often do not reveal what they are thinking." These would be useful attributes for any pope. ■

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The Telegram

Will the West betray or save anti-Putin protesters in Georgia?

Democratic activists in Russia's near-abroad pin their hopes on admission by the EU and NATO

Dec 05, 2024 03:44 PM



NIGHT AFTER night, a contest between fear and hope is playing out on the streets of Georgia's capital, Tbilisi. Defying club-wielding riot police, [protesters have gathered each evening](#) since November 28th to demand that their government resumes its frozen bid to join the European Union and holds fresh, unrigged elections. This being real life rather than a morality tale, it cannot be ruled out that fear will win.

If brutish local police were Georgia's only threat, pro-European protesters might be on solid ground. Speaking to your columnist from Tbilisi,

demonstrators described a city in a febrile, daring mood since the ruling Georgian Dream party, controlled by a tycoon who made billions in Russia, announced that it would suspend the country's campaign to join the EU until late 2028.

Tens of thousands of Georgians were still gathering nightly in front of their parliament and other seats of power as *The Economist* went to press. Many waved Georgian flags and the blue and gold EU standard. Some held banners reading "Georgia is Europe". Women have shown particular courage, says Ana Toklikishvili, a democracy activist, noting how they have tried to persuade masked riot police to side with the people.

As the night goes on, the streets become emptier and more dangerous. Fireworks are fired at police and the windows of parliament are smashed. As dawn nears, police squads grab demonstrators, sending some to hospital with neck injuries and smashed faces. Local journalists have been singled out for beatings, sometimes as cameras are rolling. Another demonstrator would like to see fresh elections, but is ready to fight for a revolution. Calling Georgia's rulers weaker than the strongmen who govern Russia, Belarus or other former Soviet republics, he growls: "I do not think that they are as tough as other dictators."

Alas, this is not only a domestic struggle. Georgia's increasingly autocratic government has a more potent source of terror to draw on—the supposed threat from Russia, their country's neighbour, former overlord and frequent invader, albeit an overstretched one just now. Following a strategy used by other populists in fragile democracies in Russia's near-abroad, Georgian Dream campaigned as a defender of peace: even though it is a cold, unhappy sort of peace, purchased by appeasing Russia's wrath. Its election posters contrasted handsome images of Georgia with wrecked buildings in Ukraine. Its leaders accused opposition candidates and Western governments of forming a joint "Global War Party", bent on an otherwise avoidable conflict.

As Georgian streets fill with angry protesters, it is not because citizens have strong views on the optimal pace of their country's EU-accession negotiations, counsels Shota Utiashvili, a scholar of international relations in Tbilisi and former official in a pro-Western government. Rather, when

the country's prime minister announced a suspension of talks with EU authorities, Georgians heard a threat to "stifle democracy at home". In today's Georgia, as in two other EU-candidate countries from the Soviet bloc, Moldova and Ukraine, "Europe" stands for democratic values, the rule of law and membership of a collective West. The alternative is a grimmer path towards autocracy and Russian domination, the sort endured in such satellite states as Belarus. Mr Utiashvili detects little love for Russia among the Georgian public. But even if most would prefer a European future, stoking panic about war can be effective. Georgian Dream's propaganda line is that no outside power will protect the country, he explains, so that unless the current government remains in power, "the Russians will come".

To counter the Russian bogeyman, the West's best weapon is hope—and credible assurances that Georgia, a country of 3.7m surrounded by such unstable neighbours as Armenia, Azerbaijan and Russia, has real prospects of joining the EU, and one day possibly NATO. Therein lies a dilemma. Inside the EU, popular support for further enlargement is fragile. America has just elected a NATO-sceptic president. In the specific case of Georgia, EU leaders and many European governments say they must hold its rulers to account for possible abuses during the elections in October, as well as for a slew of recent, anti-democratic laws. Yet imposing harsh sanctions on Georgia risks pushing it into Russia's arms.

During earlier waves of enlargement in 2004 and 2007, when the EU took in 12 new countries, most of them from the former socialist bloc, the promise of membership offered a potent incentive for reforms. Posted to Brussels from 2005 to 2010, your columnist reported on corruption scandals and environmental disasters that were tackled because new and aspiring members had to comply with EU standards. (A visit to a leaky, Soviet-era Czech uranium mine lingers in the memory.)

Openness is still the West's superpower

The flipside of that record of success involves the potential costs of failure. EU governments have a horror of admitting new members whose legal systems or regulations fall short of the bloc's shared standards. If NATO ever extends guarantees that are not sincere, the whole alliance will be

weakened. Moreover, both institutions have little ability to punish members that slide back into autocracy after they have entered the club.

Despair is premature. Russia's invasion of Ukraine has revitalised support for enlargement among many EU and NATO leaders, reports a Western official. True, some standards may need loosening if new members are to join either institution soon. Coalitions of EU or NATO members may have to challenge Russian aggression, if consensus is impossible. Still, enlargement is back as a strategic asset, though Tbilisi's protesters might be shocked if they knew how long their road to the West will be. Fear of Russia imperils Georgian democracy. It might be its best hope, too. ■

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Business

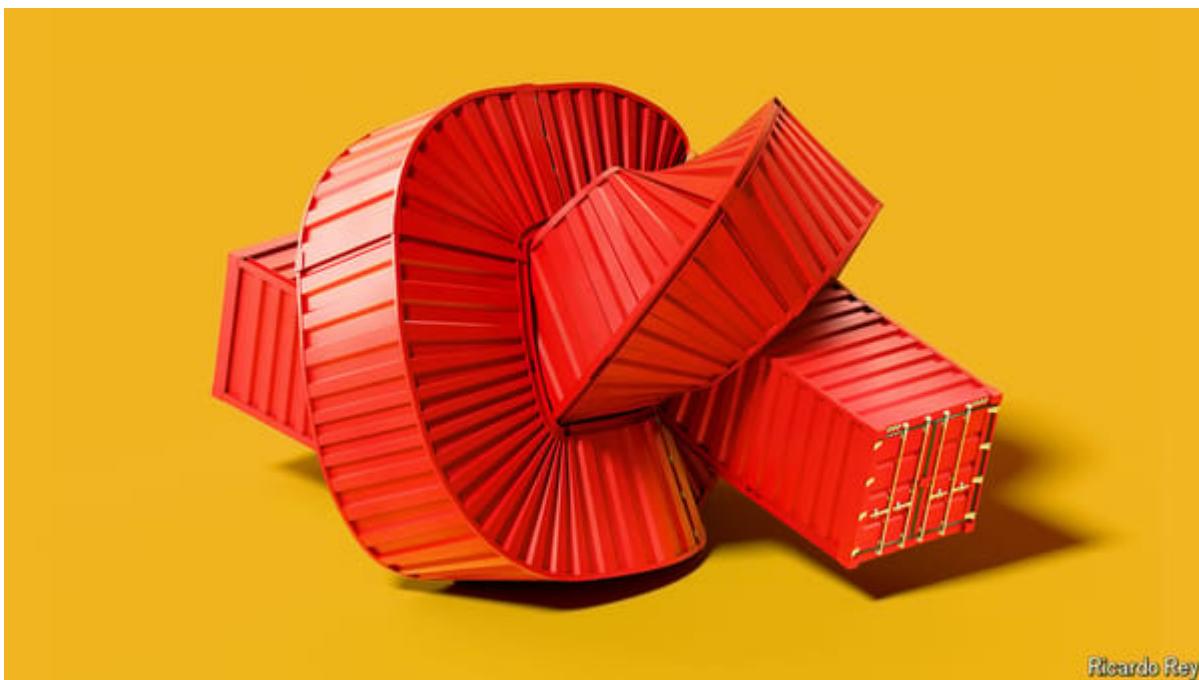
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Duties call

How painful will Trump's tariffs be for American businesses?

Their options range from hoarding goods and raising prices to rewiring supply chains

Dec 05, 2024 03:44 PM



IN THE WEEKS after Donald Trump's sweeping election victory, American companies sought to reassure investors that they were amply prepared for a [new round of tariffs](#). Some, like Stanley Black & Decker, a toolmaker, highlighted efforts to shift their supply chains away from China. Others, like Lowe's, a home-improvement retailer, pointed to processes they have put in place to deal with tariffs after Mr Trump's first term, during which levies were imposed on various goods, mostly from China, ranging from furniture to washing machines.

Yet the coming disruption may be more widespread and less predictable than many American businesses expect. On November 25th the president-elect announced on Truth Social, his social-media megaphone, that he would impose a 25% tariff on all products flowing from [Mexico](#) and Canada and raise the rate on goods from China by 10%. Mr Trump's intention to follow through with his threat against Mexico and Canada was then thrown into question by subsequent posts in which he described "wonderful" and "productive" meetings, respectively, with the leaders of the two countries.

That has not been comforting. If Mr Trump were to slap tariffs on America's northern and southern neighbours, the impact on American companies would be devastating. Businesses from Mattel, the maker of Barbie dolls, to Whirlpool, a home-appliance manufacturer, have factories in Mexico. Around three-fifths of America's imported aluminium and a quarter of its imported steel come from Canada, with large volumes of steel also coming from Mexico. According to Citigroup, a bank, [Mr Trump's tariffs](#) would raise the price of steel for American manufacturers by 15-20%.

Among the hardest hit by the suggested tariffs would be American carmakers. General Motors, for example, imports over half of the pickup trucks it sells in America from Mexico and Canada. About a tenth of the value of parts for cars produced in America also comes from the two countries. According to Nomura, a Japanese bank, the tariffs threatened by Mr Trump would wipe away four-fifths of the operating profit of General Motors next year. Foreign carmakers, such as Toyota, would also be hit.

Companies can respond to tariffs in three ways. The first is to stockpile goods. Microsoft, Dell and HP are among the American tech companies that are rushing to import as many electronic components as possible before the new administration takes office in January. Yet there are limits to that strategy. Stockpiles may be depleted well before tariffs are lifted. And holding inventory requires warehouses and ties up cash. Many big companies already expanded their inventories in the wake of the supply-chain mayhem of the pandemic, and may have limited appetite to increase them further, particularly as higher interest rates raise the cost of doing so.

According to JPMorgan Chase, another bank, the average ratio of working capital to sales among America's 1,500 most valuable listed companies last year was higher than at any point in the past decade except 2020.

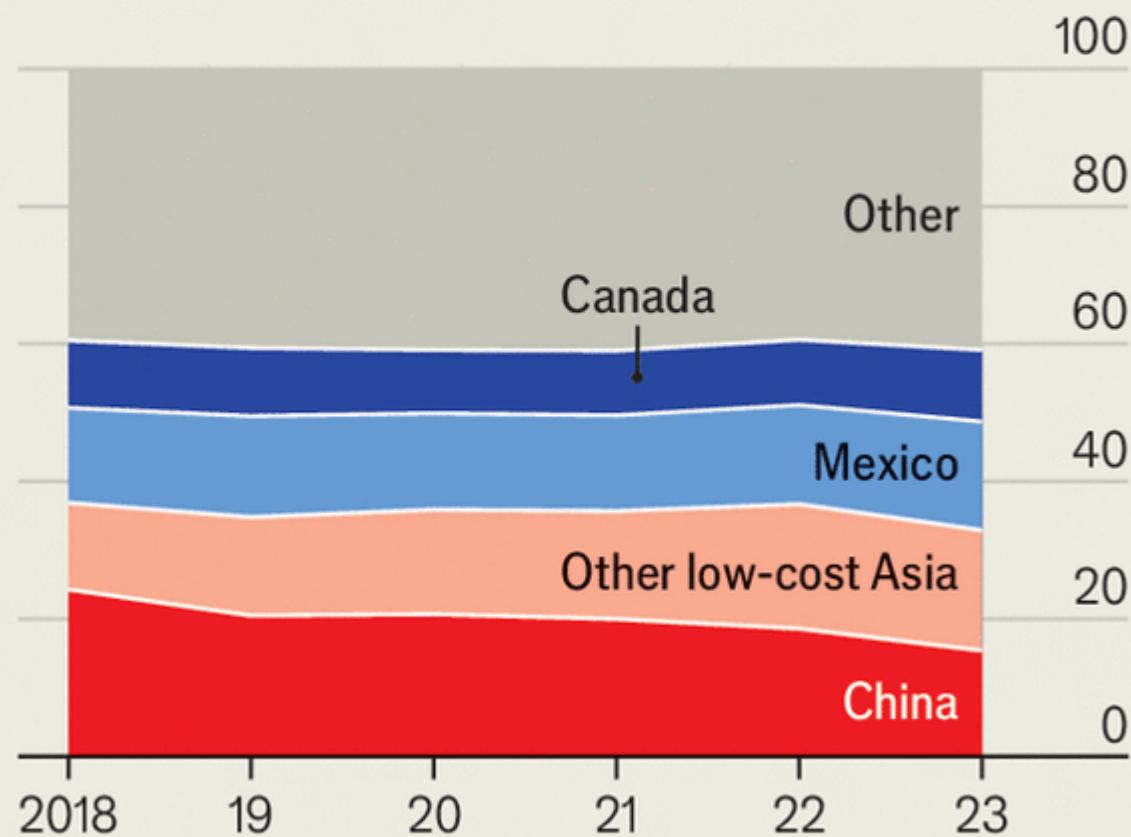
The second option for companies is to pass tariffs on to customers by raising prices. Several firms, including Stanley Black & Decker and Walmart, America's biggest retailer by sales, have already indicated that they may do so. Again, however, there are limits. The excess savings Americans built up during the pandemic have been whittled away by inflation and there are signs the country's jobs market is cooling. The delinquency rate on credit cards is at its highest in a decade.

The third, and most difficult, response is to rewire supply chains. New suppliers, once found, have to be tested and negotiated with, a process that can take years. Many American companies have already begun diversifying their supply chains away from China. According to Kearney, a consultancy, China's share of America's manufactured-goods imports fell from 24% in 2018 to 15% last year. Meanwhile, the share from other low-cost Asian countries and Mexico, respectively, rose from 13% to 18% and from 14% to 16% (see chart 1). An analysis by Fernando Leibovici and Jason Dunn of the Federal Reserve Bank of St Louis shows that the fall in China's share of imports has been biggest in industries where America has been most dependent on its rival, including communications and information technology.

Rerouted

1

United States, manufactured-goods imports
by country of origin, % of total



Source: Kearney

The Economist

Yet shifting production away from China may not be enough. The Biden administration, which kept many of Mr Trump's original tariffs and added some of its own, has clamped down on Chinese goods entering America via circuitous routes. In July it imposed a "melt and pour" rule on Mexican steel, which requires that the metal be produced in the country to avoid tariffs. It may become increasingly difficult to source from Chinese companies that have set up factories abroad, including makers of everything from televisions to seatbelts. On November 29th the federal government

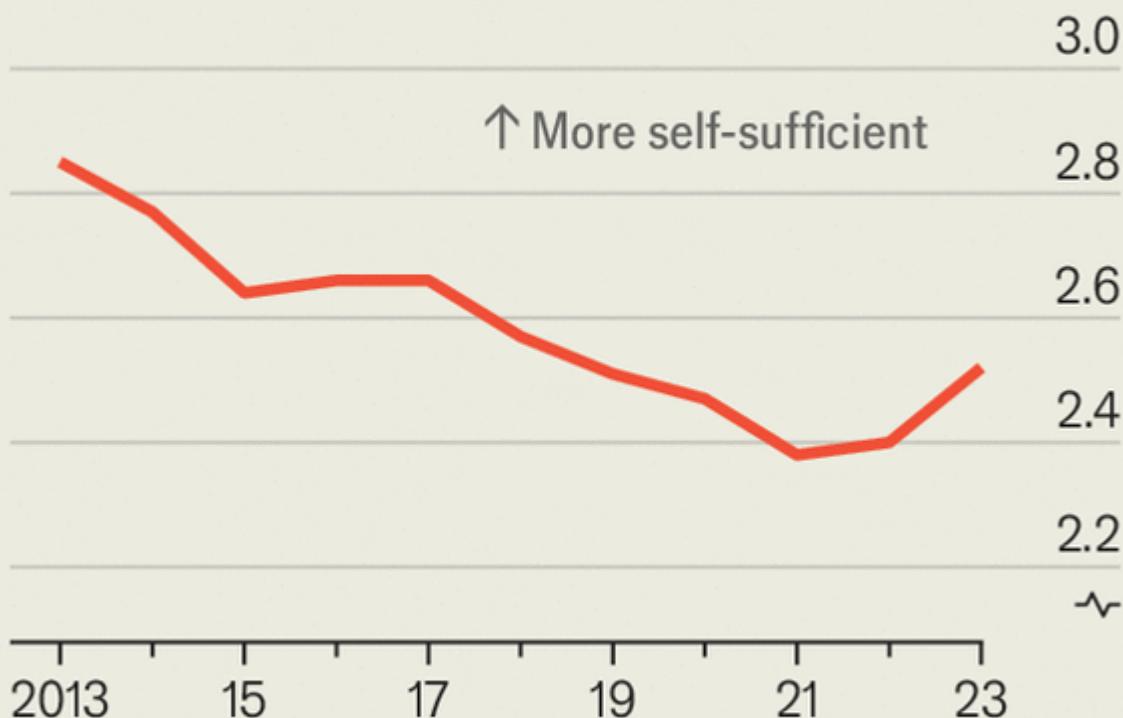
imposed anti-dumping duties on solar panels produced in South-East Asia by Jinko Solar and Trina Solar, two Chinese companies, among others.

Mr Trump's protectionist ire is directed not just at China, but at all countries with which America has a trade deficit. As a result, companies that have shifted their supply chains to Mexico, Vietnam or other low-cost countries may be in for a bruising. Some may decide that the only safe option is to bring production back home. That is already happening in a few industries, including semiconductors. Spending on factory construction in America was \$172bn in the first nine months of this year, twice as much as in the same period in 2019, adjusting for inflation. A self-sufficiency index compiled by Kearney, calculated as America's manufacturing output (minus exports) as a ratio of imports (minus re-exports), has been ticking upwards since 2021, having fallen over the previous eight years (see chart 2). For many companies, though, making stuff in America will remain prohibitively expensive.

Try it on my own

2

United States, manufacturing self-sufficiency index*



*Manufacturing output (minus exports) as a ratio of manufactured imports (minus re-exports)

Source: Kearney

The Economist

Terrifying tariffs

The coming wave of tariffs may thus prove even more painful for American businesses than the previous one. According to research by Carlyle Burd of North Carolina State University, American companies that were exposed to tariffs levied on Chinese imports by Mr Trump during his first term saw their operating profit as a share of assets shrink by 5.4 percentage points,

compared with those that were not. Some were hit harder. Last month the chief financial officer of Stanley Black & Decker said that the first-term tariffs initially cost the company around \$300m annually, equivalent to a quarter of its net profit in 2017, and continue to cost it around \$100m a year. Bosses will be watching Mr Trump's Truth Social account closely. ■

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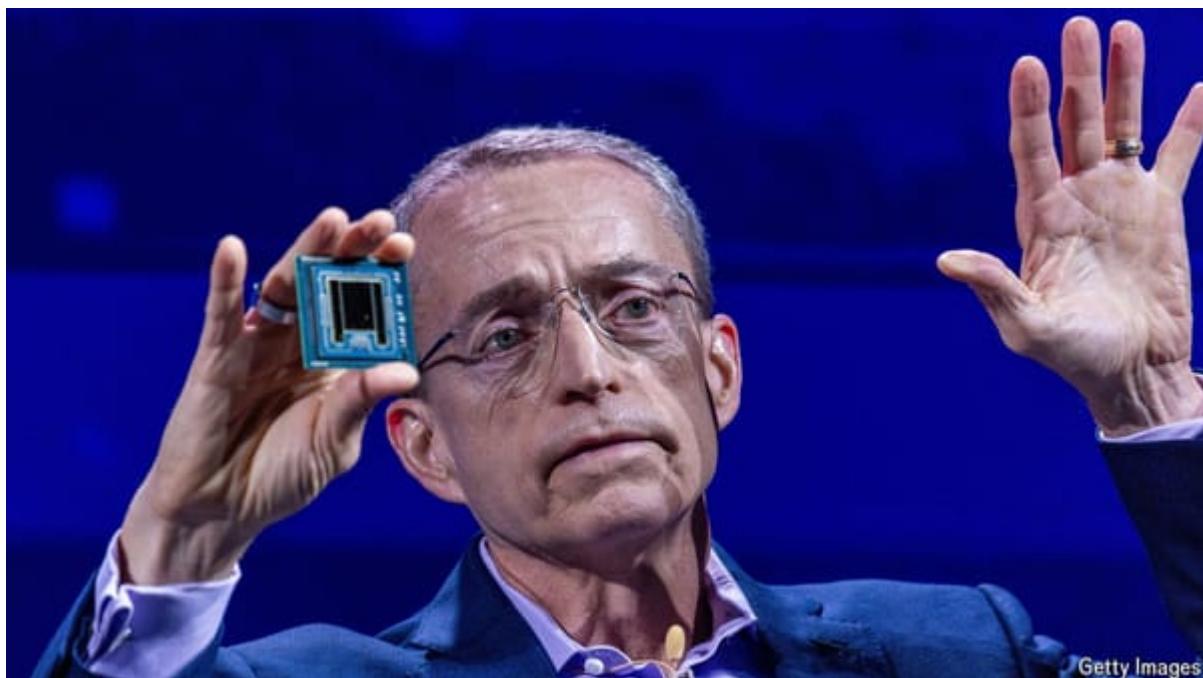
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Yielding

Intel's troubles deepen, as its boss makes an abrupt exit

Pat Gelsinger's surprise departure poses a dilemma for Donald Trump

Dec 05, 2024 03:44 PM



Getty Images

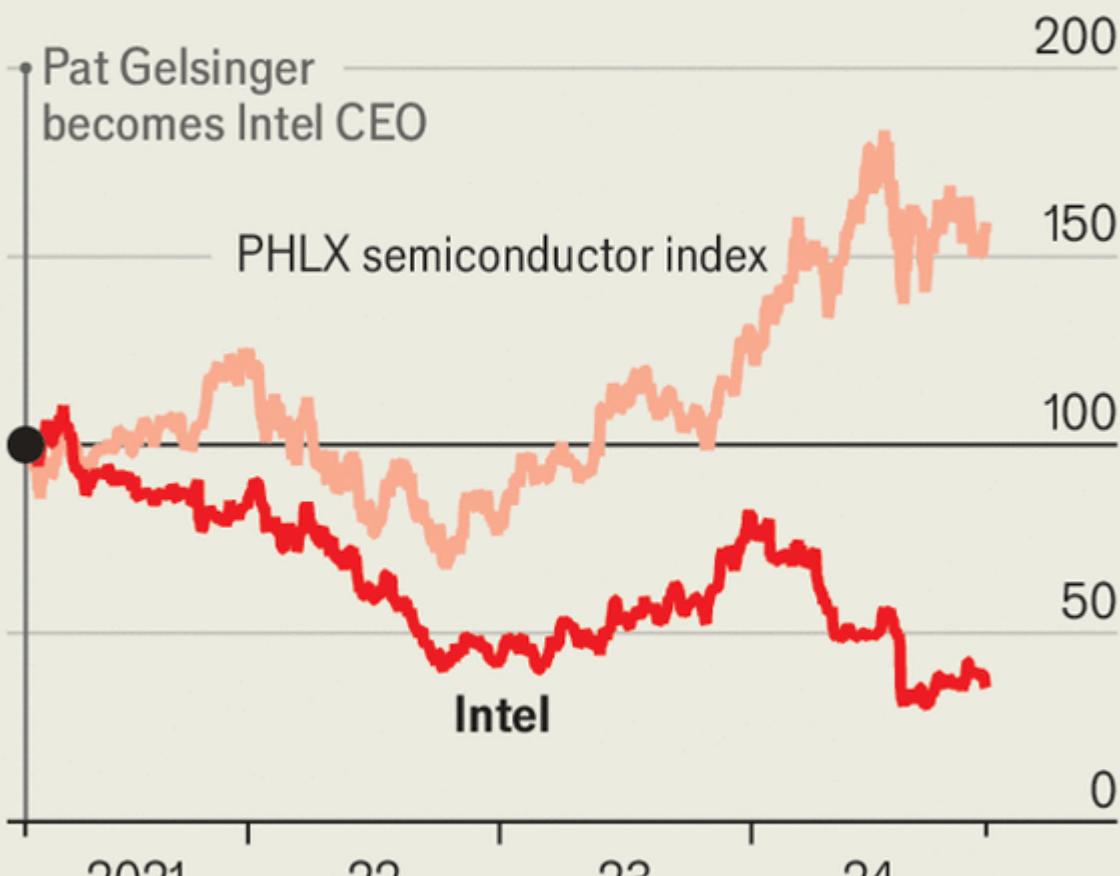
WHEN PAT GELSINGER [took over](#) as Intel's chief executive in 2021 he seemed to possess the same impatient mindset as his mentor, Andy Grove, a former boss of the chipmaker famous for declaring that "Only the paranoid survive." Barely a month into the job, Mr Gelsinger unveiled a plan to restructure the business and advance through five generations of production technology within four years. Nearly four years on, however, it is Intel's investors who have [grown impatient](#). On December 2nd Intel announced that Mr Gelsinger would be retiring. The fact that his departure is effective immediately, with a permanent successor yet to be appointed, suggests it

was hardly voluntary. It leaves both Intel and the incoming Trump administration in an awkward spot.

Mr Gelsinger's exit comes after the chipmaker posted a \$16.6bn loss in its quarterly results last month, the biggest in its history. In August the company suspended its dividend for the first time since 1992 and said it would lay off more than 15% of its roughly 130,000 employees. Since Mr Gelsinger took over as Intel's boss its share price has fallen by three-fifths; the PHLX semiconductor index, an industry benchmark, has risen by half over that period (see chart).

Pat on his back

Share prices, February 15th 2021=100



Source: LSEG Workspace

The Economist

In fairness, Mr Gelsinger was dealt a difficult hand. Intel had once been synonymous with advanced semiconductor technology, and when Mr Gelsinger took over it still dominated the market for chips that run data centres and PCs. But it had missed the boom in smartphones and was ill-prepared for the one that would soon come in artificial intelligence (AI). Following a series of technical setbacks, it had also fallen behind TSMC, a Taiwanese chipmaker, in the production of cutting-edge chips. Mr Gelsinger's response was to split the design and manufacturing sides of the

business, allowing the former to choose the best foundries for its needs while freeing the latter to serve other chip designers.

The strategy has fallen apart spectacularly. To turn Mr Gelsinger's foundry vision into reality, Intel is splurging \$100bn on production sites across four American states—just as its profits are evaporating. Its core business of central processing units has slowed as AMD, a long-time rival, has nabbed customers, and it has failed to gain traction with its Gaudi AI chips.

To make up the funding shortfall, Intel has turned to private-equity firms as well as America's government, which on November 26th announced that it would award the company nearly \$8bn in subsidies under the CHIPS Act. To make it easier to raise money from outside investors, the company said in September that it would turn its foundry business into an independent entity with its own board and financial statements, but stopped short of a full separation. Mr Gelsinger's successor may have to be more radical. Qualcomm, a designer of smartphone chips, flirted with acquiring the company but is said to have abandoned the idea, deterred, perhaps, by Intel's size and complexity.

The incoming Trump administration will have a role to play in the next stage of the saga. Vivek Ramaswamy, who will lead a new Department of Government Efficiency alongside Elon Musk, criticised the Biden administration's decision to grant the subsidy to Intel before it leaves office. Mr Trump has called the CHIPS Act "wasteful". Yet he has also voiced displeasure with Taiwan's dominance in chipmaking and accused it of "stealing" America's semiconductor industry. He now faces a choice between rescuing Intel from its mess, or relying on TSMC, which is building three advanced production facilities in America, to bring chipmaking home. ■

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Under siege

Russian businesses are beginning to bear the cost of war

Soaring interest rates, a plunging currency and labour shortages are biting harder

Dec 05, 2024 03:44 PM



Getty Images

FOR MORE than two years most Russian businesses carried on unscathed by the war in Ukraine. A surge in defence spending and subsidised loans for consumers and firms propped up spending at home, even as sanctions curtailed access to foreign markets and inflation jumped. Western companies from Volkswagen, a German carmaker, to Shell, a Dutch oil giant, sold their Russian operations to local enterprises. After an initial tumble, the MOEX, an index of Russian stocks, steadily recovered (see chart).

Lately, however, things have taken a turn for the worse. The MOEX has fallen by almost a third over the past six months. Corporate bankruptcies are up. To combat inflation, Russia's central bank has raised its main interest rate to 21%, sending borrowing costs rocketing. Fresh American sanctions have [tanked the rouble](#): and raised the cost of imports. Labour shortages are worsening. A difficult winter lies ahead.

Moscow mewls

MOEX Russia Index, September 1997=100



Source: Moscow Exchange

Borrowing costs are the most pressing concern for bosses. Around two-fifths of the debt held by Russian companies at the beginning of 2022 was on a floating-rate basis, a share that has since risen above half, according to figures from Russia's central bank. That has left many firms crippled by soaring rates. Russian Railways, a state-owned enterprise that is the country's largest employer, is among the companies that are planning to cut their investments next year as a result. The Union of Shopping Centres, a business association, is said to have asked the government for support in the form of cheaper loans as well as help with payment deferrals and debt restructuring. Without these measures, it has warned that 200 shopping centres risk bankruptcy.

As Sergei Chemezov, the chief executive of Rostec, a state-owned arms-maker, warned in October, "If we continue to work like this, then almost the majority of our enterprises will go bankrupt." Mr Chemezov, a former KGB colleague of Vladimir Putin, Russia's president, noted that advance payments for goods typically cover only 40% of their cost, which means that companies like his either need to borrow to make up the difference or delay payment to their suppliers for months. A growing number are choosing the latter. The Russian Union of Industrialists and Entrepreneurs, another business association, has noted an increase in complaints about late payments in its quarterly survey of companies, which it attributes to the cost of working-capital loans.

Russian businesses are grappling with rising prices too, particularly of imports. A survey of manufacturers conducted by S&P Global, a data provider, indicated that the rate of inflation for inputs accelerated for the third consecutive month in November. Manufacturers also complained of lengthening lead times for components and difficulties finding workers. The unemployment rate is just 2.3%, as the military and defence industry gobble up labour.

The squeeze will worsen in the months ahead. "In 2022 and 2023 the Kremlin had enough roubles to continue financing the war and subsidising businesses," says Andrei Yakovlev of the Davis Centre for Russian and Eurasian studies at Harvard University. But since the summer, he says, it has been clear that the Kremlin can no longer do both. The government is

now looking to raise taxes. Next year it will increase the levy on company profits from 20% to 25%. With the economy expected to weaken, Janis Kluge of the German Institute for International and Security Affairs, a think-tank in Berlin, predicts a wave of corporate bankruptcies.

The war is also damaging business in other ways. Venture-capital investment has dropped and tech companies have struggled as talented workers have fled. Russian firms have found it difficult to keep up with advances in artificial intelligence (AI) because they cannot get hold of the semiconductors developed by Nvidia, America's AI chip champion. Innovation will slow as a result.

All the president's businessmen

Alexandra Prokopenko of the Carnegie Russia Eurasia Centre, another think-tank in Berlin, says that the nature of doing business in Russia is changing too. She likens it to the chaos that followed the collapse of the Soviet Union. Property rights are being eroded, and the approval of Mr Putin and his allies has become paramount. Even if they are suffering, few bosses may be brave enough to speak out against the war. ■

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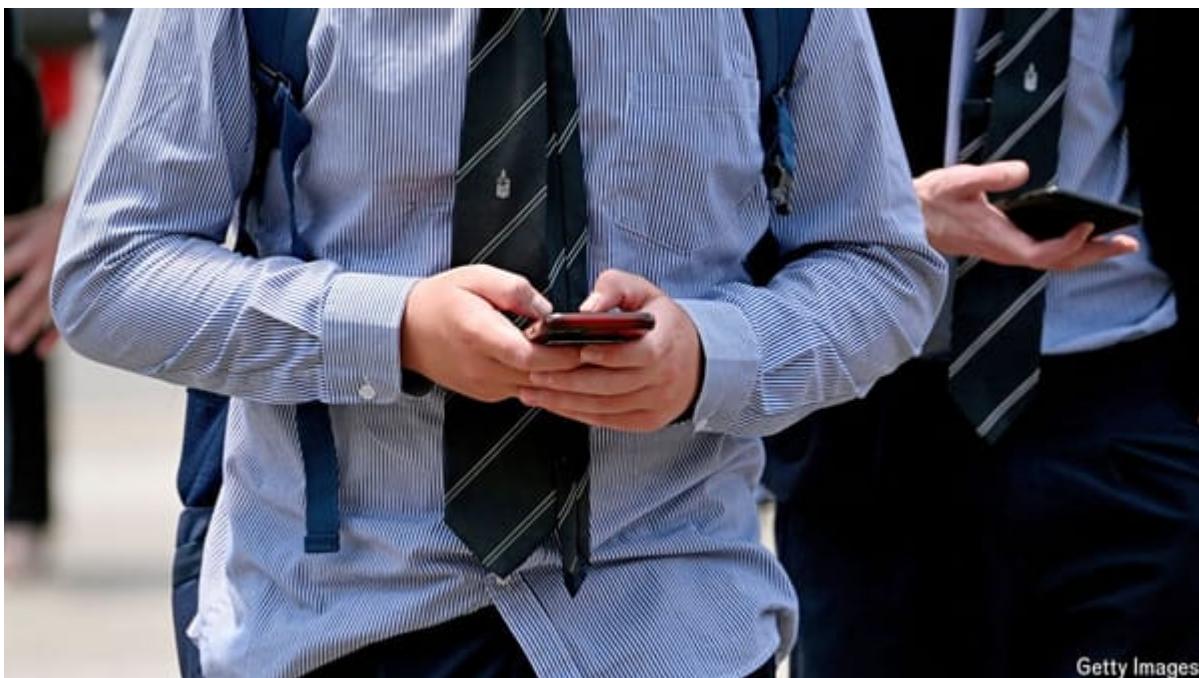
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Tech v teens

Can teenagers outwit Australia's social-media ban?

Enforcing the new law may prove tricky

Dec 05, 2024 03:44 PM



Getty Images

“WE’VE GOT your back,” Australia’s prime minister, Anthony Albanese, told parents on November 29th, a day after pushing through some of the world’s strictest limits on screentime. One year from now, under-16s will be banned from using social media, in a move intended to protect them from harm. Teenagers groaned. Parents discreetly high-fived. Policymakers around the world took notes.

Most social-media platforms are notionally off-limits for under-13s, a cut-off that was widely adopted after America passed COPPA, a law to protect children’s online privacy, in 1998. But the rules are widely ignored and

feeble enforcement. Britain's communications regulator, Ofcom, reports that 22% of the country's social-media users aged between eight and 17 have an account with an adult's date of birth. TikTok (minimum age: 13) is used by half of British eight- to 11-year-olds.

Parents and politicians long turned a blind eye. But amid concern that social media harms mental health, governments are getting tougher. European countries including France, Germany and Italy require younger teens to get parents' permission before signing up. Various American states have passed laws limiting teens' access to social media, though many have hit legal obstacles. [Australia](#), cheered on by its domestic press, is the first country to enact a blanket ban.

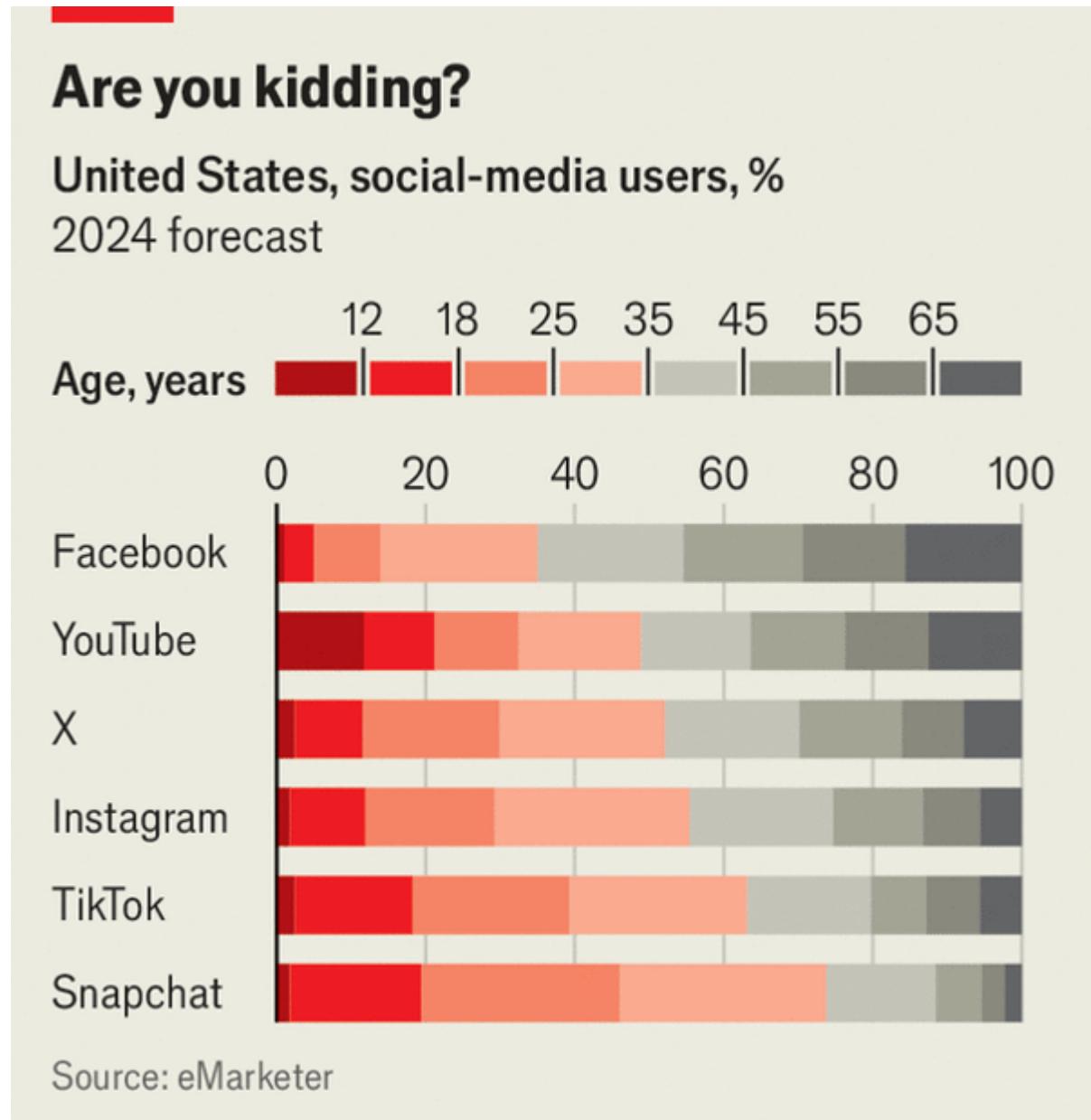
The first problem it must solve is enforcement. Younger teenagers lack the driving licences and credit cards that often serve as proof of age, so many companies use machine learning to estimate age via selfie. Five years ago such models were accurate to within about three years, says Tony Allen of the Age Check Certification Scheme, an auditor that is working with the Australian government. Today they can guess to within about a year, he says, better than most humans.

That still means errors at the margin, especially for people with dark skin, who tend to be underrepresented in training data. Yoti, which checks ages for Meta on products including Facebook Dating, reports an average error of about a year for light-skinned 13- to 17-year-olds, and a year and a half for dark-skinned teens.

Technical challenges aside, how broad should crackdowns on social media be? The category spans everything from video to messaging. Australia has suggested that TikTok will fall under its ban but that YouTube will be exempt, for its "significant" educational content. Video games are also off the hook, though they have become increasingly social as children use platforms like Roblox to chat as well as play.

Another question is who should carry out the checks. Australia is placing the burden on the social-media platforms: "You create the risk, you've got to deal with it," says Mr Allen. Meta and others say the checks should instead be done by operating systems or app stores, making it Apple's and

Google's problem. That would allow users to have their phone vouch for their age anonymously, rather than hand over mugshots or IDs to every social network, gambling app or porn site they visit. For now, governments seem wary of making Apple and Google create global ID registries of their billions of users.



The Economist

Age limits will hit some social platforms harder than others. The cost of performing checks will be more burdensome for startups than incumbents

(Yoti quotes between three and 31 cents per check, depending on volume). And whereas only about 5% of Facebook's users in America are under 18, at Snapchat the figure is 19% (see chart). Young users at least are not especially valuable to advertisers: ads aimed at under-16s probably make up a “low single-digit percentage” of spending, estimates Brian Wieser of Madison and Wall, an ad consultancy. Meta has not shown advertisements to under-18s in the EU for more than a year, amid a legal dispute; its bottom line has hardly been dented.

No one yet knows the extent to which keeping teens off social media will reduce their interest as adults. But apps like TikTok, which is already threatened with an outright ban in America, could be disadvantaged if they are banned for teenagers while direct rivals such as YouTube are let off. The big winners from a social-media crackdown may be alternative types of screentime, such as gaming—at least so long as the enthusiasm for banning children’s online pursuits goes no further. ■

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Digital divides

Will Europe ease up on big tech?

The clash between Silicon Valley and Brussels enters a new phase

Dec 05, 2024 03:44 PM



Getty Images

SILICON VALLEY and the European Commission, the EU's executive arm, have a strained relationship. Regulators in Brussels blame American tech giants for everything from the struggles of European startups to teenage depression. American tech firms whinge that they are targeted by jealous Europeans. Now, after years of acrimony, a détente is possible. On December 1st a new commission took office.

The previous commission policed America's tech giants in various ways. It blocked takeovers it saw as anti-competitive, such as Amazon's attempt to buy iRobot, a maker of robo-vacuums. And it introduced a thicket of new laws, including the Digital Services Act (DSA), to regulate social media, the Digital Markets Act (DMA), to keep tech firms from competing

unfairly, and the Artificial Intelligence Act, to govern the use of the emerging technology. Rule-breakers can be hit with fines which, in the case of the DMA, can reach a tenth or more of the firm's global revenue.

The new commission may do more of the same. Henna Virkkunen, a Finn, has been put in charge of tech. People in her team say they expect continuity, though the emphasis may shift from writing new laws to enforcing existing ones. Reining in big tech still seems popular with voters.

Yet changing circumstances may require a new approach. One difference is that economic growth is back in focus. Last year Ursula von der Leyen, the commission's returning president, asked Mario Draghi, a former head of the European Central Bank, to write a report on the continent's waning competitiveness. The resulting tome pointed to Europe's weakness in tech as a cause of its woes. Some recommendations that could also benefit American tech giants, including cutting red tape and boosting access to cloud infrastructure for Europe's startups, were mentioned in the instructions Mrs von der Leyen issued to the new commissioners.

Even more important is the re-election of Donald Trump, which may limit how much the commission can beat up American tech firms. The Biden administration shared Eurocrats' wariness of Silicon Valley giants. That afforded a "wonderful" level of co-operation, as one EU official puts it, making it easier for the bloc to hit tech firms with fines and probes. Doing that under Mr Trump will be tougher, and may incur retaliation. In October Tim Cook, Apple's boss, reportedly called Mr Trump and complained about EU fines, to which Mr Trump responded that he would not let Europe "take advantage of our companies". During his first term Mr Trump was quick to propose tariffs on French goods, from handbags to champagne, in response to a proposed new tax on digital services, before a truce was agreed.

Mr Trump could prove even more combative this time. One flashpoint will be the commission's investigation into X, a social-media site run by Elon Musk, now a buddy of the president-elect. X allegedly failed to comply with a number of DSA rules, such as providing data access for researchers. A decision will probably be made in the new year and could result in a fine of up to 6% of the firm's global revenue. In September J.D. Vance, the incoming vice-president, seemed to suggest that America should withdraw

support for NATO in retaliation for European action against X. “American [military] power comes with certain strings attached,” he warned.

There is reason, then, for Silicon Valley to hope for a reprieve from Brussels. But plenty of uncertainty remains. Some inside big tech worry that Europe might try to tilt the playing-field in favour of local firms. Others suspect that the EU is only paying lip service to a pro-growth agenda. The new commission may end up being kinder to America’s tech giants. But bosses are not breaking out the champagne just yet—even if it is, for now, still tariff-free. ■

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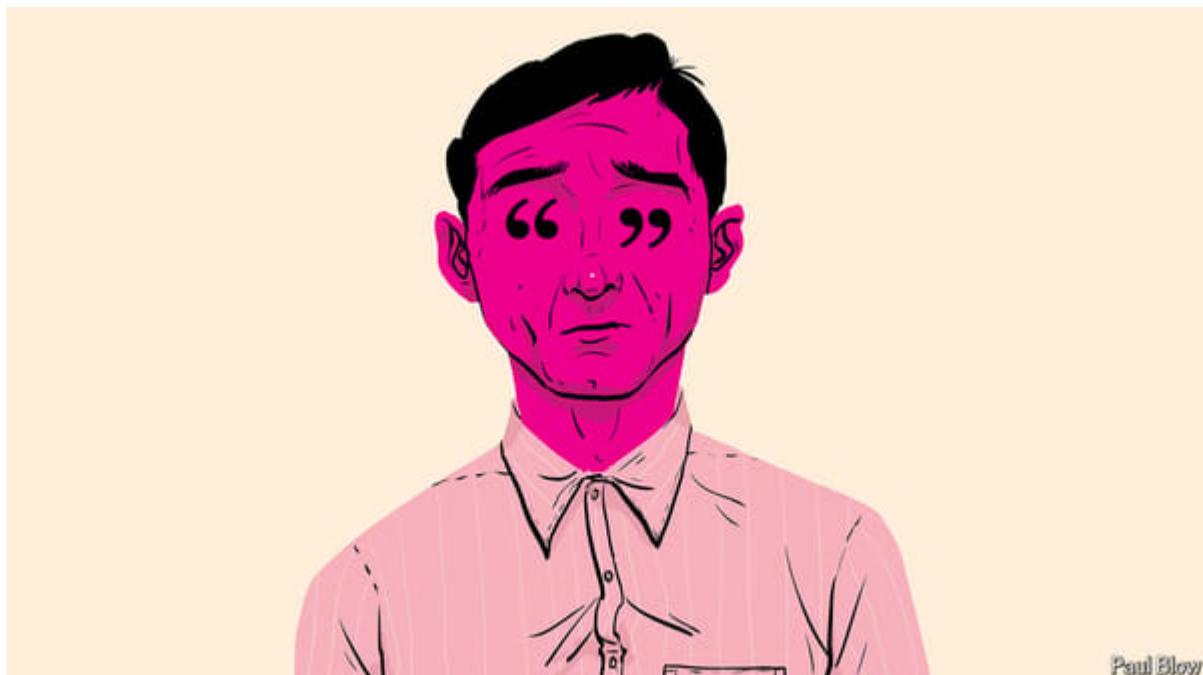
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Bartleby

How to inspire people

The answer is not another video of Steve Jobs

Dec 05, 2024 03:44 PM



MOTIVATIONAL QUOTES. Videos of Steve Jobs saying absolutely anything. Clips of a baby elephant being rescued from a river. You do not have to scroll for long on LinkedIn, a networking site ostensibly for people at work, to find “inspirational” content. There may be people who need only to read “We cannot become what we want by remaining what we are” written in a nice font to feel amped up on a Monday morning. But there will be just as many who want to snigger or vomit. For bosses interested in how to motivate the people around them, there are better options than searching for quotes by Paulo Coelho.

At some level, advice on how to inspire employees is silly. It’s usually either blindingly obvious—be good at your job, be passionate about the

work, make the people on your teams feel valued—or jarringly inauthentic. But much more practical insights can be found in a forthcoming book called “Inspire”, by Adam Galinsky, an academic at Columbia Business School.

Take, for example, the importance of vivid imagery as a way of bringing an organisation’s purpose to life. Lots of firms use a succession of tediously abstract words to convey their goal: “change”, “innovate”, “connect” and so on. The result is less a mission than a mood board. Mr Galinsky cites an experiment by Andrew Carton of the University of Pennsylvania and his co-authors that showed the effect of more concrete language. In it, teams were asked to design toys and given a vision statement to guide their behaviour. Teams who were handed a statement with more visual language—to create toys that “...make wide-eyed kids laugh and proud parents smile”—produced more engaging toys than teams who were given something more generic.

Mr Galinsky also points to the power of counterfactual thinking to inspire a sense of meaning. In research he conducted with Laura Kray of the University of California, Berkeley and other co-authors, participants were asked to reflect on important events in their lives, such as their choice of college. Some were also asked to think about how things would have turned out if this event had not taken place. This group attributed greater meaning to the event in question, whether because they concluded fate had played a part in it or because it forced them to think through its consequences more explicitly. This type of counterfactual thinking can also be used to strengthen employees’ ties to firms: prompting people to imagine a world in which their company does not exist seems to increase a sense of attachment.

Perhaps the most striking idea in Mr Galinsky’s book is that, instead of bosses motivating people from above, individuals can do it for themselves. One example is a piece of research he conducted with Julian Pfrombeck from the Chinese University of Hong Kong and other co-authors. In this study some Swiss citizens who had newly registered with a government employment agency were asked to undertake a 10- to 15-minute exercise in which they reflected on values that mattered to them. They were three times more likely to find a job than those who did not do the exercise.

A forthcoming paper, by Nava Ashraf and Oriana Bandiera of the London School of Economics and Virginia Minni and Luigi Zingales of the University of Chicago, finds that this kind of intervention can have dramatic effects in a business setting. A subset of almost 3,000 employees at a consumer-goods firm were randomly assigned to take part in a workshop that helped participants to reflect on pivotal moments in their lives, to articulate what mattered to them and to think about how their current jobs matched their own sense of purpose.

The academics found that taking part in this exercise substantially increased the probability of exits from the firm, particularly among lower performers; increased internal job transfers; and improved the performance of those who stayed in their jobs. A heightened sense of what is meaningful to individuals provides the best explanation for these outcomes. Those whose jobs do not inspire them decide to leave or move; those who find that their purpose and their job are in sync put in more effort. Once they accounted for the productivity of employees who replaced the leavers, the overall impact of this experiment on the firm's performance was positive.

Managers play a huge role in motivating their people. But inspiration can be bottom-up as well as top-down. Don't just tell your team what Jobs said. Ask why their jobs matter to them. ■

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Schumpeter

Not all European business is a profitless wasteland

How to spot a corporate star, old-world edition

Dec 05, 2024 03:44 PM



Brett Ryder

TALK TO EUROPEAN bosses about their continent and the responses are as varied as the languages they speak. *Katastrophe*, bark the Germans. The Italians wave their hands in exasperation. The French offer a resigned Gallic shrug. The British change the subject to the weather (which isn't exactly fabulous, either). With governments collapsing centre-left (in Germany last month) and centre-right (in France on December 4th), plus war raging in next-door Ukraine, chaos is the political watchword.

European business can seem just as dysfunctional. In the past couple of weeks it has been a tale of bankruptcy (of Northvolt, a would-be battery

champion), labour unrest (at Volkswagen, the continent's biggest carmaker, where nearly 100,000 workers downed tools on December 3rd) and CEO defenestration (at Stellantis, a rival whose biggest shareholder, Exor, part-owns *The Economist*'s parent company). This week an activist investor ratcheted up pressure on Rio Tinto, the world's second-most-valuable miner, to follow its bigger rival, BHP, in ditching its dual listing in London and settling for good in Australia.

Add a dearth of success stories in artificial intelligence (AI) and no wonder Europe's chief executives are in a dour mood, made dourer by smug American counterparts whose companies, on average, sell more, turn fatter profits and are valued more richly by markets. The entire STOXX 600 index of large European enterprises is worth a third less than America's "magnificent seven" technology giants. Shares of firms in the S&P 500, its transatlantic equivalent, trade at 23 times future earnings, far above the 14 or so eked out by STOXX constituents.

Even excluding the AI-fuelled trillion-dollar outliers, investors regard American businesses as more promising than European ones. The price-to-earnings ratio of the 493 firms in the S&P 500 that are not Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia or Tesla is comfortably higher than for the STOXX 600. As a Spanish CEO might put it, *¿Qué diablos?*

These jarring disparities in aggregates and averages are real and troubling. However, they may conceal as much as they illuminate. Closer inspection reveals pockets of European corporate strength, some more surprising than others.

In specific areas of commerce, Europeans outmatch even those self-satisfied Americans, sometimes handily. Europe's drugmakers are collectively worth more than American ones and boast twice the return on capital. Novo Nordisk of Denmark launched Ozempic before Eli Lilly began selling its weight-loss drug. Europe lacks an Nvidia, but the \$3.5trn AI-chip designer would not get far without ASML, a Dutch firm whose machines etch Nvidia's blueprints onto silicon. Ryanair and other European airlines fly rings around American carriers in terms of profitability. And nobody does posh better than the French (think LVMH) and Italians (Ferrari, also controlled by Exor).

European exporters may also benefit from the strengthening dollar, boosted by Donald Trump's promise to shift America's already hot economy into overdrive—at least until the president-elect keeps his promise to wallop foreign goods with heavy tariffs. According to Jim Reid of Deutsche Bank, if the greenback strengthened by another 10% against the euro, this would lift the earnings for the 50 largest European companies by 3%.

Other areas of European outperformance are less obvious. The continent's smaller listed firms, for example, do considerably better than their counterparts across the pond. A typical European company in each of the four bottom deciles, by market value, of the broader STOXX Total Market index, which covers some 1,900 firms, has roughly double the return on capital of its opposite number in America's Russell 3000. A similar pattern persists when businesses are ranked by revenue. America Inc's bright-burning corporate stars outshine European rivals and then some. But their gravitational pull may also be sucking in so much financial and human capital that little is left for anyone else. True to egalitarian form, that is not so in Europe.

An alternative way to look for winners among European companies is to ask what factors might shorten the odds of success. Consider how much a business spends on research and development (R&D). In Europe, the keenest fifth of R&D spenders, a group that devotes at least 12.5% of sales to that end and includes those pharma giants and ASML, outperform less enthusiastic ones when it comes to return on capital. No such regularity is evident in America, perhaps because corporate R&D budgets there are generally higher relative to revenue to begin with.

Or take capital expenditure. In America, it is those firms that are stingiest with capex that tend to do best (the country's spendthrift tech giants are again the exception). In Europe, by contrast, it is a good bet to eye companies that neither scrimp nor splurge on fixed assets, which is to say they invest between 2% and 7% of sales. This judicious category contains many of Europe's industrial champions, such as Siemens and BAE Systems.

In search of lost dimes

European companies have two other things going for them. Many have patient shareholders, whose interests are aligned with businesses' long-term success. For 237 of Europe's 500 most valuable listed firms, at least 10% of stock is not freely traded (not counting state-controlled enterprises). Plenty of those stakes are in the hands of founders or, this being the old continent, their descendants. For America's top 500 the equivalent figure is 90.

The other advantage is low expectations. Frothy American valuations may tumble, especially if AI fails to boost productivity in line with investors' hopes. Sagging European ones could improve merely by reverting to the mean. *Bon courage!* ■

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Blow-for-blow

How China will strike back at Trump

Xi Jinping has set out his tariff red lines. What if America crosses them?

Dec 05, 2024 03:44 PM | Shanghai



Klawa Rzezny/Getty Images

WHO IS HUOHUADE LUTENIKE? Howard Lutnick, the billionaire nominee to lead America's Commerce Department, is not well known in China. But he may end up shaping [American trade policy](#). Since Donald Trump announced his pick, Chinese investors have scrambled for information. More than anything, they want to know if Mr Lutnick will slap Mr Trump's proposed 60% tariffs on all Chinese imports. Such efforts have only gained urgency in the past fortnight. The president-elect has threatened an additional tariff on Chinese goods on his first day in office, while the sitting president has ratcheted up export controls.

Other nominees are better understood. Marco Rubio, presumptive secretary of state, has tried to force Chinese firms to delist from American stock exchanges and was hit by sanctions in response to ones he helped put on Chinese officials as a senator. Mike Waltz, Mr Trump's choice for national security adviser, boycotted the Beijing Winter Olympics. Jamieson Greer, the new trade representative, was an architect of Mr Trump's first trade war with China.

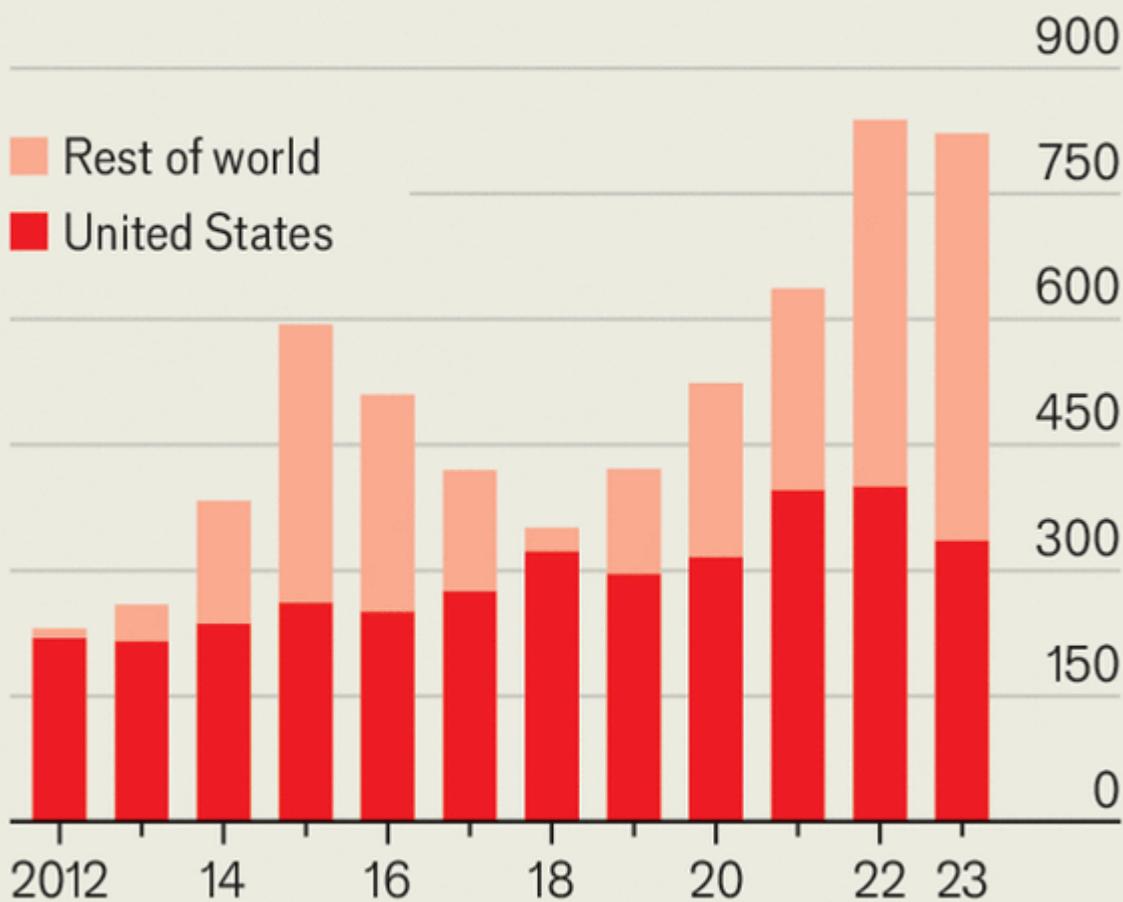
In the face of [such hawkishness](#), Chinese officials have kept quiet. But their formula for trade talks is starting to emerge. Xi Jinping, China's leader, laid down "red lines" in a recent meeting with President Joe Biden. The gist was that Communist Party rule and China's claim on Taiwan should not become bargaining chips. Then on December 1st Chinese tax rebates on aluminium and copper came to an end; ones for batteries and photovoltaic products fell from 13% to 9%. This is a big shift. Over the past year China has rejected claims it is exporting batteries and solar products at artificially low prices. As Martin Lyng Rasmussen of Exante Data, a research firm, notes, cuts to rebates are the first time officials seem to have sought to lessen the force of such accusations.

At the same time, Chinese officials want to increase trade with the rest of the world. The Ministry of Commerce has said that it will boost export credit and insurance, and support logistics services. The ministry wants to expand the number of countries that can get short-term business visas. And it has promised to help companies respond to "unreasonable foreign-trade restrictions" as they arise.

The Biden administration recently announced tariffs on solar panels from several South-East Asian countries, with the aim of stopping Chinese firms from re-routing exports through third countries. Mr Trump may expand these as firms look for loopholes. Many have, for example, set up factories in Indonesia and Laos, two countries that are not covered by the latest policies. To help small businesses sell goods overseas via e-commerce platforms, Chinese local governments have established service centres. Shanghai is setting up a "Silk Road e-commerce pilot zone" to boost trade with Central Asia.

Shrugging off sanctions

China, goods-trade surplus, \$bn



Source: National Bureau of Statistics

The Economist

Such tariff workarounds mean that America's existing measures have not stopped China from increasing exports. Since the start of Mr Trump's trade war in 2018, China's trade surplus has more than doubled to \$820bn (or 6% of GDP). Its surplus with America remains at \$340bn, about the same as in 2018. If Mr Trump is willing to strike a deal, involving limited increases in tariffs, his measures might reduce annual Chinese GDP growth by just 0.4 percentage points between 2027 and 2029, according to Oxford Economics, a research firm. CF40 Research, a think-tank in Beijing, estimates that

“moderate” tariffs of 10-20% would slow China’s year-on-year export growth to 1.5% next year, down from 2.2% if no tariffs were imposed. Mr Trump’s promised 60% tariff rise could shrink exports by 6.5% next year, which would have a devastating effect.

What about retaliation? In the first phase of the trade war, China responded to tariffs by hitting American imports with similar penalties. The strategy was ineffective as America is less reliant on Chinese demand than the other way round. Some expect China to allow its currency to devalue against the dollar. Although doing so would make its goods cheaper, big drops in the yuan risk spurring capital flight.

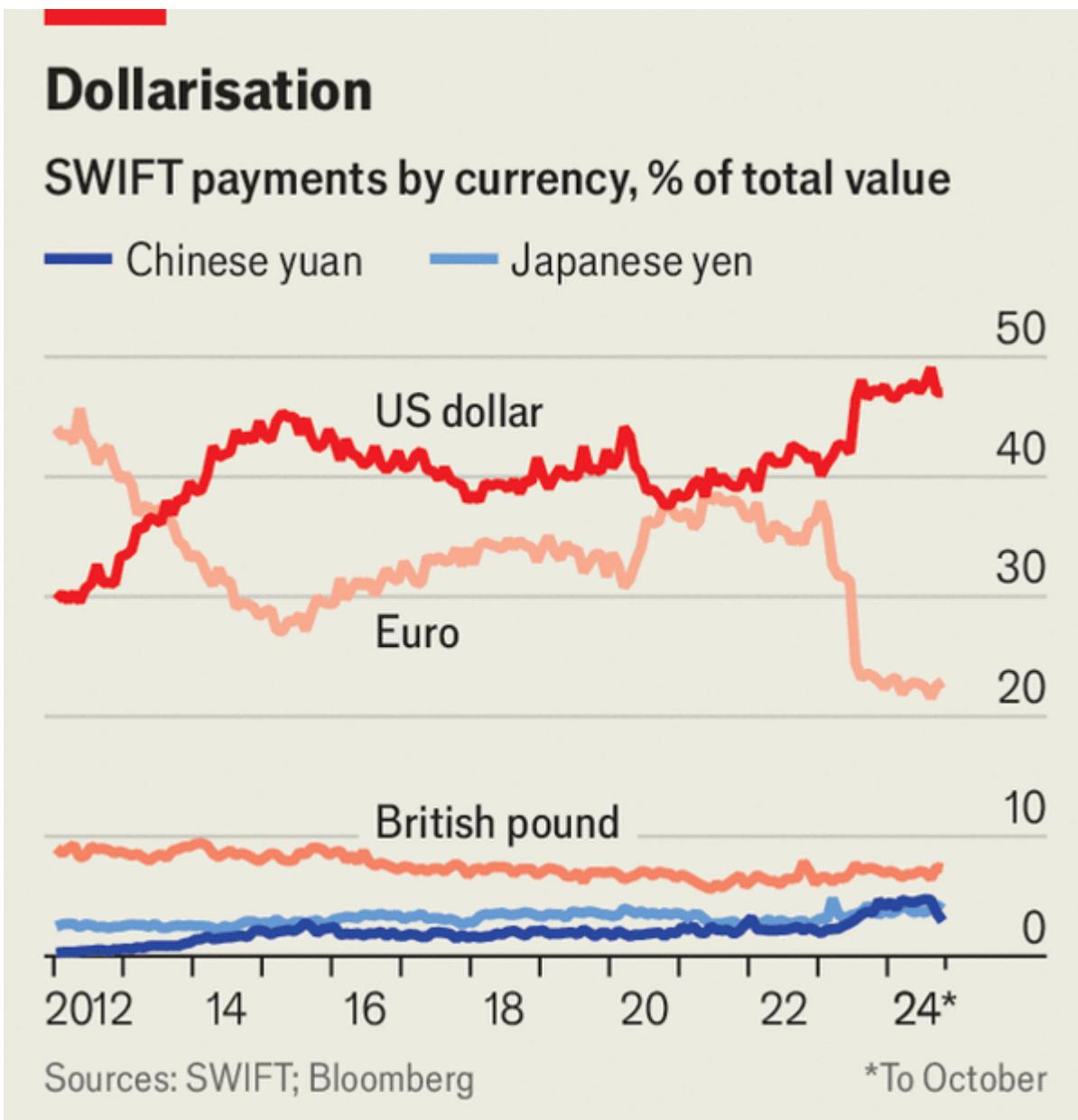
Trade worriers

Instead, Chinese trade experts hope the government will focus on domestic policies to counteract American pressure. Lian Ping, an influential economist, has advised that it seeks to boost wages and consumer demand in order to steel itself against American economic attacks, which might be part of the plan. Ministers have promised stimulus to improve glum consumer sentiment. Bankers in Shanghai quip that they were cheering on a Trump victory in hope of extra government spending.

There is more to the president-elect’s China policy than tariffs. America and China are still in the midst of a tech war that was started by Mr Trump, amplified by Mr Biden and shows no sign of stopping. Mr Biden has attempted to cut off China from inputs needed for advanced tech, such as AI chips. At the start of the month, hundreds of Chinese firms were added to the Department of Commerce’s entities list, restricting American dealings with them. In October the Treasury enacted a broad investment-control regime that will stop most American investments in Chinese AI, semiconductors and quantum computing. The Biden administration is also thought to be drafting a definition of which types of AI chips firms can sell to China. Mr Trump could tighten it.

Chinese firms may also soon be hit with sanctions from the Office of Foreign Assets Control (OFAC), which, unlike the Department of Commerce’s entities list, restricts the ability to use dollars. The imposition

of OFAC sanctions on a Chinese bank would lead to a freeze in dollar transactions with other banks, and probably to its collapse. These have so far been used sparingly, but the nominations of Messrs Rubio and Waltz suggest that such measures could become more common, says a former American trade official.



The Economist

China's ability to dodge attacks is limited. Officials have pushed tens of billions of dollars into the semiconductor industry in an attempt to make

China self-sufficient. Although this has shown progress, especially in chipmaking machines, the country still does not make the most powerful chips, and sources less than 15% of its chips domestically. China is also reliant on the dollar-based financial system. Yuan transactions have risen in the past two years, but most still use SWIFT, a messaging network susceptible to American influence.

Mr Xi is already showing willingness to hit back. On December 3rd, a day after the Biden administration issued new chip restrictions, China barred exports to America of minerals needed for high-tech gear and weapons, including gallium and germanium. Chinese regulators may identify other items they can stop exporting without rocking domestic industries. Some antibody precursors, which pharmaceutical firms use, come exclusively from China and could make good candidates.

Individual companies may find themselves part of the conflict. Last month China employed a new tool, the Anti-Foreign Sanctions law, to cut off Skydio, America's largest dronemaker, from Chinese batteries. The law could be used to deny dozens of American firms Chinese-made components. American companies in China could also be hit. In October an industry body called for a probe into Intel, an American tech firm, because of alleged security vulnerabilities in its chips.

China's commerce ministry recently used its "unreliable entities" list to probe PVH, the American owner of brands such as Tommy Hilfiger, because it has complied with America's Uyghur Forced Labour Prevention Act, which requires companies to refrain from using cotton grown in Xinjiang. The original bill was sponsored by Mr Rubio. With him as secretary of state, it is easy to see the potential for many more clashes and possibly even a total disregard for China's red lines. Mr Xi is prepared to talk trade with Mr Trump. Anything beyond that risks very quickly spiralling out of control. ■

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Pepped up

MAGA types have a point on debanking

A booming compliance industry is causing problems

Dec 05, 2024 03:44 PM



WHAT DO BARRON TRUMP, son of the president-elect; some Islamic charities in Britain; and America's legal cannabis industry have in common? This is not a set-up for a bad joke. Rather, all have been at the sharp end of a rise in "debanking", having lost or been refused access to the services of commercial lenders.

In a recent memoir, Melania Trump says that she and her son suffered this fate after the January 6th insurrection. Marc Andreessen, a venture capitalist and supporter of Donald Trump, complains that dozens of tech and cryptocurrency executives have been debanked in recent years. He argues

that such decisions represent political discrimination. Mr Trump's return to the White House on January 20th is likely to lead to conflict between the new administration, regulators at home and abroad, and the lenders they oversee.

A low tolerance among bankers for risk—whether commercial, legal or reputational—often lies behind the decision to refuse service. In turn, this low tolerance is produced by an alphabet soup of regulatory acronyms. Know-your-customer (KYC) standards require banks to monitor client identities as part of their anti-money-laundering (AML) measures and efforts to counter the financing of terrorism (CFT). Guidance comes from the Financial Action Task Force (FATF), an international anti-money-laundering body. The task force prods banks to monitor politically exposed persons (PEPs), a nebulous category of people judged to have some link to the functions of the government, since these individuals and their families may pose greater risk of corruption and embezzlement. At first, banks were asked only to focus on foreign PEPs. But in 2012 the FATF added domestic political figures to the list.

Banks are fearful of enforcement action, making compliance a booming industry. According to the Bank Policy Institute, an industry group, the number of full-time American bank employees dedicated to compliance rose by 62% between 2016 and 2023, three times as fast as overall hiring. Bosses now report that they spend 42% of their time on compliance issues, up from 24% seven years earlier. By one estimate, the industry globally spends more than \$200bn on compliance each year. In this context, overzealous debanking is inevitable. Even if it is not motivated by political animus, the critics have a point.

Some other complaints are more dubious. Crypto is a target less because of the politics of its executives and more because it is rife with money-laundering and financial crime. Last year digital-asset companies made up almost 70% of the \$6.6bn in global anti-money-laundering fines catalogued by Fenergo, a financial-software firm, in large part because of a \$4.3bn fine levied on Binance, an exchange.

What might Mr Trump do? Towards the end of his first term, the Office of the Comptroller of the Currency proposed a rule to prevent banks with over

\$100bn in assets from discriminating against customers owing to unquantifiable risks. This was nixed by the Biden administration, but could be revived. Republican states have since continued in the same vein: Florida and Tennessee have banned banks from denying service based on political affiliation or a customer's line of business.

Such a change would be a headache for lenders. Greg Baer of the Bank Policy Institute described the rule as “hastily conceived and poorly constructed” when it was first proposed. Compliance chiefs are aware that a subsequent administration could reimpose the sort of regulations that lead to debanking. From their point of view, why bother with such a change if it will just be reversed? Others, reasonably, contend that preventing political discrimination is worth a bit of hassle. ■

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Maladie chronique

France is not alone in its fiscal woes

Deficits look worryingly wide across Europe

Dec 05, 2024 03:44 PM



WHEN THINGS got tough, European finance ministers used to sigh and say that at least they were not Greek. Today, some would struggle to make such a comment. On December 2nd the yield on Greek bonds fell below that on French ones, indicating investors thought it safer to lend to Greece than France. The yield on French bonds is now 0.8 percentage points above German bunds, the euro zone's benchmark, which is the widest gap since the near-collapse of the euro in 2012. On December 4th the [French government crumbled](#) in a row over spending.

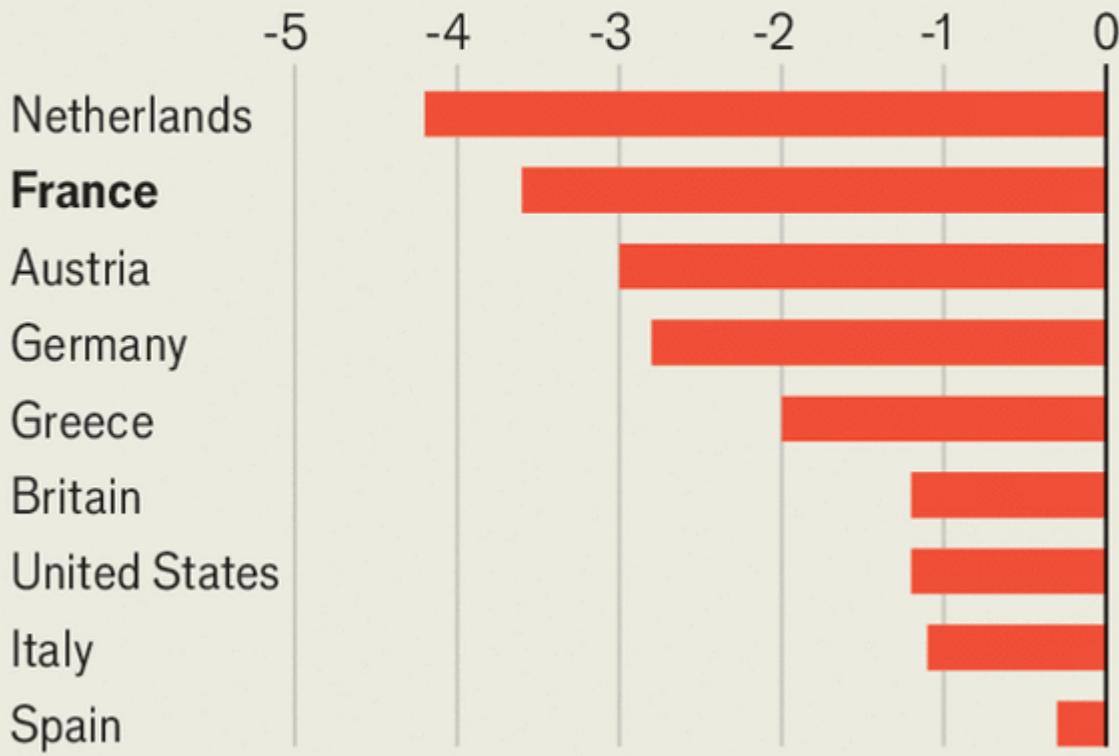
Will European finance ministers soon sigh and say that at least they are not French? The EU's second-biggest economy faces severe problems. The first is the government's fiscal deficit. At over 6% of GDP, this year's figure will

end up much higher than the government had predicted and independent forecasters had expected. Worse still, the IMF expects the deficit to stay at this level—well above the 3% maximum mandated by the European Commission—until the end of the decade.

Wide deficits add to France's debt level, which is forecast to reach 115% of GDP next year, about 17 percentage points higher than in 2018. By 2029 it will have reached 124% of GDP, according to the IMF. Spending on interest payments is thus expected to rise from 1.9% of GDP to 2.9%. And that is based on healthy economic-growth expectations. Goldman Sachs has cut its growth forecast to just 0.7% next year. If the bank's analysts are correct, interest payments will be even more painful and debt higher still relative to GDP.

Extended credit

General government budget balance as % of GDP,
forecast percentage-point decrease,
2018 to 2025-29 average



Source: IMF

The Economist

France has not been the only big spender. Even countries usually renowned for their fiscal hawkishness, including Austria, Germany and the Netherlands, have experienced widening deficits in recent years (see chart). The covid-19 pandemic and the energy crisis that followed Russia's invasion of Ukraine got things going. Indeed, in 2022 governments spent more supporting their economies than after the global financial crisis of 2007-09, notes Sander Tordoir of the Centre for European Reform, a think-tank. Later, with memories of the euro crisis fading, politicians spent big in

an attempt to reduce burgeoning support for populist parties, at the same time as increasing expenditure on the green transition and their armed forces.

All countries have now submitted fiscal-consolidation plans to the European Commission. The French one is ambitious, aiming to cut the deficit by 0.5 percentage points of GDP a year, enough to stabilise the debt level. At the moment, however, such a plan looks politically impossible. And the French government is not the only one coming to terms with its budgetary constraints. Germany's recently collapsed, too, because of spending disputes. Italy will feel the strain in the next few years.

Jean-François Robin of Natixis, a bank, expects French spreads over German bunds to come down over the next year, before spiking again ahead of parliamentary elections that are likely to be held in the summer. The respite does not reflect the country's economic outlook, but rather the fact that France benefits from being at the core of the euro zone, along with Germany. Historically, this position has meant that France could borrow at close-to-German interest rates, while running much more expansionary fiscal policy, notes Davide Oneglia of TS Lombard, a consultancy. Now it is preventing the country's borrowing costs from really soaring.

Whether markets continue to offer such concessions depends on how politically unstable France becomes. There is no immediate threat of a financial crisis, banks remain strong and the European Central Bank (ECB) has made clear that it stands behind member countries' debt, even if it has not said so explicitly. But unless France manages to show commitment to actually cutting its deficit, the ECB will struggle to step in and buy French bonds. Should French spreads continue to widen, the bank's policymakers will be put in an awkward political position. They may need to prepare for more awkwardness, since France is just one of many countries struggling to make ends meet. ■

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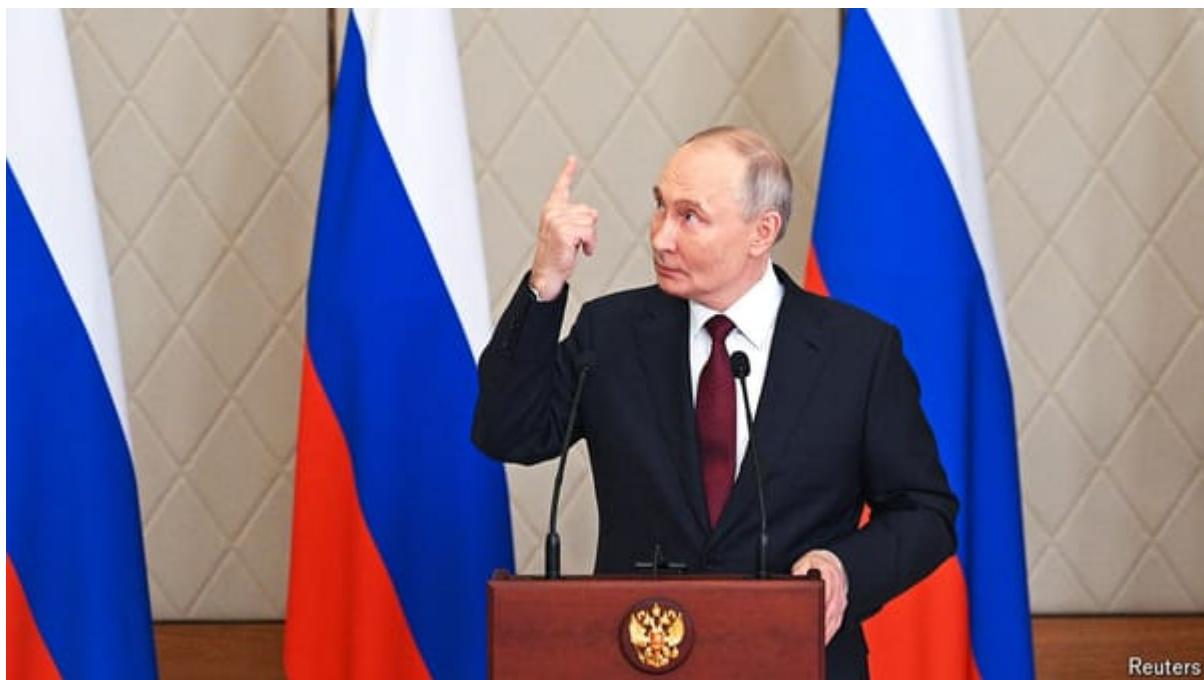
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Rouble worries

Russia's plunging currency spells trouble for its war effort

Supplies from China are about to become more expensive

Dec 05, 2024 03:44 PM



AT FIRST GLANCE, it did not look that different from other sanctions. On November 21st America's Treasury Department imposed new restrictions on more than four dozen Russian banks, including Gazprombank, the financial arm of the giant state gas firm. The bank, the largest in Russia not subject to American sanctions, had been excluded from previous packages to allow some central and eastern European countries to continue paying for imports of Russian gas. After December 20th, when the measures take full effect, European buyers of Russian gas will be forced to find workarounds involving either third-party banks or currencies other than the dollar, which will take time.

America's announcement came at a bad moment for [the Russian economy](#), meaning that foreign-exchange markets were quick to respond. The prospect of new restrictions on access to hard currency sent the rouble down by 11% against the dollar to a low of 115 on November 27th, before the central bank inspired a modest rally by using its reserves to buy roubles. Even after this rally, the rouble is still down by 6% against the dollar over the past month and by over 15% in the year so far. The government is putting a brave face on the news. Speaking in Kazakhstan on November 28th, Vladimir Putin told reporters that "there are certainly no grounds for panic."

Out of gas

Russian roubles per dollar, 2024, inverted scale



Source: LSEG Workspace

The Economist

For foreign-exchange traders, such denials are usually a sign that something is wrong. Indeed, the latest fall in the rouble's value makes the job of Russia's central bank much tougher. Wartime spending has used up spare capacity in the economy, pushing unemployment to just 2.3%. The government's latest budget, unveiled in September, will raise defence and security spending by 25% next year, to 8% of Russia's GDP, a post-cold-war high. Annual inflation is running at more than 8%.

In this context, a weaker rouble is a doubled-edged sword. A lower level against the dollar raises the rouble value of oil exports, helping plug the government's deficit. Yet it also pushes up the price of imports—something that matters for both consumers and the war effort. Analysts note that Russian imports of consumer goods usually rise as Christmas approaches. Moreover, China has become Russia's most important trading partner in recent years, providing over a third of all imports, as well as high-tech inputs crucial for the armed forces. The rouble has fallen by 4% against the yuan in the past month.

With high inflation and fears over the currency, Russia's central bank has already lifted interest rates to 21%. Traders now expect them to end the year at 25%, up from expectations of 23% before the rouble's recent slide. So far, the Russian government has shielded consumers and companies from higher rates via subsidised-borrowing schemes. But with public finances under pressure, support has recently been scaled back. Mortgage volumes were declining and firms warning of investment delays even before the latest sanctions. In November [Elvira Nabiullina](#), governor of the central bank, acknowledged monetary policy had reached a "tipping point" and that growth in corporate lending would now fall, constraining demand.

A declining currency and ballooning budget deficit has led to talk of a hard landing in 2025. After two years of strong growth, which confounded analysts' predictions, Russia's pace of expansion will slow. The economic bill for the war is at last coming due. It could be big. ■

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Hitting the jackpot

How sports gambling became ubiquitous

Europe is at the centre of the industry's growth

Dec 05, 2024 03:44 PM



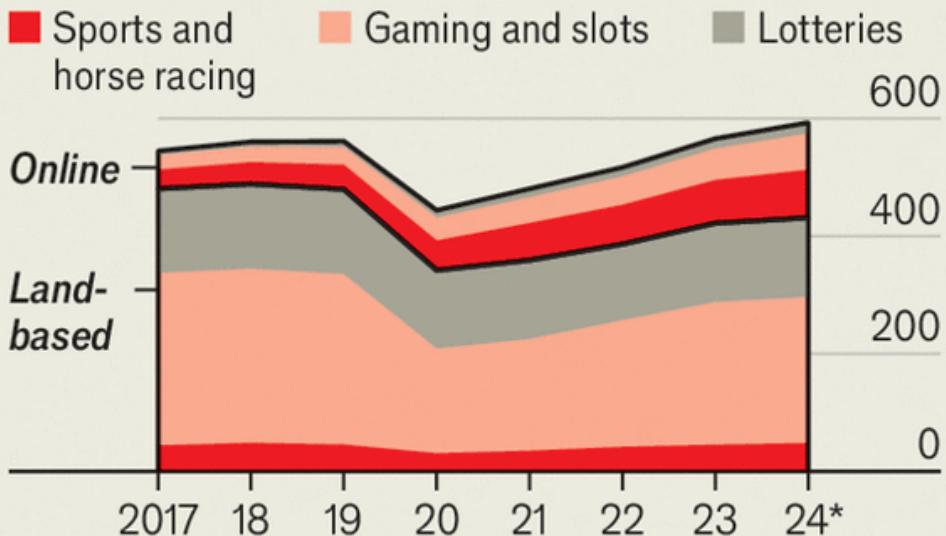
Juanjo Gasull

SINCE AMERICAN states started to legalise sports betting in 2018, the industry's explosive growth and omnipresent advertisements have drawn widespread attention. But although America was one of the last big economies to allow legal wagering, similar trends are evident elsewhere. In most markets around the world, online betting, mostly on sports, is replacing traditional "land-based" forms of gambling, of which sports are a small component. As a consequence, what was once a niche pastime is entering the global mainstream.

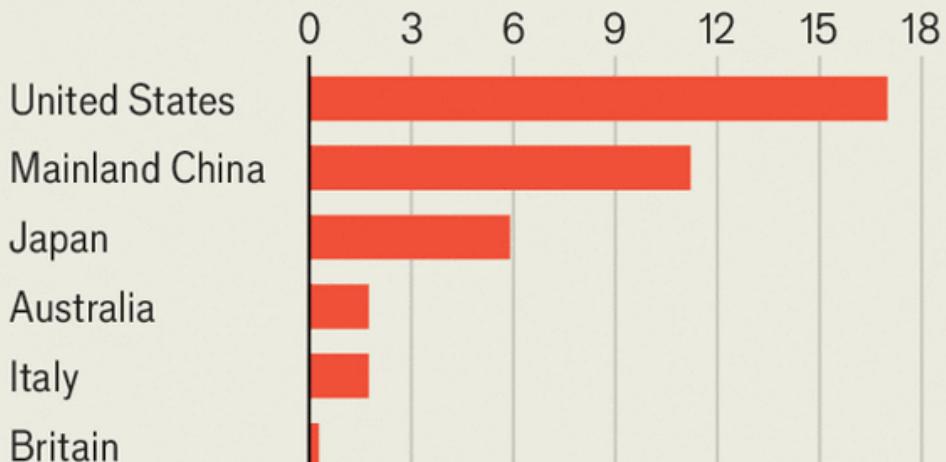
H2 Gambling Capital, a consultancy, has estimated annual spending (ie, punters' losses) for each type and method of betting for some 100 countries since 2003, "repatriating" stakes placed via offshore websites to customers' suspected home countries. Worldwide, traditional casinos and their online equivalents remain the largest sector, accounting for \$209bn. Lotteries come next at \$154bn, followed by sports at \$130bn and gaming or slot machines outside casinos at \$87bn.

'appy days

World, spending on gambling, \$bn, 2024 prices



Spending on sports gambling[†], change 2017-24*, \$bn



*Estimate †Incl. estimated spending on offshore online sites

Source: H2 Gambling Capital

Measured in constant 2024 dollars, the industry has grown modestly from \$545bn in 2017—just before mass American sports betting began—to \$593bn this year. Yet these placid top-line numbers hide vast upheaval. In net terms, all of the gains have come from sports, excluding horse racing, which rose from \$45bn to \$99bn.

The covid-19 pandemic shut physical casinos, as well as shops selling lottery tickets and clubs, restaurants and gaming parlours home to slot machines. Tourist destinations, such as Macau and Las Vegas, have mostly recovered, but the same is not true of casinos elsewhere. And China has not re-authorised video gaming terminals, which were widespread before the pandemic struck. In current dollars, land-based revenues have dropped from \$479bn in 2019 to \$431bn this year.

Meanwhile, people locked up at home flocked to online gambling, then a relative novelty in most of Europe. Italy and France first allowed such betting in 2010, and Spain in 2011. Germany did not establish clear rules until 2021. Unlike in America, where legal providers of “daily fantasy sports” could easily shift their customers to betting, European markets had to build customer bases from scratch. Global digital revenues then surged during covid, from \$82bn (in current dollars) in 2019 to \$162bn today. Even markets where online betting had long been legal, such as Hong Kong, have seen the practice explode.

Many casinos offer sports gambling and sports-betting shops are common in some big markets, but such wagers account for just 8% of land-based revenues. In contrast, sports already made up 34% of online betting before the pandemic. As a result, the growth of digital betting at physical venues’ expense has caused the share of total revenues coming from non-equestrian sports to rise from 10% to 17%.

America represents just a quarter of the worldwide increase in sports betting since 2017. Europe, led by countries where such betting was legalised only recently, has swollen by even more, accounting for almost a third of the growth. The mainland Chinese “sports lottery”, which requires participants to get a series of bets right, accounts for a sixth. And Japanese wagers on various types of racing, including horses and motorboats, have risen to just under a tenth, helping offset a decline in pachinko, the country’s version of

slot machines. Whereas the American market stands out for “same-game parlays”, in which punters can win extravagant payouts by predicting before a match that numerous events will all occur, Asian and European gamblers tend to opt for live “micro-betting”—sequential wagers on individual games in tennis, or corner kicks in football.

H2’s forecasts suggest the transition from in-person to virtual gambling will continue for the rest of this decade, though the firm expects that online revenues will climb faster for casino games than for sports. The biggest obstacle to further growth is probably regulatory. Sports betting is still expanding in the Americas—Argentine provinces have been legalising it since 2019, and Brazil will follow suit next month—but politicians elsewhere are moving in the opposite direction.

States in Australia, which spends an impressive 1.2% of its GDP on gambling, the most of any big economy, are looking at reforms. Victoria is targeting “pokies” (slot or video-poker machines). It will require players to use cards pre-loaded with cash and limits on how much they are willing to lose. Spain has banned some forms of gambling advertising, and Britain has limited the maximum bet on an online slot-machine spin to £5 (\$6). Just as America got around to legalising sports betting eventually, it would be no surprise if the country soon seeks to restrict the burgeoning industry’s excesses as well. Gambling should be enjoyed responsibly, after all. ■

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Another hand

Xi Jinping's campaign against gambling is a failure

Chinese citizens go to great lengths to bet

Dec 05, 2024 03:44 PM | Singapore



OVERLOOKING THE ocean atop Singapore's glitz Marina Bay Sands casino, the Chinese Communist Party is out of sight but, for at least a few patrons, probably not out of mind. Earlier this year the Chinese embassy in the city-state sought to "solemnly remind" its citizens that gambling while abroad, even in lawfully operated casinos, remains illegal. "Keep yourself clean" and report fellow Chinese caught having a flutter, diplomats instructed.

The warning was part of China's long-running, and now intensifying, crackdown on gambling at home and abroad. Over the past five years Xi

Jinping, the country's ruler, has squeezed betting syndicates on the mainland and increased pressure on officials in Macau to reduce their dependence on casino income. So far, party cadres do not have much to show for their efforts. When they suppress demand in one place, it tends to emerge in another. China's gambling industry, much of it pushed online and offshore, is resurgent.

Betting has been banned on the mainland since 1949, when the communists took power. Mr Xi's predecessors saw the practice as both bourgeois corruption and feudal vice. China's president instigated his own campaign to break up gambling rings. He wants to "purify the social atmosphere" and spread "civilised rural customs". Some state-owned firms have made staff sign a pledge to abstain from gambling. The navy has warned sailors that online betting will end in addiction, a fate akin to being "possessed by demons".

Yet China's love of wagering endures. In Macau, the world's casino capital, it is an economic necessity. Gambling provides 85% of state inflows and employs one in five workers. The former Portuguese colony, on China's south coast, raked in \$35bn in gaming revenue in 2019, about three times the amount in Las Vegas.

Chinese officials have had some impact on trade in Macau, with revenues dropping by a fifth over the past five years. They worry that the tables are being used to move capital out of China and launder ill-gotten gains. Regulators have tightened capital controls and clamped down on "junket" operators that help big spenders bypass foreign-exchange limits. Recently, they have been looking for punters taking cash into the territory by foot over the border. All this has pushed high rollers to use underground money-changers. Police busted 252 people in August for an illicit foreign-exchange trade worth 3bn yuan (\$410m).

Chinese authorities also used tightened travel restrictions during the covid-19 pandemic to force a change. Gamblers, mostly middle-aged men who often visit Macau, had their exit permits rejected, while more desirable clientele, such as young women and families, were allowed in greater numbers, says Ben Lee of iGamiX, a consultancy. Some of the effects of

this change are lasting: today's high rollers have smaller buy-ins (in the tens, rather than hundreds, of millions of Hong Kong dollars).

Despite all of this, Macau still seems like a sure bet. Its economy is forecast to grow this year by 11%, more than double the pace of China's. Some 3.7m trips were made to the territory in August, the most ever. MGM China, one of Macau's largest casino operators, reported a 46% increase in revenue from tables and slot machines in the first nine months of this year, against the same period last year. Monthly gaming revenue for the territory as a whole beat expectations, rising to \$2bn in November, or four-fifths of its level in 2019.

Macau's speedy recovery is just one sign that Chinese gamblers remain keen to roll the dice. Casinos are also popping up across South-East Asia, especially in Cambodia and the Philippines, as budget-savvy travellers look for alternatives to Australia and Singapore. In Sihanoukville, on Cambodia's coast, there are at least 100 casinos and dozens more currently under construction. Promoters are busy wooing visitors with a popular Chinese variation of poker known as "bull bull".

China's government would prefer its risk-loving citizens buy scratch cards from the state lottery, which operates as a monopoly. Many are doing just that, only in addition to in-person gambling. During the first ten months of this year, those keen to try their luck spent 513bn yuan on such cards, which represents an 8% increase from the same period last year.

Illicit online gambling also appears to be on the rise. Mr Xi's crackdown has pushed syndicates offshore to South-East Asia, from where baccarat tables are streamed for the pleasure of mainland gamblers. A UN report estimates that illicit online gambling was responsible for \$145bn of Chinese capital outflows in 2020—a figure that industry insiders expect to have surged since then. Chinese police made dozens of arrests earlier this year in response to illegal gambling on the Euro 2024 football tournament. The Ministry of Public Security claims to have disrupted about 4,300 illicit betting websites since 2021. In October authorities in Chongqing broke up an online gambling syndicate that was alone responsible for 10bn yuan in annual outflows.

Mr Xi's campaign against gambling shows no signs of letting up. In July China's supreme court instructed the rest of the country's judiciary to pay particular attention to the "growing issue of overseas casinos and online gambling" and to "continue imposing harsh penalties", according to state media. On October 11th party functionaries met in Ningbo, a southern city, to review their progress and announce a new phase in a campaign to squash low-level betting in rural villages. They have a tough task. As is now abundantly clear, China's gamblers refuse to fold. ■

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Buttonwood

The hidden cost of Chinese loans

Governments that borrow from China must pay more to borrow from others

Dec 05, 2024 03:44 PM



LENDING FROM China posed a dilemma to leaders in cash-strapped poor countries. In the 2010s, as the Belt and Road Initiative (BRI) got going, China began to invest vast sums in overseas infrastructure. All told, throughout the initiative's first decade, officials disbursed hundreds of billions of dollars to 150-odd countries. They helped build pipelines, ports, railways and much else, aiming to expand the country's influence over trade. But emerging-market officials and Western foreign-policy hawks feared something darker was going on: that the initiative was deliberately saddling poor countries with too much debt. Once they inevitably defaulted, China would seize assets and enjoy not just influence over trade, but a chokehold.

Fortunately, such fears now seem overblown. China's loan book has grown to doorstopper-size, and the country has become low- and middle-income countries' largest bilateral creditor. Many of their governments have had difficulty with repayments over the years. Yet no wave of land grabs has followed. Instead, Chinese lenders have almost always given them longer to cough up. As a consequence, cash-strapped governments might feel much more tempted than they once would have been to turn to China as their lender of last resort.

Two things should give them pause for thought. The first is the amount by which their debts have ballooned since the BRI began. Nominal interest payments by the 78 countries eligible for the World Bank's cheapest development loans quadrupled between 2012 and 2022, to an all-time high of \$24bn. The second is a new paper by Qi Liu and Layna Mosley of Harvard and Princeton universities, respectively. Having analysed 139 announcements of loans from China to emerging-market countries, which were made between 2007 and 2022, they conclude that borrowing from China is not just costly in itself. It also makes borrowing from others more expensive.

If that seems unsurprising, consider the ways in which new borrowing could lower the cost of other debt. As Bob Hope, a comedian, once quipped, a bank is a place that will lend you money if you can prove you do not need it. The sovereign-bond market might function similarly, and a new loan could be just the proof a government needs. It can clearly still get access to credit, making it less likely to run out of cash and default. A new lender—China rather than, say, the bond market or a multilateral outfit—also shows that the borrower has several sources of funding, making it safer still. What is more, loans used to fund profitable infrastructure projects, for instance, might make a country more productive and therefore better able to repay all its debt.

As it turns out, only some of this logic prevails when countries borrow from China. Ms Liu and Ms Mosley discovered this by studying the yields on individual emerging markets' government bonds before and after announcements of Chinese loans to those governments. Compared with an index of 56 similar countries, the average borrower saw its bond yield rise

by 0.05 percentage points following the announcement. The rise was larger for loans to provide liquidity, or to support a budget, and smaller for those intended to finance projects such as new infrastructure. Intriguingly, borrowing costs rose even if the announcement concerned an old loan rather than a recently disbursed one.

Do bondholders object to all new borrowing, or just that from China? To answer this, the authors repeated their study, but using announcements of loans from the World Bank instead. After these they found no significant increase in yields. They also looked at loans co-funded by China and other lenders. Whereas those solely from China raised yields, those involving other lenders lowered them. All this suggests that the bond market views Chinese lending in particular as riskier than other sorts.

Ms Mosley muses that the secrecy shrouding Chinese loans could be to blame, with other lenders fearing “some iceberg of Chinese debt hidden beneath the surface”. It does not help that China is notoriously unwilling to co-operate with other lenders when debt must be restructured. Rather than being caused by fears of nefariousness, though, Ms Mosley suggests a simpler reason for the bearish signal sent by Chinese loans. “I think they are not necessarily doing their commercial due diligence,” she says, “because the loan is for political reasons instead.” If a new lender seems unconcerned about being paid back, do not be surprised by the old ones taking fright. ■

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Free exchange

Cronyism is a problem. But not always an economic one

Research on the topic is surprisingly nuanced

Dec 05, 2024 03:44 PM



WHEN ECONOMISTS explain the financial crisis that hit the “tiger economies” of Indonesia, Malaysia and South Korea, among others, in 1997, some reach for the term “crony capitalism”. A cosy relationship between governments and firms distorted markets. The ensuing currency crises can be blamed on close ties between businesses, banks and politicians, rather than on panicky investors. Companies took excessive risks, safe in the knowledge that economic institutions were designed for their benefit. It was because of this rot that everything came tumbling down.

Today people worry that America is in for a spell of cronyism. After Donald Trump's first term as president, Anne Krueger, an economist who coined the term "rent-seeking" 50 years ago, wrote that "Crony capitalism has taken root, and will...need to be weeded out." Now, as Mr Trump prepares to raise tariffs, "You're going to find the halls of Washington really filled with special-interest groups and lobbyists," Ken Griffin, founder of Citadel, a hedge fund, has warned. Markets appear to agree that personal connections to the new occupants of the White House are extremely valuable. The share prices of firms that have links with prominent supporters of Mr Trump, such as Elon Musk, a businessman, and Peter Thiel, a venture capitalist, have shot up. On December 3rd PublicSquare, an online marketplace, announced that Donald Trump Jr, the president-elect's son, would join its board—prompting the firm's share price to more than double.

Trade wars, which Mr Trump will stoke, certainly provide opportunities for cronyism. Ms Krueger first examined "the political economy of the rent-seeking society", as a paper in 1974 was titled, by looking at decisions by the Indian and Turkish governments to provide import licences to specific companies. These policies did not just distort the market, they also forced firms to waste resources by competing for such licences. A vicious circle then ensued: the public understood that profits were earned unjustly and thus demanded additional intervention to address the unfairness, creating more opportunities for rent-seeking. Other economists later pointed out that rent-seeking could also be expected to reduce innovation, as having to manoeuvre through a thicket of permits would dissuade new firms from entering the market.

Yet for all the theory, evidence of aggregate harm can be difficult to spot. Asia's crony-capitalist economies were among the world's fastest-growing in the 1970s and 1980s. Research by Raymond Fisman of Boston University finds that the share prices of Indonesian firms received a boost when one of the sons of President Suharto—who stole tens of billions of dollars—sat on their board, owing to the potential for corruption. At the same time, Suharto was known as "the father of development", because of the average annual growth of 6.5% he oversaw during his three-decade reign. Although corrupt countries are generally poorer than less corrupt

ones, it is unclear whether corruption causes poverty or both are indicators of a deeper pathology. Some economists even wonder if corruption “greases the wheels”: maybe those permits would never have been forthcoming without bribes.

Yuen Yuen Ang, a political scientist at Johns Hopkins University, has pointed out that all rich countries developed with flawed institutions. Cronyism and rapid industrialisation existed side-by-side in America’s gilded age, which ran from the late 1870s to the late 1890s, as they do in China today. In both places, “corruption evolved away from thuggery and theft,” becoming what Ms Ang terms “access money”, or payments to cultivate political ties. These are then often formalised and legalised, such as via campaign finance. Instead of being incentivised to slow down economic growth and accept payments to speed it up again, elites are incentivised to allow growth for fellow members of the club.

Recent research finds limited evidence that cronyism helps a country’s economy grow. But although it does not grease the wheels, it does not seem to be a disaster, either. Indeed, part of the reason it is difficult to discover a connection between cronyism and economic growth is because governments do not restrict markets just to favour their friends. They also frequently intervene in the name of public health, the environment and other worthy purposes. As Bruce Yandle of Clemson University has pointed out, both Baptists and bootleggers supported the prohibition of alcohol. What detractors called crony capitalism in Asia, supporters often labelled as industrial policy.

Rent-seeking by another name

Intention might matter in a court of law, but economics is more concerned with outcomes. Following Mr Trump’s recent election victory, the prices of American solar stocks fell as investors gambled on an end to the Biden administration’s environmental subsidies. Although the purpose of such payments was to build domestic manufacturing capacity, rather than personal gain, the effect was similar: favoured companies gained an advantage over their competitors, while the potential profits from

aggressive lobbying rose. In this view, cronyism may be bad, but it is no worse than poorly designed industrial policy.

Should Americans therefore relax about what may be to come? Not quite. East Asia's success did feature plenty of industrial policy, as well as straightforward corruption, but companies that were protected at home were at least exposed to cut-throat competition abroad. American industrial policy, which increasingly seeks to protect domestic companies from Chinese competition, faces no such market discipline. Mixing generous subsidies or steep tariffs with preferences for court favourites may have a more insidious effect on America's economy than plain-old inefficient government spending would have done. And the full cost to American democracy, of course, may be greater still. ■

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California's space cadets

Dreams of asteroid mining, orbital manufacturing and much more

Ideas for making money in orbit that seemed mad in the 1960s now look sane

Dec 05, 2024 03:44 PM | Los Angeles County and Orange County



CALLING A FIRM SpinLaunch in an industry where the first part of that name is a way of life might seem a hostage to fortune. But, though the company is no slouch at PR, “spin” here refers to how its cargoes will be dispatched from Earth’s surface—by an armature rotating inside a vacuum chamber (pictured above) rather than on a rocket. After an hour’s steady acceleration, the projectile will be fired out of the chamber at 2.2km a second. Only when it is around 62km up will a small motor ignite to carry it the rest of the way into orbit.

SpinLaunch, in Long Beach, is part of a cluster of “New Space” firms in and around Los Angeles. They are heirs to a century-old aerospace tradition, rebooted in 2002 when Elon Musk, a then-little-known entrepreneur, rented a warehouse in El Segundo for a startup called SpaceX. The 200kg payloads that SpinLaunch will handle are minuscule compared with those now launched by SpaceX, whose Falcon 9 rockets can loft nearly 23 tonnes. But small can be beautiful. The Electron launch vehicles made by Rocket Lab, one of SpinLaunch’s neighbours, have only slightly larger loads—320kg. Rocket Lab is the only New Space firm so far, bar SpaceX, to make money by launching things into orbit.

The Angeleno New Space cluster is, however, about more than just launchers. It is a back-to-the-future kind of place, where fantasies from the Space Age’s heroic early days are becoming real. Mining asteroids. Orbital manufacturing. Private space stations. Moon buggies. Exploring Mars. All are there, alongside the more humdrum (if more reliably profitable) businesses of building and servicing satellites. Spin is there too, in abundance. But, like Mr Musk himself, those involved are true believers—space cadets who see the world beyond Earth as something not just to be explored, but conquered.

Geographically, AstroForge is in Huntington Beach, where Saturn V Moon rockets’ third stages were assembled. But conceptually it is out of this world. Its purpose is to extract platinum and five related precious metals (iridium, palladium, ruthenium, rhodium and osmium) from asteroids.

Most asteroids are rocky bodies of little interest to miners. A few, though, were once parts of the cores of planets that got smashed up by collisions during the solar system’s wild youth. These objects are made mostly of alloys of iron and nickel. But they also contain useful amounts of the six platinum-group elements. Mining them is an old idea, and Matt Gialich and Jose Acain, the founders of AstroForge, think they can make it happen.

They are already tracking suitable targets, and have flown a mission to test their technology in space. The plan is to land robotic probes on their quarry, evaporate the alloy by applying intense heat to it, and then stream the vapour past a magnet to winnow the non-magnetic platinum-group atoms from the magnetic iron and nickel ones. That done, probes will return to

Earth bearing modest quantities of bullion (about \$60m-worth per mission, at current prices) that will nevertheless make shareholders rich.

Another dream being revived is zero-gravity manufacturing, based on the fact that some materials solidify differently in orbit from the way they do on the ground. Jason Dunn runs Outpost Space, in Santa Monica. He is interested in ZBLAN, a mixture of the fluorides of zirconium, barium, lanthanum, aluminium and sodium (chemical symbol, Na). Optical fibres made of this should in theory be superior to the conventional sort, for ZBLAN is clearer and transmits a wider range of frequencies. That advantage, though, is countered by the stuff's tendency, when drawn into fibres, to crystallise rather than becoming a glass. This ruins its properties.

But that does not happen in orbit. Outpost Space is, therefore, developing a device called Carryall which can take a robot factory into space and return it to Earth using a folding heat shield and a paraglider. That factory will be able to turn a five-tonne load of ZBLAN into fibres.

Will Bruey is interested in medicines rather than materials. Having once worked for SpaceX, he founded Varda Space Industries, in El Segundo, in 2021. His plan is to improve certain drugs by crystallising their ingredients in orbit. Crystal structures often vary in solubility, dissolution rate and stability, which all affect their bioavailability. Sometimes, those with the best properties are easier to make in space than on Earth. In 2023, using a re-entry vehicle designed by Rocket Lab, Varda tested the trick with ritonavir, an anti-HIV drug. It plans another launch next year.

Mr Bruey seems content, for now, to stick to manufacturing. Mr Dunn, however, has broader ambitions—for Carryall, as its name suggests, can do more than carry factories. Its maximum payload is a hefty ten tonnes. This is of particular interest to armed forces, for it may let them store pieces of kit in orbit until the order comes to deliver them to some otherwise-inaccessible part of the world. America's air force is paying for the first four launches of a smaller test version, Ferryall.

Carryall and Ferryall (capacity, 100kg) may also help keep space tidy without polluting the atmosphere. De-orbiting uperannuated satellites (as regulations already require) will soon, Mr Dunn reckons, mean ten tonnes a

day of hardware is burning up on re-entry. This, he thinks, will generate so much toxic dust that such fiery de-orbitings will no longer be tolerated. Outpost will be ready to provide non-fiery ones.



Asteroid mining, tick. Factories in space, tick. Want to stay on a private space station? Jed McCaleb, a billionaire entrepreneur, has hired Max Haot, another ex-SpaceXer, to make it happen. The result, Vast Space, is also in Long Beach. *Haven-1*, its first product, will be a cylinder 10.4 metres long and 4.4 metres in diameter, with wing-like solar panels, a docking port at one end for arrivals and departures, and a window at the other for sanity and musing on the human condition from orbit.

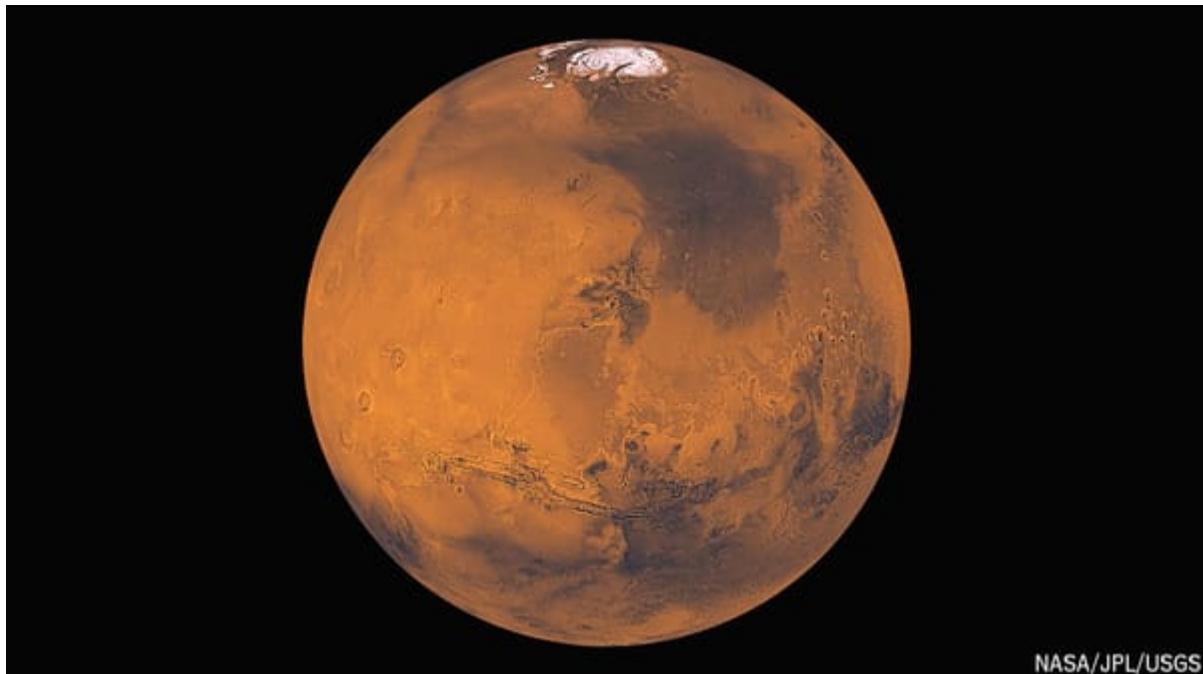
Though only the well-heeled need apply, check-in should soon be possible. The plan is to launch towards the end of 2025—just in time to wow the judges of NASA's Commercial Low-Earth-Orbit Destinations programme, who will shortly thereafter pick a replacement for the International Space Station when it is deorbited sometime after 2030.

Even orbiting Earth, however, may seem a bit parochial. Roving around the Moon has more kudos. For this, Venturi Astrolab, founded in Hawthorne by Jaret Matthews, also ex-SpaceX, has just the thing. FLEX (Flexible Logistics & Exploration) is designed to carry two passengers on trips of up

to 70km across the lunar surface. A prototype already exists and Astrolab is one of three firms contracted to develop surface transport for NASA's return-to-the-Moon Artemis programme.

A new life in the off-world colonies

And then there is Mars. Mr Musk once said he hoped "to die on Mars, but not on impact". He is only 53, so that day, one hopes, is some way off. But the race by private firms to land there is now in earnest.



Home, sweet home?

In 2023 Mr Musk suggested SpaceX, now based in Texas, might manage it with an uncrewed craft in three or four years' time. Tom Mueller, Mr Musk's first hire at SpaceX back in 2002, [hopes to beat him](#): Mr Mueller's company, Impulse Space, in Redondo Beach, makes small rockets that move satellites around in space. It has teamed up with Relativity Space, an aspiring launch firm founded in Long Beach. The plan is for Relativity to provide the launcher and Impulse the cruise stage, entry capsule and lander for a Mars trip. Departure is scheduled for 2026—an ambitious target since Relativity has not yet had a successful launch.

As it was in the early Space Age, Mars thus remains the dream of dreams—the one place beyond Earth where people might plausibly live. Mr Mueller talks of a settlement there of a million souls. Mr Musk has made a similar suggestion. The obstacles would be formidable, even to the less ambitious goal of setting up a nursing home for retired billionaires. But formidable is not insurmountable. As for the new settlement's name, Los Nuevos Angeles has a nice ring to it. ■

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Rockets galore

Can anyone realistically challenge SpaceX's launch supremacy?

And if its boss now tries to kill NASA's own heavy lifter, will that matter?

Dec 05, 2024 03:44 PM | Long Beach



Blue Origin

ELON MUSK'S appointment as Donald Trump's waste-cutter-in-chief involves at least one glaring conflict of interest. A paradigm example of waste, which would be near the top of any cutter's hit list, is the Space Launch System (SLS), a rocket designed to carry 95-tonne payloads into orbit to support America's plan to return astronauts to the Moon. Adjusted for inflation, it has so far cost more than \$30bn—and has been launched just once. Moreover, it has an obvious and much cheaper commercial rival in the form of Starship, a vehicle with a greater capacity and which, unlike the SLS, is reusable. Starship was developed by SpaceX. But, as the world knows, SpaceX's boss is Mr Musk.

How this will play out remains to be seen. Indeed, the future of NASA in its entirety is in jeopardy if Mr Musk means what he says about the size of his proposed cuts (\$2trn from a federal budget of \$7trn). That organisation, which has little to show for a \$25bn annual budget, is surely ripe for the slaughterhouse.

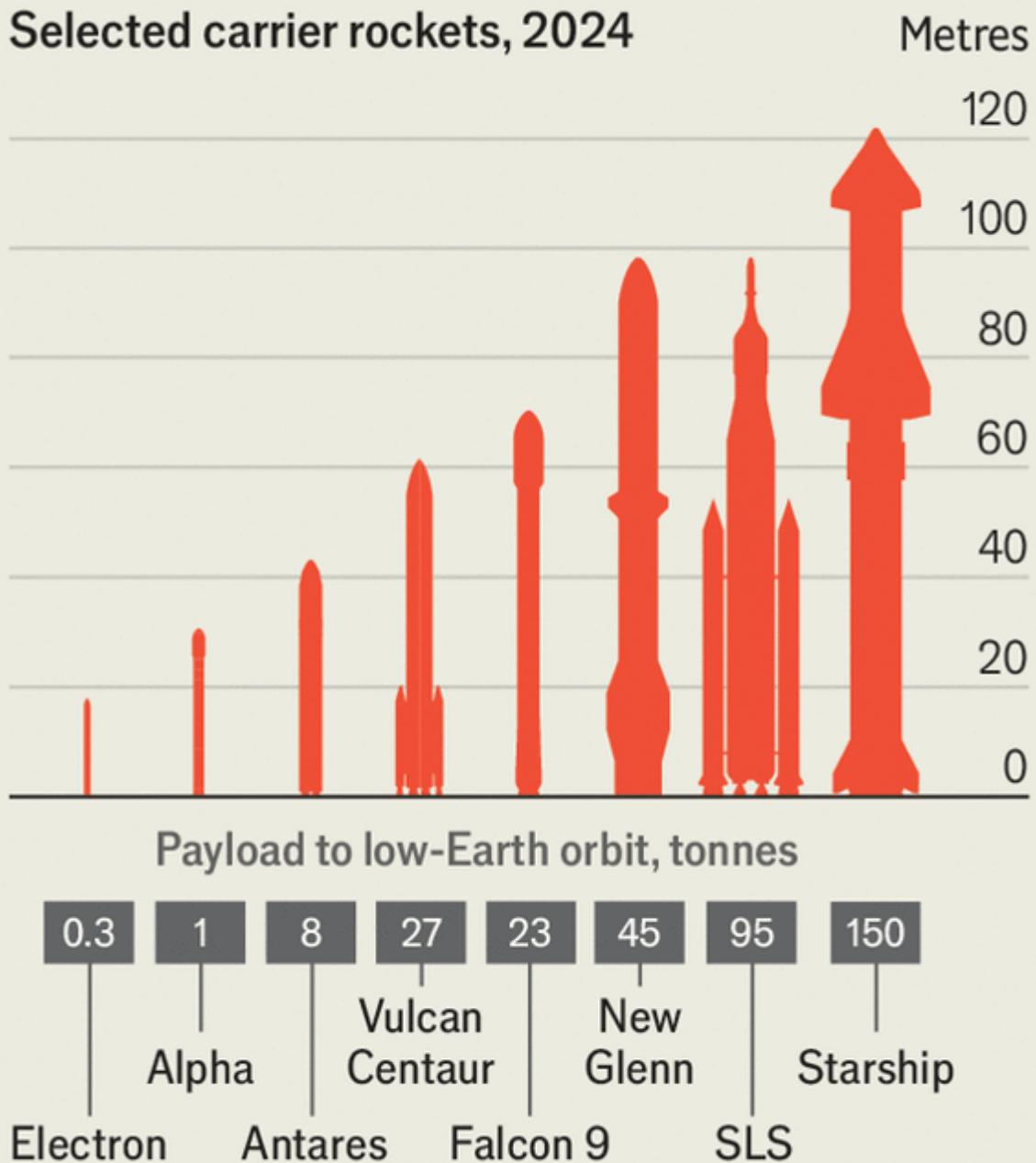
Yet, though it would look bad if Mr Musk killed it, the SLS is not and never could be a true competitor for Starship. Moon missions aside, whether it lives or dies makes no practical difference to his armlock on America's space-launch industry. SpaceX's actual main challenger at the moment is Blue Origin, a firm founded by Jeff Bezos in 2000, 18 months before SpaceX's formation in 2002.

Blue streak?

Blue Origin has not yet enjoyed SpaceX's stellar success. Its current product, New Shepard, is a toy. (It cannot reach orbit. It merely carries rich tourists above the Karman line, 100km up, which is the official boundary of outer space.) But that will soon change. The firm is now conducting pre-launch tests on New Glenn, a rocket both reusable and orbital. If all goes well, a prototype will lift off from a specially built pad at Cape Canaveral sometime in the next few weeks.

Little and large

Selected carrier rockets, 2024



Source: Press reports

New Glenn actually will be a challenger to SpaceX. It will carry 45 tonnes into orbit. That is still less than the 150 tonnes a Starship will manage, but more than the 23 tonnes of a Falcon 9. And it will be enough for Mr Bezos to get busy assembling Project Kuiper, his proposed satellite-internet constellation. Whether New Glenns will be produced in the sort of quantities, and achieve the turn around times, planned for Starships, remains to be seen.

Success for New Glenn would help assuage American officialdom's understandable nervousness that any firm, however cosy its relationship with the president, should have an armlock on the important business of launch—a nervousness implicit in the name, Assured Access to Space, of a large bit of America's Space Force that is involved in procurement. There is also a second back-up of sorts, though not a very convincing one, in the form of the United Launch Alliance's (ULA's) Vulcan Centaur.

The ULA is a joint venture between Lockheed Martin and Boeing that represents the last vestiges of the old way of doing space flight—with big, disposable rockets and relaxed launch schedules. Vulcan Centaur lifts 27 tonnes, making it a theoretical competitor of Falcon 9. But it has seen only one lift-off since its maiden flight in January. And it will not be reusable. Moreover, it depends on Blue Origin for its first-stage engines—the BE-4 motors which that firm developed to launch New Glenn. Indeed, there has been talk in the past that Blue Origin might simply buy the ULA, though what it would do with such a legacy asset is unclear.

A duopoly (or even a duopoly-plus), though better than a monopoly, is still unideal. As Winston Churchill said of fuel supplies to Britain's navy, "safety and certainty...lie in variety and variety alone". A number of smaller and less billionaire-dependent firms are therefore still paddling, though admittedly only at the shallow end of the market.

Rocket Lab's Electron launchers: have been lifting small (up to 320kg) loads into bespoke orbits since 2018. Now the firm, based in Long Beach, California, plans one called Neutron, with a capacity of 13 tonnes and a scheduled first launch in the middle of next year. It is also getting into the space-science market with a pair of Mars-bound satellites built for the

University of California, Berkeley which it hopes will be launched next year.

Hot on its heels is Firefly Aerospace, based near Austin, Texas, which had the first fully successful launch of its Alpha rocket (capacity just over a tonne) in 2023 and is planning a larger device (capacity 16 tonnes) in collaboration with Northrop Grumman. Firefly is interested in space science, too. Its Blue Ghost lunar lander, due for launch next year on a SpaceX vehicle, will carry customers' instruments and experiments to the Moon's surface.

Northrop Grumman operates on its own recognisance as well. Its Antares system can lift eight tonnes and its smaller offering, Pegasus, 450kg. It also offers the delightfully dubbed Minotaur, which, as the name suggests, is cobbled together out of parts from other rockets—namely motors from decommissioned Minutemen intercontinental ballistic missiles and bodywork from Pegasus.

Those are the successes. In rocketry, however, failure is certainly an option. In 2023 Relativity Space, a neighbour of Rocket Lab in Long Beach, tried unsuccessfully to reach orbit with a rocket called Terran 1 that was made largely by 3D printing. It hopes to have another go in 2026 with a modified version, Terran R, which relies less on that novel manufacturing technique. ABL Space Systems in El Segundo, to the north-west of Long Beach, likewise failed in 2023 and has scaled back its ambitions from being an all-comers commercial service to focusing on missile defence. And Astra Space, of Alameda, California, has undergone several corporate reincarnations in the wake of failed launches. It is currently pinning its hopes on what it calls Rocket 4, which has attracted the interest of the Defence Innovation Unit, a part of the Pentagon.

Destruction testing

If you have money, of course, launch failures provide a learning opportunity. They are, indeed, part of SpaceX's business model, as its approach to developing Starship has shown. But even that mighty firm came close to death when its first three attempts to send a rocket into orbit,

between 2006 and 2008, went wrong. Another failure would have killed it. But the fourth go worked—and the rest is history. ■

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Brainpower

Stimulating parts of the brain can help the paralysed to walk again

Implanted electrodes allowed one man to climb stairs unaided

Dec 05, 2024 03:44 PM



NeuroRestore / EPFL 2024

THE SPINAL CORD is the control cable that connects the brain to the rest of the body. If it is severed, people lose the ability to [move their body](#) below the site of the injury. But if it is only partly cut, the brain can sometimes adapt to the damage. Some people who are paralysed by a spinal-cord injury can gradually regain at least a limited ability to walk.

Exactly which bits of the brain are involved in this adaptation is not clear. But, in a paper just published in *Nature Medicine*, a group of researchers led by Jocelyne Bloch of Lausanne University Hospital and Grégoire Courtine at the Swiss Federal Institute of Technology in Lausanne shed

some light. In doing so, they demonstrate that stimulation of the right bits of the brain can produce dramatic—and seemingly permanent—improvements in the ability of patients to walk again.

“We already knew that [changes in] the brain were key to regaining walking after a spinal-cord injury,” says Dr Courtine. “But we didn’t know which regions were the most important.” To find out, the researchers built detailed maps of the brains of a dozen mice whose spinal cords had been partially severed.

By examining some brains shortly after the injury, and others later, as their animal owners were regaining the ability to walk, the researchers were led to a set of neurons in the lateral hypothalamus (LH; a part of the brain buried deep towards the bottom of the organ) as the likely culprit. That was unexpected, says Dr Bloch, for the LH is best known for being involved with hunger, thirst and other involuntary functions of the nervous system.

To check they were on the right track, the researchers turned to a technique called optogenetics. This involves modifying living cells so that they express light-sensitive proteins called channelrhodopsins. These act as switches, allowing cellular activity to be controlled with bursts of illumination. Sure enough, artificially stimulating the activity of neurons in the LH improved the ability of injured animals to walk. In some cases, it was even able to make the mice jump.

Optogenetics is not generally approved for use in humans. But an alternative method of stimulating neurons, deep-brain stimulation (DBS), is. Rather than modifying cells to respond to light, this involves inserting fine electrodes into the brain and stimulating neurons with electric currents. Switching to DBS required a second round of testing, this time on rats. (Rats have slightly bigger brains than mice, says Dr Courtine, which makes the delicate job of placing the electrodes a bit easier.)

As hoped, zapping neurons in the brains of injured rats over the course of several weeks helped them, too, to regain the ability to walk. The improvements persisted even when the current was turned off, with analysis of their spinal cords showing an increased density of neuronal wiring below the site of their injuries.

The final step was to try it in people. The researchers recruited two volunteers who had suffered spinal injuries and then relearned how to walk with assistance. The electrodes were implanted in them while they were conscious. This helped the doctors ensure they were in the right place, with both patients reporting an urge to walk when the current was switched on.

After three months of rehabilitation, both reported big improvements in walking, as assessed by tests of how far they could travel in a set time, and by the subjective difficulty they experienced. Before the operation, one of them had hoped to walk without braces; the other to climb and descend a staircase unaided. Both achieved their goals.

Success in two people will not, by itself, be enough to make DBS generally available. The next step, says Dr Courtine, is to investigate whether brain stimulation might boost the power of an existing, similar treatment—stimulation of the spinal cord itself. The first person to get that sort of double-ended treatment, he says, is scheduled to have electrodes implanted within the next three months. ■

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Oh no! Not mammoth again!

Lots of hunting. Not much gathering. The diet of early Americans

What they ate is given away by the isotopes in their bodies

Dec 05, 2024 03:44 PM



Bridgeman Images

“EAT UP YOUR greens!” That injunction will be familiar to many readers from their childhood. But it would not, it transpires, have been heard much in Clovis households.

The Clovis people are an enigma. They lived in North America some 13,000 years ago and their characteristic fluted, double-faced stone spear-tips have turned up at more than 1,500 sites. However, only three skeletons of Clovis individuals have so far been unearthed.

The spear-tips, and butchered bones, leave no doubt that they were hunters, and that mammoth was sometimes on the menu. But how important it was, and how much the “gathering” component of hunting and gathering mattered, have only now become clear.

As they report in *Science Advances*, James Chatters of McMaster University in Ontario, Canada and his colleagues have looked in detail at one of the Clovis skeletons, that of an 18-month-old boy from a site in Montana. Their quarry were what are known as stable-isotope ratios of carbon and nitrogen extracted from bone collagen, a protein. These elements each have two non-radioactive (ie, stable) isotopes, the ratios of which in living tissue vary between types of organism partly for reasons buried deep in the laws of thermodynamics, and partly (in the case of animals) as a result of the ratios found in the food they eat.

Dr Chatters and his team knew from other evidence the relevant ratios in likely prey species (deer, bison, small mammals and mammoths) and also that the mammoth signal is distinctive. Comparing the options with the ratios in the boy, the mammoth signal shone out, suggesting he (and more particularly his mother, for he would still have been a suckling when he died) ate lots of big-game meat, especially mammoth. Contrariwise, the contribution of plants was trivial. The idea of early Americans living on a diet of mammoth steaks and no veggies sounds like a cliché. But in this case it seems to be true.■

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Culture

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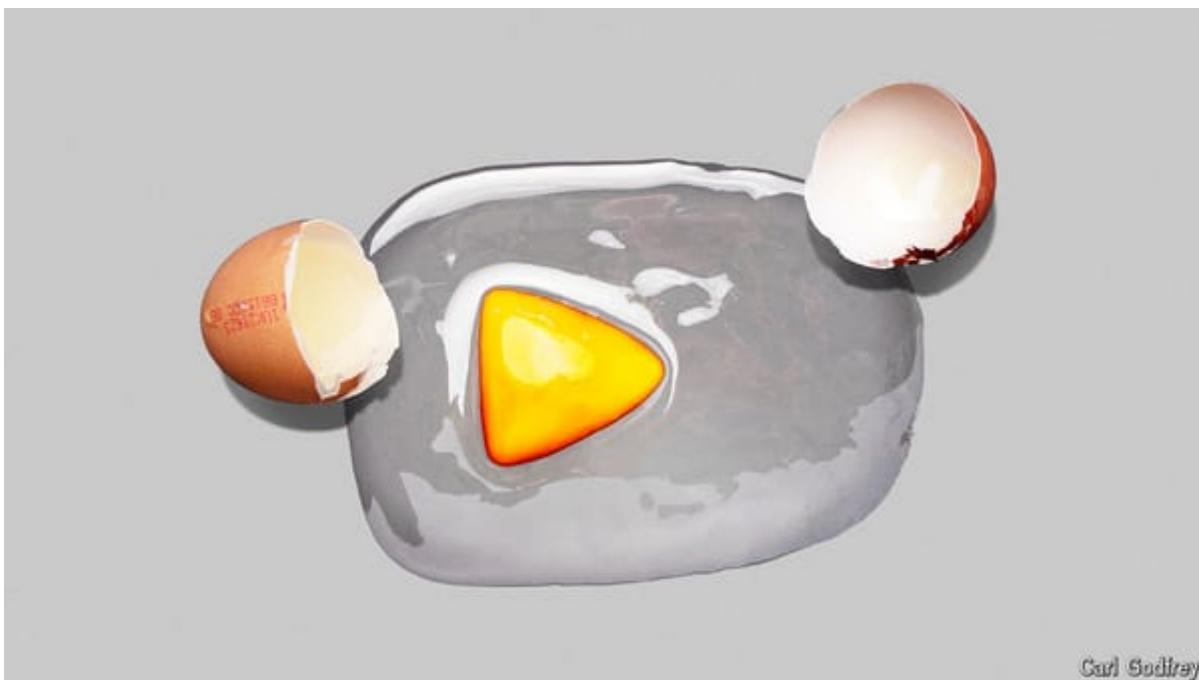
Back Story :: From the “Iliad” to “Succession”, storytelling can help with your Christmas shopping

Bytes of bites

What do feta, cucumbers and cottage cheese have in common?

Social media and the internet are changing how people cook and relate to food

Dec 05, 2024 03:44 PM



FIRST THEY came for the eggs. Then the feta cheese, [caviar](#), cottage cheese and cucumbers. In some countries, these ingredients even sold out: Iceland experienced a shortage of cucumbers, and feta briefly vanished from grocery-store shelves. The reason for the raids? Aficionados of online cooking were eager to recreate viral videos in which each of these ingredients starred.

Few topics are as appetising to netizens as cooking, especially over the holidays. Food is the fourth-most popular subject on the internet (trailing

only films, music and phones), up from 17th place in 2009, according to GWI, a consumer-research firm. No other subject's rank has risen by more in the past 15 years, except sport (though it remains less popular than food).

The abundance of online-food content not only causes occasional ingredient shortages when a video goes viral. It is also making cooking more social. TikTok videos starring chow attract tens of millions of viewers. [Mukbang](#) (eating broadcast) videos, in which people gorge in front of a camera and field live comments from viewers, started in South Korea but have spread to the West and are now popular globally.

The internet has propelled people without notable restaurants or cookbooks to chef stardom. For example, around 21m people subscribe to the YouTube channel of Nick DiGiovanni, a 28-year-old, Harvard-educated food personality, about the same number as subscribe to that of Gordon Ramsay, a famous British chef.

The fact that social media have caused interest in food to rise as fast as home-baked bread should not come as a surprise. Everyone has to eat, and cooking is a common hobby. Video is also an efficient medium for instruction—more precise, in many ways, than the written word. Americans who recently cooked [turkeys for Thanksgiving](#) can testify that “golden brown” to one cook may look underdone to another and even burnt to a third.

People who learned to cook in kitchens or through books may scoff at the spread of online-cooking videos. But chefs have long embraced technology to instruct, share their culinary visions and build their careers. In the early 19th century Marie-Antoine Carême, a Parisian chef who cooked for leaders such as Tsar Alexander I of Russia, wrote a series of beautifully illustrated cookbooks that simplified recipes and helped codify French cuisine.

In the 1960s-70s [Julia Child](#) used television and helped popularise mass-market cookbooks, demystifying French food for those cooking at home. She both recognised and stirred up a market: cooking was becoming a leisure activity rather than a chore and “foreign food” something to create at home rather than scorn.

Successful online food personalities “recognise and make a real effort to meet the specific needs of their viewers”, explains Madeline Buxton, culture and trends manager at YouTube. Some viewers want to be entertained; others want to learn, travel or eat vicariously through people more adventurous than they are. Online chefs and food boosters sell a lifestyle: you are what you eat, how you eat and what you watch about eating.

Unlike cookbooks and cooking shows on TV, barriers to entry for online-cooking videos are low. Creators who think they have a winning idea do not need to persuade agents, editors and network executives; they can shoot a video themselves on their phone and see if people like it. Niches, therefore, abound.

Some online-food content is “straightforward, recipe-driven, what you probably would expect to see in a traditional TV cooking show”, says Ms Buxton. Other videos walk viewers through native cuisines, showing how to hand-pull Chinese noodles or grill Turkish [kebabs](#). University students on tight budgets can learn to make better instant ramen, whereas skilled cooks who want to impress their friends can replicate Popeyes’ wildly popular chicken sandwich from scratch.

Some YouTube channels bridge the gap between entertainment and instruction. Many more people will watch Andrew Rea, whose channel specialises in food from films and TV, make the tortilla-chip sombrero from “Despicable Me 2” than will try to cook it themselves. “Village cooking” videos, which show people in remote areas preparing food, are popular in Pakistan and India, perhaps as sources of wistful escapism and nostalgia among urbanites. (Actually copying village cooking would require space for a giant bonfire and several skinned and dressed chunks of mutton.)

What's the recipe for success?

Established media companies have got in on the act, too. They have cooked up online videos that take viewers around the world to show how Uzbek chefs cook 350kg of rice pilaf, for instance, or where cab drivers in New

York like to eat (unpretentious South Asian restaurants on the east side of Manhattan).

But the internet is mostly full of shorter content. It predominates on TikTok and its imitators, such as YouTube Shorts and Instagram Reels. Whereas adventurous TikTokers have tried their hand at coulibiac and other complex recipes, approachable food tends to perform best: one reason recipes for baked-feta pasta and cucumber salad went viral is that it is easy to melt cheese and slice cucumbers. It also helps to be visually attractive: viral videos tend to show off the texture and crunch of food.

Sometimes creators are surprised by which of their videos take off. Mr DiGiovanni recalls his first popular video, which showed him making a chocolate bar from whole [cacao](#) pods; it was “poorly shot: the lighting was messed up; it was overexposed”. But it has attracted almost 14m views. Today, Mr DiGiovanni employs half a dozen people and can spend more than \$50,000 on a single video. He earns money from advertising revenue on YouTube, and he is doubtless helped by his good looks and regular-guy appeal. Recent videos have featured him trying Japanese fast foods (Burger King’s “Great White” cheeseburger, with a horrific amount of mayonnaise, was a hit) and rare foods (water collected from Amazonian “air rivers”, which appeared to taste a lot like water). Much as other food creators do, he shows viewers things they would not otherwise see, and he has a good time doing it.

This points to an important aspect of online food culture: fun. Julia Child certainly mastered the art of French cooking, and people who followed her recipes may have enjoyed themselves, but she most believed in the *haute* part of *haute cuisine*. Reverence does poorly in the democratised world of online content, where training, pedigree and even experience matter less than likeability, production value and whether a video makes you want to pick up a skillet and start cooking. Now can you please pass the feta? ■

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Seeds of change

The forgotten botanists who resisted the Nazis

A remarkable tale of sacrifice in the name of science

Dec 05, 2024 03:44 PM



Alamy

The Forbidden Garden. By Simon Parkin. Scribner; 384 pages; \$30. Published in Britain as “*The Forbidden Garden of Leningrad*”; Sceptre; £25

FOR NEARLY 900 days in 1941-44, Nazi forces [blockaded Leningrad](#), modern-day St Petersburg, trying to starve the city into submission. When food ran out, people ate cotton husks, leather belts and even their pets. Reports of cannibalism spread. Nearly a third of the population—some 750,000 civilians—died.

Yet in the centre of the city, in a former palace, the All Union Institute of Plant Breeding, the world's first seed bank, housed 250,000 plants from five continents. This collection, if planted, could have fed "every citizen within Leningrad, and the Soviet Union and elsewhere besides", writes Simon Parkin, a British journalist. Botanists faced a dilemma: safeguard the seed bank for the future or use it to save themselves and others from starvation?

"The Forbidden Garden" is the story of the seed bank's staff, who chose not to eat the collection. As botanists, they grasped the potential of the seeds to engineer high-yielding and disease-resistant crops to feed future generations. Their abstention was not without consequences: 19 staff starved to death.

Whereas today huge gene banks, such as the Svalbard Global Seed Vault in Norway, store copies of the world's crops in case of catastrophe, such initiatives used to seem eccentric. The plant library was the brainchild of Nikolai Vavilov, a renowned botanist (pictured). His international fame and network of luminaries drew the attention of Soviet authorities, who arrested him in 1940 and accused him of treason and, perversely, plotting to harm agriculture. Vavilov died in the gulag in 1943.

The Soviets did not value Vavilov's work, but the Nazis did. They thought his collection could be used to create German supercrops. In a twist, Heinz Brücher, a botanist and senior SS officer, launched a covert mission to seize Vavilov's seeds. Mr Parkin describes how the Nazis looted remote seed-breeding stations and established a rival seed bank in an Austrian castle. After the war Brücher fled, and the seeds he had stolen were lost.

But efforts to protect Vavilov's collection were not in vain: over the past 70 years seeds saved during the siege have been used to create varieties of wheat that are superior in quality and yield. The sacrifice of the Russian botanists has stocked the world's breadbasket. ■

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In another world

The best video games of 2024

Retro formats and characters are providing hours of entertainment

Dec 05, 2024 03:44 PM



Ricardo Tomás

“Animal Well”

This game has the look and feel of a title from the 1990s, but its simple appearance belies a world of exploration. Players are drawn into an underground labyrinth full of secrets waiting to be unlocked.

“Astro Bot”

Released to coincide with the 30th anniversary of the original PlayStation console, this is a nostalgic tribute and joyful caper in which players travel through imaginatively conceived levels.

“Dragon’s Dogma II”

The year’s best dark-fantasy role-playing game is set in a complex world of dangerous monsters, helpful allies and warring empires.

“F1 Manager 2024”

In this iteration of the [sports-management simulation](#), players take complete control of Red Bull, Ferrari or Mercedes and build a racing organisation from top to bottom.

“Like a Dragon: Infinite Wealth”

A combat game featuring a likeable cast of rogues. It follows a retired Japanese mobster who, seeking his best friend’s mother, is drawn into the underworld.

“Lorelei and the Laser Eyes”

Set in a vast hotel, this game presents players with a tangled series of puzzles. It is a tale of conspiracy; a good memory and note-taking help you succeed.

“Manor Lords”

Players are in charge of a medieval settlement and must stave off invaders and starvation. A taste of wielding power in Europe’s [Middle Ages](#).

“One Btn Bosses”

Like a classic arcade game of the early 1980s, this is a tricksy tale of cat and mouse. Gamers must use a single button to shoot enemies while avoiding a storm of projectiles.

“Princess Peach: Showtime!”

Formerly a damsel in distress, [Peach](#) stars as a multitalented heroine. Aimed at youngsters, but it will charm all ages.

“Senua’s Saga: Hellblade II”

The sequel to the acclaimed game of 2017 begins with Senua, the heroine, escaping from a Norse slave ship. On her quest to free her kin, she experiences hallucinations and physical danger.

“Thank Goodness You’re Here!”

Set in the north of England, this game has the feel of an interactive sitcom. The player walks the streets, encountering weird locals. It is crammed with jokes and pokes gentle fun at the absurdities of modern life.■

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Cardinals' sin

Death, deception and (a little) sex: “Conclave” offers a great trinity

Ralph Fiennes investigates the sins of popes in this magnificent film

Dec 05, 2024 03:44 PM



LMK

“NO SANE MAN would want the papacy,” a cardinal tells Cardinal Thomas Lawrence (Ralph Fiennes) at the start of “Conclave”, a new film. Perhaps that is why so many popes have been so mad. There was Pope Urban VI, who grumbled when a cardinal he had ordered to be tortured did not scream loudly enough. And Benedict IX, who not only committed rape, murder and bestiality but who also, rather naughtily, sold the papacy. And who could forget Innocent VIII, who, despite that promising name, allegedly drank the blood of young boys?

The trick of electing the universal shepherd is, then, to select the [cardinal](#) with the least sin. This can take time, as Cardinal Lawrence—in charge of the gathering to choose a new pope, called a conclave—discovers. The election in the film lasts for days. Still, it could be worse: in the 13th century it took two years and nine months. The cardinals were eventually both shut in and starved out: locked in their palazzo, they were rationed to two meals a day if they did not decide by the third day, just bread, water and wine after the seventh.

The starvation rations have gone. The locking-in *cum clave* (with a key) remains. Each papal conclave becomes a locked-room mystery of biblical proportions; less a whodunnit than a whodunwhat? The magnificent new film from Edward Berger, a German director, makes the most of this. Like an ecclesiastical [Agatha Christie](#), Cardinal Lawrence—a papal Miss Marple—investigates each cardinal’s sin over the course of this two-hour film. Naturally, this mystery begins with a corpse (the previous pope), and it offers a line-up of pleasingly sinister suspects (the cardinals who jostle to replace him).

These include the smooth Canadian Cardinal Tremblay (John Lithgow); Cardinal Adeyemi (Lucian Msamati), angling to be first African pope, and the liberal Cardinal Bellini (Stanley Tucci). The holiest of holy men would look like a villain in a scarlet cardinal’s skullcap and cassock; Mr Tucci (better known for having served the other side in “The Devil Wears Prada”) looks even worse than that. The fun comes from watching as each is undone by his sins, which are—as you might expect—the cardinal ones: pride, wrath, envy and lust.

And, as always with whodunnits, the setting is glorious. Tradition usually demands a country house; “Conclave” must instead make do with God’s. This is a departure, but it works, since God has good decorators: conclaves were first held in the [Sistine Chapel](#) in 1492. It is beneath Michelangelo’s “Last Judgment” that Cardinal Lawrence passes his.

This is a visually sumptuous film—at times, like the chapel itself, almost too sumptuous. Minimalism was never [Michelangelo](#)’s strong suit: in the 16th century one priest sniffed that the sinewy naked bodies of the artist’s frescoes were better suited to “a tavern”. This film, too, verges on the over-

luscious: a scene in which flames curl around a papal ballot paper is almost perfume-ad pretty.

Silence saves it. “Conclave” is based on the book of the same name by Robert Harris, a British writer. Mr Harris’s books are commonly called “thrillers”, but they tend to eschew the commoner traits of that genre: most notably, thrills. This one is no different. Almost nothing happens here—but it happens beautifully. And understatedly. This film is swathed in silence. The Catholic church has—for good and ill—always understood the power of silence, and so does “Conclave”. Like the liturgy, it wields it to build drama: when someone drops a tray, you jump.

Mr Fiennes is perfect for the role: his is a career that has also been steeped in quiet. In “The English Patient” he smouldered silently; in “[The Dig](#)” he dug silently; here he doubts silently. Mr Harris’s book demands this taciturnity. Its epigraph comes from the writings of Paul VI, who became pope in 1963. “I was solitary before,” he wrote, but now his solitude was “complete and awesome”. Like “a statue on a plinth—that is how I live now”.

This, then, is [a film about the papacy](#)—but it is also about humanity. Popes and cardinals are God’s servants on Earth. They are also, as Mr Berger observed, “just blokes going to work”. When Cardinal Lawrence peers into the dead pope’s wardrobe, he finds papal robes in plastic suit covers.

It is about being separated from humanity, too. These are men who officiate and pontificate over the lives of 1.4bn people, but they lead lives that are utterly alien: in their cardinals’ uniforms they look like superannuated schoolboys. They are buttressed by the Vatican’s women: here you see the nuns toiling: cooking, serving, tidying up the messes—physical and metaphorical—left by their brethren. One of the best scenes comes when Sister Agnes (Isabella Rossellini) squares up to Cardinal Lawrence. She loses—just. Even Ms Rossellini’s mother-superior stare cannot overcome 2,000 years of ecclesiastical power.

Nonetheless, this film about the world’s most powerful patriarchy is a quietly feminist one. What are the sins of “our fathers”? Ask the mothers. They probably know. ■

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On language

The Economist's word of the year for 2024

The Greeks knew how to talk about politics and power

Dec 05, 2024 03:44 PM



Carl Godfrey

SOME YEARS it is hard to identify the main event, much less sum it up in a word. This is not the problem in 2024; the [return of Donald Trump](#) to the White House after a four-year absence is consequential not only for the world's most powerful country but also for its neighbours and everywhere else. Which word can capture the mix of surprise, excitement and trepidation people feel as the [MAGA movement](#) returns to power?

First, a counterfactual. Had Kamala Harris won, *The Economist* would have had a different shortlist for its annual “word of the year”. Her campaign was described as one of “vibes”, rather than policy. Her appeal to the young was

captured in “brat” (youth slang for “a little messy and likes to party”); it was Charli XCX, a British pop star, who [offered Ms Harris](#) that compliment. But Ms Harris did not win, and so “brat” is unlikely to go down in history except as the answer to a trivia question.

For the year’s defining word, it helps to look back—a long way. English has a host of political terms derived from Greek, because it got a lot of its political thinking from the likes of Plato and Aristotle. So if you go through the lexicon (itself Greek), a few roots abound. *Arche* (ruler), for example, is found in monarchy, oligarchy and anarchy (the rule of one, the few and none, respectively).

Greek has another root for “rule”, *kratia*, which is even more common. It features in democracy, aristocracy, gerontocracy, theocracy and plutocracy, as well as [meritocracy](#) (a modern coinage for which Alan Fox, a British sociologist, married a Latin root with a Greek one in 1956). The Oxford English Dictionary is also full of rarer species such as ochlocracy (rule by the mob), gynaeocracy (rule by women) and thalassocracy (mastery of the seas).

Two other “-cracy” words seem appropriate in this election year. One is theatrocracy, or rule by theatre-goers. This sounds as if it might refer to dominance by the media elites writing for the culture sections of newspapers. But the word has its origins in Plato, who described people skilled in fanning the emotions of the crowd at a theatre into a powerful political force. This might, in hindsight, have been a good word of the year for 2016, when a former reality-TV star with a talent for working the crowd was first elected president.

After Mr Trump [was re-elected](#) on November 5th, the world watched anxiously as he began filling top jobs. Some picks, such as the sensible Susie Wiles for chief of staff and [Marco Rubio](#), a long-serving senator, for secretary of state, were qualified and competent. But a flurry of nominations in the week ending November 15th led to a spike in people looking up another “-cracy” word on Google.

[Matt Gaetz](#), accused of sex and drug crimes and the subject of a congressional ethics investigation, was nominated to be the country’s

highest law-enforcement officer. [Robert F. Kennedy junior](#), a man with crackpot views on vaccines, was to be secretary of health. [Tulsi Gabbard](#), a conspiracy theorist with nice things to say about the despots of Syria and Russia, was to run America's intelligence services. And [Pete Hegseth](#), a Fox News host sporting tattoos associated with the far right (and who had been accused of sexual assault) was tapped as defence secretary.

So the word everyone was Googling was kakistocracy: the rule of the worst. The first root, *kakos*, is found in few others in English. "Kakistocracy" is not found in ancient sources; it seems to have been coined in English as an intentional antonym to aristocracy, originally "rule by the best". Having spiked on Google Trends the day after [Mr Trump's election](#), kakistocracy jumped a second time in the wake of these nominations. Searches surged a third time on November 21st, when Mr Gaetz announced that he would withdraw from consideration for attorney-general, suggesting that he was seen as the worst of the worst. The term was particularly popular in Democratic strongholds such as Oregon, Massachusetts and Minnesota.

Much remains to be seen about Mr Trump's new *kratia*. Last time round he seemed to fire more officials than most presidents have trips on Air Force One. (Many then became outspoken critics.) This time, though, he has chosen his people for their loyalty above all. And many of his supporters are delighted, seeing in his appointments a wrecking crew to pull down a deep state they loathe.

Kakistocracy has the crisp, hard sounds of glass breaking. Whether that is a good or bad thing depends on whether you think the glass had it coming. But kakistocracy's snappy encapsulation of the fears of half of America and much of the world makes it our word of the year. ■

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Back Story

Gifts for friends and enemies: a fictional guide

From the “Iliad” to “Succession”, storytelling can help with your Christmas shopping

Dec 05, 2024 03:44 PM



THE MAN who has everything is only the start of your worries. What about the uncle with obnoxious views and the teenage niece you scarcely know? Suggestions for what to get people for Christmas abound, but, collectively, classic stories provide one of the best guides to gifts. An overarching lesson is that a present is not just an object but a statement—about you, the recipient and your feelings towards them. Another is that gifts are a chance to express hostility as well as affection.

Presents are often the continuation of warfare by other means, used to placate foes and rivals as much as to hearten friends, especially in ancient literature and myth. In the “[Iliad](#)”, Agamemnon mollifies the wrathful Achilles with treasure, horses and slave girls. Gifts can even be exchanged during combat itself: Ajax and Hector maul each other “like hungry lions”, writes Homer, then break off to swap keepsakes instead of blows. A gift to your estranged relative could offer them a festive truce. Alternatively, it could be a way to show them how little you think of them.

That is the message of the tennis balls sent by the French dauphin to the hero of Shakespeare’s “[Henry V](#)”, one of the worst-judged gifts in literature. Irked by this mocking allusion to the revels of his youth, the English king promptly invades France. Or recall the toothpick and single tissue that the dismal Dursleys give their put-upon lodger Harry Potter in J.K. Rowling’s books. If insulting an in-law is your aim, and they have young children, try inflicting a remote-control car, with which their offspring will smash up the furniture.

Lavish gifts can cause trouble as much as stingy ones. Chebutykin, a boozy doctor, brings a silver samovar to a low-key name-day celebration for Irina, one of [Chekhov’s “Three Sisters”](#). In some productions the over-the-top gift is a hint that Chebutykin, who was in love with the sisters’ dead mother, is secretly Irina’s father. In “Emma”, the pianoforte that Frank Churchill anonymously gives Jane Fairfax sets off cruel rumours about her love life. In [Jane Austen’s world](#), the piano is as much a mark of Churchill’s vulgarity as the time he spends on his haircuts.

Before splashing the cash, remember that every gift comes with an obligation. That may simply be to say “thank you” for the bath salts and pretend you like them. But often it is more than that. If the recipient is unable to reciprocate, a present may be an unpayable debt.

Or it can be an unwelcome claim to intimacy. This is particularly true when the gift is from a sleazy man to a woman he is pursuing. “Take back your mink,” sings Miss Adelaide in “[Guys & Dolls](#)”, “Take back your pearls/What made you think/That I was one of those girls?” In “Grease”, too, Danny’s gift of his high-school ring to Sandy has an erotic undertone. He makes a boorish pass at her and winds up “stranded at the drive-in”.

Thoughtlessness is as much a no-no as disproportionality. At Kendall Roy's 40th-birthday party in "["Succession"](#)", his girlfriend Naomi, herself an heiress, gives him a flashy watch. The moment is even more awkward than when Kendall's brother Roman accidentally buys the wrong Scottish football team for their plutocrat father. Naomi's offering isn't even engraved; Kendall is appalled. "I don't want to be a dick," he sneers, being a dick, "but I have a watch."

The scene is a concise parable of gift-giving. Surrounded by snazzily wrapped boxes, this man who has everything is interested only in a home-made tribute from his children. He is not alone: many of the most cherished gifts in fiction are modest. Winnie-the-Pooh and Piglet bestow on Eeyore an empty honey jar and a burst balloon. Eeyore is delighted. Before he penetrates Willy Wonka's factory, Charlie Bucket is given a single chocolate bar which he ekes out deliriously for a month.

In stories, as in life, buying gifts can be a joy or a minefield, receiving them a blessing or a burden. They can convey a surrender or assert supremacy. They could sweeten your family Christmas or embitter it. To judge by books and films, if you aim to spread good cheer, personal tends to trump pricey.

Don't get too personal, though. Imbuing a trinket with weighty meaning makes it and you hostages to fortune—or to the machinations of your enemies. For Othello, the strawberry-spotted handkerchief that he gives Desdemona is a symbol of devotion. Misplaced, it is turned by Iago into proof of her imaginary infidelity. Perhaps Othello should have got her an Amazon voucher instead. ■

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Economic & financial indicators

- **Economic data, commodities and markets**

Indicators ::

Indicators

Economic data, commodities and markets

Dec 05, 2024 03:44 PM

Economic data

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	Gross domestic product			Consumer prices			Unemployment rate	
	% change on year ago: latest	quarter*	2024†	% change on year ago: latest	2024†	%		
United States	2.7	Q3	2.8	2.7	2.6	Oct	2.8	4.1 Oct
China	4.6	Q3	3.6	4.9	0.3	Oct	0.5	5.0 Oct‡§
Japan	0.3	Q3	0.9	-0.3	2.2	Oct	2.6	2.5 Oct
Britain	1.0	Q3	0.6	1.1	2.3	Oct	2.9	4.3 Aug††
Canada	1.5	Q3	1.0	1.2	2.0	Oct	2.3	6.5 Oct
Euro area	0.9	Q3	1.5	0.8	2.3	Nov	2.4	6.3 Oct
Austria	-0.6	Q3	-0.5‡	-0.5	1.9	Nov	2.9	5.6 Oct
Belgium	1.2	Q3	1.3	1.1	4.9	Nov	4.0	5.8 Oct
France	1.2	Q3	1.6	1.2	1.7	Nov	2.5	7.6 Oct
Germany	-0.3	Q3	0.4	-0.1	2.4	Nov	2.4	3.4 Oct
Greece	2.7	Q2	4.4	2.2	3.1	Oct	3.0	9.8 Oct
Italy	0.4	Q3	nil	0.5	1.6	Nov	1.1	5.8 Oct
Netherlands	1.7	Q3	3.3	0.6	3.8	Nov	3.4	3.7 Oct
Spain	3.4	Q3	3.4	2.7	2.4	Nov	3.0	11.2 Oct
Czech Republic	2.0	Q3	1.7	1.0	2.8	Oct	2.4	2.7 Oct‡
Denmark	3.6	Q3	5.1	1.8	1.6	Oct	1.3	2.9 Oct
Norway	3.5	Q3	-7.1	1.7	2.6	Oct	2.2	4.1 Sep‡‡
Poland	2.7	Q3	-0.4	2.3	4.6	Nov	3.8	4.9 Oct§
Russia	3.1	Q3	na	3.5	8.5	Oct	8.5	2.3 Oct§
Sweden	0.6	Q3	1.1	0.7	1.6	Oct	1.8	7.8 Oct§
Switzerland	2.0	Q3	1.7	1.2	0.7	Nov	1.2	2.6 Oct
Turkey	2.1	Q3	-0.8	2.9	47.1	Nov	57.7	8.6 Sep§
Australia	0.8	Q3	1.3	1.1	2.8	Q3	3.1	4.1 Oct
Hong Kong	1.8	Q3	-4.2	2.5	1.3	Oct	2.0	3.1 Oct‡‡
India	5.4	Q3	3.0	7.0	6.2	Oct	4.7	8.0 Nov
Indonesia	4.9	Q3	3.8	5.0	1.5	Nov	2.3	4.9 Aug§
Malaysia	5.3	Q3	6.3	5.1	1.9	Oct	1.9	3.2 Sep§
Pakistan	3.2	2024**	na	2.8	4.9	Nov	13.6	6.3 2021
Philippines	5.2	Q3	7.0	5.5	2.3	Oct	3.2	4.7 Q3§
Singapore	5.4	Q3	13.6	3.5	1.4	Oct	2.4	1.8 Q3
South Korea	1.7	Q3	0.5	2.3	1.5	Nov	2.4	2.3 Oct§
Taiwan	4.2	Q3	0.9	5.0	1.7	Oct	2.1	3.4 Oct
Thailand	3.0	Q3	4.9	2.6	0.9	Nov	0.4	1.0 Oct§
Argentina	-1.7	Q2	-6.8	-3.1	193	Oct	220	7.6 Q2§
Brazil	4.0	Q3	3.7	3.0	4.8	Oct	4.3	6.2 Oct§‡‡
Chile	2.3	Q3	2.7	2.2	4.7	Oct	4.0	8.6 Oct§‡‡
Colombia	2.0	Q3	0.8	1.6	5.4	Oct	6.7	9.1 Oct§
Mexico	1.6	Q3	4.4	1.4	4.8	Oct	4.8	2.5 Oct
Peru	3.8	Q3	2.8	3.0	2.3	Nov	2.4	5.9 Oct§
Egypt	2.4	Q2	12.6	2.4	26.5	Oct	28.5	6.7 Q3§
Israel	-1.0	Q3	3.8	0.1	3.5	Oct	3.2	2.5 Oct
Saudi Arabia	-0.8	2023	na	1.3	1.9	Oct	1.7	3.3 Q2
South Africa	0.3	Q3	-1.4	1.1	2.8	Oct	4.6	32.1 Q3§

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted.

*New series. **Year ending June. ‡Latest 3 months. §§3-month moving average. Note: Euro area consumer prices are harmonised.

Economic data

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	Current-account balance % of GDP, 2024 [†]	Budget balance % of GDP, 2024 [†]	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ Dec 4th	% change on year ago
United States	-3.4	-6.6	4.2	1.0	-	
China	0.7	-4.4	1.6 ^{§§}	-98.0	7.27	-1.8
Japan	3.7	-4.7	1.1	37.0	150	-2.2
Britain	-2.9	-4.0	4.2	10.0	0.79	1.3
Canada	-1.2	-1.2	3.1	-30.0	1.41	-3.5
Euro area	3.2	-3.1	2.0	-29.0	0.95	-3.2
Austria	2.3	-2.3	2.5	-44.0	0.95	-3.2
Belgium	-0.9	-4.6	2.7	-31.0	0.95	-3.2
France	-0.6	-6.1	3.3	44.0	0.95	-3.2
Germany	6.3	-1.6	2.0	-29.0	0.95	-3.2
Greece	-6.5	-0.7	2.9	-62.0	0.95	-3.2
Italy	1.5	-4.3	3.2	-91.0	0.95	-3.2
Netherlands	9.6	-1.9	2.3	-40.0	0.95	-3.2
Spain	2.6	-3.2	2.8	-71.0	0.95	-3.2
Czech Republic	0.7	-2.4	3.9	-29.0	23.9	-5.6
Denmark	10.8	2.1	1.8	-80.0	7.08	-2.7
Norway	17.3	12.5	3.5	-2.0	11.0	-1.6
Poland	0.4	-5.7	5.6	13.0	4.07	-1.5
Russia	3.3	-1.7	16.1	416	105	-13.0
Sweden	6.5	-0.9	1.9	-65.0	10.9	-4.4
Switzerland	7.4	-0.9	0.2	-52.0	0.88	-1.1
Turkey	-1.7	-4.1	27.7	450	34.8	-16.8
Australia	-0.6	-1.0	4.4	-15.0	1.55	-2.6
Hong Kong	11.9	-3.2	3.3	-40.0	7.78	0.4
India	-0.5	-4.9	6.7	-59.0	84.7	-1.6
Indonesia	-0.2	-2.5	6.9	31.0	15,930	-3.0
Malaysia	1.4	-4.5	3.8	2.0	4.45	4.7
Pakistan	-1.2	-7.4	11.9 ^{†††}	-324	278	2.7
Philippines	-2.9	-6.1	6.0	-24.0	58.2	-5.0
Singapore	19.3	0.2	2.7	-24.0	1.34	-0.7
South Korea	3.8	-1.8	2.8	-85.0	1,410	-7.5
Taiwan	13.5	0.5	1.5	27.0	32.4	-3.1
Thailand	2.1	-3.7	2.3	-67.0	34.3	1.8
Argentina	0.8	nil	na	na	1,012	-64.2
Brazil	-1.6	-7.6	13.8	287	6.04	-18.4
Chile	-2.4	-2.2	5.6	-6.0	975	-11.2
Colombia	-2.7	-5.7	10.5	5.0	4,417	-9.2
Mexico	0.3	-5.2	10.0	56.0	20.3	-14.2
Peru	1.0	-4.0	6.6	-63.0	3.74	0.3
Egypt	-5.2	-3.7	na	na	49.8	-38.0
Israel	4.6	-7.2	4.6	45.0	3.62	3.0
Saudi Arabia	0.4	-2.4	na	na	3.76	-0.3
South Africa	-1.8	-5.2	8.9	-104	18.1	4.0

Source: Haver Analytics. ^{§§}5-year yield. ^{†††}Dollar-denominated bonds.

Markets

In local currency	Index Dec 4th	% change on: one week Dec 29th 2023	
United States S&P 500	6,086.5	1.5	27.6
United States NAS Comp	19,735.1	3.5	31.5
China Shanghai Comp	3,364.7	1.7	13.1
China Shenzhen Comp	2,024.4	1.4	10.2
Japan Nikkei 225	39,276.4	3.0	17.4
Japan Topix	2,740.6	2.8	15.8
Britain FTSE 100	8,335.8	0.7	7.8
Canada S&PTSX	25,641.2	0.6	22.3
Euro area EURO STOXX 50	4,919.0	3.9	8.8
France CAC 40	7,303.3	2.2	-3.2
Germany DAX*	20,232.1	5.0	20.8
Italy FTSE/MIB	34,083.9	3.0	12.3
Netherlands AEX	891.6	2.0	13.3
Spain IBEX 35	11,931.6	3.0	18.1
Poland WIG	81,643.0	3.2	4.1
Russia RTS, \$ terms	751.2	3.4	-30.7
Switzerland SMI	11,783.6	1.2	5.8
Turkey BIST	9,886.1	2.6	32.3
Australia All Ord.	8,728.5	0.8	11.5
Hong Kong Hang Seng	19,742.5	0.7	15.8
India BSE	80,956.3	0.9	12.1
Indonesia IDX	7,326.8	1.1	0.7
Malaysia KLSE	1,614.1	0.6	11.0
Pakistan KSE	105,104.3	5.9	68.3
Singapore STI	3,799.9	2.5	17.3
South Korea KOSPI	2,464.0	-1.6	-7.2
Taiwan TWI	23,255.3	4.1	29.7
Thailand SET	1,450.8	1.4	2.5
Argentina MERV	2,216,277.0	0.5	138.4
Brazil BVSP*	126,087.0	-1.2	-6.0
Mexico IPC	51,328.6	3.1	-10.6
Egypt EGX 30	30,832.6	3.3	23.9
Israel TA-125	2,364.6	2.5	25.3
Saudi Arabia Tadawul	11,886.9	2.6	-0.7
South Africa JSE AS	86,314.5	1.4	12.3
World, dev'd MSCI	3,830.1	1.2	20.9
Emerging markets MSCI	1,097.5	0.9	7.2

US corporate bonds, spread over Treasuries

	Dec 29th	
Basis points	latest	2023
Investment grade	96	154
High-yield	315	502

Sources: LSEG Workspace; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index

2020=100	Nov 26th	Dec 3rd*	% change on	
			month	year
Dollar Index				
All items	133.5	133.1	1.7	4.4
Food	146.9	144.3	4.8	8.9
Industrials				
All	122.4	123.7	-1.1	0.5
Non-food agriculturals	134.6	135.2	1.5	9.2
Metals	119.3	120.8	-1.8	-1.8
Sterling Index				
All items	136.5	135.0	4.5	4.1
Euro Index				
All items	145.5	144.6	5.4	7.3
Gold				
\$ per oz	2,629.1	2,641.0	-3.7	31.0
Brent				
\$ per barrel	73.5	73.6	-3.3	-4.7

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

The Economist

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The Economist explains

- **[Is RFK junior right to say America allows more toxins than the EU?](#)**

He is, but things are slowly beginning to change

The Economist explains

Is RFK junior right to say America allows more toxins than the EU?

He is, but things are slowly beginning to change

Dec 05, 2024 03:44 PM



Alamy

THERE ARE MANY reasons to question the wisdom of [Robert F. Kennedy junior](#), Donald Trump's nominee for secretary of health. This is a man, after all, who drove around all day with the carcass of a bear cub before dumping it in Central Park in New York. He claims incorrectly that vaccines cause autism, and champions dubious claims about the health risks of 5G phones and the links between prozac and school shootings. So when Mr Kennedy claims that America has “one thousand ingredients in our food that are illegal in Europe”, sceptics can be excused for assuming that he is wrong. But is he?

Mr Kennedy's [political platform](#), known as "make America healthy again", aims to remove toxins from the country's food, water and air. To get one step closer toward this clean future, the former environmental lawyer wants to bring America up to European standards. The European Union, for example, bans or restricts more than 1,300 ingredients in cosmetic products, compared with only 11 in America. And while the EU has a list of over 300 authorised food additives, the Food and Drug Administration does not even know what ingredients are used in food sold in America.

America's regulatory agencies approach safety differently from the EU. In America substances are assumed safe until proven otherwise. The EU is more cautious. It generally forbids unknown substances until they are proven not to cause harm. That means from food to make-up to household furniture, European products are generally safer. For example, potassium bromate, a chemical used to improve the volume and texture of bread and which has been linked to cancer, is banned in most countries but not in America (or Japan). Brominated vegetable oil, used in citrus drinks to prevent the flavouring from floating to the top, has been found to interfere with the function of the thyroid gland. It was banned in the EU in 2008, but only outlawed in America this year.

For a long time it was difficult to ban substances in America. For example, the Toxic Substances Control Act of 1976 required the Environmental Protection Agency (EPA) to consider both the benefit and cost of a substance before deciding whether to restrict it. This made it difficult to regulate materials such as asbestos. The EPA banned asbestos, proven to cause cancer, in 1989, but that decision was partially overturned in a federal court two years later, allowing until recently for some legal uses.

Some states have stepped into the regulatory vacuum left by the federal government. California requires warning labels on products with over 900 chemicals that "can cause cancer and/or birth defects or other reproductive harm". Many other states ban per- and polyfluoroalkyl substances (PFAS), also known as "forever chemicals", which can be found in clothing, cookware and menstrual products. In September Gavin Newsom, California's governor, signed a law banning six artificial food dyes from state-school lunches.

However, regulations have started to change at the federal level recently. The Lautenberg Chemical Safety Act, a law signed by Barack Obama in 2016, amends the Toxic Substances Control Act and requires the EPA to review all existing chemicals for safety. (Notably the amendment does not include food.) Using the amended law, Joe Biden's administration finalised a rule in March prohibiting chrysotile asbestos, the only known type of the mineral still used in America. America is slowly catching up, but the government still allows many of the substances that the EU classifies as potentially harmful.

If confirmed as health secretary, Mr Kennedy hopes to change this. But though some of his goals for the health of food, soil and water may be salutary, Mr Trump—no fan of environmental regulation—may be much less willing to restrict the use of pesticides or limit pollution by industry, agriculture or cars. Mr Kennedy's room for manoeuvre will be limited.■

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Obituary

- **John Kinsel used his own language to fool the Japanese**

The never-broken code :: One of the last Navajo code-talkers died on October 19th, aged 107

The never-broken code

John Kinsel used his own language to fool the Japanese

One of the last Navajo code-talkers died on October 19th, aged 107

Dec 05, 2024 03:44 PM



ON THE DAY John Kinsel came back from the second world war, his mother immediately called in the medicine man. It was not to treat his leg, though it had been broken in Iwo Jima, and on that leg he had walked the last seven miles over the Arizona mountains to Lukachukai and his family, lugging a suitcase so full of hard-to-get cigarettes that he had bound it up with rope. The medicine man was needed to re-initiate him into his community and tribe. To make him a Navajo again.

That night everyone gathered for the Enemy Way ceremony. The same ceremony had been performed when he left to join the Marines, to make

sure he returned in one piece. It had worked, so that when the rocks exploded in Iwo Jima they largely missed him, and when malaria got him like a punch in the stomach on Guadalcanal, he didn't die. This time the prayers and dances, and the killing of the Monster by the Warrior, were a powerful disinfecting. They would drive out the memory of being under mortar fire in open rice paddies, and of all the shattered corpses he had seen and, worse, smelled. The ghosts would be laid, and he would walk the Pollen Path of purity once more.

Yet compared to most of the others who fought in the Pacific, he felt he had an easy war. While they faced death on the front line he was in the rear, sending coded messages by radio. Though he went through basic training with the other boots at Camp Elliott, for much of the time after it he and his colleagues were sitting comfortably, memorising words and tossing metaphors to each other. What did a grenade remind them of? Potatoes. An amphibious vehicle? Perhaps a frog. A dive bomber? Obviously a chicken hawk. How would they think of December? Crusted snow.

The trick, which outfoxed the enemy completely, was then to turn those metaphors into Navajo. The Japanese were good code-breakers, but not this time. The Navajo language was unwritten, tonal and fiendishly complicated. And that was precisely why the Marines were so glad to have him, when he spontaneously volunteered after meeting two Marines on the road. A first cohort of 29 code-talkers (or windtalkers, as they called themselves) had arrived at Camp Elliott in May 1942 and drawn up a list of 211 words. Mr Kinsel and 25 comrades, who came a few months later, added 200 more. Not all used metaphor: some were happy chance, such as "two star" for a major-general. Others, such as "train" and "unit" were straight translations into Navajo. "Train" was *coh-nai-ali-bahn-si*: no need to stretch that any further.

Learning the code-lists wasn't difficult, he thought. If you got a puppy dog you gave it a name, and each time you saw it, you remembered. His serial number, the same. For him, the English words were much harder. His early childhood was spent herding sheep and goats up in the canyons and red mesas, with only Navajo in his world. School came late, and was tough and indifferent; from government boarding school he remembered only cold,

hunger, the thin ration of oatmeal they got for breakfast and the military outfits, with peaked caps, they had to wear on Sundays. At 12 he could still speak no more in English than one, two, three, four, five, yes and no. At Catholic school later he picked up English from hymns, but all his life he struggled in it. In Navajo, naturally, he soared. His real, Navajo, name, as opposed to the English one he was given at school, meant a leader who talked a lot. A great name for a radio man.

He was especially proud of three code-words he had helped with. One was “turtle”, for a tank, after their slow, tottering pace and the armour on their backs. The second was “bird carriers” for aircraft in general. The third, his own creation, was “rabbit trail”, for route. That metaphor came naturally after all his days in the mountains, noting how after a snowfall or sandstorm the rabbits hopped out and went this way, that way, leaving tracks. From his home in Lukachukai he could see a far white path, a creature-trail, threading through the rocks. So: rabbit trail. It was as vivid as the cipher for code itself, which was “peck”: the jerking jab of a hen on grains, or a human on a keyboard.

In general, though, he did not talk about his own doings. There was no “I” in his war, only “we”: the Navajo code-devisers and radio crews. That was the Navajo way: community, tribe, rather than self, an ethic underscored by being in the Marines. They kept close. Most of them had their eagle feathers for protection and their pipes for tobacco, or stronger stuff. They wished aloud for sweat lodges, and he was once part of a group that scrounged flour, lard, salt and a pan to make frybread. But, most important at this point, they were all doing the same job, taking messages from commanding officers, translating into cipher, and broadcasting to the battalions—or the reverse. Most days they did “jump-offs”, giving the time when the front lines would move. Each message could usually be turned to code and sent within 30 seconds.

Code-talkers therefore did much to win the war, though he did not vaunt himself. When he got home he built a log cabin near the place where he was born, using logs gathered in the forest. It had no electricity or running water, but looked out on the red mesas and a good shade tree. His work for the Bureau of Indian Affairs rewarded him well enough, though his Purple

Heart for Iwo Jima took more than four decades to arrive. His one concession to pride was his official Navajo Code-Talkers uniform, which he wore as often as he could and explained in careful detail. Red cap, the Marine Corps. Gold shirt, the sacred corn pollen, or life. Turquoise necklace, his own warrior identity. Right-arm patch, an eagle feather and the special Navajo colours, white, black, blue and yellow, to protect him. Light brown pants, the spirit of Mother Earth. And dark socks, representing Night.

He had left his people, but returned as their hero. As the Enemy Way prayer ended, *Bik'eh hózhó*: “It is finished in beauty.” ■

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