

The Weekly Digest

Issue Date: 2026-01-17

THE WORLD THIS WEEK

Politics

Iran is experiencing widespread protests with thousands killed and arrested; the judiciary threatens fast trials and executions. Donald Trump initially warned of "strong action" but later claimed killings stopped, while America evacuated some Middle East personnel. Uganda's government shut down the internet and attacked opposition ahead of elections, with President Museveni expected to win a seventh term. Somalia annulled agreements with the UAE, citing sovereignty concerns following reports of UAE involvement in Israel's recognition of Somaliland. Danish and Greenlandic ministers met with American officials over Greenland, with Denmark accusing America of still wanting to

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"conquer" the island. Russia's war in Ukraine passed a grim milestone, lasting longer than WW2 for Russia, with increased civilian casualties and a rare hypersonic missile strike on Lviv. Hungary will hold elections on April 12th, with Viktor Orban facing a strong challenge from the opposition Tisza Party. The European Union finalized a free-trade agreement with Mercosur after 25 years, creating a bloc of 700m people. Venezuela's new government, led by Delcy Rodríguez, claimed to release hundreds of political prisoners, while exiled opposition leader María Corina Machado was set to meet Donald Trump. Canada's Prime Minister Mark Carney visited China to mend relations, strained by 2024 tariffs on Chinese electric cars. Tensions remain high in Minneapolis after an immigration agent fatally shot a female activist and injured a Venezuelan migrant; Homeland Security will send more officers. The State Department paused visa processing for public charge risks from 75 countries. The American Senate passed a bill allowing lawsuits for AI-generated non-consensual

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depictions, amid controversy over Grok's deepfakes. Kemi Badenoch sacked Robert Jenrick from her shadow cabinet for plotting to defect to Reform UK. A hearing began at the International Court of Justice into Myanmar's alleged genocide of the Rohingya. A construction crane collapsed onto a train in Thailand, killing 32. Prosecutors in South Korea sought the death penalty for impeached president Yoon Suk Yeol for insurrection.

Business

America's Federal Reserve's independence was questioned after the Justice Department issued subpoenas related to Chairman Jerome Powell's testimony on building renovation costs, which Powell called a pretext for attacking the Fed's interest rate policy. European Central Bank President Christine Lagarde and Bank of England Governor Andrew Bailey, along with other central bankers, issued a statement supporting Powell and central-bank independence.

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JPMorgan Chase and other banks criticized Donald Trump's proposed 10% cap on credit-card interest, warning it would significantly alter their business and reduce consumer credit. Apple will use Google's Gemini AI models to revamp Siri, a deal that boosted Alphabet's market value above \$4trn for the first time. China reported a record annual trade surplus of \$1.2trn in 2025, with exports to America falling 20% but increasing to Africa, ASEAN, and the EU. Paramount continued its hostile bid for Warner Bros Discovery despite the target company's preference for Netflix's offer, filing a lawsuit and threatening to nominate directors. Saks Global, owner of Bergdorf Goodman, Neiman Marcus, and Saks Fifth Avenue, filed for bankruptcy protection due to debt, blaming inventory availability and vendor confidence issues. TSMC, a Taiwanese chip manufacturer, reported a 25% year-on-year revenue increase and a 35% jump in net profit for Q4 2025, driven by the AI boom. Boeing took 1,075 net aircraft orders in 2025, surpassing Airbus for the first time since

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2018, signaling a potential turnaround after years of issues. Glencore and Rio Tinto confirmed renewed merger talks, aiming to create the world's largest copper producer amidst soaring copper prices due to demand from green energy and AI.

The weekly cartoon

No significant coverage this issue.

LEADERS

What the collapse of Iran's regime would mean

Iran's regime responded to widespread protests with extreme violence, leading to thousands dead and arrested, with morgues overflowing. The article argues this could be the end of the theocrats' 47-year rule, which would benefit Iranians and the world by transforming

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Iran from a nuclear threat to a stable trading power. However, protests alone are insufficient, and the potential for an American strike or the regime's collapse presents fraught and uncertain outcomes, ranging from continued oppression to violent fragmentation or a Revolutionary Guards-led transition. Donald Trump's threats of "very strong" action against Tehran could escalate the situation, yet a limited strike or communication aid through Starlink kits are also considered. Ultimately, the stakes are extraordinarily high in a geopolitical landscape reshaped by Trump's presidency, and while the path to a democratic Iran is complex, the hope is for an outcome that favors its courageous people.

America's gunboat capitalism will make the world poorer

Multinational enterprises are increasingly becoming tools of state power, a return to "gunboat capitalism" exemplified by Donald Trump's directives to American

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companies regarding Venezuela, defense, and technology sales to China. This growing governmental intrusion into cross-border dealings has destabilizing consequences for Western multinationals, which contribute significantly to global sales, profits, and employment. Evidence already suggests a retreat of capital from China and Russia towards home markets, with American multinationals directing a larger share of capital spending domestically. This shift, driven by tariffs, subsidies, and sanctions, will lead to a less prosperous and not necessarily safer world, as allocating capital on geopolitical lines reduces productivity and diminishes overall prosperity. Trump's approach is criticized for focusing on the wrong sources of strength (natural resources over innovation), being muddled, and making policy subject to lobbying, preventing businesses from long-term planning. While the need for increased defense spending is acknowledged, the article concludes that gunboat capitalism, by distorting markets and creating rents, will ultimately bring neither prosperity

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nor security.

A private memo from central banks to governments

Central bankers worldwide issued a private memo to governments, expressing solidarity with Jerome Powell, the Federal Reserve chairman, who faces criminal charges from the Trump administration for not cutting interest rates faster. The memo emphasizes that central bank independence is crucial for managing inflation, recalling the high inflation rates of the 1970s and 80s which independent central banks helped to tame. It warns that compromising this independence would lead to public fury over higher prices and destabilize bond markets, making government debts more expensive to service and currencies volatile. The bankers also highlighted their role in maintaining financial stability, citing the Bank of England's intervention during Liz Truss's market crisis as an example of credible action. While acknowledging past mistakes like quantitative

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easing, the memo concludes with a stark warning that ignoring their successes and seeking macroeconomic regime change would lead to disastrous consequences, urging governments to back off.

Without democracy, Donald Trump's Venezuelan oil quest will fail

Despite the removal of Nicolás Maduro, Venezuela's corrupt regime largely remains, with the opposition no closer to power. Donald Trump's imposed oil deal grants America control over Venezuela's oil sales, with revenues flowing into a US-controlled escrow account, and locals having little guarantee of benefit. The article argues that the success of this "new channel" depends heavily on transparency to prevent graft, allowing private firms to operate freely and competitively, and most importantly, setting a timetable for a democratic transition. Long-term stability and investor confidence require independent courts and the rule of law, which are absent without democracy. Sidelining the popular

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democratic opposition leader, María Corina Machado, whom Trump was scheduled to meet, would be a mistake, as democracy is essential for Venezuela's future and for securing the long-term investment Trump desires.

Lessons from history for the next three years

As America approaches its 250th anniversary, its politics are fractured and volatile, marked by incidents like the killing of Renee Good in Minneapolis and federal crackdowns. The article posits that history offers crucial lessons for a country on edge, highlighting that American progress has often come through failure, renewal, and citizens standing up to crises. Donald Trump's presidency, while a serious test, is not entirely unfamiliar; past presidents like John Adams and Woodrow Wilson also treated critics as enemies and eroded norms, but decency ultimately survived. Similarly, periods of extreme polarization, such as those

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leading to the Civil War or the 1930s Depression, have been overcome. While this time presents unique challenges, the article argues that believing in the "unique awfulness of now" trivializes past achievements. It concludes that America has faced and overcome worse, but recovery is never automatic, requiring citizens to defend founding ideals without necessarily needing a calamitous shock.

LETTERS

A selection of correspondence

Letters discuss Britain's relationship with the EU, with one advocating for the EU to join the CPTPP, highlighting Britain's successful post-Brexit pivot to Indo-Pacific markets and the high cost of rejoining EU schemes like Erasmus. Another letter defends Brexit, arguing that negative forecasts have been disproven, that

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most exports are tariff-free services, and that rejoining the single market would reimpose tariffs and regulations. Correspondence also addressed America's "affordability crisis," noting that while wages may keep pace with core inflation, food prices have significantly increased, creating a real perceived crisis. This concern is contextualized by Hirschman's "tunnel parable," suggesting that differential wage gains can still cause social discontent even with overall improvement. Finally, a letter highlighted Canadian explorer Alexander Mackenzie's earlier continental crossing, crediting Canada's role in American history, and others praised historical strategy video games for their educational value and complexity.

BY INVITATION

Javier Milei: Rein in regulators, not big companies

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Argentina's President Javier Milei and his deregulation minister Federico Sturzenegger argue that economic growth, which has stagnated for millennia until the Industrial Revolution and now promises to surge with AI, is hampered not by a lack of technology but by politics and government intervention. They challenge neoclassical economic theory that labels concentrated market structures as failures needing discipline, instead viewing them as natural outcomes of superior technology and crucial for growth. They argue that excessive regulation and legal barriers to entry, often created by governments, are greater enemies to competition than temporarily dominant innovative firms. Milei proposes radical deregulation, especially in AI, to foster growth and has designed a mechanism to impose market discipline on regulators themselves by allowing regulated and unregulated market segments to coexist. They also suggest reassessing the domains of public goods and externalities, citing examples like privately provided lighthouses and market-based pollination

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services, concluding that free markets and deregulation are essential to unleash capitalism and prosperity.

BRIEFING

Geopolitics is warping multinationals' commercial decisions

Despite promises of lucrative opportunities for American oil firms in Venezuela, actual companies like ExxonMobil view the country as "uninvestable" due to political meddling, indicating that political interference is negatively impacting multinationals' commercial decisions. For several years, politicians' efforts to influence where companies operate have begun to undermine globalization's benefits, making multinationals less efficient and profitable. Data confirms that large global firms are reshaping operations in response to political interference, marking the arrival

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of the "geopolitical multinational." Western firms are becoming more parochial, with American multinationals directing significantly more capital expenditure to their home market and European companies favoring America over distant markets. Concurrently, Western firms are losing enthusiasm for China, cutting employment and investment there, a trend also influenced by shifting economic growth patterns and rising competition from Chinese multinationals. However, political meddling, driven by Western desires to reduce dependence on China and hobble its technology, alongside Russia's invasion of Ukraine and Trump's "America First" policies, plays a significant role. These interventions disproportionately affect "strategic" industries like semiconductors and pharmaceuticals, forcing firms to duplicate supply chains and invest in suboptimal locations, leading to higher costs and reduced profitability compared to domestic rivals. This realignment is creating a new breed of sprawling, hesitant, and segmented corporate giants, eroding their

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traditional advantages and making them harder to manage, less nimble, and less profitable.

UNITED STATES

MAGA wants a moratorium on legal migration, too

While most Americans support immigration, a segment of the MAGA base, influenced by figures like Stephen Miller, increasingly advocates for a moratorium on *legal* immigration, viewing it as a threat to national cohesion. Donald Trump's stance on legal immigration is contradictory, but his administration has largely rewritten the system through executive actions, including travel bans on nearly 40 countries and pausing green-card lotteries. Upcoming measures include stopping visa processing from 75 countries and potentially eliminating visas for foreign students,

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threatening America's ability to attract top talent. These discriminatory policies and bureaucratic delays make the immigration system unworkable and are seen as an attempt to reinstate a discriminatory system reminiscent of the 1924 immigration act.

Why America's corporate landlords are not villains

President Donald Trump's proposed ban on institutional investors from buying single-family homes is a misguided response to affordability concerns, driven by upcoming midterm elections and public perception. Corporate landlords, defined as those owning more than 100 properties, account for a tiny fraction (5%) of single-family home sales and less than 1% of the total housing stock. These investors play a valuable role by financing and contributing to housing supply in growing cities, especially for middle- and lower-income families who cannot secure mortgages. Restricting them would likely worsen housing affordability by exacerbating a

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market distortion caused by previous government interventions.

A strategy that needs rethinking

America's Navy faces significant challenges, including a fleet half its Cold War peak strength, shipbuilding delays, and China's growing missile capacity. Donald Trump's "Golden Fleet" plan proposes an enormous "Trump-class" battleship, three to four times larger than current combatants and incredibly powerful, but at a prohibitive cost of \$15bn each, which contradicts modern naval doctrine of dispersed firepower. He also proposes a new frigate, the FF(X), based on coastguard cutters, which could be built quickly but might be under-armed. The administration's third element is a large number of uncrewed drone boats, a concept that experts believe could be strategically impactful for slowing Chinese invasions, especially if armed with 16-32 missiles.

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Pro-science Republicans are fending-off cuts to funding

Congressional Republicans are quietly resisting President Donald Trump's proposed deep cuts to health, science, and space research funding, including NASA, the National Science Foundation, and the National Institutes of Health. Despite a reputation for subservience to Trump, the House overwhelmingly rejected these proposals, and the Senate is moving in a similar direction. This resistance is attributed to broad public support for medical research, the economic benefits of science funding in their states, and effective lobbying by science and patient advocacy groups. Historically, Republicans often supported science funding more robustly than Democrats, who have competing priorities. This suggests science funding may be one domestic policy area where congressional Republicans' convictions overcome Trump's disruptive tendencies.

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Should America's police ever be criminally liable for failing to stop crimes?

Adrian Gonzales, one of the first officers to arrive at the 2022 Uvalde school shooting, is on trial for 29 counts of child endangerment for failing to stop the gunman, in a case that could set an extraordinary legal precedent. American criminal law typically punishes actions, not omissions, with "bad Samaritan" laws being rare and usually applied when defendants are more directly responsible for harm. Despite police having a duty to act, previous Supreme Court rulings set a high bar for liability, and a similar prosecution in Florida after the Parkland shooting resulted in acquittal. The trial highlights the debate over how much risk officers must undertake, with prosecutors arguing Gonzales's training obliged him to act, while officers feared certain death against an AR-15.

The ICE officer who killed Renee Good may yet be charged

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Following the fatal shooting of Renee Good by ICE agent Jonathan Ross in Minneapolis, members of the Trump administration, including Kristi Noem and Donald Trump himself, quickly defended the agent, claiming self-defense and justified use of force. Vice President J.D. Vance asserted "absolute immunity" for Mr. Ross, a stance echoed by Stephen Miller, citing federal "supremacy-clause immunity" which generally protects federal officials from state prosecution while on duty. However, legal experts argue this immunity is not absolute; actions must be authorized by federal law and "necessary and proper" to fulfill duties. While federal authorities show no interest in investigating, Minnesota investigators, armed with public evidence, may still pursue state charges, facing a legal test based on how a "reasonable officer" would have acted.

Like Donald Trump, Zohran Mamdani promises ?a new approach to power?

New York Mayor Zohran Mamdani, a left-wing populist,

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shares Donald Trump's frustration with party establishments and promises an "expansive and audacious" use of power to improve New Yorkers' lives, drawing parallels to Trump's right-wing populism. Mamdani's surprising reversal on ceding school authority, disappointing the teachers' union, suggests a pragmatic streak, and his call for government workers to achieve private-sector excellence could put him at odds with municipal unions. However, his appointment of Cea Weaver, an outspoken critic of capitalism and property ownership, as head of the Office to Protect Tenants, raises suspicions of a desire to force foreclosures and city takeovers of buildings. Despite benefiting from a political honeymoon, rising reading scores, and Trump's border policies easing the migrant crisis, Mamdani's real challenge will be balancing his socialist ideals with pragmatic governance and managing conflicts with city council and state leaders, which will define the future of leftist populism in American city governance.

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THE AMERICAS

Donald Trump's Venezuela oil deal is already up and running

Donald Trump's Venezuela oil deal is operational, with Venezuelans largely welcoming Nicolás Maduro's removal and optimistic about the future, though their desire for democracy contrasts with Trump's focus on oil and his support for interim president Delcy Rodríguez. The deal, which involves Venezuela selling crude to buyers like Chevron and commodity traders, will see payments directed to American-controlled escrow accounts, with a portion returned to Venezuela for royalties and expenses. While beneficial for clearing Venezuela's oil glut and stabilizing its currency, the arrangement appears collaborative with the new regime, raising concerns that it may delay a democratic transition. Trump's meeting with opposition leader María Corina Machado is a key moment to gauge his

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commitment to Venezuela's democratic future.

Venezuelans believe Donald Trump has offered them a better future

An exclusive poll reveals that Venezuelans overwhelmingly approve of Donald Trump's raid to seize Nicolás Maduro, with over half reporting an improved opinion of America and nearly four in five believing their political and economic situations will improve within a year. Despite this, their views diverge sharply from Trump's on leadership: a majority desire a quick democratic transition, with most wanting new elections within six months or for Edmundo González, the 2024 election winner, to take office. They express strong disapproval of interim president Delcy Rodríguez, whom Trump supports. The poll suggests that while Trump and Marco Rubio are popular in Venezuela, failing to prioritize democracy alongside oil interests could lead to instability and hinder long-term investment.

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Mark Carney is on a mission to trade with the world

Canadian Prime Minister Mark Carney embarked on a mission to drum up new foreign investment and trade, with stops in Beijing, Qatar, and Switzerland, driven by his belief that Donald Trump has permanently altered the US-Canada trade relationship. In China, where relations have been strained by tariffs and alleged interference, Carney seeks to warm ties and find new markets for Canadian goods, particularly hydrocarbons, aiming to fill a gap in China's oil supply left by Trump's Venezuelan intervention. While Canada seeks to diversify trade, balancing this with maintaining its crucial economic relationship with America will be tricky, especially given Trump's "America First" stance and the US National Security Strategy's expectation of hemispheric dominance. Canada's exports to the US have fallen to their lowest share since 1997, while exports to the rest of the world have surged, highlighting the increasing necessity of diversification.

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What the Donroe doctrine means for Brazil

Donald Trump's kidnapping of Venezuela's Nicolás Maduro, executed without consulting Brazil, has forced a major rethink of Brazil's foreign policy and its traditional role as South America's leader. While Brazil condemned the incursion and attempted to mediate, Trump's unilateral actions and exclusion of regional leaders signal a new "Donroe doctrine" of hemispheric dominance, undermining Brazil's influence. Brazil's foreign policy, based on non-intervention, is now challenged, especially after its past indulgence of Maduro's autocracy. Despite calls for a re-evaluation of its foreign policy and even a restart of its secret nuclear program, Brazil's economic heft as an agricultural and energy giant, along with its rare earth deposits, insulates it from direct threats. The EU-Mercosur trade deal and efforts to strengthen ties with Canada and China demonstrate Brazil's ability to maintain diverse diplomatic relations despite American intervention.

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Cuba's regime is in dire straits

Following the capture of Venezuela's Nicolás Maduro, Donald Trump and Marco Rubio have repeatedly threatened Cuba, intensifying the vulnerability of the island's regime. Cuba's state-controlled economy, long propped up by allies like Venezuela, is in a dire quagmire due to mismanagement and the American embargo, with oil shipments from Venezuela having plummeted. Other potential benefactors like Mexico, Russia, and China are unlikely or unable to increase support, making a complete cut-off of oil "catastrophic." Despite immense economic pressure, with an economy 15% smaller than in 2018, mass emigration, and widespread blackouts, the regime remains defiant, led by Raúl Castro's veto power and President Miguel Díaz-Canel's vows of resistance. While Trump's intentions are murky, and a military intervention is unlikely due to legal and practical complexities, the regime may be forced to negotiate on economic liberalization, political prisoners, and elections, though

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finding a suitable transitional figure remains difficult.

ASIA

To power up growth, India must be rewired

India's economy faces a critical challenge in meeting rapidly soaring electricity demand, projected to double in the next decade to rival the European Union's needs by 2035. The distribution sector is in disarray, with "technical and commercial" losses (due to shoddy cables, theft, and unpaid bills) at 16%, making Indian distributors among the world's least efficient. This "original sin" stems from politicians promising cheap power to farmers without proper funding, leading to massive debts for state-run distribution companies (discoms) and decaying infrastructure. Subsidies distort the market, making water-hungry crops artificially attractive and driving up electricity costs for

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manufacturers, hindering the government's manufacturing boost efforts. Odisha state's successful privatization model with Tata Power, which significantly reduced losses, offers a blueprint for change, along with other states' innovative approaches to farmer subsidies using solar power. Prime Minister Narendra Modi's government aims to foster competition and reduce subsidies through a new bill and a potential \$11bn bail-out fund contingent on states opening to the private sector.

China is testing South Korea in the Yellow Sea

China is testing South Korea in the Yellow Sea with the deployment of large-scale salmon fish farms, Shenlan 1 and 2, and numerous observation buoys in waters both countries claim. South Korea's President Lee Jae Myung raised concerns during a summit with Xi Jinping, leading to China's agreement to move one structure, but officials fear this mirrors China's creeping expansion tactics in the

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South China Sea. The Yellow Sea is strategically vital for both nations, hosting naval headquarters and military bases. Despite China's claims of civilian aquaculture and research, South Korean officials are wary, noting the potential for buoys to monitor submarines and the historical pattern of civilian installations becoming military assets. Resolving maritime borders remains elusive, and South Korea seeks greater transparency, arguing that the "fishy business" could escalate into a major maritime flashpoint without it.

Will the army hold up Vietnam's big reforms?

Vietnam's ruling Communist Party is experiencing tension ahead of its five-yearly congress on January 19th, with social media rife with rumors of a power struggle between army and police factions over top leadership positions. The disagreement stems from General Secretary To Lam's ambitious reform drive, which aims for double-digit economic growth by

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pumping money into private conglomerates for infrastructure, slashing party and state bureaucracies, and appointing outsider provincial leaders. These significant changes, breaking many "rice bowls," have upset thousands of bureaucrats, state-owned enterprises, and potentially the army, which runs its own businesses and is wary of market reforms and closer ties with Western democracies. While Lam is unlikely to be ousted, the army, led by General Phan Van Giang, seeks to boost its representation in influential party bodies, with Giang potentially vying for the less powerful presidency to check Lam's reforms, and Lam reportedly aiming to hold both titles himself.

Why Go is going nowhere

Go, one of the world's oldest board games, holds special cultural significance in Japan, South Korea, and China, but despite similar offerings of Go stones and boards between leaders, the countries often find little else to agree on. The game's modern form was largely

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developed in Japan, which once dominated the professional scene before being surpassed by Chinese and South Korean players in the 1980s. This success brought money and prestige but also fierce nationalism, culminating in a high-profile dispute in 2025 where China's Ke Jie withdrew from a title match due to a controversial rule change by the South Korean Go association. Such squabbles exasperate those concerned about Go's declining relevance and aging audience, as commercial interest wanes and young people gravitate towards simpler games or computer games. The ongoing rivalries have hindered joint efforts to promote Go internationally, with the East Asian trio even failing to agree on a common rulebook for its Olympic recognition, demonstrating their inability to learn the game's lesson of seeking peace over fighting from weakness.

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CHINA

The big ambitions of China's private space industry

China's private space industry is rapidly expanding, with ambitious plans to recover reusable rocket stages, complete new private launchpads, and ramp up satellite production, aiming to close the gap with companies like SpaceX. Despite a high number of orbital launches in 2025, Chinese private firms accounted for a minority, and their current one-time-use rockets are more expensive than SpaceX's reusable Falcon 9. However, both state-owned CASC and private LandSpace recently test-launched reusable rockets, and others are in development, promising significantly lower launch costs. Cheaper reusable rockets would enable China to build large megaconstellations for global satellite internet coverage, challenging Starlink's dominance, though finding sufficient domestic demand for these services

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remains a "chicken-and-egg" problem due to existing internet infrastructure and cost. China's government is supportive, opening state facilities to private companies and creating a national fund for the commercial space sector, integrating them into civil space programs. These advancements also have military implications, with Chinese officials expressing concerns about foreign constellations and recent close encounters between Chinese and Starlink satellites.

The battle for blue skies over Beijing leaves farmers cold

Hebei province residents, living near Beijing, are suffering from the side effects of efforts to clean up the capital's air, as a ban on coal burning for heating has left some farmers unable to afford gas heating. Since 2017, the government replaced coal with gas heaters, drastically improving Beijing's air quality, but subsidies for Hebei farmers have tapered off, making gas bills prohibitive for many. Gas prices are also higher in Hebei

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than in Beijing, leading some to revert to illegal coal burning, which is policed by drones and fines. Chinese social media has seen criticism of this unfair burden on Hebei, even prompting some state-run media to question the policy before their articles were censored. This situation highlights a broader malaise in China, where citizens face economic anxieties and a sense of "softlock"?trapped but unable to progress.

The best way to see Hong Kong is on its trams

Hong Kong's "ding ding" trams are becoming an increasingly popular and inexpensive way for tourists to see the city, with visitors accounting for about 15% of the 150,000 daily trips. This phenomenon is part of a broader trend: while tourist numbers are rising, spending per visitor, particularly from mainland China, has significantly decreased. Hong Kong is struggling to compete with mainland attractions and faces a prolonged property slump and weak consumer sentiment, leading to

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more budget-conscious travel. Despite government efforts to boost tourism with flashy attractions and mega-events, the humble tram network might be the most reliable way to maintain the city's appeal.

China obsesses over America's "kill line"

China's state media and public have become fixated on the "US kill line," a term originating from video games that now signifies America's supposed fragility where a single misfortune can lead to ruin. This narrative, fueled by dubious online accounts and statistics on homelessness and inability to cover emergency expenses, portrays America as deeply unequal and dangerous. While exaggerating American life, this obsession reflects China's own anxieties about slowing economic growth, property value declines, youth unemployment, and a sense of "softlock" being trapped without progress. The article argues that while China has lower medical costs, it faces its own kill lines in areas like business failures and the lack of social safety nets, illustrating a form of

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psychological projection where discussing America's problems deflects from China's internal malaise.

MIDDLE EAST & AFRICA

Bereft of legitimacy, the reeling regime in Iran massacres its own people

Iran's regime responded to over two weeks of unrest with extreme violence, resulting in thousands of deaths and arrests, with the protests, though seemingly ebbing, marking a pivotal moment. The turmoil follows an "annus horribilis" of economic collapse, environmental crisis, and a war with Israel, shattering the social contract as the regime can neither protect nor provide for its citizens. Despite previous crackdowns, the scale of current state violence, including mass executions and sniper fire, is unprecedented in the regime's 47-year history. Economic misery, fueled by sanctions and

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widespread corruption within the IRGC, led to the protests, which were galvanized by Reza Pahlavi's call for action. Donald Trump's threats of intervention have been met with initial meager actions, but America is now withdrawing personnel from regional bases, implying a potential strike. However, military action's effectiveness in stopping killings or uniting the opposition is doubted, as Pahlavi's influence beyond social media is unclear, and there's a risk of the IRGC consolidating power or the country descending into chaos.

Reza Pahlavi says Iran is undergoing a revolution

Reza Pahlavi, son of the last shah of Iran, believes his moment has arrived as protests consume Iran, despite being dismissed by many as a "Clown Prince" for decades. He claims the regime is on the verge of collapse and points to widespread cries of "Long live the king!" during protests, which he helped galvanize after their numbers flagged. Pahlavi, who champions a democratic

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Iran, offers himself as a "neutral arbiter" for a transitional government, promising a referendum on restoring the monarchy or establishing a parliamentary republic within four months. However, his influence is questioned by Iran's opposition movements and ethnic minorities, who remember his father's suppressions. Diplomats fear the collapse of another Middle Eastern state, and many doubt his pledge for a referendum, preferring a constitutional assembly to another supreme leader.

How Iran's regime has hidden its brutal crackdown

Iran's regime has implemented its most severe internet blackout ever, with connectivity falling to 1% of normal levels, severely hindering communication within the country and restricting news of the uprising and crackdown from reaching the outside world. This digital suppression, achieved through manipulating the Border Gateway Protocol, blocking VPNs, and maintaining a

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state-controlled domestic internet, has made it difficult to ascertain the exact situation on the ground. Despite the illegality, tens of thousands of Starlink terminals have been smuggled into Iran, offering a patchy lifeline, though Iran appears to be disrupting them, potentially through GPS jamming. Donald Trump is reportedly considering offensive cyber operations or flooding Iran with Starlink terminals to restore internet access.

Binyamin Netanyahu's plan to win Israeli and global hearts and minds

Binyamin Netanyahu, Israel's longest-serving prime minister, is in campaign mode for his 12th general election, aiming to regain national trust and restore Israel's tarnished global image after two years of war in Gaza. He plans to combat "propaganda" by withdrawing American military subsidies and emphasizes Israel's role in defending "Western civilization" against "fanatic forces." Netanyahu also revealed plans to taper American aid to zero over ten years, despite Trump's

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known dislike of aid. Domestically, he faces questions about the economy, the role of ultra-Orthodox communities, and accountability for the October 2023 Hamas attack. While he dismisses brain drain concerns among the tech sector, his policies towards the ultra-Orthodox, who receive social benefits while many avoid military service, are likely to displease all sides. Netanyahu was surprisingly reticent about Iran and Trump's threats, suggesting a cautious approach to avoid miscalculation, but remains firm that Iran would face "horrible consequences" if it attacks Israel.

Home-grown firms are helping Nigeria's oil industry to rebound

Nigeria's oil industry is rebounding from a slump, attracting renewed interest from foreign firms and seeing a significant rise in production, reaching a five-year high in 2025. This recovery is largely driven by private domestic companies, whose share of oil and gas production surpassed global firms for the first time.

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President Bola Tinubu's reforms, including enhanced security in the Niger Delta and tax incentives, have contributed to this improvement. Nigerian executives argue that local firms are more nimble, better equipped to manage community relations, and can operate profitably at lower break-even prices. However, local firms face challenges in raising capital, as Western banks remain wary and local lenders are recovering from a currency crisis. Many are expected to be acquired or fold, with long-term survival likely favoring those investing in natural gas, which offers a cheaper power source for domestic industries and can boost infrastructure development.

EUROPE

Europe has three options for defending Greenland

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Donald Trump's renewed interest in "conquering" Greenland has sparked alarm in Europe, leading to Denmark and Greenland's testy meeting with US officials. Europe is scrambling for a strategy, with three main options: deflate, deter, and distract. The "deflate" strategy involves showing that US security concerns in the Arctic can be resolved within existing NATO frameworks, despite little evidence supporting Trump's claims of Russian/Chinese ships or valuable mineral resources. "Deter" involves considering retaliatory measures like suspending EU trade deals with America or squeezing US tech firms, as well as establishing a European military presence in Greenland. The "distract" option hopes Trump's inherent unpredictability and focus on easy wins, combined with his domestic and foreign challenges, will divert his attention from Greenland once the "sugar high" from Venezuela wears off.

Spain's judiciary is caught up in a bitter political war

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Spain's judiciary is embroiled in a bitter political war, with numerous pending court cases against allies of Socialist Prime Minister Pedro Sánchez, including allegations of corruption against his wife and brother. Sánchez and his allies decry this as "lawfare," a campaign of judicial harassment aimed at overthrowing the government. The opposition, lacking parliamentary votes to censure Sánchez, often relies on the judiciary to hold him accountable. This breakdown of trust is exacerbated by judges being identified along political lines, a unique system of multiple judicial associations, and controversial government bills threatening judicial independence. Key flashpoints include the political battle over judicial appointments to the General Council of the Judiciary, a sweeping amnesty for Catalan separatists (which the Supreme Court resisted), and the ongoing investigations into Sánchez's family.

Europe and South America seal a trade pact for the Trump era

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After over 25 years of negotiations, the European Union and Mercosur (a South American bloc) are set to sign a free-trade agreement, marking a significant geoeconomic event in the Trump era. The deal, long stalled by protectionist lobbies like European farmers, gained impetus from American protectionism and Chinese competition, becoming a geopolitical imperative. While agriculture is a small part of the deal with strict quotas and subsidies for European farmers, the real economic rationale lies in industrial and services trade, creating a free-trade bloc of 700m people and boosting EU exports by an estimated ?49bn by 2040. This pact is a core element of Europe's strategy to strengthen ties with Latin America, diversify trade and supply chains, and reduce dependence on others, representing a "post-American transatlanticism" in a world shifting towards regional power politics.

Who might succeed Recep Tayyip Erdogan?

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Speculation is mounting over who might succeed Turkey's President Recep Tayyip Erdogan, despite his intention to stay in power beyond his current term, which expires in 2028. Bilal Erdogan, his youngest son, is increasingly active in the political limelight, leading to speculation that he is being groomed as a successor. Other contenders for Erdogan's favor include Selcuk Bayraktar (son-in-law and drone architect), Suleyman Soylu (former interior minister), and Hakan Fidan (foreign minister), with Fidan having the strongest CV. Publicly, AK politicians deny any "Plan B" without Erdogan, but privately, a struggle for succession is underway. While Erdogan's health is a state secret, his visible decline and the erosion of his popularity due to economic woes suggest that any anointed successor, especially one with the Erdogan name, would face steep challenges to maintain power in a democracy already in bad shape.

Germany's economy is so bad even

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sausage factories are closing

Germany's economy, the world's third-largest, has been stagnant for three years, leading to a worrying increase in factory closures and insolvencies, including the historic Eberswalder Wurstwerke sausage factory. Insolvencies in December rose by 15% year-on-year, and the annual total for 2025 was the highest in 20 years, affecting sectors like transport, hospitality, and construction. Unlike previous crises focused on specific sectors, the current malaise is widespread, impacting even Germany's traditionally stable manufacturing industries, which are vulnerable to global conflicts, tariffs, and high energy prices. The article concludes that Germany's economic model is ill-suited to current realities, and without adjustment, even iconic businesses like sausage makers will continue to struggle.

Europe's farmers no longer rule the roost unchallenged

The Weekly Digest

European farmers, historically a powerful political force commanding significant subsidies and attention, are seeing their influence wane due to competing priorities and a shifting political landscape. The recent signing of the EU-Mercosur trade deal, despite farmer opposition, signals this decline, as industrial interests pushed for market access in an era of American tariffs and Chinese exports. Other factors include the prospect of Ukraine joining the EU, which would divert substantial CAP funds, and growing environmental policies curtailing intensive agriculture. While farmers still secure concessions and subsidies, their political heft is inexorably dwindling as national budgets are stretched, and arguments for food security are overshadowed by calls for defense spending and industrial competitiveness.

BRITAIN

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Six months after a big review, British defence is still in trouble

Six months after its "root and branch" strategic defence review (SDR), British defence remains in trouble, with slow progress and a £24bn-£28bn funding gap over the next decade. A promised "defence investment plan" (DIP) is missing, exasperating defence firms. While the government committed to spending 2.6% of GDP on defence by 2027 and 3.5% by 2035, most of the cash is backloaded to the 2030s, and high defence inflation coupled with nuclear spending means conventional forces are actually seeing a spending decrease. Planned troop deployments to Ukraine as part of a ceasefire coalition, alongside America's increasingly assertive foreign policy, raise questions about Britain's over-dependence on the US for military, nuclear, and intelligence capabilities. Former officials advocate for more radical options to reduce this dependency, including cultural shifts and investments in niche capabilities to act without America, as unwinding these

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ties would be incredibly costly and take decades.

Britain's high-tech hunt for Russian subs in the North Atlantic

Britain's Royal Navy is facing increasing challenges in hunting Russian submarines in the North Atlantic due to a shortage of attack submarines and frigates, and the stealth of newer Russian subs. The "Atlantic Bastion" program aims to address this by combining crewed warships and aircraft with underwater sensors and uncrewed autonomous vessels, all linked by AI-powered acoustic detection technology. This "sub-hunting-as-a-service" system, run by contractors, is clever for confined areas like the GIUK gap, but has limitations: Russia could surge subs before a war or evade sensors by going under Arctic ice. The RUSI think-tank suggests Britain needs to increase its firepower on Russia's doorstep to force subs back north-east, potentially with missile-armed drone boats, as Britain's current warships are under-armed.

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Nigel Farage would bring uncertainty to Britain's policy on Putin

Sir Keir Starmer highlights Nigel Farage's stance on Vladimir Putin as a weakness, arguing that the Reform UK leader's "Putin-positive" leadership would jeopardize Britain's support for Ukraine. Farage has consistently maintained that Western enlargement of NATO and the EU shares culpability for Russia's aggression, opposing British troop deployment to Ukraine but affirming NATO's mutual defense commitments. His past actions, including opposing resolutions condemning Russian actions and admiring Putin as an "operator," underscore a chequered record. Reform's critics have sought links to Russian funding, and a former Reform leader was jailed for taking bribes from a pro-Russian oligarch. While Reform voters are less pro-Russian than other European populist-right supporters, Farage's views introduce significant uncertainty into Britain's foreign policy.

The trouble with West Midlands Police

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West Midlands Police proposed banning fans of Maccabi Tel Aviv, an Israeli football team, from a match, citing a non-existent earlier fixture as justification. This error was attributed to a "hallucination" by Microsoft Copilot, an artificial-intelligence tool. Following this incident, Home Secretary Shabana Mahmood expressed a loss of confidence in Chief Constable Craig Guildford and seeks to restore the power to dismiss failing police leaders.

A weapon that could help red squirrels in their Battle of Britain

The Red Squirrel Recovery Network (RSRN) is deploying an ingenious strategy in its "Battle of Britain" against invasive grey squirrels: hazelnut butter laced with contraceptive bait. Grey squirrels, introduced in the late 19th century, outcompete native red squirrels for food and habitat, and spread the fatal squirrelpox virus. The RSRN's secret weapon, proven effective in trials, will be dispensed through discriminating feeders that only open for heavier grey squirrels. This scalable,

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humane method aims to hobble the grey squirrel population, replacing expensive culling efforts. Funded by a £4.9m National Lottery grant, this five-year master plan also urges public participation through an app for squirrel sightings.

Another U-turn from Britain's government

Britain's Labour government is facing a formidable backlash over its plan to phase out a generous tax relief for pubs, introduced during the covid-19 pandemic, leading to a likely U-turn. Property taxes, known as business rates, are levied on commercial buildings, and a new valuation for 2025 will increase the average annual tax liability for pubs by nearly 50% over three years. This has prompted widespread anger, with pubs threatening to ban Labour MPs and surveys indicating many will become unprofitable. The government is now in "listening mode," considering additional relief. While some argue that business rate relief ultimately benefits landlords or that pubs should not be subsidized if

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demand falls, the broader retail and hospitality sector also faces significant rate increases and calls for an overhaul of the entire business rates system.

The case for banning vehicles from Oxford Street in London is weak

London's Oxford Street, long plagued by hucksters and perceived as "in decline," is now targeted for pedestrianization by Mayor Sir Sadiq Khan, who has created a development corporation to implement the plan. While locals express concerns about diverting traffic and noise into residential streets, the original arguments for pedestrianization?pollution and economic failure?are now weaker. Air pollution has significantly decreased, and the street's vacancy rate is below 1%, indicating economic strength. The article suggests the best reason to ban vehicles is simply to create a nicer environment for the large crowds of pedestrians who already use the street, drawing parallels to the successful pedestrianization of Trafalgar Square and Broadway in

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Manhattan.

Reform UK risks blowing a once-in-a-century moment

Britain's Conservative Party is nearing its demise, creating a rare moment of political flux that Reform UK, led by Nigel Farage, is poised to exploit, but risks squandering. The party is attracting former Tories, like Nadhim Zahawi and Robert Jenrick, yet this influx of "Tory throwbacks" contradicts Reform's promise of "high-agency" personnel and raises concerns about its ability to govern effectively. Reform's policies, opposing building, foreign talent, and easier trade with Europe, mirror those that made the Conservatives poorer, suggesting it will perpetuate rather than solve Britain's lack of economic growth. Its governing philosophy, couched in revolutionary rhetoric about "taking back control" and cutting the "administrative state," resembles past, unsuccessful Tory tactics. The article concludes that Reform UK, instead of ushering in a new, dynamic

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era for Britain, risks becoming a "Bed-blocker Party," keeping an unhappy old era alive and preventing necessary reforms.

INTERNATIONAL

Falling wine sales reflect a lonelier and more atomised world

Wine sales are declining across most of the rich world, reflecting not just a health-conscious younger generation but a deeper "fraying of the social fabric" that once sustained wine consumption. While alcohol consumption generally has fallen in OECD countries, wine has been hit particularly hard, despite global production issues. Winemakers like Chile's Andrés Pérez believe this slump reflects a move away from shared meals and smaller social gatherings where wine traditionally flowed. This shift is linked to an increasing number of people living

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and eating alone, with nearly a quarter of American adults eating every meal alone, and rising rates of loneliness worldwide. While loneliness might seem to drive people to drink, research suggests the opposite: people are more likely to drink and binge-drink when they are "chipper," indicating alcohol is often a social lubricant.

Donald Trump used to be risk-averse. Is that changing?

Clocks in Trumpworld are running faster than ever, with President Donald Trump's second administration showing increased urgency and aggression in foreign policy, exemplified by the commando raid in Venezuela. This activism challenges previous assumptions about Trump's risk-averse nature and promises to avoid "forever wars" and toppling foreign regimes. His aides acknowledge his "bias for action" and the "value in uncertainty" of his policies. While Trump has been fortunate to avoid large-scale American casualties in past

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military operations, he is reportedly haunted by potential failures. The article posits that to predict 2026, one must determine if Trump retains his old, risk-averse instincts or has shed his "Carter syndrome," becoming a hubristic, glory-seeking president who might overlook risks until it is too late.

BUSINESS

A new generation of Chinese companies is expanding around the world

A new generation of Chinese companies is rapidly expanding globally, with listed Chinese firms generating \$2.1trn in overseas sales in 2024 and investing more abroad than foreign companies do in China. This "Going global 3.0" wave is driven by domestic economic gloom and the opportunity to leverage advanced manufacturing and innovation skills learned from foreign

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multinationals. Unlike previous waves, these firms are building a greater physical presence overseas, establishing factories, data centers, and foreign stores, particularly in the global south. They are also adopting a new approach to hiring, recruiting more locals for key roles and relying on an emerging ecosystem of advisers. However, these companies face challenges from regulatory clashes in the West, such as forced sales of businesses like TikTok, and wariness from their own government regarding complex cross-border structures and offshore profits.

Who will cash in on Venezuelan oil?

Chevron is in a prime position to profit from Venezuela's oil industry after Donald Trump's intervention, having maintained a presence despite expropriation and sanctions. Other firms, including Indian refiners and commodity traders Vitol and Trafigura, are also showing interest as sanctions ease. While some smaller oil drillers and magnates with MAGA connections are eager to

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invest, extracting Venezuela's "extra heavy" crude is costly and fraught with legal and political risks that linger despite Maduro's removal. Oil majors like ExxonMobil remain wary, demanding compensation for past asset seizures and expressing skepticism about the country's "uninvestable" status under current conditions. Without a resolution on past debts and a clear long-term political commitment, only Chevron is likely to make significant investments, while many other hopefuls may struggle to raise the necessary capital to truly revive Venezuela's industry.

Under growing pressure, Elon Musk backs down on nude deepfakes

Elon Musk is facing increasing pressure and commercial risks after a recent update to his AI chatbot, Grok, allowed it to churn out nude deepfakes, inciting regulators and leading to bans in Malaysia and Indonesia. The chatbot's "maximally truth-seeking" design made it less likely to refuse requests to generate

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images violating content policies, with public "nudification" requests soaring on X. While Musk initially responded with laughter, the fallout is becoming harder to ignore, with Britain accelerating enforcement of new laws against nude deepfakes and investigating X for violations of the Online Safety Act. In America, mounting pressure includes a new Senate bill allowing lawsuits for non-consensual deepfakes and an investigation by California's top prosecutor. Consequently, Musk has appeared to back down, with X announcing Grok will no longer produce nude deepfakes of real people in jurisdictions where it is illegal.

Job applicants are winning the AI arms race against recruiters

The release of ChatGPT has sparked an AI arms race in recruitment, with job applicants using chatbots to generate a massive wave of applications, increasing submissions by 239% since 2022. Services like LazyApply automate application tailoring, and AI has

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even facilitated infiltration by spies and fraudsters, leading Gartner to predict that one in four candidate profiles could be fake by 2028. Recruiters are responding by asking candidates to refrain from chatbots, capping applications, and accelerating their own use of AI for screening and sifting résumés, though hiring times have only slightly decreased. Recruiters face a structural disadvantage in this arms race, as jobseekers are unburdened by compliance or internal approvals. The rise of AI may fundamentally change hiring, with a potential shift towards tasks that can't be chatbot-generated or even the eventual abandonment of traditional job applications in favor of AI agents matching candidates with roles.

The parable of the supermarket self-checkout

Supermarket self-checkout machines illustrate how imperfect technologies can spread despite flaws, posing a parable of technology adoption and management

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tradeoffs. Initially met with irritation, these machines became widespread due to the economic lure of reduced staffing costs in a competitive industry, driving shopper adaptation and technological improvement. However, human cashiers remain superior for speed and handling complex issues, meaning assisted lanes won't disappear entirely. Self-checkout design involves balancing employer desires for cost savings with customer experience and "shrink" control, leading to features like weight-sensitive surfaces that deter theft but slow down customers. Real-world constraints, such as the high cost of Amazon Go's frictionless checkout, mean that technological advancements often come in small, incremental steps, striving for better integration with existing consumer behavior.

The race for copper has brought a wave of mining mega-mergers

The mining industry is experiencing a wave of mega-mergers, exemplified by Rio Tinto's talks to

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acquire Glencore, driven by an intensifying race for critical minerals like copper. Copper's price has soared by nearly 50% in the past year due to high demand for electric vehicles, batteries, and AI data centers, coupled with constrained supply from aging mines and geopolitical disruptions. This shortage, compounded by declining "head grade" in existing mines and long development times for new ones, has led miners to seek acquisitions to secure copper, a highly fragmented market. While consolidation may provide financial firepower for expansion, it won't immediately ease the supply shortage, as new investment, overcoming permit delays, and addressing processing bottlenecks remain significant challenges.

How Saks Fifth Avenue's owner went bust

Saks Global, the parent company of Saks Fifth Avenue, Bergdorf Goodman, and Neiman Marcus, filed for bankruptcy little more than a year after consolidating the luxury department store trio. The company's downfall,

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marked by missed interest payments and the resignation of its boss, is partly due to broader industry challenges like declining department store sales, brands selling directly to consumers, and online competition. However, Saks Global's heavy debt from acquiring Neiman Marcus led it to delay supplier payments, resulting in thinly stocked shelves and customers turning to rivals. Despite owning \$4.4bn in property, including its flagship store, the company faces store closures and brand mergers to survive, needing a new strategy focused on curation and finding lesser-known gems in fewer, better locations.

Innovations in energy and finance are further inflating the AI bubble

The artificial intelligence (AI) boom faces significant bottlenecks in energy and capital, spurring innovations that risk further inflating an "AI bubble." Power suppliers are overwhelmed by electricity demand for AI data centers, leading to "BYO" (bring-your-own) energy solutions like trucking in gas turbines, allowing data

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centers to sprout faster off-grid. Simultaneously, capital constraints, as tech giants' investments outpace cashflow and banks become saturated with data-center loans, are driving financial wizardry. Companies like xAI, Meta, and Oracle are using Special Purpose Vehicles (SPVs) to lease GPUs and fund massive data centers off-balance-sheet. Private-credit firms, often funded by life insurers, are increasingly originating or buying tranches of AI-related loans. While these innovations address immediate bottlenecks, they also pump more air into the AI bubble, with potential for a credit meltdown if AI profits don't materialize, posing a broader risk to the financial system.

FINANCE & ECONOMICS

It's not just the Fed. Politics looms over central banks everywhere

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Central bank independence, a cornerstone of stable economic policy since World War II, is under threat globally, not just from Donald Trump's unprecedented attacks on the Federal Reserve. Trump's DoJ served subpoenas to Fed Chair Jerome Powell over renovation costs, which Powell decried as political retribution for not cutting interest rates faster. This assault is echoed by monetary populists elsewhere, like Japan's Prime Minister Takaichi Sanae who previously criticized rate hikes, and populist parties in Britain threatening to scrap interest on bank reserves. The euro zone's ECB faces the danger of underwriting indebted governments, especially France, risking another debt crisis. Even emerging markets like Indonesia show backsliding. While bond markets have remained muted, relying on politicians' restraint is a huge gamble; maintaining independent central banks remains the safer bet against inflation and instability.

Jerome Powell punches back

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Jerome Powell, the soft-spoken chairman of the Federal Reserve, mounted an uncharacteristic and ardent defense against the Department of Justice's subpoenas related to a renovation probe, calling it a political attack for setting policy based on economics rather than presidential preferences. This strong pushback led Donald Trump to disavow involvement and prompted objections from several Republican senators, who threatened to block Fed nominations. Former treasury secretaries, Fed chairs, and a dozen foreign central bankers also issued statements of solidarity. The fracas may also influence the Supreme Court, making it more likely to view the attempt to fire Fed Governor Lisa Cook as part of a broader assault on the central bank. The market's muted reaction suggests investors believe efforts to stack the Fed and drastically cut rates will be harder than anticipated.

Donald Trump's crusade against usury reaches Wall Street

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Donald Trump has extended his crusade against high interest rates to the private sector, threatening "very severe things" for firms charging over 10% on credit-card loans and urging Congress to curb merchant fees. While no such law is imminent, financial firms have taken a hit, with share prices of card issuers and payment processors falling. Banks warn that a rate cap would reduce credit supply, particularly harming low-earners, and could significantly slow the economy. This follows Trump's intervention in the mortgage market, where Fannie Mae and Freddie Mac were instructed to buy \$200bn in mortgage-backed securities, driving down 30-year mortgage rates to a three-year low. However, this carries risks for taxpayers if interest rates rise and complicates the duo's privatization. The automotive credit market, with \$1.7trn in loans, may be Trump's next target, potentially through a combination of tax incentives and presidential mandates.

Is passive investment inflating a

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stockmarket bubble?

A widely circulated working paper by Xavier Gabaix and Ralph Koijen suggests that passive investment may be inflating a stockmarket bubble by challenging the textbook assumption of elastic markets. Contrary to the idea that money flowing into stocks barely raises prices, their "inelastic-markets hypothesis" argues that stockmarket demand is inelastic, meaning each dollar of fresh investment can push up aggregate market value by \$3-8. This is because arbitrageurs are few and constrained, and funds with fixed allocations, like target-date funds, maintain demand regardless of rising prices. If correct, this implies that the steady flow of savings into passive funds, which simply track indices, could be distorting share prices and contributing to a bubble, rather than efficiently directing capital based on fundamentals.

Pessimism is the world's main economic problem

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Widespread and persistent pessimism has become a major global economic problem, with consumer and economic confidence near record lows across rich countries. This gloomy mindset, more impactful than data alone, acts as an "uncertainty shock," leading households and firms to postpone costly decisions, slowing labor market churn, and increasing savings rates. Pessimism also fuels zero-sum thinking, leading to support for redistribution and protectionist policies, including stricter regulation and taxation of AI firms, potentially dulling growth and creating "fortress economies." Furthermore, it undermines fiscal discipline, as voters' low tolerance for short-term pain encourages politicians to prioritize cushioning over restraint, leading to wider deficits and persistent inflation. This self-reinforcing loop of gloom, populism, and institutional weakening risks lasting economic damage.

The economics of regime change

Regime change, while a swift political upheaval,

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translates into slower, more complex economic adjustments, as seen in the diverse outcomes following political ruptures from Russia in the 90s to Tunisia in 2011. Economic recovery hinges not merely on democracy, but on establishing a credible "anchor"?clarity about enduring economic rules, property rights, and enforcement. Chile after 1990 maintained stable growth by preserving its economic framework despite democratic transition, while Serbia in 2000 quickly rebounded due to a reset of expectations and rapid reintegration into the global economy. In contrast, Tunisia's economy remained stuck due to continued government spending and postponed reforms, and Libya descended into civil war, making economic management impossible. Venezuela today relies on borrowed credibility from Donald Trump's external oversight and oil management, which stabilizes trade but does little for long-term investment.

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SCIENCE & TECHNOLOGY

Why child prodigies rarely become elite performers

A new paper in *Science* challenges the common belief that child prodigies intensely schooled in their early years become elite adult performers. The study, analyzing data from over 34,000 elite performers in sports, chess, classical music, and academia, found that the very best adult superstars rarely stood out early on and tended to maintain wider interests for longer. Conversely, most top-performing teenagers did not become true superstars. Researchers propose "search and match" (finding the best-suited field), "enhanced learning" (better learning ability from diverse experiences), and "limited-risk hypothesis" (avoiding burnout) as possible explanations for this pattern. The findings suggest that hothouse environments produce competent individuals but not necessarily world-class

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ones, prompting academies to rethink their approach.

Hotter still, and hotter

Despite being a La Niña year, 2025 was one of the hottest on record, indicating an acceleration in global warming, with the past three years averaging between 1.48°C and 1.5°C above pre-industrial levels. This warming trend is supported by ongoing increases in manmade greenhouse-gas emissions and, paradoxically, by the reduction of sulphate particles in the atmosphere, which previously reflected solar radiation. Climate researchers at the University of Exeter suggest climate sensitivity to greenhouse gases might be at the upper end of estimates, potentially leading to a 2°C rise by mid-century. Extreme heat at the poles, including record low ice cover and Antarctica's hottest year, along with severe wildfires in Europe, contributed to 2025's temperatures. If current trends continue, the 1.5°C Paris Agreement milestone will be passed sooner than expected, possibly by the end of this decade.

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Same-sex sexual behaviour in primates is a survival strategy

Same-sex sexual behavior, observed in around 1,500 species, serves as a survival strategy in primates by promoting harmony and bonding within groups, particularly in harsh environments. A study of 491 primate species found this behavior more common in those facing environmental pressures like dry climates, food scarcity, and more predators, suggesting it fosters cohesion for protection. It was also more prevalent in species with strong sexual dimorphism and longer lifespans, and in large groups with stratified hierarchies where social tension is common. While not compromising reproduction, these findings suggest that same-sex interactions act as a mechanism to reduce conflict and enhance group stability.

Do RFK junior's new dietary guidelines make sense?

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The American government's new dietary guidelines, published by Health Secretary Robert F. Kennedy junior, have drawn criticism from nutrition experts for their controversial focus on meat and animal fats like butter and beef tallow, labeling them "healthy fats." Despite the general advice to eat fruits, vegetables, and whole grains, the guidelines' visual representation and recommendations for high protein intake prioritize saturated fats, which contribute to artery-clogging cholesterol and increased risk of heart disease. This emphasis contradicts long-standing advice to limit saturated fat consumption and dismisses scientific evidence against seed oils. While the basic advice for a balanced diet of fresh, healthy foods is sensible, the specific recommendations on meat and fats are questionable and potentially unhealthy.

CULTURE

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Did killers make the modern world?

Clifton Crais's "The Killing Age" argues that globalized violence, not innovation, was essential to the Industrial Revolution, claiming that "killing [has been] the West's most profound contribution to world history." Drawing on diaries of 18th-century Jamaican planter Thomas Thistlewood, the book contends that improved Western weapons technology led to conquest, plunder, and an arms race that drove global trade and generated vast profits, which were then invested in factories and railways. However, the article criticizes this thesis, noting that it reflects contemporary campus-left views and lacks plausible historical support for increased violence or its causal link to the sudden post-1820 economic enrichment. It argues that the Industrial Revolution was fundamentally driven by an explosion of innovation and the spread of knowledge, not brutality, and that the profits of slavery and colonialism were not a significant economic driver.

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How well do you know the person lying next to you in bed?

Belle Burden's memoir, "Strangers," taps into a trend of documenting worst-case marital scenarios, portraying a horror story of betrayal and divorce that begins with her husband James's abrupt demand for a split after an affair. The narrative offers glimpses into a rarefied elite, highlighting Burden's shock at her husband's unhappiness and her realization of having ceded financial decisions and independence to him. The memoir, lauded for its elegant and unspiteful prose, resonates with many who have experienced similar abrupt marital endings, suggesting that even the most intimate relationships can harbor nasty surprises. Burden's decision to share her story publicly aligns with a growing willingness to air "marital dirty laundry," emphasizing the question of how well one truly knows their partner.

Are artists right to boycott the

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?Trump-Kennedy Centre??

A new boycott by American musicians against "The Donald J. Trump and the John F. Kennedy Memorial Centre for the Performing Arts" highlights the role of art in divisive times, prompting questions about whether artists should perform. The Kennedy Centre's board controversially renamed the institution and Trump, who previously called some of its output "a disgrace," was appointed chairman, leading to a "woke" programming purge and a spate of withdrawals from artists like Lin-Manuel Miranda. While artists are entitled to follow their consciences, the practical impact of the boycott is sketchy compared to the anti-apartheid "Sun City" campaign, which had clear strategic goals. The article argues that while boycotters have valid reasons, performing at the center offers an opportunity to share views and foster sympathies across divisions, which is a fundamental job of art and essential for a healthy polity.

How bagels conquered the world

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The bagel, originating in Krakow in 1610, has transitioned from a niche Jewish food to a global culinary sensation, celebrated with National Bagel Day in America. The article traces its journey through Jewish emigration to America, where distinct Montreal and New York styles emerged, before mechanization in the mid-20th century transformed it into a mass-produced item found in supermarkets and fast-food menus. Despite purists' disdain for mass-produced versions, the bagel's popularity continues to grow, with sales estimated at \$5bn last year and increasing demand in East Asia. Innovators have expanded beyond traditional flavors, creating novelties like rainbow-colored and French-toast flavored bagels, solidifying its place as an American food with ethnic roots, despite the rise of "carbphobia."

The risky plan to take the ?K? out of K-pop

K-pop, a popular music genre, is undergoing a risky transformation to become less "Korean" and more global, driven by muted domestic demand and labels

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eyeing international markets. Training academies like SM Universe in Singapore and HYBE programs in Los Angeles and Mumbai are recruiting and training aspiring performers from diverse international backgrounds, reflecting a desire for musical acts that resonate with adoring global audiences. Artists are increasingly collaborating with American stars and singing in English, aligning with HYBE founder Bang Si-hyuk's goal to "get the K out of K-pop." While the genre's ebullient style, catchy hooks, and polished production remain, the shift also includes exporting the rigorous K-pop "idol" training system, which emphasizes discipline, teamwork, and charismatic public presentation. Early successes, like the international girl group Katseye, suggest that the future of K-pop lies in its globalized identity.

The secret to Agatha Christie's success

Fifty years after her death, Agatha Christie remains the bestselling novelist of all time, despite criticism from

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contemporary critics, with her works continually adapted for screen. Her enduring allure is attributed to several factors: her preference for unlikely sleuths like the finicky Hercule Poirot and the seemingly dotty Jane Marple, who involve the reader as an accomplice in their independent investigations. Christie also masterfully used isolated settings, such as the Orient Express or charming villages, to turn every character into a suspect and to restore a sense of order at the story's conclusion. Most notably, her exceptional gift for intricate plots and cleverly disguised twists, which become obvious only in retrospect, is considered the fundamental secret to her unparalleled and lasting success.

ECONOMIC & FINANCIAL INDICATORS

Economic data, commodities and markets

No significant coverage this issue.

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OBITUARY

Aldrich Ames built a career on betraying trust

Aldrich Ames, the most senior CIA man to spy for Russia, died aged 84, having orchestrated the biggest-ever transfer of intelligence from the CIA to the KGB over nine years (1985-1994). His betrayal, which led to the executions of at least ten Russian sources and disrupted nearly all CIA Soviet operations, was driven by a desperate need for money following an expensive divorce and his new wife Rosario's lavish tastes. Ames initially saw providing "not-very-useful information" for \$50,000 as a brilliant plan, but quickly escalated to delivering pounds of classified papers in shopping bags as his financial needs grew. His recklessness, arrogance, and greed, combined with a sense of sleepwalking into his actions, led him to take down major assets like Major-General Dmitri Polyakov. Despite flaunting his

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wealth with expensive cars and homes, and colleagues growing suspicious, Ames repeatedly eluded investigation and even polygraph tests, often due to his alcoholism which was frequently overlooked. He felt no remorse for the deaths of his sources, believing they assumed the same risks he did, and he saw himself as having ultimately paid a similar price with his life imprisonment.