

The Weekly Digest

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THE WORLD THIS WEEK

Politics

Donald Trump announced America would rebuild Venezuela profitably after removing President Nicolás Maduro, with Energy Secretary Chris Wright suggesting indefinite American control of Venezuela's oil. Mr. Maduro was captured by American special forces and taken to New York to face narco-terrorism charges, following bombings of Venezuelan military installations. Delcy Rodríguez, Mr. Maduro's vice-president, was sworn in as interim president, facing warnings of further strikes if uncooperative. The U.S. coastguard seized Russian-flagged oil tankers aiding Venezuela, embarrassing Russia. Mexico's President Claudia Sheinbaum criticized the intervention but pledged

The Weekly Digest

security cooperation, as Mexico's oil exports to Cuba became a point of contention with Washington. The White House also explored acquiring Greenland, alarming European leaders.

Business

Oil prices initially rose after the Venezuela intervention but stabilized around \$60 a barrel, with American oil companies reportedly wary of investing despite the country's vast reserves. Chevron is reportedly partnering with Quantum Capital to acquire Lukoil's international assets, which the Russian company was forced to sell due to American sanctions. The OECD finalized changes to the global 15% minimum corporate tax, exempting American multinationals by recognizing their existing 12.6% minimum tax on foreign profits. Tesla lost its top EV seller spot to BYD in 2025, as the Chinese company rapidly expanded, particularly in Europe and Britain. Stock markets globally had a strong start to 2026, continuing a good run from 2025, with Britain's FTSE

The Weekly Digest

100 surpassing 10,000 for the first time.

The weekly cartoon

No significant coverage this issue.

LEADERS

In Donald Trump's world, the strong take what they can

That will be bad for America?and everyone else

Donald Trump's dramatic military seizure of Venezuela's dictator, Nicolás Maduro, underscores a "Donroe doctrine" focused on raw power and resource acquisition rather than democracy or human rights. This act, while a display of American hard power, highlights its limits, as Maduro's repressive machinery remains. Trump's disregard for international law and sovereignty,

The Weekly Digest

exemplified by threats against other Latin American nations and Greenland, could undermine U.S. alliances and pave the way for a more aggressive, 19th-century-style world order armed with 21st-century weapons. The pursuit of Venezuela's oil for American profit, while dismissing democratic leaders, risks weakening the U.S. in the long run by replacing universal values with brazen might.

Do not mistake a resilient global economy for populist success

Protectionism is failing to revive manufacturing

Despite pessimistic forecasts, the global economy has shown resilience, with growth often exceeding expectations, which populists attribute to their protectionist policies. However, industrial policies and tariffs, particularly Donald Trump's, have largely failed to halt the decline of manufacturing jobs, which continue to shrink as a share of the workforce globally. In

The Weekly Digest

America, the manufacturing sector has contracted, with falling construction spending and payrolls, and artificial intelligence threatens to further automate factory jobs, making them even scarcer. While China's manufacturing thrives with state backing, this creates overcapacity and deflationary pressures. The global economy's resilience is attributed to the adaptive power of markets and private sector innovation, not the success of protectionism, which is merely being coped with.

Does Japan have a ?foreigner problem??

Yes?but it is not what populist politicians say it is

Japan is currently consumed by a "foreigner problem" narrative, driven by populist politicians who blame immigrants and tourists for economic woes and cultural shifts. This has led to calls for tighter controls on foreign residents, taxes on tourists, and property restrictions. However, the true problem is Japan's demographic decline, necessitating more, not fewer, foreign workers

The Weekly Digest

to sustain growth and traditions. While some concerns like over-tourism in specific areas are valid, broader fears are overstated given foreigners constitute only 3% of the population. Instead of vilifying outsiders, Japan needs an immigration system that attracts skilled workers, integrates them, and leverages tourism more effectively across its diverse regions to address underlying economic challenges.

AI is transforming the pharma industry for the better

It is changing the way drugs are discovered and tested

Artificial intelligence, particularly generative AI, is rapidly transforming the pharmaceutical industry, offering solutions to the notoriously expensive and failure-prone drug development process. AI tools can identify promising target proteins, suggest novel molecules, predict potency and toxicity, and analyze health records to find suitable trial patients. Early signs

The Weekly Digest

are positive, with AI-designed molecules showing 80-90% success rates in early-stage safety trials, significantly higher than the historical average. This technology is leading to a new generation of AI-native biotech startups, increased alliances between pharma and tech giants, and could eventually shift some drug discovery value to tech firms. As AI makes drug discovery more efficient, governments will need to adapt regulations, encourage data sharing, and potentially rethink patent terms to ensure broad societal benefit.

France is paralysed, and everyone is to blame

The budgetary impasse is just one symptom of collective political uselessness

France is currently in a state of political paralysis, evident in its failure to pass a budget for 2026, mirroring its previous year's struggles, with a deficit exceeding 5% of GDP. President Emmanuel Macron is a lame duck at

The Weekly Digest

home, leading a centrist minority coalition incapable of passing significant reforms due to a fragmented opposition that revels in his impotence. This budgetary impasse is further complicated by concessions, such as freezing pension reforms to gain Socialist support, undermining Macron's supply-side economic agenda. The article attributes blame to all major political actors?extremist parties, Socialists, Republicans, and even voters?for contributing to a dismal spectacle at a critical time when France needs to address defense spending and economic competition amidst high debt.

LETTERS

Was our review of the ?Wealth of Nations? at 250 uncharitable?

A selection of correspondence :: Also this week, populism, translating the Bible, cats, business hotels,

The Weekly Digest

Brigitte Bardot

Readers respond to a review of Adam Smith's "Wealth of Nations," with some defending Smith's genius in synthesizing economic observations and the enduring influence of his ideas. Correspondents highlight Smith's conceptual breakthrough in defining national wealth by consumption, not gold, and emphasize the complementary nature of "Wealth of Nations" and "Theory of Moral Sentiments." Other letters discuss the pitfalls of proportional representation and the economic roots of populism, express concern about AI's use in Bible translation, and offer humorous critiques of cat behavior and business hotel showers. The section concludes with a reader's recollection of a memorable Brigitte Bardot movie tagline.

BY INVITATION

The Weekly Digest

Peace and prosperity in Venezuela will come from democracy, not oil, writes Ricardo Hausmann

America to decapitated regime: carry on :: Wishing otherwise, as Donald Trump does, is delusional

Ricardo Hausmann argues that while the removal of Nicolás Maduro brought fleeting hope to Venezuelans, Donald Trump's subsequent claim to "run" Venezuela and focus on oil, while sidelining democratic opposition, is delusional and undermines long-term peace. Prosperity in Venezuela, he asserts, hinges on restoring rights, democracy, and the rule of law, not just oil exports or American benevolence. Foreign investment in Venezuela's oil industry requires legal certainty and political stability, which a non-democratic, transactional approach cannot provide. Hausmann warns that Trump's coercive foreign policy risks making Venezuela a neo-colony, fostering future conflict, and ultimately weakening the United States' global standing.

The Weekly Digest

BRIEFING

Donald Trump asserts control over Venezuela?and all the Americas

America unbridled :: But the president's claim of dominance over the western hemisphere may backfire

Following the capture of Nicolás Maduro, Venezuela's capital Caracas remains tense, with the regime's remnants digging in under interim president Delcy Rodríguez. Donald Trump declared America is "running" Venezuela, upholding the oil blockade and threatening further military action under his "Donroe doctrine" for hemispheric dominance. This intervention, while celebrated by some, has sparked mixed reactions in Venezuela and Latin America, with major regional powers condemning it. Trump's dismissal of democratic opposition leader María Corina Machado and focus on oil profits raise concerns about stability and potential

The Weekly Digest

quagmires, while his broader threats against countries like Colombia, Mexico, and Greenland risk alienating allies and pushing nations towards China.

Donald Trump chases down the shadow fleet serving Venezuela

America is determined to enforce its oil blockade

The U.S. Coast Guard seized two tankers, the *Marinera* (formerly *Bella 1*) and *M Sophia*, suspected of violating America's oil blockade on Venezuela, after a two-week pursuit across the Atlantic and Caribbean. The *Marinera*, previously sanctioned for ties to Hizbullah and known for smuggling Iranian and Venezuelan oil, had attempted to evade capture by changing its name and flying a Russian flag. These raids, following Nicolás Maduro's abduction, signal America's determination to pressure Venezuela's new regime and assert control over its oil exports, though they have had minimal impact on global oil markets. President Trump stated America would

The Weekly Digest

market Venezuelan oil "indefinitely," with proceeds controlled by the U.S. government.

UNITED STATES

Nicolás Maduro is unlikely to beat his rap

He has credible legal defences but diplomacy may be his best shot

Nicolás Maduro and his wife, Cilia Flores, are awaiting trial in New York on drug-trafficking charges, stemming from a 2020 indictment. Despite potential defenses regarding his capture's legality and his former head-of-state immunity, American courts are unlikely to dismiss the case on these grounds. Prosecutors have a strong record in narco cases, relying on cooperating insiders and other evidence to tie Maduro to cocaine smuggling. His best chance lies in diplomacy or his

The Weekly Digest

lawyers exploiting New Yorkers' antipathy towards President Trump's politicized use of the law to achieve a hung jury, as the case offers significant diplomatic leverage for the U.S.

Venezuelan immigrants in America are trapped in policy purgatory

In Florida Nicolás Maduro's arrest brings cheers and chills

Venezuelan exiles in Doral, Florida, celebrated Nicolás Maduro's capture, yet face precarious immigration status due to Donald Trump's hardline policies, including the revocation of Temporary Protected Status. The opposition's strategy to link Maduro to narco-trafficking appealed to Trump but also fueled his anti-immigrant agenda. With Trump seemingly normalizing relations with Maduro's second-in-command, deportations could intensify, making return home even more dangerous for Venezuelans. This situation creates a divide between

The Weekly Digest

established, politically active exiles and recent, working-class arrivals, highlighting the contradictions of Trump's foreign and domestic policies.

America's most novel train project is too deadly

The government may be more responsible than the operator

Brightline, Florida's private passenger train, offers luxurious travel but is alarmingly deadly, with over 180 fatalities since 2018, primarily involving trespassers. Despite Brightline's \$230m investment in crossing upgrades and efforts to alert drivers, its death toll is significantly higher than Amtrak's and international railways. The high number of incidents is attributed to Americans' disregard for railway safety and the ease of accessing tracks on outdated infrastructure, with many crossings lacking sufficient barriers. Local politicians resist closing convenient crossings, and the state of

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Florida has largely avoided responsibility, prioritizing cost over safety.

What John Thune is for

The Republican majority leader in the Senate is under pressure

Senator John Thune, the Republican majority leader, is attempting to uphold traditional Reaganite conservatism within a Republican Party increasingly shaped by Donald Trump. As Mitch McConnell's successor, Thune has largely mirrored his playbook, integrating Trump's legislative agenda with conservative principles while largely remaining silent on the president's more extreme policies. Despite navigating a challenging caucus and the mercurial Trump successfully, Thune faces pressure to assert the Senate's independence against presidential power grabs, particularly concerning the use of the filibuster and military actions without congressional notification. His long-game strategy, much like

The Weekly Digest

McConnell's, faces the challenge of a president determined to govern without Senate input.

The radical honesty of Donald Trump

Lexington :: Why the world will miss hypocrisy in American foreign policy

Donald Trump's "radical honesty" about pursuing naked self-interest in foreign policy, exemplified by his claim to Venezuela's oil post-Maduro's capture, strips away the traditional American pretense of universal values like democracy and human rights. This approach, while consistent with his "America First" slogan as aggressive pursuit of national interest, renders him immune to charges of hypocrisy but undermines international law and alliances. By explicitly asserting American dominance and commercial pre-eminence through the "Donroe doctrine," Trump risks a return to a dangerous 19th-century world order. Critics warn that abandoning the "enlightened self-interest" of post-WWII American

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foreign policy, which veiled realpolitik with appeals to virtue, will ultimately make America and the world less safe and prosperous.

THE AMERICAS

The White House weighs how to acquire Greenland

Who's next? :: Leaders in Greenland and Denmark are in shock. Is the president serious?

Donald Trump's renewed interest in acquiring Greenland, following the Venezuela intervention, has shocked leaders in Greenland, Denmark, and Europe, who are now taking his threats seriously. Trump and his advisors cite national security, resource access, and American dominance in the Arctic as reasons, with some suggesting military force as an option. The Trump

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administration appears to be pursuing a two-pronged strategy: cultivating Greenland's independence movement to sow division with Denmark, and attempting to negotiate a "Compact of Free Association" directly with the island. European leaders have reaffirmed support for Danish sovereignty and raised concerns about NATO's future, as Trump's actions underscore a broader anti-European sentiment.

Canada's armed forces are planning for threats from America

Look nervously south :: They started rebuilding in 2025, before Donald Trump's most recent bid for hemispheric dominance

Canada is undertaking a significant rebuild of its armed forces and exploring a civilian-defence force, in part due to changing relations with the U.S. under Donald Trump. While an American invasion remains unthinkable, Trump's rhetorical and economic assaults, coupled with

The Weekly Digest

the Venezuela intervention and talk of acquiring Greenland by force, have pushed Canada to prepare for autonomous defense. The Department of National Defence is gaming out scenarios, including surges of migrants and cyber-attacks, and is studying Finland's comprehensive civil defense model. Canada plans to dramatically increase defense spending to 5% of GDP by 2035, aiming to defend its vast territory and Arctic waters against various threats, including the newly acknowledged possibility of incursions by America.

ASIA

Why is Japan souring on foreign workers and tourists?

Oh deer :: It is a dangerous attitude for an ageing country that needs more immigrants

The Weekly Digest

Japan's ancient capital, Nara, has become an unlikely focal point for a populist narrative blaming foreign tourists for misbehavior and economic struggles, exemplified by Prime Minister Takaichi Sanae's unverified claims of tourists kicking sacred deer. This "foreigner problem" sentiment, fueled by the rise in foreign residents and tourists and fears of property acquisition, is leading the LDP to consider tightening controls. Despite foreign residents making up only 3% of the population (compared to an OECD average of 15%), and tourism being a vital export, the government's disjointed immigration messaging has allowed populists to frame immigration as a "silent invasion." Critics warn this anti-foreigner stance is misguided for an aging country critically dependent on foreign labor and tourism.

Can Thailand rein in its ?mafia monks??

A holy mess :: Lurid scandals have rocked the country?s powerful Buddhist institutions

The Weekly Digest

Thailand's Buddhist institutions faced a year of unprecedented scandals in 2025, including abbots diverting funds, extortion rackets targeting senior monks, and police raids leading to 181 arrests for various crimes. These incidents are embarrassing for Thai Buddhists and politically salient, as the monarch is constitutionally bound to protect the religion. The king, who has taken increased interest in Buddhist affairs, is believed to be a driving force behind the crackdown. New rules for financial reporting and penalties for misbehaving monks have been introduced, but critics question their effectiveness given existing enforcement issues and the reluctance to expose misdeeds among powerful lay elites who cultivate relationships with influential monks.

Ethnic conflict festers on India's eastern frontier

A state divided :: Manipur is a warning for the rest of the country

The Weekly Digest

Manipur, an Indian state, remains ethnically divided and tense nearly three years after violence between the Meitei and Kuki communities killed hundreds and displaced tens of thousands. Military checkpoints maintain calm, but also hinder reconciliation and development. The conflict, ostensibly over special rights, has left 50,000 people in squalid refugee camps, with Kukis demanding a semi-autonomous territory. Both communities blame the ruling Bharatiya Janata Party (BJP) for its slow and ineffective response, leading to a political price in the 2024 general election. The crisis serves as a stark warning about the dangers of identity politics and the potential for long-standing insurgencies to resurface.

The teenage girl who may rule North Korea

Banyan :: Even her name is a matter of debate

Kim Jong Un's daughter, believed to be in her early teens and often referred to as Kim Ju Ae, has made

The Weekly Digest

increasingly frequent public appearances alongside her father, fueling speculation that she is being groomed as his successor. Her presence at military events and diplomatic meetings, often depicted with symbols of the Kim dynasty, is meant to lend her authority. South Korean officials now consider her the most likely heir. However, questions remain about whether patriarchal North Korea would accept a female leader, and if her lineage through the male line would pose a future vulnerability. The early succession planning is seen as a lesson from Kim Jong Un's own turbulent rise to power.

CHINA

It's not just China's total population that's falling

The number of people in China's towns and cities is in decline

The Weekly Digest

China's urban population, often touted as a source of economic might, has already peaked according to an internationally consistent United Nations standard, despite official statistics projecting continued growth. While China's official definition includes more people and boasts an urbanization rate of 67%, the UN's method, which defines urban areas by density and population size, shows China's urbanity at 83.7% and declining since 2021. This higher baseline implies less room for future urban growth and threatens the struggling property market, which relies on continued urbanization. The decline also means India surpassed China in urban population in 2022.

China and Taiwan both see lessons in America's raid on Venezuela

It won't change China's calculus but is a case study for ?decapitation? strikes

America's raid to capture Venezuela's leader, Nicolás

The Weekly Digest

Maduro, has sparked discussion in China and Taiwan about its potential as a template for a Chinese attack on Taiwan. While China condemned the raid, its primary concern regarding Taiwan is military feasibility, not international law, and it has long planned "decapitation" strikes against Taiwan's leadership. The PLA has built mock-ups of Taiwan's presidential palace for practice and included such drills in recent exercises. Taiwan, in turn, is scrutinizing the raid for insights into strengthening its defenses, particularly the apparent failure of Venezuela's Chinese-made JY-27 radars. Ultimately, the operation highlights the Trump administration's willingness to use force, which could deter or encourage China depending on America's subsequent regional engagements.

America's raid on Venezuela reveals the limits of China's reach

Chaguan :: It is not a template for Taiwan but a reality check on China's global power

The Weekly Digest

America's raid on Venezuela, capturing its leader Nicolás Maduro shortly after Chinese diplomats met him, exposed the limits of China's global power and its rhetorical support for allies. Despite providing substantial loans, infrastructure investment, and being a key buyer of Venezuelan oil defying U.S. sanctions, China's "all-weather" partnership proved largely rhetorical when military force was applied. The intervention serves as a reality check for China's self-image as a global player and its ambition for multipolarity, particularly in the western hemisphere where the "Trump corollary" explicitly aims to deny "non-hemispheric competitors" influence. This has led some Chinese thinkers to advocate for recalibrating policy in Latin America, emphasizing trade over strategic investment to avoid direct confrontation with America.

The Weekly Digest

MIDDLE EAST & AFRICA

With protests at home and threats abroad, Iran's regime looks rattled

Watching Maduro in Tehran :: America's raid in Venezuela has some officials in Tehran wondering if their country will be next

Iran's regime is rattled by widespread protests, initiated by striking electronics vendors and bazaar merchants, reflecting deep economic bankruptcy and public anger. These protests, though not yet a nationwide uprising, are more concerning due to the regime's literal and figurative insolvency, coupled with external threats from Israel and particularly Donald Trump. Trump's social media warning of intervention to rescue peaceful protesters, followed by the American commando raid in Venezuela, has prompted debate within the Iranian regime about the possibility of similar foreign intervention or even

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sacrificing the supreme leader to save the system, with some discussing a "Bonaparte" figure like parliamentary speaker Mohammad Bagher Qalibaf.

Saudi Arabia has its first boozy new year?sort of

Holiday cheer in the birthplace of Muhammad :: Who exactly is allowed to get sloshed?

Saudi Arabia, dry since the 1950s, quietly expanded access to alcohol for premium visa holders and high-earning expats through a discreet liquor store in Riyadh. While prices are high compared to Western markets, they are significantly lower than the black market. The new policy, however, is marked by ambiguity, leaving questions about the legality of sharing alcohol with lower-paid colleagues or Muslim friends. This move is part of the kingdom's broader, confusing loosening of social strictures, where rules on "indecent clothing" are inconsistently enforced,

The Weekly Digest

reflecting a clash between conservatism and modernity also seen in other Gulf states.

Burundi is running out of space

The African Great Lakes are becoming one of the most crowded places in the world

Burundi, with 14m people in an area the size of Wales, exemplifies Africa's growing population pressure, particularly in the crowded Great Lakes region. Despite being traditionally considered rural, Africapolis research suggests 78% of Burundians are already "urban" by a denser definition, hinting at an "in-between" future that is neither fully country nor town. The core challenge is food security; land scarcity, poor soil, and limited fertilizer access lead to rising food insecurity and child stunting. While some farmers innovate, many struggle with tiny plots. Though the government aims to reduce fertility rates, it requires significant investment in education and healthcare.

The Weekly Digest

The Museveni era is nearing its end

But it is time, not elections, that Uganda's president most fears

Uganda's President Yoweri Museveni, in power for 40 years, is poised to win his seventh term in an election critics call a "war" due to widespread repression of opposition figures like Bobi Wine. Despite expected victory, Museveni's greater fear is the passage of time; at 81, his health is declining, and his son, Muhoozi Kainerugaba, commands the army and openly angles for succession. The military's loyalty, coupled with political appointments favoring the Banyankore ethnic group, stokes resentment and raises concerns about a potentially violent power struggle after Museveni, who has maintained a "simulacrum of stability," eventually leaves office.

EUROPE

Energetic abroad, Emmanuel Macron faces a mess at home

Governing the ungovernable :: France's sorry spectacle of another year without a budget

Emmanuel Macron is ending 2025 and beginning 2026 with France unable to pass a budget, a symptom of deep political paralysis following elections that shrunk his centrist minority. Prime Minister Sébastien Lecornu is struggling to get a budget passed by January's end, having already made significant compromises, including freezing Macron's pension reform, to secure opposition support. This domestic disarray saps reformist ambition, fuels public exasperation, and benefits extreme parties, with the populist-right National Rally leader Jordan Bardella leading presidential polls. Despite Macron's dynamism in international affairs, his domestic legacy is

The Weekly Digest

increasingly defined by political gridlock, with no significant economic reforms expected in his remaining 15 months.

Ukraine now has the fortress belt it wishes it had in 2022

All along the watchtower :: But American-led peace proposals threaten to hand it to Russia

Ukraine has constructed extensive defensive lines in the Donbas, a "fortress belt" of razor wire, anti-tank ditches, and mines, designed to protect cities like Sloviansk and Kramatorsk from Russian advances. However, American-led peace proposals are being discussed that could threaten to hand over part of Donetsk, including this fortified region, to Russia or declare it a "neutral demilitarised buffer zone." Ukrainians fear this could allow Russia to bypass their defenses and continue its invasion, potentially leading to the fall of more cities. The conflicting messages of defense and potential

The Weekly Digest

handover are confusing locals, who have already witnessed significant territorial losses and escalating drone attacks.

Kosovo's election shows its democracy is solid

Not bad for a beginner :: Albin Kurti's win improves relations with the EU, though not with Serbia

Kosovo held its tenth parliamentary election, resulting in a decisive win for Prime Minister Albin Kurti, whose Self-Determination party secured 51% of the vote. This strong mandate is expected to facilitate a co-operation agreement with the European Union and unlock ?880m in aid. Kurti, a left-wing nationalist, campaigned against corruption and has been praised for leading a cleaner government, while also standing up to Serbia, which plays well politically. However, his anti-Serbian stance, coupled with Serbia's refusal to recognize Kosovo's independence, continues to hinder Kosovo's UN

The Weekly Digest

membership and deters investment, maintaining a strained relationship that prevents both countries from fully thriving in their EU aspirations.

A Russian drone has revived a Ukrainian nuclear nightmare

Terrifyingly leaky Chernobyl :: But who is prepared to pour even more money into making the country safe?

A Russian drone attack last February created a hole in the Chernobyl nuclear power plant's New Safe Confinement (NSC) dome, built at a cost of \$1.6bn to contain radiation for a century. The damage, initially deemed superficial, led to a fire and necessitated cutting 300 openings, destroying parts of the airtight seal. Experts warn this could lead to corrosion, collapse of the sarcophagus, and a severe release of radioactive dust. While Ukrainian workers have patched the main hole, full restoration of the NSC's integrity requires complex resealing work, estimated to cost hundreds of millions,

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which the EBRD is struggling to fund amidst a difficult climate for aid to Ukraine.

Latvia is needlessly alienating its Russian-speakers

Shutting down Russian-language broadcasting is a gift to the Kremlin

Latvia's decision to shut down Russian-language public radio, based on a national security concept excluding Russian from the "European cultural space," is alienating a third of its population who speak Russian as their first language. Despite claims of equality, critics argue this policy forces assimilation and plays into the Kremlin's narrative, especially given LR4's anti-Kremlin stance. Latvia's historical anxieties stemming from Soviet occupation and Russianization are acute, but its actions, including banning Russian nationals from critical infrastructure jobs and imposing higher taxes on Russian-language media, are leading to rising political

The Weekly Digest

apathy and self-censorship among Russian speakers, prompting some to consider leaving.

Why Europe is rediscovering the virtues of cash

Charlemagne :: In a world of payment apps and digital euros, the coin is staging a modest comeback

Europe, particularly its northern parts, has seen a significant decline in cash usage, with digital payments becoming the norm, driven by convenience and political pushes to combat undeclared income. However, authorities are now backtracking, with the EU affirming that paper money should be accepted everywhere and member states reiterating desires to ban businesses from refusing notes and coins. This shift is motivated by concerns for the digitally averse elderly and poor, and, more recently, by the resilience of payment systems, as power cuts and geopolitical threats highlight cash's reliability when digital systems fail. Countries like

The Weekly Digest

Sweden now advise citizens to keep cash reserves.

BRITAIN

State capacity is the issue of the age

Just-do-it politics :: The Labour Party and its rivals agree on much about what is wrong with government

Britain faces a "politics of can't," a widespread sense that the state is ineffective, leading to a surprising consensus among Labour, Tories, and Reform UK on the need for stronger, faster, politically charged government. Prime Minister Sir Keir Starmer, frustrated by bureaucratic "checkers and blockers," seeks to streamline government and remove regulations, echoing Boris Johnson's desire to "rebalance" the constitution. Reform UK promises a drastic cull of civil servants and quangos to ensure the state "obeys the will of the people." This centralizing

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vision breaks from decades of decentralization but risks shallow reforms, as Starmer's frustration with government is seen as a symptom, not a solution, for fixing the state's entrenched problems.

Hope springs eternal for Sir Keir Starmer

Turning a corner? :: The latest reading from our Starmer tracker

Sir Keir Starmer hopes Britain will "turn a corner" this year, following a bruising first full calendar year in office where his government struggled with conviction and backed down on policies. The Economist's poll tracker shows Labour's public support at a record low of 17%, with the government flatlining on key metrics. While household utility bills have fallen due to global energy prices, housebuilding is at a ten-year low, and progress on NHS waiting lists is marginal. Efforts to curb small boat crossings have also failed, with a 13% increase in 2025. Starmer's government will need more

The Weekly Digest

than a New Year's reset to revive its fortunes and meet its ambitious 2029 goals.

Happy birthday to the contributory old-age pension!

Welfare past and present :: One hundred years ago, Britain changed for good

One century ago, the Widows', Orphans' and Old-Age Contributory Pensions Act marked a profound shift in Britain, establishing a contributory system that provided pensions to ordinary people aged 65, unlike the means-tested and often shameful old-age pensions. This act, coming into force this week, transformed societal perceptions, with the new pensions seen as an earned annuity rather than charity. It also began to solidify a distinction between working-age people and pensioners, leading to arguments for older individuals to stop working to free up jobs. Today, pensioners are more numerous and politically powerful, enjoying generous

The Weekly Digest

state pensions and relatively light taxation.

Why Britain's Stop the War movement is so resilient

Left standing :: Sometimes it is right, for the wrong reasons

Britain's Stop the War (STW) coalition, approaching its 25th anniversary, demonstrated its resilience by organizing a protest against Donald Trump's Venezuela intervention, drawing over 1,000 people on a cold January night. The movement, founded by ex-members of the Socialist Workers Party, maintains its anti-capitalist, anti-imperialist stance, and has often been "right" in predicting ruinous outcomes for wars in Afghanistan, Iraq, Libya, and Gaza. STW serves as an umbrella for Britain's diverse left, united by anti-war sentiment, and its "high degree of theoretical analysis" allows it to sustain activism between major mobilizations, despite sometimes excusing controversial

The Weekly Digest

leaders or viewing conflicts like Ukraine as "proxy wars."

The collapse of Britain's oil-and-gas industry

North Sea oil :: Labour's policy is a muddle. But critics' talk of a North Sea renaissance is fanciful

Britain's North Sea oil and gas industry is collapsing, with production continuously falling since its peak and the workforce shrinking dramatically. Industry leaders blame the Labour government's windfall tax, which at 78% is among the highest globally, deterring investment, and the muddled policy on exploration licenses. While critics, including populist Reform UK and the Conservative Party, advocate for pro-drilling policies citing Norway's success, the notion of a North Sea renaissance is deemed fanciful due to Britain's smaller, older fields and high break-even prices. The industry's decline is also hastened by global factors like booming

The Weekly Digest

electric car sales and a projected "superglut" of oil, leaving Labour's energy secretary, Ed Miliband, in a difficult position of presiding over its demise rather than engineering a smooth transition.

Thatcher-on-Thames

Bagehot :: Docklands is a corner of England that is forever Maggieland

East London's Docklands, particularly Canary Wharf, stands as a lasting monument to Margaret Thatcher's ideology and achievements, epitomizing unapologetic pro-growth, pro-market, and pro-capital politics. The area's transformation from derelict docks into a vibrant financial hub, facilitated by bypassing planning rules and offering business incentives, stemmed from private sector funding and minimal state intervention. This spirit is further reflected in the private funding of London City Airport. In contrast to areas like Oxford Street suffering from fragmented ownership, Canary Wharf's single

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ownership has enabled continuous regeneration and boasts significantly lower crime rates, demonstrating the virtues of private enterprise and strong management. Docklands represents a vision for Britain that is now largely absent from mainstream politics.

INTERNATIONAL

Social media are helping cults to recruit and control members

Click follow for salvation :: The internet has replaced door-to-door evangelists with online influencers

The internet has dramatically transformed cult recruitment and control, replacing traditional evangelists with online influencers and driving a sharp increase in cult activity worldwide. Cults, characterized by charismatic leaders, transformative belief systems,

The Weekly Digest

control mechanisms like isolation and surveillance, and social pressure, can now reproduce these elements online, making them harder to detect. Young people are particularly vulnerable to online manipulation, and many modern cults masquerade as wellness groups, offering promises of health, wealth, or spiritual awakening. While some groups descend into violence or financial exploitation, the legal response varies, with some countries criminalizing psychological manipulation, while others emphasize freedom of belief.

BUSINESS

The ‘ChatGPT moment’ has arrived for manufacturing

Factories of the future :: Artificial intelligence promises to transform how and where things are made

The Weekly Digest

Automation in manufacturing is poised for an inflection point, with annual robot installations and industrial automation equipment sales projected to surge in 2026 and beyond. This growth is driven by reduced interest rates, reshoring incentives, aging populations causing labor shortages, and significant advances in industrial software, particularly generative AI. Nvidia's boss declared "the ChatGPT moment for robotics is here," as AI models, trained on vast data, are helping overcome the "sim-to-real gap," allowing robots to perform complex tasks and enabling the creation of "digital twins" for efficient product and process testing. This transformation is expected to lead to more mechanized, nimble, and potentially smaller, dispersed factories, fundamentally changing manufacturing.

Germany's industrial conglomerates are breaking up to stay alive

Economic woes are accelerating a trend of divestments

The Weekly Digest

German industrial conglomerates are increasingly breaking up, shedding divisions through sales and spin-offs to enhance competitiveness amidst economic stagnation, fierce Chinese rivalry, and high costs. This trend, already observed in Siemens with the spin-off of Healthineers and its energy arm, is accelerating as companies like Thyssenkrupp and Continental narrow their focus. Siemens, now aiming to be a focused industrial-technology company, saw its share price almost double in three years post-divestments. Thyssenkrupp is restructuring remaining divisions into independent businesses, while Continental is concentrating solely on tyres. This strategy, aiming for greater transparency and capital allocation to core activities, mirrors a long-standing trend in America and reflects investor preference for specialized businesses over diversified groups.

Memory lapse

The AI frenzy is creating a big problem for consumer

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electronics

The insatiable demand for memory chips, driven by the AI frenzy, is creating a severe supply crunch and rocketing prices for an essential component in consumer electronics. AI processors' reliance on specialized high-bandwidth memory (HBM) is causing leading memory chip manufacturers (SK Hynix, Samsung, Micron) to shift production capacity towards HBM due to its high operating margins. This shift, while profitable for chipmakers, is leading to scarcity and a drastic price increase (1,360% since April 2025) for more basic DRAM chips used in smartphones and PCs. Analysts predict significant price jumps for consumer devices and potential declines in global shipments, with relief expected to be slow as new capacity takes years to come online and is largely earmarked for HBM.

Welcome to the age of the vodcast

Video killed the radio star :: Audio shows are switching

The Weekly Digest

on their cameras in search of new audiences

Podcasting, once an audio-first medium, is rapidly embracing video, driven by audience preference for platforms like YouTube, which has become the most popular podcast platform in America. This shift sees 71% of American podcasters now filming their shows to leverage YouTube's vast user base, allowing for highlight clips on social media and broader audience reach. While video increases reach, it can reduce listener engagement compared to audio-only platforms like Spotify. Television companies are also capitalizing on this trend, buying up podcasts for cheap, engaging content, with Netflix and Fox launching new podcast-to-video initiatives. This convergence is blurring the lines between podcasts and traditional TV, with talk shows featuring celebrities dominating the new video-podcast landscape, raising questions about the medium's future and editing standards.

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The problem with promotions

Bartleby :: The Peter principle is alive and well

Promotions are often problematic because they tend to reward past performance rather than select for future success, leading to the "Peter principle" where individuals are elevated to positions where they are no longer competent. Research, such as a 2018 paper on sales transactions, supports this, showing that being a good salesperson negatively predicted managerial quality. While some promotions don't require new skills, roles like management demand fresh qualities. Other issues include managers hoarding talented individuals, as shown in a German manufacturer study, and bias distorting decisions, with women often rated lower on potential despite higher performance. These factors illustrate how using a single instrument (promotion) to achieve multiple goals (reward, motivation, retention) can create organizational difficulties.

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Venezuela presents a big headache for big oil

Schumpeter :: It has been decades since the industry relished foreign-policy entanglements

Donald Trump's vision of an American oil bonanza in Venezuela, following Nicolás Maduro's capture, reflects a 20th-century approach to the oil business, but presents a major headache for modern-day supermajors. Despite Venezuela's vast reserves, the industry is unlikely to rush in due to oversupply, low crude prices, and the country's high production costs, instability, and legal risks. Companies like Chevron prioritize low-cost, low-risk projects, making Venezuela's heavy, sour crude less appealing than fields in neighboring Guyana. Trump's unilateral actions and admission of taking over Venezuela's oil have alienated oil firms, which are wary of geopolitical entanglements and prioritize shareholder returns. Reviving Venezuela's output to historical levels would require massive, risky investments and skilled

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labor, which are currently lacking, making Trump's plan economically questionable.

FINANCE & ECONOMICS

An American oil empire is a deeply flawed idea

Crude vision :: Donald Trump's ambitions are expansive. His plans are limited

Donald Trump's plan to "fix" Venezuela's oil industry post-Maduro's capture, aiming to extract wealth and ensure American supply, is deeply flawed. Venezuela's output is more likely to fall initially due to ongoing blockades and lack of dilutants. While modest recovery to 1.5m b/d is possible with smooth transition and sanctions lifted, reaching its potential requires overcoming huge funding shortages (\$110bn by 2030), a

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severe brain drain, and a saturated global market. Oil majors are wary of the instability, legal risks, and high extraction costs for Venezuela's extra-heavy crude, especially with cheaper alternatives elsewhere. Trump's uncoordinated approach and explicit imperial ambitions further deter investment, making his 20th-century oil strategy impractical in the current global energy landscape.

Venezuela's astoundingly messy debts are about to get messier

Without credit :: Oil majors, hedge funds, Chinese lenders?all have a stake

Venezuela's government debt, trading at ultra-low prices, has seen a surge in investor interest following Nicolás Maduro's capture, driven by the prospect of debt restructuring. The country owes at least \$95bn, or 115% of GDP, to private bondholders, oil companies seeking damages from nationalizations, and China. While the

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removal of Maduro unblocks negotiations for Western creditors, China, a major bilateral lender demanding oil as repayment, could complicate any restructuring. Donald Trump's focus on oil could also warp proceedings, potentially forcing direct payments to oil firms or an oil-for-debt deal. With dire finances and a lack of benefactors, Venezuela faces immense challenges in securing a viable restructuring.

America's missing manufacturing renaissance

Building gloom :: Donald Trump's tariffs have hurt the factories they were meant to protect

Donald Trump's promise of an American manufacturing renaissance through tariffs has largely failed, with the sector's contraction entering its third year and employment falling. High interest rates, largely due to robust economic growth and AI spending, hurt capital-intensive manufacturing, while Trump's tariffs

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have injected uncertainty, disrupting supply chains and contracting export orders. The one exception is computer equipment, especially semiconductors, which benefited from tariff exemptions and relaxed export controls on China. This suggests that the administration's enthusiasm for tariffs may be actively harming the very factories they were meant to protect, with further policy upheavals expected from Supreme Court rulings and trade deal reviews.

Why Europe's biggest pension funds are dumping government bonds

Yielding to temptation :: Dutch reforms will push up borrowing costs across the continent

European governments face a massive borrowing spree in 2026, with the European Central Bank simultaneously reducing its bond holdings, creating a significant need for new buyers. However, Europe's largest pension funds, particularly those in the Netherlands with ?1.9trn

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in assets, are preparing to dump long-term government bonds. This is due to a reform shifting them from "defined-benefit" to "defined-contribution" models, reducing their incentive to hold low-risk, fixed-income assets. This shift could lead to ?100bn-150bn in sales of long-dated bonds, particularly AAA-rated ones, driving up borrowing costs across Europe. Governments might be tempted to issue more short-dated debt, but this increases exposure to short-term interest rate volatility.

Vietnam's growth is fast?but fragile

Raising the bar :: The economy is unduly reliant on a handful of conglomerates

Vietnam is embarking on an ambitious reform drive with massive infrastructure spending, aiming for sky-high growth targets, including 10% this year. This investment, funded by rising tax revenues, has spurred the economy, reflected in a 37% stock market rise last year and an upgrade to emerging market status. However, this

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growth is fragile, as three "Vin" stocks—Vingroup, Vinhomes, and Vincom Retail—accounted for nearly three-quarters of the stock market's gains. The infrastructure push is top-heavy, relying on a few well-connected conglomerates, mirroring a South Korean "chaebol" model. Vietnam's reliance on a handful of firms, some of which are hesitant to take risks without state backing, makes its impressive economic growth vulnerable to their whims.

Is it better to rent or buy?

Much depends on long-term interest rates

Renting has become a better financial deal than buying in many rich-world locations since interest rates surged in 2022, reversing a trend from the era of ultra-low rates. While house prices have stagnated or fallen, the monthly cost of buying often exceeds renting significantly, particularly in large American cities. The author argues that much depends on the future of long-term interest

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rates, which remain "worryingly sticky." Additionally, renter-friendly regulations sweeping the West, making it harder for landlords to evict and allowing rent challenges, further tip the financial calculation in favor of tenants. For emotionless residents, renting currently remains the superior option without substantial shifts in house prices, interest rates, or rents.

What ?Pluribus? reveals about economics

Free exchange :: A hit Apple TV show offers useful lessons

Apple TV's "Pluribus" depicts a hive mind, the "Joined," whose members cannot lie and share all thoughts, offering insights into economic theory. The show illustrates the hidden complexity of everyday economic life, like restocking a supermarket without traditional market mechanisms. The "Joined" operate on a Marxian principle of "from each according to his abilities, to each according to his needs," with no need for private

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property or money. While solving the Hayekian problem of tacit knowledge, the absence of true rivalry limits progress, as they cannot benefit from the blinkered, eccentric conviction of capitalist entrepreneurs. The show, which models an entire population as a "representative agent," highlights the tradeoffs between efficiency and the progress driven by individual defiance of collective wisdom.

SCIENCE & TECHNOLOGY

An AI revolution in drugmaking is under way

Pharmaceuticals :: It will transform how medicines are created?and the industry itself

Artificial intelligence is driving a revolution in drugmaking, promising to transform how medicines are

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discovered and developed. Researchers like Patrick Schwab at GSK are using AI tools like Phenformer to read genomes and generate novel hypotheses about diseases, shifting drug design from traditional labs to in silico methods. Biotech firms like Insilico Medicine are using transformer models to invent new drugs, significantly cutting preclinical development times and improving success rates in early-stage safety trials (80-90% compared to 40-65%). AI also enhances drug discovery by rapidly screening molecules and improving trial design through AI "agents" and synthetic patients, which can reduce trial sizes and costs. The technology has the potential to dramatically increase the number of successful drugs reaching the market, raising questions about the future competitive landscape between conventional pharma and AI firms.

Real flying saucers

Spaceflight :: The latest satellites are flat and circular

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Engineers at the Aerospace Corporation are developing a new satellite design called DiskSat, a flat and circular alternative to the industry-standard CubeSats, to address power limitations. The first four DiskSats, each a meter across and 2.5 cm thick, were launched in December 2025. Their design offers a higher surface-area-to-volume ratio for more solar cells and larger aerals, and their shape allows them to fly edge-first to minimize atmospheric drag in low orbits. The plan is to test two DiskSats in very-low-Earth orbit, below 300km, which offers a better view of Earth's surface, suggesting that spying applications are a primary interest for the mission's sponsor, America's Space Force.

A way to expand Earth's arable land

Terraforming :: Make the semi-desert bloom by enridging it

Moshe Alamaro, a prolific inventor, proposes a simple

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yet potentially transformative method to expand Earth's arable land by reshaping semi-arid landscapes into east-west ridges. The idea exploits the angle of the sun's rays: by creating broad, shallow slopes facing away from the sun, these areas retain more moisture, allowing crops to grow. Alamaro, in partnership with Renato Morbidelli, is launching field trials in Italy and Kenya to determine the cost and optimal design for these "enridged" landscapes. If successful, this method could convert a significant portion of Earth's semi-arid regions (15% of terrestrial surface) into valuable arable land, offering a cheap work-around to the scarcity of new land.

Where should predators hang out if there are no watering holes?

Predation tactics :: Salt licks are a good option

In rainforests, where water is abundant and watering holes are not focal points for prey, predators adapt their

The Weekly Digest

hunting strategies. Research by Sam Pottie using camera traps in Peru's rainforests reveals that salt licks serve as effective ambush points for predators. Various herbivores, from deer to tapirs, visit these salt-rich rock outcrops to supplement their mineral intake. Predators such as tree boas, dwarf caimans, jaguars, and ocelots exploit these gatherings, successfully snatching bats, peccaries, and monkeys. This work demonstrates that salt licks function as vital larders for rainforest predators, similar to how watering holes operate in savannahs, providing new insights into wildlife behavior.

Can high-intensity interval training get you fit in a hurry?

Well informed :: Yes, but be prepared to suffer

High-intensity interval training (HIIT) offers a time-efficient method to achieve fitness, requiring only minutes of work per week. Pioneered by Tabata Izumi's 1996 study, which showed superior aerobic fitness gains

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compared to conventional cardio, HIIT involves short bursts of maximal effort followed by brief rests. This intense workout stresses all three of the body's main energy systems, boosting both aerobic and anaerobic fitness, but can induce severe discomfort, including nausea. Modern HIIT programs, however, often dial back Dr. Tabata's original extreme intensity to make them more manageable and encourage adherence. While effective, participants should be prepared for a demanding physical experience.

CULTURE

Do self-congratulating celebrities need more plaudits?

Plodcasts :: The Golden Globes honour podcasts where stars praise each other

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The Golden Globes are introducing a new award for Best Podcast, reflecting the medium's integration into the celebrity circuit and its increasing visual presence on platforms like YouTube. However, the six shortlisted nominees, predominantly interview shows featuring famous actors and self-help gurus, raise concerns about the podcasting genre's evolution. Critics argue that the selection process, based on popularity rather than artistic merit, ignores deeply reported and inventively designed narrative podcasts. These "plodcasts," characterized by loose editing and extensive celebrity self-congratulation, are cheap to produce and popular for "parasocial" entertainment, but their proliferation risks swallowing the medium's rich potential and leading to a dull conformity in content.

Six books to read about Venezuela

The Economist reads :: They explain the country's slide from democracy to dictatorship

The Weekly Digest

This selection of six books provides insights into Venezuela's tragic slide from a model 1960s-70s democracy to its current dictatorship under Nicolás Maduro, following the oil price crash. The list covers Hugo Chávez's charismatic rise and nationalist revolution, the economic and political failings that enabled it, and Maduro's exacerbation of a rotting system marked by repression and corruption. Titles like "Comandante" and "The Silence and the Scorpion" offer compelling portraits and crucial turning points, while "Authoritarian Consolidation in Times of Crisis" brings the story nearly up to date, setting the stage for future accounts of Maduro's recent capture.

Spore of the moment: mushrooms are the latest wellness-food trend

World in a dish :: They are being mixed into coffee, cocktails and chocolate

"Adaptogenic" and "nootropic" mushrooms like

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Cordyceps, reishi, maitake, shiitake, and lion's mane are experiencing a surge in popularity as the latest wellness-food trend, with claims of boosting energy, calming stress, improving heart health, and enhancing brain power. Products such as mushroom coffee, chocolates, and mocktails are readily available, appealing particularly to health-conscious young people. However, scientific research offers a more skeptical view, with experts like Professor Nicholas Money noting a lack of clinical evidence for these advertised effects in humans, despite promising lab or animal studies. Consumers are advised to enjoy these mushrooms for culinary purposes rather than relying on unproven medicinal claims.

The lessons of the terrorist violence of the 1970s

Killing (and dying) for a cause :: A new book offers an engrossing chronicle of a tumultuous period

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Jason Burke's "The Revolutionists" chronicles the turbulent era of terrorist violence from the late 1960s to early 1980s, focusing on groups like the PFLP, Red Army Faction, and Red Brigades. The book highlights the shift from largely political motivations of groups like the PLO, which used hijackings and assassinations to draw attention to causes like the Palestinian plight, to the rise of violent Islamism after the Iranian revolution. Burke details how early governmental feebleness in confronting terrorism eventually led to the development of special forces and more aggressive counter-terrorism tactics, exemplified by Israeli and German rescue operations. The book is enriched by vivid character portraits of figures like Leila Khaled, Andreas Baader, Ali Hassan Salameh, and the notorious Carlos the Jackal, illustrating their complex motivations and brutal actions.

The ice-cool hero of ?The Night Manager? saunters to the rescue

Back Story :: John le Carré's enthralling character saves

The Weekly Digest

the show's shaky second season

The second season of "The Night Manager" brings back John le Carré's enigmatic protagonist, Jonathan Pine (played by Tom Hiddleston), a British ex-soldier and hotelier entangled in a world of espionage and arms dealing. Untethered from the original novel, this new adventure, though sometimes lacking the original's bite, is salvaged by Pine's captivating character. Pine, despite his outward coolness and charm, is a complex figure haunted by past loves and deeds, possessing a sentimental streak and a strong moral compass. His ability to suppress his inner turmoil behind a "hotelier's smile" and his inscrutable nature make him an enduring character, showing that some great characters last not because they are fully known, but because they remain opaque.

The Weekly Digest

ECONOMIC & FINANCIAL INDICATORS

Economic data, commodities and markets

No significant coverage this issue.

OBITUARY

Nuno Loureiro hoped to replicate the energy of the Sun

The builder of stars :: The fusion pioneer died from gunshot wounds on December 16th, aged 47

Nuno Loureiro, a renowned plasma physicist at MIT, dedicated his life to replicating the Sun's fusion energy on Earth, a field he described as a "beautiful intellectual challenge." He studied plasma, the super-hot fourth phase of matter abundant in the universe, focusing on its turbulent electrical and magnetic fields to understand and

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harness its immense energy. Loureiro led MIT's Plasma Science and Fusion Centre, inspiring students to tackle hard problems with his Sisyphus analogy. He tragically died from gunshot wounds in December, shot by a former brilliant but reclusive university classmate.