

THE WORLD THIS WEEK

The world this week

Volodymyr Zelensky and Donald Trump met in Florida, reporting progress on ending the Ukraine war, though Russian territorial claims remained a "thorny" issue. Russia simultaneously attacked Ukraine with a massive drone and missile barrage, leaving Kyiv without power. Trump also met with Benjamin Netanyahu, urging Hamas disarmament for Gaza peace and threatening Iran if it resumed its weapons program. Days earlier, Israel became the first country to recognize Somaliland as an independent state, a move Somalia and China strongly opposed. In Yemen, the Southern Transitional Council (STC), backed by the UAE, rejected Saudi calls to withdraw from recently captured areas. The US economy grew at an annualized rate of 4.3% in the third quarter, its fastest pace in two years. British citizen Alaa Abd el-Fattah's arrival in the UK after prison sparked controversy over his past tweets, leading to a Foreign Office investigation into "serious information failures."

The weekly cartoon

This section directs readers to a weekly editorial cartoon and links to related articles about Ukraine's struggles against Russia and America's peace plans. It serves as a visual commentary on the geopolitical landscape.

LEADERS

The truth about affordability

Voters in rich countries perceive an "affordability crisis," though real wages are generally growing faster than prices, especially for goods. The true affordability issues stem from rising asset prices, making housing and other positional goods expensive, and stubbornly high service costs due to productivity challenges and regulations. Politicians risk introducing harmful policies, like price controls, if they misdiagnose these problems, potentially exacerbating inflation.

OpenAI's cash burn will be one of the big bubble questions of 2026

OpenAI, despite rapid revenue growth, is burning cash at an unsustainable rate due to high computational costs for training and running AI models. The company faces increasing pressure to outline a path to profitability, especially as competitors like Google catch up and AI's

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business productivity boost remains elusive. Rising costs with scale, rather than traditional software's increasing profits, pose a significant challenge to its business model.

Brazil's President Lula should not run again

Brazil's President Lula, at 80, is seeking a risky fourth term, despite health scares and past corruption scandals, mirroring Joe Biden's problematic re-election bid. While his economic policies are mediocre, he faces no serious challengers from the left and has not groomed a successor. Lula should step aside to allow for a genuine contest among fresh, viable candidates and unite the right behind a thoughtful democrat like Tarcísio de Freitas.

The future of space exploration depends on better biology

While reusable rockets by Elon Musk and Jeff Bezos are enabling more people to reach space, sustaining a significant human presence off-Earth requires advances in biology, specifically closed ecosystems for food, recycling, and environmental regulation. Developing these biological systems, or "applied astrobiology," is crucial for long-duration missions and larger space habitats, though it lags far behind rocketry. Such efforts must carefully consider planetary protection to avoid contaminating potential existing extraterrestrial ecosystems, advocating for constrained investigation rather than heedless expansion.

Britain and the EU should be bolder in getting closer

Nearly a decade after Brexit, public opinion in Britain favors closer ties with the EU, and geopolitical shifts also suggest a need for renewed collaboration. While modest steps have been taken, both sides cling to "red lines" that hinder deeper integration, such as the EU's insistence on free movement. A bolder approach involves Britain seeking partial single-market membership in exchange for partial free movement, a model the EU may need for other applicant countries.

LETTERS

Letters to the editor

Readers debate "dark tourism," with one arguing such sites serve as memorials and lessons, and another warning of real dangers in visiting unsafe countries, advocating for travel advisories that highlight risks like hostage-taking. Letters also discuss China's "strategic decoupling" in diplomacy, Taiwan's overlooked economic performance, and the future of car ownership with robotaxis. Bartleby's column on office kitchens is satirized, and a reader comments on the high marginal tax rate for "AVOCADO TOAST" (high-earning parents).

BY INVITATION

It's fire season for finance, writes Ken Miller

A former top banker warns that the financial system is headed for another crisis, driven by relaxed regulations, particularly the shelving of Dodd-Frank's Section 956 meant to curb excessive risk-taking incentives. Wall Street's bonus-driven, short-term compensation culture, now prevalent in lightly regulated non-bank institutions like private credit, fuels risky transactions without long-term accountability. The Trump administration's deregulation and replacement of enforcers have further weakened oversight, creating conditions for hidden illiquidity and mismatched books to spread a future financial blaze.

BRIEFING

America's affordability crisis is (mostly) a mirage

Despite public and political outcry, America's "affordability crisis" is largely a misperception; real wages have risen steadily for a decade across income levels, reaching near-record highs. While certain categories like electricity and housing (due to high interest rates) have seen significant cost increases, overall consumer purchasing power is healthy. Politicians risk implementing damaging policies like price controls to address this perceived crisis, rather than focusing on long-term supply-side reforms or acknowledging that inflation is now largely under control.

UNITED STATES

Los Angeles after the flames

A year after devastating wildfires killed dozens and destroyed thousands of buildings in Los Angeles County, recovery efforts are ongoing, with only 15% of destroyed buildings having reconstruction permits approved. The fires exposed systemic issues in California, including widespread underinsurance in fire-prone areas and liability challenges for investor-owned utilities like Southern California Edison. Political handling of the disaster has also been criticized, with local residents feeling ignored and federal aid potentially hampered by state-federal feuds.

America's most successful mayor stands down

Mike Duggan, Detroit's outgoing mayor, is stepping down after three terms, credited with revitalizing the city, including population growth, rising incomes, and a dramatic drop in

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carjackings. He plans to run for Michigan governor as an independent, aiming to unite feuding politicians and replicate his Detroit success statewide. However, his strategy is complicated by Donald Trump's influence and partisan dynamics, as he faces criticism from Democrats and struggles to win over Republicans.

Donald Trump has it in for Brutalism

President Trump plans to sell four federal properties in Washington D.C., including Marcel Breuer's Brutalist HUD building, which is disliked by occupants for its disrepair. Preservationists fear the buildings, some with New Deal-era murals, may be demolished, echoing Trump's controversial tearing down of the White House East Wing. However, this time, Trump has the support of developers eager to redevelop the valuable land and public opinion which generally dislikes Brutalist architecture.

The Supreme Court has taken the National Guard away from Donald Trump

In a consequential December ruling, the Supreme Court blocked President Trump's deployment of National Guard troops in Chicago for immigration protests, asserting the president cannot federalize Guard units under the cited statute without clear constitutional or statutory justification. The decision undermines similar deployments in other cities and narrows Trump's legal avenues for domestic troop mobilization. While the Insurrection Act remains an option, its political risks and historical use primarily against state defiance of federal law make it a fraught choice for the president.

The economics of megachurches

Megachurches, characterized by large congregations and Hollywood-style production, are thriving across the American Sunbelt, absorbing congregants from smaller, struggling churches. Their business model emphasizes growth through franchising and offering extensive community services beyond Sunday worship, leading to significant revenue from donations. Despite their financial opacity and some pastors preaching a controversial "prosperity gospel," most megachurches avoid political preaching to maintain broad appeal and protect their multi-million-dollar empires.

THE AMERICAS

Brazil's general election will be all about Lula?again

Brazil's President Lula, aged 80, has seen his approval ratings surge, making him the favorite for re-election in October 2026, despite earlier struggles with corruption scandals and health issues. His resurgence is partly due to his administration's efforts to balance market confidence

with popular support, but largely to the missteps of his opponents, particularly the jailing of Jair Bolsonaro and Donald Trump's unpopular tariffs. The right-wing remains fragmented, with Bolsonaro's son Flávio an unpopular successor, potentially paving the way for Lula's fourth term.

Peru's not-so-happy new year

Peruvians express deep-seated hatred for their political leaders by burning effigies of hated public figures, especially politicians, as a cathartic New Year's tradition. This practice reflects widespread contempt for a political class perceived as corrupt and ineffective, amidst rising violent crime and stalled reforms. The tradition offers a direct insight into voters' discontent, with sales of effigies of current and former leaders indicating their current unpopularity and predicting next year's targets.

Canada's first Christmas without the Hudson's Bay Company

Canada mourns the demise of the Hudson's Bay Company (HBC), which shaped the country's commerce and geography for over three centuries, from a fur-trading outpost to a department-store giant. The final liquidation of its remaining stores and the sale of its original 1670 charter mark the end of an era, driven by modern retail trends like online shopping. While some feel nostalgia, indigenous voices recall HBC's role in dispossessing their ancestors and draw parallels to current threats to Canadian sovereignty.

ASIA

A fragile thaw at the top of the world

A bloody 2020 clash in the Galwan valley led to a significant military build-up and infrastructure race between India and China along their disputed border in Ladakh. However, a fragile diplomatic thaw is underway, with direct flights resuming, China exporting rare-earth materials, and both sides agreeing to coordinated foot patrols and buffer zones. India's military presence in Ladakh has more than doubled, and new airbases have been constructed, but China's infrastructure development rate remains four times faster. Despite the de-escalation of immediate conflict risks, root tensions, including China's growing regional influence and unresolved border disputes, ensure that "armed coexistence will remain for a long while." Donald Trump's swingeing tariffs on India also play a role in India's re-evaluating its strong ties with America.

Australia's prime minister gets booed in Bondi

Australia's Prime Minister Anthony Albanese was booed at a vigil after a Hanukkah massacre in Bondi, facing blame for failing to curb antisemitism following Hamas's 2023 attack on Israel.

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In response, his government announced a gun-buyback scheme and proposed tightening hate-speech laws and reviewing intelligence services. Critics, including the opposition, accuse him of using gun control as a distraction, and civil-liberties groups warn against "overreach" in new laws that might restrict protest and criticism of Israel.

A sham poll in Myanmar opens a new phase of military rule

Myanmar's ruling junta has launched a sham election amidst a reversal of fortunes for rebel forces, who were previously on the brink of collapse but are now losing territory. This shift is attributed to China cutting rebel supply lines, the closure of USAID by Donald Trump impacting humanitarian aid, and the junta's new tactics of conscripting young men and deploying drones and motorized paragliders to attack civilian infrastructure. The rigged election, held in phases, aims to confer legitimacy on the junta and may facilitate a leadership reshuffle to appease internal rivals and foreign diplomats. Despite these challenges, revolutionaries like Tayzar San continue to protest, holding out for a genuine democratic vote. The sham poll might help Myanmar's neighbours reopen talks with the regime, which had been shunned since 2021.

Cults of personality pervade all levels of Indian politics

Indian politics, from the national to local levels, is dominated by elaborate cults of personality, with Prime Minister Narendra Modi serving as the ultimate example, often conflating his image with the nation. This phenomenon extends to other politicians and even bureaucrats, who invest heavily in building their personal brands over institutional development. While effective for winning votes in a feudal-colonial governance system, this focus on individuals hinders the development of robust state capacity necessary for a diverse country of 1.45 billion people.

CHINA

How China's property crisis helped crash its art market

China's once-booming art market has crashed, mirroring the wider property crisis that previously fueled immense wealth creation among tycoons who flaunted their riches through art. The MM Chinese Art Price Index has fallen to 2009 levels, and art sales within China declined 31% in 2024, significantly impacting famous living artists. Contributing factors include pandemic lockdowns, the state's discouragement of conspicuous wealth, and tightened capital controls that hinder large overseas art purchases. Despite the downturn, some believe the market is becoming healthier as genuine interest replaces speculative buying, and a new wave of tech and consumer wealth may lead to a divergence in art and property market fates.

People of dubious character are more likely to enter public service

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A new study in China found that individuals with higher plagiarism scores in their master's theses were more likely to enter public service and achieve quicker promotions. Customs and tax officials exhibited the highest plagiarism rates, and these individuals were found to be more likely to rule in favor of the government or state-owned enterprises in court cases. This suggests that people with fewer moral scruples might self-select into the public sector, potentially contributing to subjective performance evaluations and susceptibility to lobbying.

China's museum boom, take two

China is experiencing a second museum boom, not in new construction as before, but in soaring visitor numbers and improved exhibition quality, especially for ancient artifacts. State-funded public museums offer cutting-edge displays and free entry, drawing people eager to learn about history and culture, though ideologically driven exhibits are less popular. Recent archaeological discoveries provide a constant stream of new treasures, allowing museum-goers to engage with historical debates beyond official narratives.

MIDDLE EAST & AFRICA

A lightning advance by separatists has reshaped Yemen's civil war

The Southern Transitional Council (STC), UAE-backed separatists, launched a swift offensive in December, seizing territory and reshaping Yemen's civil war by deepening the rift between Saudi Arabia and the UAE. The STC now controls former South Yemen, including most oil and gas resources, and its leader has made overtures to Israel about joining the Abraham Accords for potential foreign support. This power grab complicates Saudi efforts for peace with the Houthis and underscores how Yemen's future is increasingly decided by foreign backers rather than Yemenis.

Netanyahu wins bigly from his meeting with Trump

Benjamin Netanyahu received significant personal and political boosts from his meeting with Donald Trump in Florida, including warm praise and a New Year's Eve invitation. However, diplomatic gains for Israel were less clear, as Trump was equivocal on pre-reconstruction disarmament of Hamas and the exclusion of Turkey from Gaza's security force. Trump also considered selling F-35 fighter jets to Turkey, a move Israel fears would erode its military advantage, despite tough talk on Iran.

Israel recognises Somaliland

Israel became the first country to recognize Somaliland as a sovereign state, a diplomatic coup for the breakaway republic that has developed a more stable government than Somalia. This unilateral move carries risks, as Somalia, the African Union, EU, and China have criticized it,

and regional heavyweights like Egypt and Saudi Arabia have jointly condemned it, potentially exacerbating rivalries in the Horn of Africa. An Israeli presence in Somaliland, possibly for surveillance and military operations, could challenge Turkey's interests and increase recruitment for jihadist groups like al-Shabab.

The nautical theory of African development

Africa could significantly boost its wealth by increasing waterborne transport on its rivers and lakes, which is considerably cheaper than current road-based freight. Despite vast water systems, navigation is hindered by cataracts, limited shipbuilding capacity, and colonial infrastructure designed for resource extraction rather than intra-African trade. Initiatives like the African Development Bank's plan for a Lake Victoria-to-Egypt corridor and Uganda's new fuel imports via Lake Victoria suggest a growing recognition of this underutilized potential.

Ghana tries to regulate online prophecies

Ghana's government is attempting to regulate online prophecies, establishing a reporting mechanism for sensitive predictions, after a helicopter crash linked to pre-accident video clips of pastors' aviation disaster visions. This effort is part of a broader push to combat online misinformation, as charismatic preacher-prophets increasingly use social media for outlandish claims. Critics worry that a new bill defining hate speech broadly as "negative feelings" could lead to censorship of government criticism.

EUROPE

The Baltic is becoming a battleground between NATO and Russia

The Baltic Sea is emerging as a critical battleground due to its extensive telecoms and energy infrastructure, including gas pipelines and power cables, making it a national security priority for NATO littoral states. Russia's shadow fleet and hybrid tactics, such as suspected sabotage of underwater cables and simulated collisions with Danish navy ships, highlight its capacity to disrupt vital infrastructure and test NATO's resolve. Countries like Poland and Sweden are investing heavily in advanced submarines like the A26 for stealth and surveillance capabilities to protect these assets, as current radar and satellite technologies struggle with underwater monitoring. Despite increased NATO patrols, international law limitations hinder effective responses to commercial ships, prompting discussions for more stringent controls on vessels that do not meet technical standards to deter further Russian aggression. The rising costs of repairing damaged infrastructure underscore the long-term bargain of investing in naval deterrence and integrated surveillance systems.

Bulgarians join the euro and eject their government

Bulgarians staged massive anti-corruption protests in December, leading to the resignation of the minority coalition government and potentially the country's eighth election in four years. The protests, driven by a controversial budget raising social-security taxes while increasing salaries for politically connected police and judiciary, signal a restored "elan" to the opposition. Despite a healthy economy, deep-seated oligarchic machine politics, led by figures like Boyko Borisov and Delyan Peevski, continue to undermine reform efforts, making a stable, coherent government challenging to form.

Europe's generals are warning people to prepare for war

Western European societies are in denial about living "in a space between peace and war," despite urgent warnings from generals about preparing for potential conflict with Russia by 2030. Countries closer to Russia, like the Nordics and Baltics, have long understood "war readiness," but capitals further west, such as Paris, perceive the threat as distant. Governments are responding by reintroducing forms of military service, like Germany's new recruitment model and France's voluntary service, aiming to build reserves and send clear signals to adversaries. Civilian preparedness efforts, including detailed government guides for stockpiling essentials and civil-defence shelters, are also being enhanced, though unevenly across the continent. A recent poll showed a vast disparity in perceived war risk between Eastern and Western European populations, but a shared belief that their countries are ill-prepared to defend themselves against Russia.

Russia is blasting Odessa to throttle Ukraine's economy

Russia launched an unprecedented blitz on Odessa in December, pummeling the city with drones and missiles, causing widespread blackouts and targeting port infrastructure vital to Ukraine's export-oriented economy. The assault has significantly reduced the ports' operational capacity and complicated shipping, impacting Ukraine's trade and increasing insurance risks. While the military significance may be limited, Russia aims to terrorize civilians, exploit local political tensions, and cripple Ukraine's economic lifeline, despite Ukraine's growing naval drone fleet challenging Russian control of the Black Sea.

Why America still needs Europe

Despite MAGA contempt for transatlantic allies, America needs Europe because the alliance amplifies US influence and power globally. European consumers constitute a massive market for American goods and services, and geopolitical alignment with Europe transmutes American preferences into "Western" or global norms. Alienating Europe risks undermining sanctions effectiveness, fostering "strategic autonomy" in defense and technology, and diminishing America's global leadership and legitimacy in its contest with China.

BRITAIN

It's time to rethink Britain's relationship with the EU

Five years after the Trade and Cooperation Agreement and nearly a decade since the Brexit referendum, public opinion in Britain has significantly shifted, with a majority now believing Brexit was a mistake and favoring closer EU ties. Economic assessments, including by the Office for Budget Responsibility and the NBER, indicate a substantial reduction in Britain's GDP, while immigration, contrary to promises, has sharply increased. Geopolitical shifts, such as Russia's war and the return of Donald Trump, further underscore the desirability of stronger European links, pushing Labour to reconsider its "red lines" on single market or customs union rejoining. While modest "reset" deals on food, energy, and youth schemes are underway, they offer minimal economic impact, suggesting a need for bolder, more flexible negotiations with the EU, perhaps involving partial single market membership.

How the 'take back control' crowd boosted immigration to Britain

The "take back control" promise of Brexit, intended to reduce immigration, paradoxically led to a massive surge in net migration to Britain, reaching an astounding 944,000 in the year to March 2023. While free movement from Europe ended, a new immigration system relaxed visa rules for non-Europeans, notably for workers and students, leading to an explosion of arrivals from outside the continent. This shift, coupled with global events like China's Hong Kong crackdown and Russia's Ukraine invasion, quickly discredited Brexit's immigration promises in public opinion. The episode underscored the profound difficulty of immigration policymaking, as tailoring policies to attract desired migrants in tolerable quantities proved challenging for Brexiteers.

Brexit has deepened the British economy's flaws and dulled its strengths

Brexit has acted as a "slow-acting poison," exacerbating Britain's long-standing economic weaknesses and blunting its strengths, despite the pandemic scrambling economic data. Investment, which briefly revived pre-Brexit, flatlined for six years, with estimates attributing a 10% shortfall in business investment by 2022 directly to Brexit uncertainty, reinforcing old habits of risk-aversion. Manufacturing suffered significantly, with goods exports falling 15% below pre-pandemic levels to both the EU and other markets, as the loss of single market access compounded high labor costs and energy bills. While the services sector, a British strength, grew globally, Brexit barriers like new licensing requirements still reduced its exports to the EU by 4-5%. Labour's current "reset" deal is projected to add only 0.3% to GDP, highlighting the need for broader structural reforms, such as reducing planning red tape and industrial energy costs, to counteract Brexit's toxic effects.

Nigel Farage is Britain's most European politician

Despite a career dedicated to fighting the European Union, Nigel Farage, leader of Reform UK, paradoxically embodies many European traits, from his German second wife and French partner to his dependence on European institutions for political success. His European roots extend to 19th-century German ancestors, and his lifestyle, shaped by metals trading across the continent, reflects a deep engagement with Europe beyond its political structures. Farage's political rise was facilitated by the proportional representation system of the European Parliament, which gave his UKIP party a crucial foothold, along with generous EU funding. He stands out among British politicians for his dovish views on Russia, and his acceptance that a European-style insurance model for healthcare is superior to the NHS. Farage's populism mirrors a very European version, learning from and shaping figures like Geert Wilders and Giorgia Meloni, making him an exemplar of a specific European political evolution.

INTERNATIONAL

A half-planet-size gap in global governance is about to get plugged

A new high-seas treaty, the Biodiversity Beyond National Jurisdiction agreement (BBNJ), is set to plug a critical gap in global governance by bringing 61% of the ocean outside national jurisdictions under formal protection, starting January 17th. This landmark agreement reflects a growing awareness of declining marine species and the ocean's vital role as the planet's largest carbon sink, addressing human-driven harms like pollution and overfishing. The treaty's three main pillars include a framework for marine genetic resources, robust environmental assessments for activities impacting the ocean, and crucially, a template for establishing a network of large, interconnected marine protected areas (MPAs). Despite challenges like funding and bureaucratic setup, the BBNJ offers the best chance in years to curb the destruction of oceans, aiming to extend the target of protecting 30% of land and waters to the high seas.

Patriotism tests loom for big business

Economic nationalism is making it harder for multinational corporations to navigate the world, as countries like China push for their companies to "go global" and foreign firms face demands for localization. Chinese state planners hope to dominate fast-growing industries globally, with Chinese companies creating jobs abroad while retaining core operations at home due to efficient industrial clusters and subsidies. Western governments, including Europe, are debating "buy European" rules and pushing for technology transfer, creating a complex environment where the nationality of global firms becomes increasingly ambiguous and political trust is in short supply.

BUSINESS

OpenAI faces a make-or-break year in 2026

OpenAI, led by Sam Altman, faces a make-or-break year in 2026 as it battles unprecedented cash burn, projected to hit \$17bn, to fund its insatiable demand for computing power. Despite unparalleled revenue growth, reaching an annualized rate of \$20bn, its costs remain tightly coupled to revenue, necessitating an ambitious \$100bn fundraising target at an \$830bn valuation. The company faces stiff competition, with Google's Gemini 3 outperforming GPT-5.1 and open models closing the performance gap, leading Altman to issue a "code red" to prioritize ChatGPT improvements. To monetize its technology and overcome losses from free ChatGPT usage, OpenAI is expanding into advertising, e-commerce, enterprise consulting, and pursuing vertical integration with custom chips and a consumer device. Investors are increasingly wary of the "WeWork story on steroids," demanding a clear path to profitability, while Altman remains confident in his ability to attract believers despite the massive spending.

China's wind giants are coming for Europe

European wind turbine manufacturers, despite their current dominance, face a significant threat from Chinese competitors like Goldwind and Mingyang, who are rapidly expanding into overseas markets after facing overcapacity and reduced subsidies at home. While China accounted for over 70% of new global wind installations in 2024, its turbine-makers' operating margins recently fell below Europe's, prompting their global push, particularly into "fringe" markets and increasingly, Western Europe. Companies like Mingyang are establishing factories in Europe, as seen with Octopus in Britain, yet they are encountering political resistance due to protectionism and national security concerns. Worries include potential espionage via Chinese offshore-wind equipment or grid destabilization through remote software, despite counter-arguments that European makers already use many Chinese parts and robust data-handling rules could mitigate risks. This advance by Chinese wind giants poses a challenge to Europe's decarbonization ambitions if political barriers prevent access to cheaper, high-volume components.

Despite a record year, airlines are grappling with big challenges

Airlines experienced a record-breaking 2025, surpassing pre-pandemic passenger numbers and revenue, with net profits reaching an all-time high of nearly \$40bn globally. However, the industry faced significant headwinds, including circuitous routes due to ongoing conflicts in Ukraine and the Middle East, and disruptions from a US government shutdown. Rising operating costs, largely driven by a critical shortage of new aircraft from Boeing and Airbus due to production flaws and supply chain issues, forced carriers to keep older, less fuel-efficient planes in service longer, increasing maintenance and fuel expenses. This shortfall in aircraft supply, not expected to resolve before 2031, limited route expansion and kept net profit margins meager at just 4%, or \$7.90 per passenger.

A new-year message from the CEO

Stew Pidd, CEO, delivered an inspiring new-year message, framing global challenges like "technological tsunamis" and "geopolitical earthquakes" as "polyopportunities." He emphasized the company's "AI-first" transformation, aiming for 100m interactions with the in-house chatbot, Dustin, in 2026, despite past "unfortunate incidents" with his avatar. The CEO also announced a global rollout of "patriotism and profits" by installing national flags and fans in all offices, with mandatory daily singing of national anthems and "We Are The World." He expressed pride in his senior team's "uncontrolled aggression" from a cage-fighting retreat and his leadership of the "pawns" in the company, despite acknowledging the pain of automated texts for layoffs.

As Warren Buffett retires, uncertainty looms for Berkshire Hathaway

Warren Buffett, at 95, is retiring for the third and final time as CEO of Berkshire Hathaway, a unique financial colossus and industrial conglomerate known for its singular boss and exceptional investment performance. His successor, Gregory Abel, who rose through the energy business, faces the challenge of maintaining Berkshire's success without Buffett's famed investing genius and "Rolodex," particularly in capital allocation and large deals. Buffett's greatest innovation was using insurance "float" to fund huge investments, and his retirement raises questions about Berkshire's future investment strategy, especially with a \$380bn cash pile and the recent defection of a top investment lieutenant. The company may shift towards Abel's expertise in utilities or Japanese trading houses, or consider returning cash to shareholders, which would move it towards a more typical corporate structure with increased financial disclosure. While change will be slow given family and friends on the board, a transition to more ordinary governance seems inevitable, marking the end of an extraordinary era.

A Swedish startup wants to reignite Europe's explosives industry

Joakim Sjoblom, a Swedish entrepreneur, aims to reignite Europe's explosives industry with his startup, Sweden Ballistics (Swebal), to meet the surging demand for Trinitrotoluene (TNT) caused by the war in Ukraine. Europe's existing TNT production capacity, mainly from Poland's Nitro-Chem, is insufficient to meet the EU's target of 2m artillery shells annually, which alone requires 20,000 tonnes of TNT. Swebal plans to open a 4,500-tonne-a-year factory in Sweden by 2028, leveraging the country's historical expertise and local support, with funding from wealthy Swedish families. This initiative, along with similar projects in Finland and a Czech-Greek joint venture, is crucial for Europe to source weapons locally and reduce reliance on imports. Sjoblom's venture represents a new wave of entrepreneurs addressing defense industry bottlenecks, though Europe will still face a TNT shortfall even with these new facilities.

What flying cars, quantum computing and fusion have in common

Flying cars, fusion energy, and quantum computing, once perennial "technologies of tomorrow," are finally transitioning into real businesses, attracting significant investor interest

and market valuations. Recent breakthroughs are driving this shift: eVTOLs benefit from lighter batteries and better electric motors, while quantum computing has advanced with methods to cut error rates in qubits, and fusion is closer to net energy gain due to high-temperature superconductors. Artificial intelligence has also played a crucial role in these advancements, aiding in battery material design, quantum error correction, and plasma control. Beyond scientific progress, the development of more robust supply chains for all three technologies has enabled their commercialization, despite most companies not yet generating revenue or profit. The excitement underscores a fundamental shift from purely technological hurdles to commercial challenges, with flying cars already launching commercial services and fusion startups securing power contracts.

FINANCE & ECONOMICS

America's economy looks set to accelerate

America's economy is poised for acceleration in 2026, fueled by a significant monetary-fiscal loosening, including the effects of the One Big Beautiful Bill Act (BBB) which delivers \$191bn in tax cuts and refunds. Beyond tax cuts, a return to full government spending post-shutdown and weakened tax enforcement, potentially adding 0.6% and 0.25% to GDP respectively, will provide further stimulus. While tariffs could theoretically hinder growth, a likely Supreme Court ruling against certain levies will trigger more refunds and disrupt future tariff revenue, making the overall budget stance stimulative. The Federal Reserve's recent interest rate cuts, with more expected under a dovish new chair, will also work their way through the economy, lowering borrowing costs and reducing the risk of a stockmarket crash. This combination of factors leads many analysts to predict strong economic growth for 2026, despite inflation concerns and potential issues with government indebtedness.

Forget affordability. Europe has an availability crisis

While it's fashionable to decry an "affordability crisis" in Europe, the continent's real challenge is an "availability crisis," stemming from tight regulation that prevents prices from adjusting to balance demand and supply, leading to rationing. Despite initial hits from energy shocks, real wages in Europe are recovering and, for the poorest, minimum wages have risen healthily, indicating that purchasing power is not the primary issue. Housing costs, though rising, remain stable as a share of household income for the median European, but finding available housing in tightly regulated markets like Berlin and Paris is extremely difficult. The availability problem extends to other regulated sectors such as healthcare, where doctor's appointments are hard to secure, and various service industries facing shortages of skilled workers. This discontent arises from the inability to access desired goods and services, rather than an inability to pay for them, a problem poised to worsen with an aging workforce.

China's property woes could last until 2030

China's property crisis, which began in 2021, is worsening, with Vanke teetering on default, new home sales halved, and investment down over a third, prompting Beijing to censor negative social media posts and restrict property data. House prices have plummeted, with 85% of gains from the decade to 2021 wiped out, surpassing the US housing meltdown of 2007, and anecdotal reports suggest official figures underestimate the problem. Experts predict non-new home prices could fall another 40%, and the crisis may persist until 2030, with profound implications for China's financial industry due to extensive real estate collateral. This drawn-out descent is exacerbated by local officials limiting discounts to prevent sudden price collapses and the central government's failure to implement a meaningful residential property tax, which would incentivize owners to sell dormant investment properties. As fewer new properties enter the market, the supply of older homes becomes crucial, meaning prices will likely continue a slow decline until owners reluctantly sell.

RedBird, a small firm doing big media deals

RedBird, an investment firm with \$12bn in assets, is carving out significant influence in media and sports, participating in major deals like Paramount's hostile bid for Warner Bros Discovery and owning stakes in prominent sports clubs. Led by Gerry Cardinale, RedBird distinguishes itself from conventional private equity by focusing on long-term investments, often alongside entrepreneurs, rather than short-term returns. Its strategy relies on three pillars: deep-pocketed backers from wealthy families and sovereign-wealth funds, identifying intellectual property that can be monetized (e.g., Artists Equity with Matt Damon and Ben Affleck), and assembling bespoke deals. The firm has successfully burnished brands like AC Milan, generating profits from sponsorships, tickets, and merchandising, contributing to its double-investor-money returns since 2014. Despite some setbacks, like a failed bid for a British newspaper and crowded valuations in sports, RedBird's ambitions continue to grow, aiming to build major businesses that could become publicly traded.

Investors head into 2026 remarkably optimistic

Investors are entering 2026 with remarkable optimism, as global stock prices, including those outside of big tech and America, are trading higher relative to earnings than 90% of the past two decades, indicating a broad bull market. Wall Street strategists generally predict a respectable 9% climb for America's S&P 500 index in the coming year, a steady but not spectacular return compared to recent annual gains. This high valuation implies an aggregate investor bet on unusually fast corporate profit growth across the world to justify current prices. Analysis of options market prices, which reflect trader sentiment on risk, shows a low probability (around 8%) of a severe stockmarket plunge (over 30% drop) in 2026. Conversely, options traders are more concerned about missing out on further gains, with an 11% implied probability of the S&P 500 jumping by 30%, suggesting a prevalent bullish sentiment.

SCIENCE & TECHNOLOGY

How to export life to Mars

The prospect of sending humans to Mars, driven by SpaceX's reusable rockets, has spurred a new scientific field called "applied astrobiology," focused on creating viable ecosystems and habitability on the red planet. Researchers are exploring ways to engineer Martian conditions for life, from directed evolution of microbes to using "solid-state greenhousing" materials like aerogel to warm the regolith for photosynthetic life. This experimental approach aims to address the practical challenges of sustaining human life off-Earth by producing food, clothing, and recycling waste, essential for long-term space habitats and missions. However, current "planetary protection" rules, which restrict missions to potentially habitable "special regions" on Mars, pose a dilemma for studying and expanding life there, with some arguing for a revised approach that balances exploration with careful contamination control. Scientists are proposing precursor missions, such as bioreactors on Mars to test microbial survival, to gather data relevant for both living off the land and assessing the planet's existing habitability.

The spiders on the icecaps of Mars

As spring arrives in Mars's southern hemisphere, a unique phenomenon known as "spiders" or "araneiform" erosional features appears on the icecaps. These dark, radial patterns are formed when trapped dust within the dry-ice cap warms, turning the ice translucent, allowing sunlight to heat the surface below. The resulting build-up of pressurized carbon dioxide gas eventually bursts through the thinning ice, carrying dark dust that settles on the surface, creating these distinctive "blooms."

What is the best way to train for a marathon?

To successfully complete a marathon, a training plan should focus on improving lactate threshold, VO₂ max, and running economy, all of which are amenable to training. A recent study of 120,000 marathon runners on Strava found that distance, particularly numerous long runs (over 20km) and more training days, strongly correlated with faster finishing times. Crucially, most of this additional training distance for faster runners was completed at an "easy" pace, below marathon speed and lactate threshold, which improves physiology with less injury risk and quicker recovery. Casual runners often train too hard, while elite athletes typically spend about 80% of their time running slowly. As race day approaches, tapering training over three weeks and carbohydrate loading in the final 48 hours are vital for replenishing glycogen stores and improving performance.

CULTURE

The Weekly Digest

What self-help books tell us about ourselves

Modern self-help books, exemplified by "The Boy, the Mole, the Fox, the Horse and the Storm," often offer simplistic, "heartwarming" insights aimed at a broad audience, reflecting a societal anxiety. The genre's evolution over a century reveals a changing landscape of concerns, from Victorian "Will" and "HABIT OF ATTENTION" to Depression-era visualization and modern "atomic habits" for time-poor readers. Despite their claims, these books rarely provide profound instruction, but they offer social historians invaluable insights into human desires and anxieties, often leaning into "seven deadly sins" and a "childish" prioritization of untrammelled emotion over classical stoicism.

The internet's vulnerable undersea tendrils

Samanth Subramanian's new book, "The Web Beneath The Waves," highlights the critical dependence of the virtual world on 1.4m km of fragile undersea fiber-optic cables, which carry 99% of global internet traffic. The book details the history, laying, and repair of these vulnerable cables, which face threats from accidental breaks, deliberate sabotage, and geopolitical interference, as seen with Tonga's 2022 blackout after a volcanic eruption. Subramanian raises concerns about the splintering of this multinational industry along geopolitical lines and the potential for oligopolistic behavior by tech giants, though he doesn't fully substantiate all claims.

Oleg Lyalin: the spy who loved too much

Oleg Lyalin, a hard-drinking KGB officer specializing in sabotage, defected in London in 1971, providing MI5 with crucial intelligence that led to the expulsion of 105 Soviet spies. His defection, driven by personal reasons rather than ideology, including a desire to divorce his wife and involvement with multiple women, significantly restored MI5's confidence after past betrayals. Richard Kerbaj's book, "The Defector," highlights Lyalin's pivotal role in turning the Cold War spying game in the West's favor, a story that resonates with modern "grey-zone" operations.

Restaurants are changing their menus for the age of Ozempic

Restaurants, including high-end establishments like Otto's and The Fat Duck, are adapting their menus to cater to customers using GLP-1 weight-loss drugs like Ozempic, which suppress appetite. These establishments are offering "exquisite bites" or "Mindful Experience" options with smaller portions, as GLP-1 users, often from middle- to high-income households, plan to dine out less frequently or only for special occasions. Despite reduced food intake, users are willing to pay for treats, allowing restaurants to maintain mark-ups on smaller, luxurious dishes and prompting casual eateries to launch "Teeny-Weeny Mini Meals."

ECONOMIC & FINANCIAL INDICATORS

Economic data, commodities and markets

No significant coverage this issue.

OBITUARY

Brigitte Bardot became, but refused to remain, the image of desire

Brigitte Bardot, the French actress who became an international sensation after "And God Created Woman" (1956), embodied an image of unloosed desire that made her a global icon and symbol of France. Despite making nearly 50 films, she disdained the "awful circus" of fame and, at 39, quit acting to dedicate her life to animal rights. Her passionate advocacy, often involving controversial condemnations of human practices and even groups, reflected her deep love for animals, whom she increasingly preferred over humanity.