government realised that belts needed to be tightened. After a brief struggle, it let the rouble fall. It squeezed demand by hiking interest rates and cutting public spending. From 2013 to 2016, GDP per person fell by over 40% in dollar terms. In its realism and rapidity, Russia's response to its crisis was the best of any emerging market this decade, says Mr Kouzmin.

The government's deficit now stands at just 1.5% of GDP. Its net debt is only 8.4% of GDP. This conservatism may persist. Its latest fiscal rule requires it to assume an oil price of $40 a barrel, even though the Urals oil price is now over $64.

Brazil also has a stringent fiscal rule, obliging it to freeze federal spending in real terms for 20 years. But the government has yet to bring its other commitments into line with this limit. An attempt to delay pay hikes for civil servants was blocked by the supreme court. And an essential reform of pensions was watered down in negotiations with congress, which then refused to support it anyway.

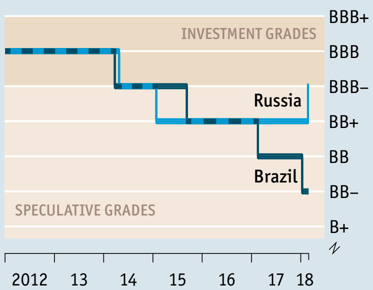
Brazil suffers from a fiscal "tragedy of the commons". Its jostling lawmakers overgraze, demanding too much from the state, because if they do not, they know their rivals will. By contrast, Russia's president and chief policymaker, Vladimir Putin, has few rivals for his fiscal pasture. That makes him keen to preserve it.

Russia's economic defensiveness is good for its credit rating, but may have an unwelcome side-effect: squashing growth. More relaxed fiscal and monetary policy would give the economy room to breathe, argues Mr Ash. "What is the point of having a good balance-sheet if your economy is not growing?"

And Mr Putin's reluctance to cede control may be stymieing the reforms Russia needs. If it is to grow, the state must allow new entrants, including foreigners, to prosper at the expense of incumbents. Instead, entrepreneurs are well aware that they prosper only at the regime's pleasure. "Do you ever really own anything in Russia?" asks Mr Ash. Fiscal entitlements are too secure in Brazil. But in Russia, property rights are not secure enough. ■

Two ratings diverged

Foreign-currency sovereign credit-ratings



Source: Standard & Poor's

Asia's stockmarkets

Duelling exchanges

SINGAPORE

Hong Kong and Singapore succumb to the lure of dual-class shares

FOR Charles Li, Alibaba was the one that got away. The head of the Hong Kong stock exchange (HKEX) courted the Chinese e-commerce giant when it sought a venue for its listing five years ago, but he could not push through rule changes wanted by Alibaba to keep control of the company in its leaders' hands. It opted instead for an initial public offering (IPO) in New York. "Losing one or two listing candidates is not a big deal for Hong Kong," he wrote at the time. "But losing a generation of companies from China's new economy is." Since then he has been determined to make the next big catch.

It is finally within his grasp. After a debate that has trundled on for several years HKEX is, in the coming weeks, poised to allow companies to issue shares with different voting rights. Known as dual-class shares, these give founders the ability to control their firms, even as minority owners. This should make Hong Kong the favoured destination for the next wave of Chinese tech firms to go public, from Xiaomi, a smartphone maker, to Ant Financial, Alibaba's fintech spin-off. It should also bolster the city's claim to being Asia's leading financial centre.

But Mr Li's success is controversial. Some of the biggest investors in Hong Kong warn that the changes will undermine corporate governance and harm most shareholders. They fear a "race to the bottom" around the region, as David Smith of Aberdeen Asset Management Asia puts it. Singapore, Hong Kong's rival for financial pre-eminence in Asia, is on track to be the next market to allow dual-class shares. There are murmurings that some of the bigger exchanges in South-East Asia might follow.

The erosion of "one share, one vote", long a cornerstone of equity markets, began in the 1980s on the New York Stock Exchange. The tech boom of the past decade accelerated the shift to dual-class shares, starting with Google's IPO in 2004. Companies say unequal voting rights enable them to escape the short-termism of stockmarkets. Critics counter that conventional shareholding structures can serve long-term goals just as well, with less chance of mismanagement. Ironically, as Asia adopts dual-class shares, opposition is mounting in America. Last year FTSE Russell and S&P, two big index providers, barred companies from joining their stockmarket gauges if they list only non-voting shares.

The Hong Kong and Singapore exchanges have both pledged safeguards. HKEX has proposed that companies with dual-class shares must have an additional corporate-governance committee to ensure they are managed for the benefit of all shareholders. More boldly, Singapore might include a sunset clause, establishing a date at which shares with extra voting rights convert into ordinary shares. And both exchanges say they want to restrict dual-class shares to firms in innovative, emerging sectors.

But Jamie Allen of the Asian Corporate Governance Association predicts they will have a hard time holding the line against powerful companies in other sectors. "Once the genie is out of the bottle, it's out," he says. Over time, the fear is that if the standards of their stockmarkets slip, the reputation of Asia's financial centres as generally clean, reliable places to do business will suffer, too.

In recent years the fortunes of the two exchanges have diverged. HKEX gained momentum from a flurry of initiatives, most notably a channel for cross-border trading with Chinese mainland stockmarkets. Singapore, meanwhile, faces stiffer competition from exchanges in the surrounding region. HKEX hopes dual-class shares will boost it further. For the Singapore exchange, they are a way to defend its turf. Concerns about shareholder rights are unlikely to stop either of them. ■

Tax and the dollar

Green-back

WASHINGTON, DC

Capital is on its way to America, but for bad reasons

ACCORDING to President Donald Trump, money is pouring into America from abroad. The tax reform he signed into law in December means American firms can no longer defer paying taxes on profits left sitting in foreign subsidiaries. The change has led to some uplifting headlines. Apple said that it would make a one-off tax payment of $38bn relating to its past accumulation of $252bn in foreign earnings. Presumably, it will now start to bring this cash home. "Huge win for American workers and the USA!" tweeted Mr Trump. Yet despite the prospect of large-scale profit repatriations, the dollar has been strangely weak of late. Since the start of November, when tax reform began looking likely to pass, the greenback has fallen by about 3%. What is going on?

Start with the fact that repatriations are mostly not true capital inflows. An analysis by Zoltan Pozsar of Credit Suisse finds that, as of March 2017, American corpora-