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# Collision course

**America, Iran and the threat of war**



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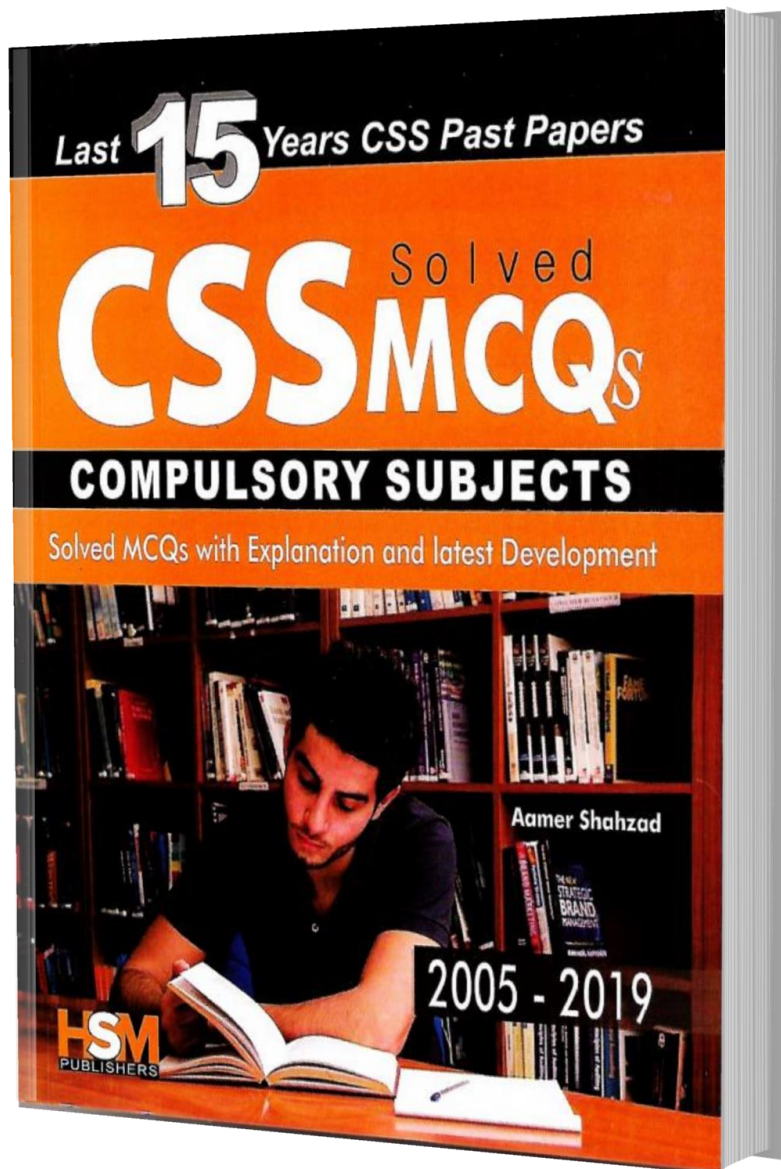


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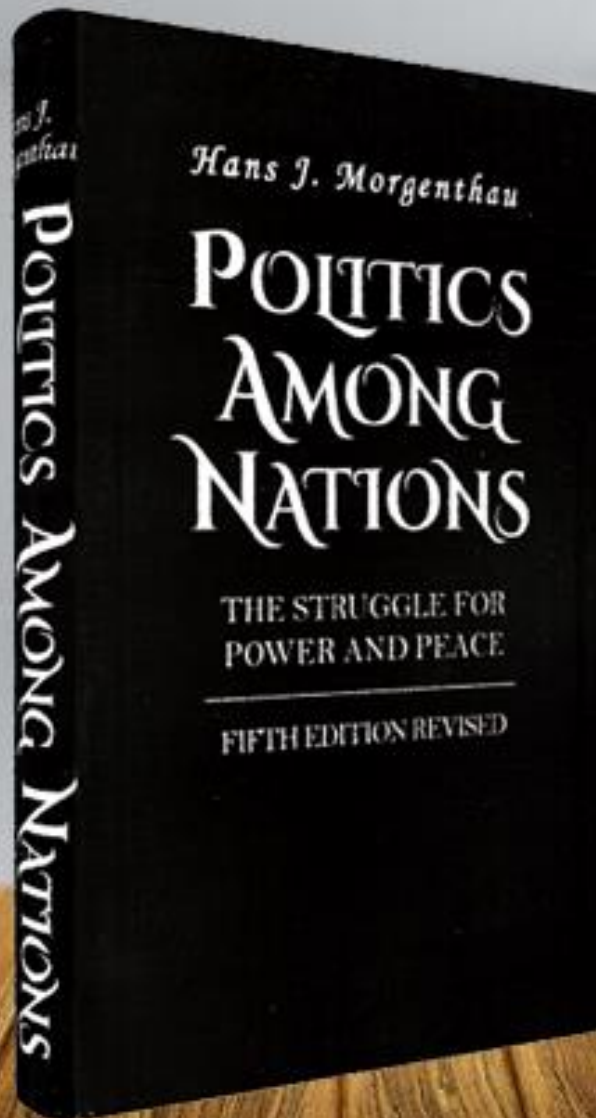


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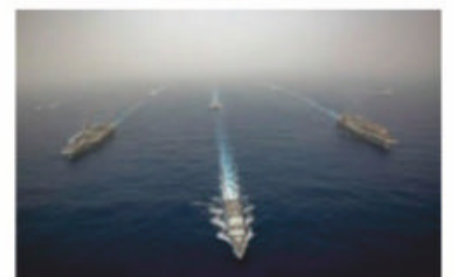
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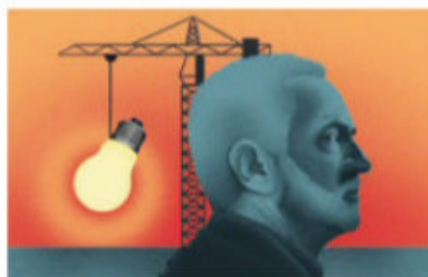


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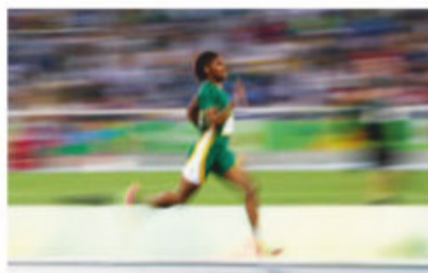
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A man with a beard, wearing a grey hoodie, is sitting at a desk in a library. He is looking at a laptop screen and holding a pen over a notebook. The background shows bookshelves filled with books.

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America sent an aircraft-carrier group to the Middle East in response to “troubling and escalatory” signs that Iran might attack American forces in the region. **Iran**, meanwhile, said it would no longer abide by all of the terms of the nuclear deal it signed with America and other world powers in 2015. America withdrew from that deal last year and reimposed sanctions, aiming to cut off Iranian oil exports; it announced new sanctions this week, targeting iron, steel, copper and aluminium, which account for around 10% of Iran’s exports.

Palestinian militants in **Gaza** fired hundreds of rockets into southern **Israel**, killing four Israelis. Israel responded by pounding Gaza with air strikes, killing 27 Palestinians. It was the deadliest fighting since 2014. A truce was finally brokered by Egypt.

**South Africans** voted in a general election that was held 25 years after the end of apartheid. Polls suggest that the African National Congress, which has ruled since 1994, would win again, although with its smallest-ever majority.

The World Health Organisation is to increase the number of vaccinations it administers in an effort to contain the spread of the **Ebola** virus in the Democratic Republic of Congo.

**A New York state of mind**  
**Brazil’s** president, Jair Bolsonaro, cancelled a trip to New York after some groups and the

mayor, Bill de Blasio, criticised his racist and homophobic remarks and hostility towards greenery. Mr Bolsonaro was due to receive a person-of-the-year award from the Brazilian-American Chamber of Commerce. Several sponsors had pulled out of the event.

The United States revoked sanctions it had placed on Christopher Figuera, the head of **Venezuela’s** intelligence service, who recently turned against the regime led by Nicolás Maduro and fled the country. The Trump administration said this was an incentive for other senior Venezuelan officials who have been sanctioned to support Juan Guaidó, the opposition leader, in his effort to oust Mr Maduro.

Laurentino Cortizo, the centre-left’s candidate, was declared the winner in **Panama’s** unexpectedly close presidential election. He campaigned mostly on tackling corruption.

**The royal proclamation**  
**Donald Trump** invoked executive privilege in his fight with **Democrats** in Congress, who want the administration to release the unredacted version of the Mueller report. That didn’t stop the House Judiciary Committee from holding William Barr, the attorney-general, in contempt. With relations souring between the two branches of government, America’s treasury secretary, Steven Mnuchin, earlier refused to release Mr Trump’s tax returns to Democrats, arguing that the “unprecedented” request was being made under an obscure law.

A federal court found that **Ohio’s** congressional districts had been drawn to favour the Republicans and ordered that they be remade for the 2020 election. It is the second recent ruling to strike down partisan gerrymandering, after a similar case in Michigan. ▶▶

 An advertisement featuring a woman in a field holding a plaid blanket, with wind turbines in the background. The text is split into two sections: "We see possibilities in the sun and wind" and "And in natural gas, the smart partner to renewables". The right side of the ad shows a close-up of a gas burner with a blue flame.
 

**We see possibilities in the sun and wind**

**And in natural gas, the smart partner to renewables**

### ► Still in the stoning age

The sultan of **Brunei** responded to critics of the harsh Islamic penal code he recently promulgated by suggesting that its most controversial punishment, death by stoning for sex outside marriage, would not in practice be carried out. But the law remains on the books, and he made no commitment regarding other gruesome punishments, such as amputation for theft.



King Vajiralongkorn of **Thailand** was crowned in an elaborate three-day sequence of ceremonies. Shortly after-

wards, the Election Commission announced the official results of the election held in March. It altered the formula for allocating seats, thereby depriving the opposition coalition of a majority in the lower house of parliament.

Officials in **Pakistan** confirmed that Asia Bibi, a Christian woman whose death sentence on trumped-up charges of insulting the Prophet Muhammad was overturned in October, had been allowed to leave the country. The quashing of Ms Bibi's blasphemy sentence by the supreme court had prompted protests from Islamic hardliners. She was remanded in custody until January, when a legal challenge to her acquittal was rejected.

The government of **Myanmar** pardoned some 6,000 prisoners to mark Burmese New Year, including two journalists working for Reuters who had been sentenced to seven years'

imprisonment after revealing details of a massacre of Muslim civilians by the army.

**North Korea** tested a series of short-range missiles. Although this did not break the country's self-imposed moratorium on tests of long-range missiles and nuclear weapons, it was interpreted as a signal that the North was chafing at the slow progress of arms-control talks with America.

### Not the right's result

**Turkey's** electoral board succumbed to weeks of pressure from the ruling party and annulled an election in March for the mayor of Istanbul, narrowly won by the opposition candidate, Ekrem Imamoglu. Mr Imamoglu has been removed from office and replaced by an appointed mayor. A fresh election has been called for June 23rd. Many observers saw this as a deadly blow to Turkish democracy.

**Denmark** called an election for June 5th. The Social Democrats are expected to take back power from the centre-right, largely because their leader has echoed hawkish policies on migration, for instance agreeing that the police should be allowed to strip asylum-seekers of jewellery and cash.

**Britain's** Conservative Party suffered huge losses in local elections. The drubbing, losing 44 councils and 1,334 seats, was the heaviest since 1995. Small anti-Brexit parties were the beneficiaries, as Labour failed to capitalise. Tory MPs called for the prime minister to resign. Theresa May, however, compared herself to Liverpool, a football team that made a spectacular comeback in a game against Barcelona this week, overturning a 3-0 deficit. Mrs May's Brexit deal is also 3-0 down, after thumping defeats in the House of Commons; but her team has been scoring own goals for years.



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American and Chinese negotiators wrestled over a **trade deal**. Donald Trump's threat, backed by senior American officials, to increase tariffs on Chinese goods if an agreement was not reached rattled stockmarkets; prices have bounced back this year in part on renewed optimism about trade. Meanwhile, data showed that **Chinese exports** fell unexpectedly in April; exports to America were 13% lower than the same month in 2018.

### No Moore

Mr Trump tweeted that **Stephen Moore** had withdrawn from consideration for a seat at the Federal Reserve. Mr Trump's choice of Mr Moore, a tax-slashing warrior, had raised concerns, even among Republicans, that he was trying to plant political supporters in the central bank. Mr Moore was also in hot water for a number of disparaging remarks about women he made in the past.

The Danish press reported that Thomas Borgen, the former chief executive of **Danske Bank**, had been charged in relation to the suspected money-laundering of up to €200bn (\$224bn) through Danske's operations in Estonia. Mr Borgen resigned last year. He is the first person connected to the case to be indicted, reportedly for a failure of oversight.

A former banker at **Goldman Sachs** pleaded not guilty at a court in New York to involvement in the embezzlement of \$2.7bn from Malaysia's 1MDB development fund. Roger Ng returned to America to face the charge; he has also been indicted in Malaysia. His former manager is awaiting sentence after pleading guilty to participating in the scheme, which channelled money from 1MDB bond sales to Malaysian officials. Goldman has said it expects to receive a hefty fine once the investigation is over.

**Anheuser-Busch InBev** confirmed that it was considering listing its Asia operations in Hong Kong. The brewer would

use the proceeds to pay down some of the enormous debt pile it amassed during a spree of takeovers.

**Siemens** also said it would restructure itself. The German conglomerate plans to spin off its struggling power and gas unit, combined with its wind-power assets, in a stockmarket flotation. It hopes that by cutting the cord now it will avoid the same fate that befell General Electric. Siemens wants to focus on the more promising endeavour of connecting factories and cities to the internet.

The operator of Britain's power grid reported that the country went a whole week without using coal to **generate electricity**, the first time that has happened since the first coal-fired power station was opened in 1882. Britain gets most of its power now from gas, nuclear and wind sources.

The problems mounted at **Kraft Heinz**. Under a subpoena from the Securities and Exchange Commission for its accounting practices, the food company said it would have to restate earnings for three years after uncovering mistakes in its procurement procedures. Kraft Heinz also disclosed that

the SEC has expanded the scope of its inquiry and is scrutinising a \$15bn write-down that was announced in February.

Facebook said that London would be the base for staff working on its new **mobile-payments service**, which will be available later this year on WhatsApp. The social-media company chose London because of the availability of fintech workers from countries where WhatsApp is widely used, such as India. Despite having 1.5bn users worldwide, the messaging app currently employs only 400 people.



**IKEA** opened its first store in central Paris, part of a plan to place more of its retail space in urban areas. The store is IKEA's first in a city centre to offer a full range of items (rather than just kitchen-planning), a concept that it intends to repeat in other cities around

the world. The Paris store is about four times smaller than the vast suburban warehouses that IKEA's customers are used to; it will also eventually rent furniture to ever more cost-conscious buyers.

**Lyft** released its first quarterly earnings report since floating on the stockmarket. The ride-hailing company reported revenues of \$776m for the first three months of the year, up by 95% compared with the same quarter last year. But its costs ballooned as it invested heavily in new aspects of its business, such as scooter rentals. Lyft's underlying operating loss narrowed slightly to \$216m (its overall net loss of \$1.1bn included a charge for stock-based compensation). Worried about the lack of profits, investors sent its share price down by 11% in a day.

### Wheels of fortune

Ahead of its eagerly awaited IPO, **Uber** had to navigate a one-day strike by drivers in America, Britain and Australia (the action was joined by drivers from Lyft). The workers sought publicity for their claim to better pay and conditions. They urged passengers not to use their apps, likening it to crossing a digital picket line.



# Collision course

As tensions rise between America and Iran, both sides need to step back

THE DRUMS of war are beating once again. An American aircraft-carrier strike group is steaming towards the Persian Gulf, joined by B-52 bombers, after unspecified threats from Iran. John Bolton, the national security adviser, says any attack on America or its allies “will be met with unrelenting force”. In Tehran, meanwhile, President Hassan Rouhani says Iran will no longer abide by the terms of the deal signed with America and other world powers, whereby it agreed to strict limits on its nuclear programme in return for economic relief. Iran now looks poised to resume its slow but steady march towards the bomb—giving American hawks like Mr Bolton further grievances.

Just four years ago America and Iran were on a different path. After Barack Obama offered to extend a hand if Iran’s leaders “unclenched their fist”, the two sides came together, leading to the nuclear deal. That promised to set back the Iranian nuclear programme by more than a decade, a prize in itself, and just possibly to break the cycle of threat and counter-threat that have dogged relations since the Iranian revolution 40 years ago.

Today hardliners are ascendant on both sides (see Middle East & Africa section). Bellicose rhetoric has returned. Mr Bolton and Mike Pompeo, the secretary of state, believe in using economic pressure to topple the Iranian regime and bombs to stop its nuclear programme. In Tehran the mullahs and their Revolutionary Guards do not trust America. They are tightening their grip at home and lashing out abroad. In both countries policy is being dictated by intransigents, who risk stumbling into war.

It is probably too late to save the nuclear deal, known as the Joint Comprehensive Plan of Action (JCPOA). Iran has been complying, but critics in America complain that its temporary restrictions will ultimately legitimise the nuclear programme and that the deal will not stop Iran from producing missiles or sowing murder and mayhem abroad. President Donald Trump pulled America out of the agreement last year, calling it a “disaster”. It is not, but that damage is done. Renewed sanctions on Iran and the threat to punish anyone who trades with it have wrecked what is left of the agreement. Last week America cancelled waivers that let some countries continue to buy Iranian oil. It is extending sanctions to Iran’s metals exports. Instead of reaping the benefits of co-operation, Iran has been cut off from the global economy. The rial has plummeted, inflation is rising and wages are falling. The economy is in crisis.

Predictably, rather than bringing Iran’s leaders to their knees, America’s belligerence has caused them to stiffen their spines. Even Mr Rouhani, who championed the nuclear deal, has begun to sound like a hawk. Having long hoped that Europe, at least, would honour the promise of the deal, he is exasperated. On the anniversary of America’s exit from the agreement, on May 8th, he said that Iran would begin stockpiling low-enriched uranium and heavy water, which would in sufficient quantities breach its terms. Without economic progress in 60 days, he said, Iran “will not consider any limit” on enrichment. All this suggests that Iran will start moving closer to being able to build a nuclear bomb.

As he walks his country towards the brink, Mr Rouhani has

three audiences in mind. The first is his own hardliners, who detest the nuclear deal and have been pressing him to act. He appears to have appeased them, for now. On May 7th the front page of an ultraconservative newspaper declared: “Iran lighting match to set fire to the JCPOA.” He is also trying to get European companies to break with America. He will not succeed. Despite European Union attempts to design mechanisms that allow European businesses to skirt American sanctions, most of them have decided that the American market is too valuable.

Iran’s most important audience is America, with which it seems to be playing an old game. Iranian leaders have long seen the nuclear programme as their best bargaining chip with the West. Though they have claimed that it is peaceful, UN inspectors have found enough evidence to suggest otherwise. The technology is the same whether power or a weapon is the ultimate goal. Iran’s centrifuges can produce a bomb faster than sanctions can topple the regime, goes the logic of hardliners. But they are wielding a double-edged sword. The threat of obtaining a nuclear weapon is useless if it does not seem credible. And if it is credible, it risks provoking military action by America or Israel.

The potential for miscalculation is large and growing. American troops are within miles of Iranian-backed forces in Iraq and Syria. Its warships are nose to nose with Iranian patrols in the



Gulf. America recently declared the Guards a terrorist group; then Iran did the same to American forces in the Middle East. Officials on both sides say their intent is peaceful, but who can believe them? America’s accusations that Iran has been planning to attack American forces or its allies in the Middle East are suspiciously unspecific. Violence by Iran’s proxies may be just the sort of provocation that leads America to launch a military strike.

Mr Pompeo once suggested that he preferred American sorties to nuclear talks with Iran. Mr Bolton penned an article in 2015 in the *New York Times* entitled “To Stop Iran’s Bomb, Bomb Iran”. Now even Mr Rouhani appears to agree that the way forward lies with provocation and escalation.

A nuclear Iran would spur proliferation across the Middle East. Bombing would not destroy Iranian nuclear know-how, but it would drive the programme underground, making it impossible to monitor and thus all the more dangerous. The only permanent solution is renewed negotiation. Mr Trump, a harsh critic of America’s foreign wars, therefore needs to keep the likes of Mr Bolton in check. He will face pressure from hardline politicians at home and opposition in the region, not least from Israel.

Doing deals, though, is a Trump trademark. The president has shown an ability to change direction abruptly, as with North Korea. A new war is not in his interest, even if being hard on Iran is part of his brand. The Europeans can help him by urging Iran to keep within the deal—and condemning it if it leaves. Mr Rouhani, who spurned Mr Trump in the past, now says he is willing to talk with the deal’s other signatories if today’s agreement is the basis. That has so far been a non-starter for the Trump administration. It should not be. As the threat of a conflict grows, all sides need to head back to the negotiating table. ■



## Trade talks

## Deal or no deal

**America and China have become strategic rivals. Their trading relationship will be fraught for years to come**

OVER THE past two years investors and executives watching the trade tensions between America and China have veered between panic and nonchalance. Hopes for a cathartic deal that would settle the countries' differences have helped global stockmarkets rise by a bumper 13% this year. But on May 5th that confidence was detonated by a renewed threat by President Donald Trump to impose more tariffs on Chinese imports. As *The Economist* went to press negotiations rumbled on, but no one should be under any illusions. Even if a provisional agreement is eventually struck, the deep differences in the two countries' economic models mean their trading relations will be unstable for years to come.

Some trade spats are settled by landmark agreements. In the 1980s tensions between Japan and America were resolved by the Plaza Accord. In September Mr Trump agreed to replace NAFTA, which governs America's trade with Canada and Mexico, with a renamed but otherwise rather similar accord (although the new treaty has yet to be ratified by Congress). Even by those standards the China talks have been an epic undertaking involving armies of negotiators shuttling between Beijing and Washington, DC, for months on end. Yet they have never looked capable of producing the decisive change in China's economic model that many in Washington crave.

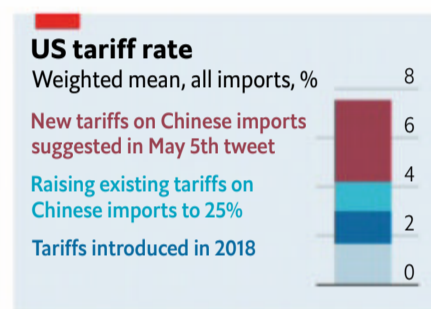
There is some common ground (see Finance section). China is happy to buy more American goods, including soybeans and shale gas, in an effort to cut the bilateral trade deficit, a goal which is economically pointless but close to Mr Trump's heart. It is willing to relax rules that prevent American firms from controlling their operations in China and to crack down on Chinese firms' rampant theft of intellectual property. Any deal will also include promises to limit the government's role in the economy.

The trouble is that it is unlikely—whatever the Oval Office claims—that a signed piece of paper will do much to shift China's

model away from state capitalism. Its vast subsidies for producers will survive. Promises that state-owned companies will be curbed should be taken with a pinch of salt. In any case the government will continue to allocate capital through a state-run banking system with \$38trn of assets. Attempts to bind China by requiring it to enact market-friendly legislation are unlikely to work given that the Communist Party is above the law. Almost all companies, including the privately owned tech stars, will continue to have party cells that wield back-room influence. And as China Inc becomes even more technologically sophisticated and expands abroad, tensions over its motives will intensify.

This fundamental clash of economic systems has been made more combustible by politics. In an atmosphere of mistrust, both sides have sidelined the World Trade Organisation, the global framework for handling trade disputes, opting instead for a transactional approach to the talks replete with gimmicks and threats. Meanwhile the mood at home has changed. Strikingly, many Democrats now accuse Mr Trump of being too soft on China. Earning less than 5% of their combined profits in China, and enjoying a boom in their home market, America's big firms support a tough line, too. In Beijing, meanwhile, the call for economic self-reliance is gaining steam (see Chaguan).

At some point this year Mr Trump and Xi Jinping, his Chinese counterpart, could well proclaim a new era in superpower relations from the White House lawn. If so, don't believe what you hear. The lesson of the past decade is that stable trade relations between countries require them to have much in common—including a shared sense of how commerce should work and a commitment to enforcing rules. The world now features two superpowers with opposing economic visions, growing geopolitical rivalry and deep mutual suspicion. Regardless of whether today's trade war is settled, that is not about to change. ■



## Latin America

## Under the volcano

**Democracy is at risk in Latin America. The danger goes well beyond Cuba, Nicaragua and Venezuela**

DONALD TRUMP'S administration is not famed for its adherence to highfalutin' political principle, so John Bolton, the United States national security adviser, struck an unusual note when he claimed in a speech in Miami last month that the "Monroe doctrine is alive and well". The reference to the 19th-century principle under which the United States arrogated to itself the right to police Latin America was taken as a warning to Russia and China not to meddle in what used to be called "America's backyard". Mr Bolton gave new life to the doctrine by announcing fresh economic sanctions against Cuba, Nicaragua and Venezuela, which he likes to call the "troika of tyranny".

But the tone of his speech was optimistic as well as threatening. Once the troika was brought down, Mr Bolton explained, there was a prospect of "the first free hemisphere in human history" extending from "the snowcapped Canadian Rockies to the glistening Strait of Magellan".

The problem with Mr Bolton's soaring rhetoric is not just that the Strait of Magellan roils more than it glistens. It is also that both his analysis and his prescription are wrong. The weaknesses in Latin American democracy stretch far wider than the trio Mr Bolton fingered, and the United States will not help strengthen it by bullying its southern neighbours. ▶▶

▶ In the 1980s Latin America turned from a land of dictators and juntas into the world's third great region of democracy, along with Europe and North America. Since then democracy has put down roots. Most Latin Americans today enjoy more rights and freedoms than ever before.

Yet many Latin Americans have become discontented with their democracies (see Briefing). The region's economy is stagnant. Poverty is more widespread than it need be because of extreme inequality. Governments are not providing their citizens with security in the face of rising violent crime. Corruption is widespread. Voters' discontent, voiced on social media, has helped promote leaders with an unhealthy tendency to undermine democratic institutions.

Latin America's fall from grace is most obvious in Venezuela and Nicaragua, which are sliding into dictatorship; in communist Cuba, which stands behind those two regimes, hopes of reform have been dashed. But across the continent, the threats to democracy are growing.

Many Latin American voters have abandoned moderates in favour of populists. Brazil's Jair Bolsonaro and Mexico's Andrés Manuel López Obrador (known as AMLO) share an ambivalence to the dispersal of power and the toleration of opponents that are the essence of democracy. Mr Bolsonaro, who has spoken of his nostalgia for military rule, has eight generals in his cabinet of 22; AMLO is weakening competing centres of power, such as elected state governors. The "northern triangle" of Central America, meanwhile, is dominated by weak and corrupt governments. In Honduras a conservative president and American ally, Juan Orlando Hernández, governs thanks to an election marred by fraud. Guatemala's president ordered out a UN body investigating corruption that had helped jail two of his predecessors.

Voters elect populists such as Mr Bolsonaro and AMLO—and



may elect Cristina Kirchner, who is on track to make a comeback in Argentina's election in October—not to replace democracy with dictatorship, but because they want their politicians to do a better job. Yet in the 21st century, it is not tanks on the streets that crush democracy. Rather, elected autocrats boil the frog, capturing courts, cowing the media and weakening the parts of civil society that hold them to account. By the time citizens squeal, it is too late. That is what happened in Venezuela under Hugo Chávez, and what is happening now in Turkey (see next leader).

The main task of averting the danger falls to Latin Americans. They need to rid politics of corruption and cronyism. Politicians need to keep their distance from the armed forces and their hands off the institutions that scrutinise the government. Above all, politicians need to reconnect with ordinary citizens. There are a few hopeful signs. New parties and NGOs are training young activists in how to be effective reformers.

The United States needs to help rather than hinder the task of strengthening democracy. Talk of the Monroe doctrine may make some Latin Americans see their northern neighbour more as a bully than as an ally. Instead of threatening to supplement sanctions on Venezuela with military action, it should work harder at combining sanctions with negotiations, especially with the armed forces. And Donald Trump should restore the \$500m aid programme for the northern triangle that he abruptly cancelled this year, for there were signs that it was helping to cut both violent crime and immigration.

Although Latin America usually gets little attention in American foreign policy, few other parts of the world have a bigger bearing—through immigration, drugs, trade and culture—on daily life in the United States. A democratic and prosperous Latin America matters on both sides of the Rio Grande. Mr Trump needs to think harder about how to help that happen. ■

### The Istanbul election

## Going down

### Turkey's president is plunging to new depths of autocracy

UNTIL THIS week, Turks who could not stomach the autocratic rule of Recep Tayyip Erdoğan had one thing to cling to. Their president had locked up journalists and thousands of bureaucrats, gutted state institutions and used a referendum to grab constitutional powers. He had forced the sale of independent newspapers to his cronies, installed his second-rate son-in-law as finance minister and debauched the currency, tipping the country into recession. He had wrecked his country's relationship with both America and the EU. And yet, at the same time, he was still governed by one master—the ballot box. Elections in Turkey may not have been terribly fair, but at least they were free.

No longer. On May 6th, after weeks of pressure from the ruling AK party and the president himself, Turkey's electoral board annulled the election, back in March, of the mayor of Istanbul, Turkey's largest city and its economic and cultural capital. In that ballot Istanbul's voters turned their backs on Mr Erdoğan's man, a former prime minister, and by less than 14,000 votes in a total of 8m chose the barely known Ekrem İmamoğlu. To Mr Erdoğan, this was intolerable. He himself got his start in Istanbul,

where he marshalled an impressive record as mayor in the 1990s before becoming first prime minister and then president, in which two roles he has ruled Turkey continuously since 2003. "If we lose Istanbul, we lose Turkey," he reportedly said in 2017. His response to Mr İmamoğlu's victory was to blame "organised crimes" at the ballot box.

The precise grounds for annulling a ballot the electoral board had previously endorsed are laughable. Supposedly, the reason is that a number of polling-station officials were not properly qualified. Yet if that were so, the elections on the same day and in the same polling stations of district mayors and members of the municipal assembly should have been annulled as well. They were not. One reason for this puzzling discrepancy may be that the AK did quite well in those.

Regrettably, this latest downward lurch in Turkey's descent into Central Asian-style dictatorship will have few international consequences, if only because Mr Erdoğan has already thoroughly alienated the West. The EU will huff and puff, but Turkey's plans for EU membership were already in the deep freeze ▶

▶ and any form of sanction would risk unravelling the deal under which Europeans pay Turks to keep Syrian refugees away from their shores. It is hard to see President Donald Trump caring much about the annulment, but anyway, relations with Turkey have already been banjaxed by Turkey's decision to buy Russian anti-aircraft missiles, to the consternation of NATO.

The reaction in Turkey also seems to be muted. Large-scale public protests are out, as opposition supporters fear that they may be arrested or give the authorities an excuse for a crack-down. The courts, like the electoral board, have been suborned. The only hope remains the ballot box. And there, at least Mr Imamoglu is still in with more of a chance than some of Mr Erdogan's other opponents, who have also fallen victim to his new tactic of overturning electoral results that he does not like. In parts of the Kurdish south-east of the country, the election board has barred officials elected in March at the same time as the Is-

tanbul and other mayoral elections from taking office, awarding victory to the runners-up. In the Turkish capital, Ankara, the freshly elected opposition mayor is facing possible removal on trumped-up charges of fraud. In Istanbul, by contrast, the election is set to be re-run, on June 23rd.

Ideally, Mr Erdogan's actions will cause outrage and thus increase support for the ousted Mr Imamoglu, leading to an even greater humiliation for the president on polling day. Mr Erdogan surely knows this, leading many to worry that he has something up his sleeve—a wave of arrests, perhaps, an invocation of his extensive new presidential powers, a dodgy deal with a third-party candidate or just old-fashioned vote-stealing. That is why anyone in Istanbul who cares about the survival of democracy in Turkey, including all but the most narrow-minded supporters of the ruling AK party, ought to turn out in their millions to vote for the rightful mayor. ■

### Technology and snooping

## How creepy is your smart speaker?

**Worries about privacy are overstated, but not entirely without merit. Your move, Alexa**

“ALEXA, ARE YOU recording everything you hear?” It is a question more people are asking, though Amazon's voice assistant denies the charges. “I only record and send audio back to the Amazon cloud when you say the wake word,” she insists, before referring questioners to Amazon's privacy policy. Apple's voice assistant, Siri, gives a similar answer. But as smart speakers from Amazon, Apple, Google and other technology giants proliferate (global sales more than doubled last year, to 86.2m) concerns that they might be digitally snooping have become more widespread. And now that these devices are acquiring other senses beyond hearing—the latest models have cameras, and future ones may use “lidar” sensors to see shapes and detect human gestures (see Science & technology section)—the scope for infringing privacy is increasing. So how worried should you be that your speaker is spying on you?

For years the tech industry has dreamed of computing appliances that are considered unremarkable items of household machinery, like washing machines or fridges. The smart speaker has finally realised this promise. It can sit on a kitchen counter and summon the wonders of the internet without the need for swiping or typing. Using it is like casting a spell. Say the magic words and you can conjure up dodgy Eighties rock while up to your elbows in washing-up, or prove to your mum that Ronaldo has scored more goals than Messi. This hands-free convenience has a cost: the speakers are constantly listening out for commands. As with any advanced and apparently magical technology, however, myths quickly grow up about how they work.

So start with some myth-busting. As Alexa herself contends, smart speakers are not sending every utterance into the tech giants' digital vaults. Despite their name, the devices are simple-minded. They listen out for wake words, and then send what follows to the cloud as an audio clip; when an answer arrives, in the form of another audio clip, they play it back. Putting all the smarts in the cloud means these speakers can be very cheap and acquire new skills as their cloud-based brains are continually

upgraded. As part of this improvement, manufacturers (such as Amazon) store sound clips of queries, so they can be assessed by humans if necessary. But Amazon notes that users can delete these clips at any time. There's always the mute button if you are worried about accidentally triggering your speaker and sending a clip into the cloud during a sensitive conversation. Users, the firm insists, are in control.

Not everyone is convinced by such assurances, however. What if hackers infiltrate the devices? Could governments require manufacturers to provide back doors? Are their makers using them to snoop on people and then exploiting that information to target online ads or offer them particular products? Some people refuse to let Alexa and Siri into the house.

If eavesdropping is your problem, eschewing smart speakers does not solve it. Smartphones, which people blithely carry around with them, are even worse. Spy agencies are said to be able to activate the microphone in such devices, which have even more sensors than smart speakers, including location-tracking GPS chips and accelerometers that can reveal when and how the phone is moving. And smartphones are, if anything, even more intimate than smart speakers. Few of

Alexa's users, after all, take her into bed with them.

At the same time as devices are getting cleverer (Amazon makes a microwave oven with built-in voice assistant), the big tech firms are expanding into adjacent areas such as shopping services, finance and entertainment. Over time this may mean their incentives to snoop and misuse data rise. But there will also be a countervailing incentive for manufacturers to differentiate themselves by making more privacy-friendly devices that promise not to store voice commands, or process more on the device rather than in the cloud (though this will be more expensive). The chief thing is that consumers should be able to choose how to balance convenience and privacy. If this magical technology is to reach its full potential, the tech giants need to do more to convince users that Alexa and her friends can be trusted. ■





COLLECTION  
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1735  
**BLANCPAIN**  
MANUFACTURE DE HAUTE HORLOGERIE

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**Treating mental health**

Your review of two psychiatry books made so many assertions in need of contextualisation that I must condense my points (“The wisdom of sorrow”, April 13th). Diagnostic thresholds are falling, and the prescription of contested medications (statins, aspirin) are increasing, across all areas of medicine, not just psychiatry; the harm wrought by missteps in medicine’s history are by no means confined to the 1800s and greatly exceed the equivalent in psychiatry; the Diagnostic and Statistical Manual of Mental Disorders explicitly warns against the “checklist approach to diagnosis” of which you accuse it; and, despite being a psychiatrist myself, I have yet to meet a single one who says we understand the “chemical imbalance” that you say we say causes mental illness: humans are clearly vastly more complex than that.

Here are some facts. Suicide is falling globally; numerous studies and millions of patients confirm the usefulness of psychiatry treatments; we don’t know the biological basis of mental illness because we don’t know how the brain works on a good day, let alone a bad one; and—guess what?—psychiatry, like all areas of medicine, is imperfect and we must do better. We will.

BRENDAN KELLY  
Professor of psychiatry  
Trinity College Dublin

There’s no question that the reason medications have endured is because they have helped a lot of people. I am a psychiatrist. Over two days, I treated a man who had stabbed another in a fit of jealousy and whose mood disorder is now controlled, buying him time in the arduous process of learning self-restraint. I saw a woman who had fried her brain with meth and who, with an antipsychotic, is able to function and keep from harming. Another woman who is able to remain in college because her concentration is sufficiently better. And a man

whose crippling anxiety was relieved, permitting him to start developing work skills.

Would these goals have been achievable in the days before Big Pharma stepped in? In the case of the man with the mood disorder and the meth abuser, definitely not. In the other two, yes, with a great deal of patience and determination. Big Pharma has serious drawbacks. There is a risk of over-reliance on medication at the expense of relationship-building and exploring emotional conflict. But meds have earned a place in the fight against disabling illness.

OSCAR VALDES  
*Los Angeles*

**Resurgent nationalism**

Charlemagne argued that the forthcoming European Parliament elections will be the most European yet (April 27th). No doubt: a wave of recent events, including Brexit, have triggered an unprecedented Europeanisation of the European political debate. Yet this process has been paralleled by a renationalisation of EU politics. Indeed, as suggested by the national flavour of the electoral campaigns in most EU countries, the transformation of European politics does not only struggle to find its expression, but is also resisted by the national political class. In the absence of a genuine European party system and corresponding public sphere, EU politics is set to remain a national affair.

ALBERTO ALEMANN  
Professor of EU law  
HEC Paris

**The will of the people**

I find it a little odd that you think only Republican state legislatures are trying to overturn voters’ ballot-initiatives (“Nock, Nock”, April 20th). In California we have had two recent examples of a rebellion by the Democratic legislature and governor against voters’ wishes. Last November we overwhelmingly rejected a repeal of rent control. Four months later our legislature proposed a bill to reverse that.

And in 2012 and 2016 we voted in favour of the death penalty. However our new governor has recently declared a moratorium on executions. The problem you reported on is hardly unique to the Republican Party.

JERRY JOHNSON  
*Santa Clarita, California*

Last year we voted to reject limitations on fracking in Colorado, understanding the huge economic benefits to our state. Now our Democratic legislature is trying to change that. Apparently these lawmakers think they know better than their constituents.

DALE DECKER  
*Eagle, Colorado*

**A benefit of using Huawei**

It is unlikely that Huawei fixes all but the most critical security-related issues the moment they’re found, but instead maintains an inventory of known vulnerabilities, bugs and sloppy code (“The right call on Huawei”, April 27th). Therefore, because Britain has decided to work with Huawei’s equipment and not shut it out, it presumably has knowledge of such an inventory, which its intelligence agencies could exploit if they want to compromise other networks that use Huawei’s gear.

CHRIS SHAFFER  
*New York*

**Reducing air pollution**

You asserted that the challenge of implementing geoengineering to alleviate climate change is that the benefits are global whereas the costs are local (Free exchange, April 27th). However, there are big near-term benefits to be had from decarbonising the economy, many of which are predominantly local. One is the potential to reduce the unacceptable burden of air pollution on health. One recent estimate suggests that 3.5m premature deaths could be averted each year by a rapid phase out of fossil fuels. If the health co-benefits of decarbonisation are monetised using the value of a statistical life, on a global scale

they substantially outweigh the policy costs of achieving the target emissions cuts in the Paris climate agreement. That is an extra incentive to bring about rapid decarbonisation.

PROFESSOR SIR ANDY HAINES  
Department of Public Health  
London School of Hygiene and Tropical Medicine

**The fatal odds of measles**

Parents who do not vaccinate their children are playing Russian roulette (“The needle and the damage avoided”, April 20th). Measles is so highly contagious that any unvaccinated child is highly likely to contract the disease during an outbreak. Worse still, measles is a serious disease. The mortality rate is on the order of one per thousand cases. If parents were to shrug off such odds thinking they are small, they should think again. They would never put their child (or themselves) on a plane when the chance of crashing were that large. If there were 10,000 flights a day in America, at that rate you would have ten planes crashing every day.

EDUARDO KAUSEL  
Professor emeritus  
Massachusetts Institute of Technology  
*Cambridge, Massachusetts*

**The road to Hell**

As a lifelong resident of the area close to Hell, Michigan, I enjoyed your article (“Lessons from Hell”, April 13th). I am 75, but I recall taking a scout canoe trip as a youth to the “dam[n] site” at Hell, with its deep pool where we could plunge in. Within 20 miles of Hell is a similar historic mill site that still shows up on our maps as Jerusalem. As locals note, one can literally go from Jerusalem to Hell in about 30 minutes.

PETER FLINTOFT  
*Chelsea, Michigan*

Letters are welcome and should be addressed to the Editor at The Economist, The Adelphi Building, 11 John Adam Street, London WC2N 6HT  
Email: [letters@economist.com](mailto:letters@economist.com)  
More letters are available at: [Economist.com/letters](http://Economist.com/letters)



**Assistant High Commissioner for Protection**  
Geneva, Switzerland  
Closing date for applications: 20 May 2019

The Office of the United Nations High Commissioner for Refugees (UNHCR) leads and supports international action to protect and deliver life-saving assistance to some 68.5 million refugees, internally displaced and stateless people. To achieve this mission, UNHCR has a highly mobile global workforce which comprises 16,765 women and men serving in 138 countries, working with close to 1,000 local and international partners.

The position of the Assistant High Commissioner for Protection (AHC-P) is at the Assistant Secretary General (ASG) level. The incumbent reports directly to the High Commissioner and is part of UNHCR's senior executive team, driving executive leadership, management and strategy development, notably in the areas of protection and solutions. S/he assists and advises the High Commissioner in the promotion and exercise of the Office's protection and solutions mandate. The AHC-P exercises oversight responsibility for UNHCR's global protection and solutions activities, and for the development of protection policy and doctrine implemented through programme delivery throughout the Organization. S/he also ensures effective functional links between Headquarters-based protection and solutions services and field operations. In addition, s/he oversees the development and implementation of protection and solutions policy with governments and other actors.

The successful candidate for this role must have, among other things, high-level expertise in refugee, human rights and humanitarian law, expert knowledge of asylum policy and practice at the national, regional and global levels, and demonstrated experience in the conceptualization and development of policies with particular reference to refugees, displacement and statelessness. Furthermore, the role also requires in-depth knowledge of the protection dimensions of humanitarian operations, knowledge of contemporary migration issues and their relationship to asylum and refugees, and knowledge of humanitarian and development reform process and its impact on protection and solutions. The ability to guide UNHCR's work to engage development actors, including international financial institutions, in refugee situations and in support of solutions, demonstrable negotiation and diplomatic skills in bilateral and multilateral contexts, and well-developed skills in advocacy and partnership-building are also essential for the position, as is strong leadership, team building, management abilities and multilingual skills.

Candidates can consult the detailed Terms of Reference of the position at <https://www.unhcr.org/career-opportunities> by clicking on the Assistant High Commissioner for Protection link.

If interested, please submit an application (cover note and curriculum vitae) to **recruitment.AHC-P@unhcr.org** by 20 May 2019 (midnight Geneva time). Shortlisted candidates will be interviewed by a panel that will make proposals for consideration by the Secretary-General. Applications are encouraged from all qualified candidates without distinction on grounds of race, colour, sex, national origin, age, religion, disability, sexual orientation and gender identity.



**Head of Consumer Protection Department**  
m/f (grade AD10)

European Insurance and Occupational Pensions Authority,  
Frankfurt/Main, Germany

Ref. 1908TAAD10

The European Insurance and Occupational Pensions Authority (EIOPA) is at the heart of insurance and occupational pension supervision for the European Union. EIOPA's core responsibilities include supporting the stability of the financial system, transparency of markets and financial products and ensuring the protection of insurance policyholders, pension scheme members and their beneficiaries.

EIOPA is currently recruiting a Head of Consumer Protection Department, whose main tasks are to lead the work in the Department and to steer the development of EIOPA's conduct of business policy and conduct of business oversight on insurance and pensions.

**Your responsibilities:**

- Providing leadership and direction to the Department in fulfilling the objectives set out in the EIOPA Regulation, the Single Programming Document and Annual Work Programmes, as provided by the appropriate governing bodies and supporting the Heads of Units and Team leaders in the prioritisation of key objectives and work plans;
- Managing and administrating the Department, including the management of personnel and budgets, in compliance with the related HR, financial and procurement rules and fostering a positive working climate;
- Representing EIOPA at relevant meetings with public and private stakeholders, EU Institutions and National Supervisory Authorities.

**Your Skills:**

- Excellent knowledge of, and proven experience in the fields of insurance or pensions, or other fields relevant for this position;
- Understanding of the sectors and activities relevant for EIOPA and a good knowledge of the policies, practices and trends that affect the Department;
- Proven managerial skills and ability to coordinate and coach a multinational team of highly skilled professionals.

Please consult the Careers section on EIOPA's website for the detailed vacancy notice as well as the eligibility and selection criteria.

Applications should be submitted by email to: [recruitment@eiopa.europa.eu](mailto:recruitment@eiopa.europa.eu)

The closing date for registration is 2 June 2019, 23:59 CET.

**AFRICAN DEVELOPMENT BANK**  
VACANCY NOTICE No ADB/19/090



**VICE PRESIDENT,**  
**POWER, ENERGY, CLIMATE & GREEN GROWTH COMPLEX**  
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DUTY STATION: ABIDJAN, COTE D'IVOIRE  
CLOSING DATE: June 1, 2019 (at 11:59pm GMT)

**THE ROLE:**

To drive its bold vision to "Light up and Power Africa", the Bank is seeking a Vice President Power, Energy, Climate and Green Growth. The position, which reports directly to the President, is responsible for the Bank's Sector Complex that focuses on:

1. Developing, structuring and implementing energy sector projects (public and private) that will deliver on the ambition to light up and power Africa;
2. Supporting the Bank's lending and non-lending operations in the areas of climate change, climate finance and green growth
3. Providing deep energy sector and climate change expertise to the Regional Member Countries;
4. Developing new financing instruments that can leverage the full breadth of the Bank's capabilities and resources and those of other development partners;
5. Acting as a spokesperson to represent the Bank with external stakeholders on all aspects of "Light and Power Africa" and climate change and green growth; and
6. Building a world-class talent work force and develop strategic energy sector partnerships to leverage resources at scale for Africa in the energy sector and drive achievement of set targets with partners.

**THE POSITION:**

The VP will be responsible for all energy-related projects and programs of the Bank as well as the Bank's climate change and green growth agenda. The VP will lead the Complex activities in the areas of strategy, policy-making, developing new instruments; resource mobilization, and project/ program structuring, implementation and monitoring in close collaboration with the five regions under the Regional Development, Integration and Business Delivery (RDVP) Complex.

The Vice President, PEVP will oversee the work of the Complex in the following broad areas, each led by a Director: i) Power Systems Development; ii) Renewable Energy and Energy Efficiency iii) Energy Financial Solutions, Policy and Regulation; iv) Climate Change and Green Growth; as well as strategic energy partnerships out of the Vice President's Front Office.

**More information:** <https://www.afdb.org/en/about-us/careers/current-vacancies/>  
**Application link:** <https://bit.ly/2UWB8JZ>



**Hospitality College**  
**Principal**

Boma International Hospitality College (BIHC), in partnership with the Business & Hotel Management School, Switzerland (BHMS), is a hospitality college based in Nairobi, Kenya that is focused on developing the next generation of world-class hospitality professionals. The college is dedicated to offering students state of the art study programs, designed to facilitate access to demanding, but rewarding careers.

BIHC is currently recruiting for a College Principal whose key responsibilities include, but are not limited to;

- Reporting to the BIHC Board of Directors for meeting the college's overall objectives and plans;
- Providing leadership and implementing academic and operational excellence across the institution;
- Development and implementation of the college's strategic plan;
- Establishment and improvement of standard operating policies and procedures to ensure academic and operational excellence;
- Management of budgets and financial performance;
- Encouraging and initiating continued improvement in curriculum and teaching methods;
- Promoting and enhancing the reputation of the College, locally and internationally.

Our ideal candidate has the following key characteristics;

- Possesses a thorough understanding of international hospitality standards,
- Has 10+ years' experience in an institution of higher learning.
- Passionate about the hospitality industry and developing themselves and the people within it.

If interested, please ensure to submit the following documents:

- A cover letter;
- Curriculum Vitae;
- Copies of relevant diploma(s) and corresponding transcripts.

Professional references, with contact details may also be submitted. Interested candidates are welcome to submit their applications to the following e-mail address: [recruitment@preferredpersonnel.co.ke](mailto:recruitment@preferredpersonnel.co.ke) no later than May 24th 2019.





## The 40-year itch

BRASÍLIA AND LIMA

**Four decades after dictatorships began to give way to democracy, populism and polarisation pose unprecedented threats**

IT WAS ONE of the greatest waves of democratisation ever. In 1977 all but three of the 20 countries in Latin America were dictatorships of one kind or another. By 1990 only Mexico's civilian one-party state and communist Cuba survived. Several things lay behind the rise of democracy in the region. One was the waning of the cold war. Another was the economic failure of most of the dictators. And democracy was contagious. One country after another in Latin America put down democratic roots as power changed hands between right and left through free elections.

The outlook is suddenly much darker. Nicolás Maduro in Venezuela, like Daniel Ortega in Nicaragua, is an originally elected autocrat ruling as a dictator. He clings to power with the support of Cuba at the cost of wrecking his country and destabilising its neighbours. At least 3.7m Venezuelans have fled economic collapse and repression; organised crime and Colombian guerrillas flourish there. The repressive family despotism into which Nicaragua

has degenerated under Mr Ortega and his wife, Rosario Murillo, is almost as nasty.

These autocratic extremes would be less worrying were not elections across the region showing that there are clear signs of disenchantment with democracy elsewhere. Election rules are sometimes flouted and independent institutions undermined. Many voters are turning to populists with little commitment to restraints on power. Parties of the moderate centre are weakening or collapsing.

### Immoderate urges

An election marked by fraud in Honduras saw Juan Orlando Hernández, the conservative president, win a constitutionally dubious second term in 2017. In Guatemala, which will hold elections in June, the president recently ordered out a UN investigative body into organised crime and corruption which had helped to jail two of his predecessors. Evo Morales, a leftist who has been Bolivia's president since 2006, will seek a fourth term in October—also on

dodgy constitutional grounds. In the same month, Cristina Fernández de Kirchner, a populist former president of Argentina who abused institutions in partisan fashion and faces corruption charges, stands a chance of being returned to office.

And then there are Latin America's two giants, Brazil and Mexico. Both have elected presidents who share a populist disregard for the norms, checks and balances, and toleration of critics that are necessary for lasting democracy.

The threat is more obvious in Brazil. Jair Bolsonaro, an army captain turned far-right politician, took over on January 1st. A seven-term congressman, Mr Bolsonaro is a political insider in Brazil but one nostalgic for military rule. Eight generals sit in his 22-strong cabinet and scores more officers occupy second- and third-tier posts. "Democracy and freedom only exist when the armed forces want them to," he said in a speech in March at a military ceremony. This will be news to Costa Rica. Its decision to abolish its army in 1948 is widely regarded as having helped it stay free. He even ordered the armed forces to commemorate a military coup in 1964, which he calls a revolution. Evidence is emerging that appears to show ties between Mr Bolsonaro's family and paramilitary militias that operate in the *favelas* of Rio de Janeiro.

Andrés Manuel López Obrador, a veteran populist of the left known as AMLO, has struck a more moderate tone in his first five ►

months in office. Mexicans overwhelmingly approve of his promises to sweep away corruption and crime, as well as his modest way of life (he sits in economy on commercial flights around the country). But there are warning signs.

AMLO is not a fan of independent centres of power. He has named his own “coordinators” to supervise elected state governors, cut the salaries of judges and civil servants, named ill-qualified allies to regulatory bodies, and stopped giving public funds to NGOs. He has also shown deference to the armed forces, placing them in charge of a new National Guard, a paramilitary police force, despite the objection of the Senate. A proposed bill to pack the Supreme Court would end its independence. In March the tax agency threatened the owner of *Reforma*, a critical newspaper, with a tax investigation over the seemingly trivial matter of owing 12,000 pesos (around \$630) from 2015.

These steps, though some are small-scale, all come from the populist handbook of disqualifying and intimidating opponents, building a political clientele and what Steven Levitsky and Daniel Ziblatt of Harvard University have called “capturing the referees” of democracy. The measures also hint at a return to what Enrique Krauze, a historian, calls Mexico’s “imperial presidency” of past one-party rule.

Not all of the region is under threat. Chile and Uruguay, among others, still enjoy stable democracy, and most governments remain committed to that goal. The region’s people are not so sure. In 2018 Latinobarómetro, a multi-country poll, found that only 48% of respondents saw themselves as convinced democrats, down from 61% in 2010. Just 24% pronounced themselves satisfied with democracy in their country, down from 44% in 2010 (see chart 1). How did democracy fall into such disrepute? How great is the threat to it? And how can democrats fight back?

The warning signs were clear. Take Eldorado, a sprawling suburb of São Paulo. In Brazil’s boom of 2005-13 it had hopes of be-

coming solidly middle class. A year ago, as the country’s election campaign got under way, people in Eldorado were fed up with rising crime, unemployment and a sense of official neglect. “When we go out we don’t know whether we will return alive,” lamented Cleber Souza, the president of Sítio Joanhina, a former *favela*. In what had been a stronghold of the left-wing Workers’ Party (PT), several people said they would consider voting for Mr Bolsonaro. “He’s a cry for justice from the society,” said Anderson Carignano, the owner of a large DIY shop. “People want a return to order.”

Behind the discontent lies a toxic cocktail of crime, corruption, poor public services and economic stagnation. With only 8% of the world’s population, Latin America suffers a third of its murders. In many countries, the rule of law remains weak.

In the 1980s, many of the new democratic governments inherited economies bankrupted by debt-financed statist protectionism. The adoption of market reforms known as the “Washington consensus” provided a modest boost to growth. The democratic governments gradually expanded social provision. After the turn of the century many economies benefited from a surge in exports of minerals, oil and foodstuffs thanks to the vast demand from China. Poverty fell dramatically, while income inequality declined steadily.

### Carnival’s over

The end of the commodity boom has brought a sharp correction. Taken as a whole, the region’s economies expanded at an average annual rate of 4.1% between 2003 and 2012; since 2013 that figure has shrunk to only 1%, taking income per head with it (see chart 2). Some countries, mainly on the Pacific seaboard, have done better. Others have done much worse. Brazil is barely recovering from a deep recession in 2015-16; Argentina is stuck in a long-term pattern of economic stop-go. Mexico has grown by only 2% annually for decades.

The underlying causes include low productivity, rigid regulation, a lack of incentives for small companies to expand or become more efficient, and corrupt political structures benefiting from the status quo. For a time an expanding labour force saw the region grow despite the problems. That demographic bonus is now mostly spent. In many countries the working-age population will start shrinking in the 2020s. As economies have faltered poverty has edged up and the decline in income inequality has slowed. This has exacerbated an existing crisis of political representation.

Against this bleak landscape, the worldwide ills of democracy have taken an acute form in Latin America. “There’s a kind of repudiation of the whole political class,” says Fernando Henrique Cardoso, a sociologist and former Brazilian president. Polit-



ical structures “don’t correspond any more to the moment societies are living in,” he adds. That is partly a result of the digital-communications revolution in which social media have bypassed intermediaries. Political traditions also play a role.

Latin America has a long history of *caudillos* and populists, sometimes embodied in the same person, such as Argentina’s Juan Perón. The strongman tradition stemmed from long and bloody wars of independence two centuries ago, and from the difficulties of governing large territories, often with challenging terrains and ethnically diverse populations. Many countries were rich in natural resources. Latin American societies, partly because of the legacies of colonialism and slavery, were long scarred by extreme income inequality. That combination of natural wealth and inequality bred resentments that populists exploited.

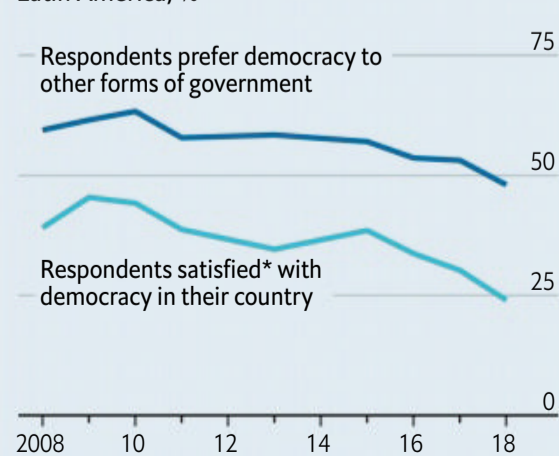
But there is another political tradition in the region, one of middle-class democratic reformism, honed in the long struggle to turn the constitutionalism present at the birth of Latin American republics into a lasting reality. In various guises, this political current was in the ascendant in many countries for much of the past 40 years. Now the integrity and competence of the politicians that embodied it have been called into question.

Voters abandoned such dominant parties as Brazil’s PT and Mexico’s Institutional Revolutionary Party because “they were hypocritical in talking of the public interest while being inward-looking, self-serving and corrupt,” says Laurence Whitehead of Oxford University.

Corruption usually diminishes as countries get richer. Yet Latin American politics seem, for a mainly middle-income region, unusually grubby. The region’s states are marked by heavy-handed regulatory overkill mixed, in practice, with wide discretionary power for officials. The commodity boom meant more resources flowing into state coffers, and thus more money for politicians to steal.

### Democratic deficit

Latin America, %





▶ The investigation known as Lava Jato (car wash), originating in Brazil into bribery by Odebrecht and other construction companies across Latin America, has exposed the scale of the corruption to the public, leading to a widespread perception that the region's entire political class is corrupt. In fact the investigations are a sign of overdue change. The traditional impunity of the powerful in Latin America has been challenged by independent judiciaries and investigative journalism, both a product of democracy. Brazil has seen scores of politicians convicted on charges of corruption. In Peru four former presidents have been under investigation. One of them, Alan García, committed suicide last month as police arrived at his house in Lima to jail him for alleged corruption.

### Off-centre

Ironically, populists have been relatively untouched by scandal, either because they control the judiciary and the media or because a halo of the saviour of the people surrounds them. It is often centrist parties that pay the political price. That is partly because they have struggled to practise good government. The reformist zeal of the early years of the democratic wave has fallen victim to two recent tendencies in politics: fragmentation and polarisation.

Brazil's new Congress contains 30 parties, up from five in 1982. The 130 seats in Peru's single-chamber parliament are divided among 11 groupings. In Colombia's parliament, once dominated by Liberals and Conservatives, there are now 16 parties. Even Chile's stable system is starting to splinter. One reason is Latin America's unique—and awkward—combination of directly elected presidencies and legislatures chosen by proportional representation. Party switching carries a low cost.

In some countries politics has become a way of making money, or a brazen means to promote private business interests. In Peru, for example, such interests often buy their way into parties, undermining party solidity and the representative character of the country's democracy, according to Alberto Vergara, a political scientist at Lima's Pacifico University.

Another factor is that the old left-right divide is no longer the only cleavage. Evangelical conservatives are pushing back against liberal secularism on issues such as abortion and gay rights. In Costa Rica, which had a two-party system until the turn of the century, an evangelical Christian gospel singer of little previous political experience made it to a run-off presidential election last year (though he lost). As a consequence of fragmentation, governments often lack the majorities required to push through unpopular but necessary reforms.

Recent elections have seen a swing to

the right in South America and to the left in Mexico and Central America. In both cases that has involved the alternation of power that is normal in democracies. But the switch has been accompanied by extreme political polarisation. That has been both cause and consequence of the collapse of the moderate reformist centre. And it risks making politics more unstable.

Yet there are some grounds for optimism. Latin American democracy is more resilient than outward appearances might suggest. Opinion polls suggest that only around a fifth to a quarter of Latin Americans might welcome authoritarian government. In some countries checks and balances provide safeguards. In Brazil, for example, Mr Bolsonaro's government is a ramshackle assortment of generals, economic liberals and social conservatives. "Bolsonaro isn't a party, he isn't anything, he's a momentary mood," thinks Mr Cardoso, who trusts in the countervailing strength of the legislature, a free media and social organisations. "You have to be forever vigilant but I don't think the institutions here are going to embark on an authoritarian line."

In Mexico, where opposition to AMLO is weak and checks and balances on executive power are only incipient, there may be greater cause for concern. But the president's popularity may decline as the economy weakens. And the centre is not dead everywhere.

Amid the dust from the collapse of old party systems, there are glimpses of democratic renewal, led by a new generation of activists. There's "an ecosystem of new politics in Brazil," explains Eduardo Mufarej, an investment banker who has set up Renova, a privately funded foundation to train young democratic leaders in politics, ethics and policy. In the 2018 elections, 120

of Renova's graduates ran (for 22 different parties). Ten were elected to the federal Congress and seven to state legislatures. They are trying to convince the public that not all politicians are self-serving.

One was Tabata Amaral, a 25-year-old activist for better public education elected as a federal deputy for São Paulo. She mobilised 5,000 volunteers through social media; her campaign cost 1.25m reais (\$320,000), raised through individual donations. To cut costs, she has teamed up with two other Renova graduates (in different parties) to share congressional staff. Her first brush with the old order was to find that the apartment assigned to her in Brasília by the Congress was illegally occupied by the son of a long-standing legislator, who refused to move.

Julio Guzmán tried to run for president in Peru in 2016. He was thwarted when the electoral authority barred his candidacy on a technicality. He has spent the time since travelling round the country building a new centrist party. He insists that he is engaged in "a different way of doing politics" in which all members are scrutinised and donations will be made public. His Morado party is aimed at "the new Peruvian, who looks to the future, is entrepreneurial and from the emerging middle classes".

### Poles apart

Polarisation in Colombia's election last year led to a run-off between Iván Duque, the conservative victor, and Gustavo Petro, a leftist who until recently was a fan of Venezuela's Hugo Chávez. But there, too, is a demand for a new politics, thinks Claudia López, the vice-presidential candidate of the centrist Green Party (which narrowly failed to make the run-off). The task, she says, is to restore the trust of citizens in politicians. That partly involves competing in the emotional terrain occupied by populists. But it also means a different approach. "Nobody is interested in being a member of a hierarchical political organisation anymore," she says. "Those of us in parties have to adapt to citizen causes or we're dead."

These are green shoots in a forest of dead wood. But they are a sign of the dynamism of Latin American societies—democracy's greatest asset. Latin America remains the third most-democratic region in the world according to the Democracy Index compiled by the Economist Intelligence Unit. The past four decades have created a culture of citizen rights and political participation. But democracy's defences in Latin America are relatively frail, as Venezuela shows. All the evidence is that citizens want a new political order, in which politicians are more concerned with public services, security and the rule of law rather than lining their pockets. And they want it now. ■






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**Presidential power**

## The chief-executive branch

WASHINGTON, DC

**How Donald Trump's war on oversight could reshape the relationship between Congress and the presidency**

**J**AMES WILSON—the one who signed the Declaration of Independence and took one of the Supreme Court's first six seats, rather than the Scottish hatmaker who founded *The Economist*—believed that “the House of Representatives [shall] form the grand inquest of the state. They shall diligently inquire into grievances.” Many years later Woodrow Wilson, then a young scholar of government, wrote that for a legislature “vigilant oversight” is “quite as important as legislation”. Many Supreme Court decisions have affirmed that Congress enjoys vast investigative and oversight powers to check the executive branch.

Partisanship influences how those powers are used. A Democratic Congress investigated Richard Nixon. During the Clinton administration, the Republican-led House issued more than 1,000 subpoenas and held hearings on the Clintons' Christmas-card list. Presidents have rebuffed requests, but none has done what Donald Trump has: declare “We're fighting all the subpoenas”, sue to block them and instruct officials to ignore them. He seems

to feel that partisanship renders oversight illegitimate. That view is dangerous.

Congressional oversight power is not limitless. In 1954 the House Un-American Activities Committee convicted John Watkins, a union organiser, of contempt of Congress for refusing to testify about people who had left the Communist Party (he was candid about his own past). The Supreme Court sided with Watkins, holding that Congress cannot “expose the private affairs of individuals without justification”, and that “no inquiry is an end in itself; it must be related to, and in furtherance of, a legitimate task of Congress.”

Steven Mnuchin, the treasury secretary, hinted at this exception when, on May 6th, he declined to release six years of Mr Trump's personal tax returns to Richard Neal, who chairs the House Ways and Means Committee. A law passed in 1924 states that America's Internal Revenue Service (IRS) “shall furnish...any return or return information” to that committee, when “specified by written request”. Mr Neal wrote requesting them; Mr Mnuchin “de-

termined that the committee's request lacks a legitimate legislative purpose.”

Mr Neal says that his committee must examine whether the IRS has properly audited Mr Trump. Some may find that justification thin, but the Supreme Court ruled that congressional investigations enjoy a presumption of legitimacy. A recent report from the non-partisan Congressional Research Service noted the privacy concerns inherent in releasing Mr Trump's tax returns (which would probably leak), but those are counterbalanced by what the Supreme Court has called the “indispensable ‘informing function of Congress’”. A federal court will weigh this dispute.

The courts are adjudicating others, too. On April 29th Mr Trump, along with three of his children and several of his business entities, sued Deutsche Bank and Capital One, another bank, to stop their compliance with “congressional subpoenas that have no legitimate or lawful purpose.” That came a week after Mr Trump and several of his businesses sued Elijah Cummings, who chairs the House Oversight Committee, to block Mazars, an accounting firm, from complying with Mr Cummings's subpoena for records. Mr Trump argues that these subpoenas “have no legitimate or lawful purpose” and “were issued to harass” him.

Many presidents feel that way. They have the right to keep some things secret, just as Congress has the right to investigate. Those rights often conflict when Democrats control one branch of govern- ▶▶

ment and Republicans the other. “What’s different here,” says Margaret Taylor of the Brookings Institution, “is the full frontal stiff-arm of the House’s oversight efforts.”

That makes reaching an accommodation hard. As one former counsel to a Republican president explains, “It’s not uncommon for a president to say, ‘No way, no how, am I going to share that information with Congress—they just want to hurt me.’ Often from that point you can manoeuvre to a point of agreement. [But] the current situation doesn’t seem to have any of the hallmarks of compromise.”

Nor is this battle only taking place in the courts. On May 7th the White House blocked Don McGahn, a former White House counsel, from surrendering documents subpoenaed by the House Judiciary Committee because of concerns about executive privilege. Mr McGahn complied with the White House, but as a former rather than current official, his compliance was voluntary. One day later, the White House also claimed executive privilege over the unredacted version of Robert Mueller’s report, after the House Judiciary Committee voted to hold William Barr, the attorney-general, in contempt for failing to deliver it to Congress in response to a subpoena.

These claims may not survive in court. Judges rejected both George W. Bush’s claim that executive privilege blocks aides from appearing before Congress (though it may prevent them from answering specific questions), and Barack Obama’s protest over information that had already been revealed. But court challenges take time, which helps Mr Trump. He can portray them as motivated by partisan spite, while running down the clock until after the next election, when the subpoenas expire, or at least until public attention moves on.

What if Mr Trump faces no consequences for ignoring congressional subpoenas—an action that formed the basis for the third article of impeachment against Nixon? A private citizen who ignores a subpoena can be jailed. But though some Democrats have mooted dusting off Congress’s power to detain contemnors, that is unlikely to happen soon.

Since Watergate, presidents have felt obliged to at least appear to comply with Congress’s oversight power, even as they negotiated the most favourable possible terms. Mr Trump feels no such pressure. If he succeeds, the age-old system of checks and balances will break down. When the president’s party controls Congress, it will line up behind him; when it does not, he can just ignore its toothless demands. As the former Republican White House counsel says, “The next president and the next one after that and so on would have an additional precedent to say ‘Subpoenas? Contempt? That’s just a vote. That’s just a political act. Nothing for me to worry about.’” ■

## Bias

# Everyone’s a little less racist

WASHINGTON, DC

**Race plays an important role in voting. Yet racial bias is declining**

**M**ORE THAN a decade after America elected its first black president, fears of worsening racial tensions are palpable. A poll in February from the Pew Research Centre, a think-tank, found that 58% of Americans think race relations are “generally bad” and 45% believe it has become more acceptable to express racist views since Donald Trump was elected president. Some have used these data to assert that racists have been emboldened by Mr Trump’s victory and are perpetrating hate crimes against their neighbours at higher rates than before, a picture that seems to be confirmed by attacks on synagogues, or by marching white supremacists. This is misleading, however. Over the past ten years, racial biases have become less pronounced in America. It is possible that its citizens are more tolerant today than they have ever been before.

America has faced two major barriers to racial equality, one of them legal, with slavery and racial discrimination at its core, and the other psychological. The first of these walls was mostly knocked down with the passage of the Civil Rights Act of 1964,



which prevents employment discrimination on the basis of race, though struggles against racism remained long after. A harder-to-solve barrier to fairness is the prevalence of bias against non-whites.

Researchers call known attitudes—such as agreeing with the statement “I think black people are lazier than whites”—explicit biases, and hidden beliefs—such as unintentionally associating African-Americans with fear or evil more often than whites—implicit biases. Both kinds are a problem. Scholars have found that implicit biases impede impartiality in the education system, for example, and can cause police officers to stop black drivers for no good reason much more often than white ones.

Tessa Charlesworth and Mahzarin Banaji, psychologists at Harvard University, recently published an analysis of 4.4m results from an online test of Americans’ biases. The test, called an implicit-association test (IAT), scores biases based on how quickly a person associates black and white faces with nouns like “good” and “bad” or “joyful” and “evil”. If someone is quicker to categorise one race positively or the other negatively, they are said to be biased. The authors found that implicit biases based on race have decreased by approximately 17% in a decade. They also found that explicit biases have declined by an even-larger 37%.

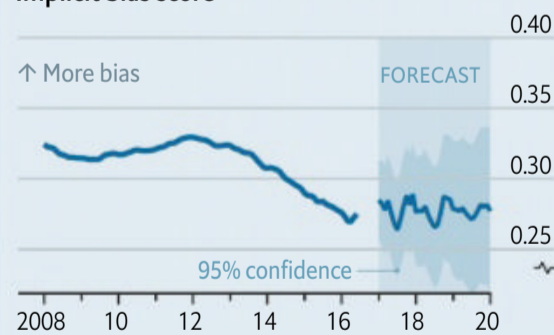
Exactly why this should have happened remains a puzzle. Ms Charlesworth suggests that the media and public discussions play a large role. Pundits frequently discuss efforts to change racial biases, and “the more times we talk about trying to change an attitude, the more likely we are to succeed in actually doing so.”

Declining racial bias has produced a host of changes. Housing patterns show ▶▶

### Just admit it

United States, race attitudes

#### Implicit bias score\*



#### Explicit bias, self-reported preference for white Americans over black Americans†



\*The Implicit Association Test (IAT) measures how much quicker someone is to associate positive words, like “good” and “joy,” with white faces versus black ones †On a scale from -3 to 3  
Source: “Patterns of implicit and explicit attitudes”, by T. E. S. Charlesworth and M. R. Banaji

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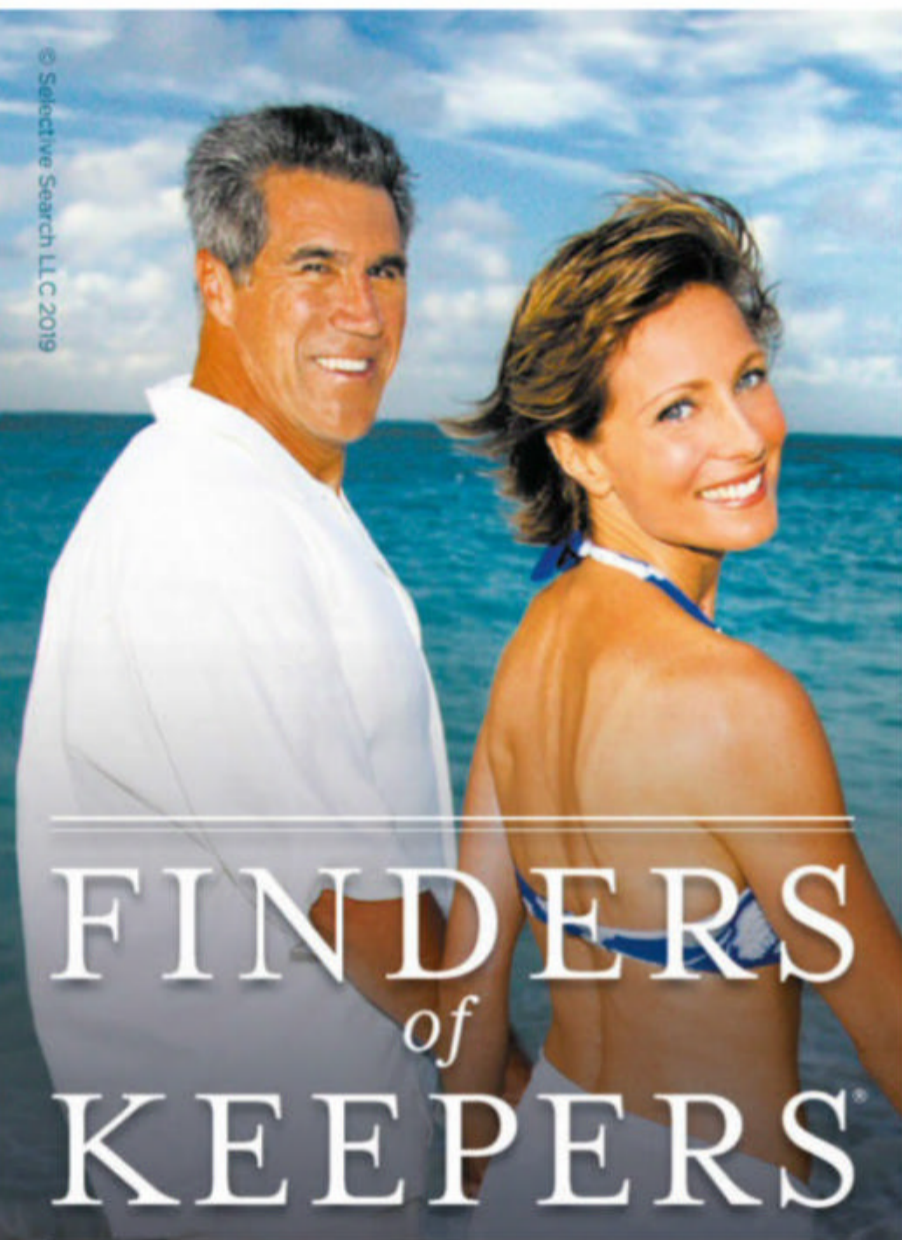
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▶ some of the clearest signs of thawing attitudes. Whites are steadily moving into predominantly black neighbourhoods in search of lower house prices. The share of non-whites in suburban and rural areas is increasing too. Pew's data show that the share of Republican-aligned Americans who say the country needs to do more to ensure equal rights for blacks and whites climbed from 30% in 2009 to 36% in 2017. That shift is even more pronounced in the Democratic Party. Over the same period the share of Democrats who said the same increased from 57% to 81%, a change linked to the greater importance of anti-racism for Democrats now compared with before Barack Obama's election.

As noticeable as they have become, feelings about white identity have actually mellowed on some measures. John Sides, a political scientist and co-author of a book on identity and the 2016 election, notes that the share of respondents to the American National Election Studies (ANES), a survey from the University of Michigan, who strongly identify as white and perceive discrimination against whites fell between 2012 and 2016.

Yet while all this progress has been going on, American politics has become more polarised on racial lines, rather than less. As high-school-educated whites have abandoned the Democratic Party, racial identity has melded with political preferences. In reaction to Mr Obama's election, and threatened by the rising status of non-whites, a significant share of Americans have embraced the politics of solidarity with other whites. A good predictor of support for Donald Trump in 2016 was whether or not a voter agreed with whether it was extremely or very important "for whites to work together to change laws that are unfair to whites," a sentiment shared by 33% of Trump voters, according to the ANES.

This does not mean that support for the president is motivated by simple racism, as his opponents frequently imply. Those who say they identify more with whites do not always prefer white to black Americans. In her recent book, "White Identity Politics", Ashley Jardina, a political scientist, finds that 9% of white Americans are unabashed racists. A much larger group of whites, 30-40% of the total, feel a strong attachment to their whiteness and yet do not express racial bias.

At least one route exists to reducing the importance of race in politics. The combination of Mr Obama leaving office and Mr Trump's racist remarks on the campaign trail made race salient in 2016. If other issues come to the fore in 2020, then racial issues could have less impact on voters' decisions than they did in 2016, says Mr Sides. America has become politically polarised along racial lines. America has not become more racist. ■



Policing madness

## Riding shotgun

NEW YORK

**Why police departments are sending social workers to answer 911 calls**

WHEN HIS adult son began suffering an acute episode of mania in Queens, New York, Ralph called 911. Although he tried to explain over the phone that the problem was a mental-health crisis, "we had to watch as a small army of police took down my son like he was a terrorist," he recalls. Ralph's son panicked but was co-operative, so he averted a situation that "could very well have turned lethal." Others are not so lucky. Since June 2015, 14 emotionally disturbed people have died at the hands of police in New York City.

Robust numbers on what proportion of those shot dead by the police are suffering from a mental illness are hard to come by. The Department of Justice is supposed to collect the numbers, but police departments are not obliged to share them. Two studies suggest that in as many as one in four of all fatal police shootings nationwide the victim suffers from severe psychiatric problems. Yet most police officers are not trained to deal with mentally ill people. Few are even warned that a person is ill before they arrive on the scene.

Police departments around the country are coming to recognise that this must change. One approach that is gaining ground involves getting police officers and social workers to respond to emergency calls together. Departments that use these "co-response" teams report that they detain fewer people and take fewer disturbed

people to emergency rooms, thereby saving money. They may also shoot fewer of the citizens they are sworn to protect.

Police in Boston, Denver, Houston, Minneapolis and Los Angeles have either launched or expanded such teams in recent years. New York started its own co-response programme in 2015, but only for non-emergencies. In light of stories like Ralph's, the city's department has said it may experiment with using co-response teams to handle 911 calls.

Getting these programmes established is a challenge. Boston embedded its first social worker with a response team in 2011, but it took him a full year to gain the trust of the officers, says Jenna Savage, deputy director of the department's Office of Research and Development. Police officers can be clubby and hostile to outsiders. Funding for the programme was also patchy, cobbled together from state and federal grants, which meant that Boston lost a clinician when a grant expired. But the programme's benefits persuaded Boston's City Council to set aside permanent funding in 2017. Now five social workers accompany officers on emergency calls, and Ms Savage would love to hire more.

Although police departments speak highly of these teams, measuring their value is tricky. Rigorous research demands funds that cities rarely have, and many are experimenting with slightly different models, which makes it hard to compare programmes. Anecdotally, departments cite the value of reduced hospitalisation and jail time, and describe better community relations. Officials in Gainesville, Florida recently boasted that their new co-response programme has diverted over 90% of those who would have gone to jail elsewhere, thereby saving \$220,000.

In Boston, where a cost-benefit analysis is under way, Ms Savage says their programme saves the city money, but she concedes "it is hard to quantify services that have been avoided". And these programmes are only as good as the mental-health services they offer. If a co-responder team cannot link people with regular case workers or supportive housing, "they're going to see the same people over and over again," says Amy Watson, an expert in criminal justice and mental-health systems at the University of Illinois.

People who are experiencing a psychiatric crisis often call 911 because they lack alternatives. In New York City, emergency calls reporting emotional disturbances have nearly doubled over the past decade. They are particularly high in poorer, non-white districts where opportunities for psychological help are thin on the ground. Without more support before problems become emergencies, police officers are doomed to manage situations that are better left to therapists. ■

## Mexican-Americans

## After a tipping point

CHICAGO

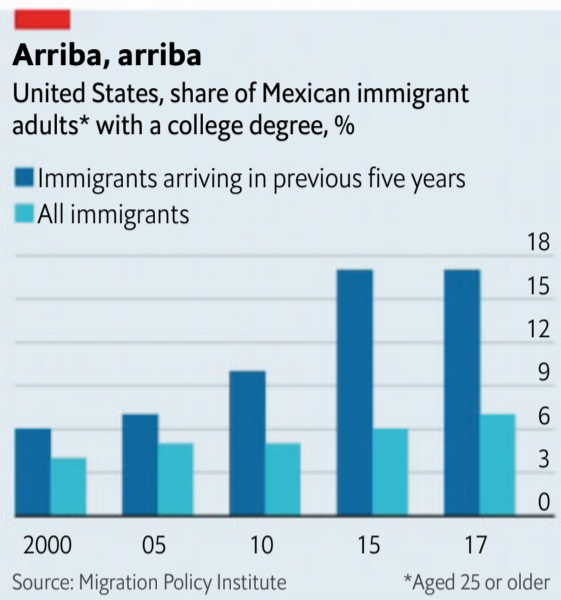
Despite what headlines from the southern border might suggest, the Mexican-born population in America is shrinking

WALK THROUGH Pilsen, a Chicago neighbourhood that is home to successive waves of immigrants, and two stories unfold in the surrounding streets. The first is seen in the abundance of *taquerías*, in bright murals of Mexican cowboys and dancing women, or in remittance and travel shops that advertise their business ties to Mexico. The other story is punctuated by vinyl record shops and vegan cafés on fashionable 18th Street. In 2000 the district's population was 89% Hispanic and notably poor. Now, as it gets wealthier, Mexicans are themselves being replaced, sometimes by immigrants—notably Asians—and more often by young, childless, white Americans eager to live in new apartments convenient for jobs downtown.

Some protest. Ruth Maciulis, in the placard-filled head office of the Pilsen Alliance, an activist group, passionately vows “direct action” and to “fight back against rampant development”. But many locals are phlegmatic, seeing a routine turn in the fortunes of the current population. From the 1950s onwards, Mexican immigrants poured into Pilsen. They replaced Poles, Czechs and Italians, filling pews in their brick churches and acquiring their businesses. Now they too are moving up and on. “Each ethnic group and city has its own renovation time,” says Julio Vlazquez, a resident for 23 years. “We’re relocating. No-



The suburbs are calling



body is being pushed out.”

Mr Vlazquez is lucky. Brought to America as a child, he prospered and bought his shop from a departing Pole. A few doors on, Sonia Saucedo tells of similar success. She arrived in 1972 and recalls meeting a pair of towering, ancient Polish women, Kattie and Rosie, who ran a bar. They disliked Mexicans like her. She became a university graduate and accountant, and invested her savings to run a *crepería* from their former bar. Her 83-year-old father owns and runs a bakery next door. Business is fine, she says, but rising costs may prompt both to sell and go. “Now we see the same changes” as Poles did before, she says.

Such stories reflect broader changes for many Mexican-Americans, especially in bigger cities like Chicago. For one thing, their overall numbers are falling, after four decades of growth. Andrew Selee of the Migration Policy Institute (MPI) in Washington points out that since 2007 a tidal wave of Mexicans going to America has slowed to a dribble as unauthorised migrants have been replaced by legal ones.

Data from the Pew Research Centre show that patrolmen on the southern border arrested 1.6m Mexicans in 2000, 98% of all those who were detained. Since then, Mexicans have mostly given up frontier-hopping. Last year the Border Patrol seized only 152,000 Mexicans, just 38% of a much smaller total. (It is a different story for Guatemalans, Hondurans and other central Americans, who do still come, illegally or claiming asylum, in large numbers.)

In fact the total number of Mexican-born immigrants in America has stopped climbing and started to fall, notes Randy

Capps, also from MPI. In 2016-17 alone the number fell from 11.6m to 11.3m, a sharp dip that is probably continuing. That is despite the lowest unemployment in America in half a century. Previous spells of strong growth always drew in Mexican labour. No longer. Higher incomes, more jobs and an ageing population in Mexico have all shrunk its pool of potential migrants.

Fewer Mexican migrants in all, and more who come with papers—America probably now has more legal than illegal Mexican migrants, a notable tipping point—have other effects. One is that new arrivals are better educated than the people who crossed earlier, who were generally low-skilled. A report published on May 9th by MPI points out that whereas only 6% of recent Mexican arrivals had a college degree in 2000, some 17% had one by 2017 (see chart). The institute estimates that there are 678,000 Mexican graduates in America, one of the biggest stocks of skilled immigrants. And perhaps most important for successful integration, such newcomers are also the most likely to have good English skills, whereas Mexicans historically were slow to acquire the language.

What does this mean for America? Mr Selee is hopeful. He sees Mexicans following the path set by southern and eastern Europeans, predicting a “huge change” in the next 20 years, as far fewer Spanish-speaking migrants come in. That could be a boon to those already there. One lesson after previous decades of high migration ended (as when a 1924 law abruptly choked inflows of Asians and some Europeans) is that it can herald a period when existing migrants—and, importantly, their American-born children—integrate successfully.

Mr Capps also sees Mexicans in a situation “analogous to European countries” before. There was plenty of discrimination against Italians and Poles a century ago, for being Catholic, Jewish or insufficiently “white” in the eyes of Protestant Americans. But when a slowdown in arrivals is followed by social mixing, intermarrying, better education and rising incomes among migrants, discrimination begins to disappear, he says. In effect, the designation of a group as “white” depends less on their skin colour than their fortunes.

That is relevant for a debate that periodically grips America, in which demographers, white nationalists and others speculate about when the country's non-white population will become the majority. A census estimate suggests that might happen as early as the 2040s. Perhaps. But any calculation depends on who is defining a given group as white or not. By then, instead, that category may include the biggest single group of migrants, Mexican-Americans, just as it now includes descendants of Poles and Italians. For all its upheaval, Pilsen may show a path ahead. ■

## Lexington | Peace in the Middle East

*Jared Kushner's imminent peace plan is stirring more fear than hope*



TWO AND a half years after Jared Kushner began work on the “deal of the century”, in his father-in-law’s phrase, the administration’s Middle East peace plan is complete. At a recent event of the Washington Institute for Near East Policy (WINEP) Mr Kushner exuded confidence as he answered questions about his proposals, which are rumoured to be scheduled for release next month. While tight-lipped on the details, he confirmed that they are designed to deal with two overriding concerns: Israel’s need for security and the Palestinians’ for economic development. Contrary to speculation that the plan will bypass thornier issues—including the core question of Palestinian sovereignty—Mr Kushner described it as a comprehensive and “in-depth operational document”. Best of all, in his telling, it represents a novel approach. After three decades of failed peace proposals by pointy-headed experts, whom Mr Kushner disdains, he describes his plan as an effort to “change the paradigm” of Middle East peace diplomacy. “People will be surprised with what’s in it.”

His audience, including many of said pointy-heads, responded with curiosity, scepticism and a heroic effort to remain open-minded. No one outside the Trump family thinks Mr Kushner can bring peace to the Middle East; neither the Israelis nor the Palestinians seem ready for it. Yet his pitch deserves a fair hearing. Past efforts to solve the Israeli-Palestinian conflict followed a similar course, long on negotiating principles, short on detail. He therefore promises to do the opposite: to avoid applying labels to divisive issues, such as the status of a Palestinian state, or quasi-state, and instead lay out possible compromises and mutual benefits. “You can’t say ‘two-state’; I realised that means different things to different people,” he said. “Let’s just not say it, let’s just work on the details of what this means.” Fresh thinking is clearly warranted and the bar for success low. If Mr Kushner’s plan provided a useful reference for future negotiations it could be worthwhile. Yet there are also reasons to worry about the damage it might do.

Coming at an especially combustible time in the Middle East, including recent fighting in Gaza and a renewed Iranian nuclear threat, the plan is liable to have the sorts of second-order effects previous administrations tried to game out, but which Mr Kushner appears uninterested in. Mahmoud Abbas, president of the Pales-

tinian Authority, has already vowed to reject it in protest at the administration’s pro-Israel bias—seen, for example, in its recognition of Jerusalem as Israel’s capital. Some fear this rejection could be used by his Israeli counterpart, Binyamin Netanyahu, as a pretext to annex areas of the West Bank, as he has sworn to do. That would be a serious setback for peace. It could even jeopardise Mr Abbas’s administration. WINEP’s director, Robert Satloff, fears it would also have negative regional ramifications, by emboldening Iran, for example. He therefore wants Donald Trump to keep the plan under wraps.

Such worries could prove to be overblown. The administration’s rough treatment of the Palestinians is consistent with Mr Trump’s tactic of applying maximum pressure in any negotiation. Having lowered Mr Abbas’s expectations of his plan, Mr Kushner might conceivably intend to disarm him with an unexpectedly generous proposal for Palestinian statehood. His cosiness with Mr Netanyahu, conversely, could allow him to wring significant compromises from the Israelis. But don’t bet on this. Mr Kushner’s regional diplomacy, including his faltering efforts to get Arab support for his plan, has not been ingenious. He is unlikely to turn the screws on Mr Netanyahu, a close family friend. And the vainglorious Palestinians would anyway be unlikely to recalibrate their demands in response to American rudeness.

Given how slim the chances of success are, it is tempting to wonder why the administration is bothering with this at all. Mr Trump launched Mr Kushner on his quest in the exuberant aftermath of his election, aware that his predecessor had failed to fix the Middle East, but with little understanding of how hard that would be. Now mired in scandal—and a negotiation with China that is far more central to his presidency—he might consider Mr Kushner’s plan a fruitless distraction. Some suspect the president will indeed shelve it. Yet that may underestimate the degree to which the administration’s foreign policy is fuelled by emotion. On trade with China, peace talk with North Korea and war talk with Iran, its policies are defined as much by a resentful, audacious style as by their muddled aims. Mr Kushner, by the same token, appears to be motivated in part by the prospect of thumbing it to his doubters, with their dreary talk of history and risk. His obsession with the novelty of his approach points to this: “If we fail, we don’t want to fail the way it’s been done in the past,” he says.

### **It’s a deal, it’s a steal**

Mr Trump’s foreign policy tends also to reflect whatever the president considers to be in his short-term political interest. His reliance on evangelical Christians, who support Israeli expansionism, therefore presents an additional uncertainty. It is not impossible to imagine him blessing Mr Netanyahu’s threatened land grab as a means to please his base. That danger should warn Mr Abbas against rejecting Mr Kushner’s proposals too precipitously. The Palestinian leader should also be aware that the chances of America’s next president reverting to the traditional Middle East peace template are not high. With the rise of Iran and Saudi Arabia, Israeli-Palestinian peace no longer seems so important to the stability of the Middle East, which, given the rise of China, no longer seems so crucial to the world. Much as the Palestinians may lament Mr Kushner’s personal and Mr Trump’s political attachments to Israel, those ties may be all that is keeping America as engaged with the Israeli-Palestinian dispute as it is. However unsatisfactory he may find the administration’s looming proposals, Mr Abbas should therefore not count on receiving better ones soon. ■



## Venezuela

## Running out of options

CARACAS AND WASHINGTON, DC

**An uprising in Caracas failed to dislodge the Maduro dictatorship. Can diplomacy do the job?**

THESE ARE times of turmoil in Venezuela but in some parts of Caracas that is well hidden. At the leafy Country Club in the east of the capital, two men along with their caddie were playing golf on May 7th across the road from an elegant white stucco mansion. There was no visible security outside the house, the residence of the Spanish ambassador. And no clue that inside was Leopoldo López, formerly Venezuela's best-known political prisoner, who has been a "guest" of Spain since he escaped from his captors in the early hours of April 30th, the day it briefly appeared the dictatorship of Nicolás Maduro might fall.

An air of normality is precisely what Mr Maduro is attempting to cultivate, as he hopes to continue doing what he is oddly good at—staying in power. Before dawn on April 30th Juan Guaidó, Venezuela's rival young president, had launched what he billed as the final push to end this "usurpation" (on the basis that Mr Maduro rigged

the presidential election in 2018). With him was Mr López, walking freely in public for the first time since he was imprisoned in 2014, and a few dozen national guardsmen. Mr Guaidó is backed by more than 50 countries including the United States; the plan was to unseat Mr Maduro via a mass defection of the armed forces.

It failed. The army stayed loyal and by sunset, after a day of protests in which at least two demonstrators were killed, the national guard defectors had all sought refuge in the Brazilian embassy, where their uniforms were later seen drying on the lawn. Mr López and his family were settling in for what could be a long stay at their Country Club address.

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— Bello is away

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But Mr Maduro knows his troubles are far from over. On May 2nd, up uncharacteristically early, he was at a military base in Caracas surrounded by soldiers. "Loyal forever. Treason never," he asked the troops to repeat after him. They did. Then followed a speech by his defence minister, General Padrino López. "They try to buy us...as if we are mercenaries," said the soldier. The TV cameras caught a trace of fear crossing Mr Maduro's face. It appeared to be the first time he had heard the confession. Had his defence minister really been in contact with the opposition in an effort to depose him, as President Donald Trump's national security adviser, John Bolton, claimed on the day the uprising failed?

Some speculate that General Padrino is a skilled double agent: that he went along with the talks to smoke out opponents. But others are not so sure. Perhaps he and Maikele Moreno, the mercurial head of the puppet Supreme Court, and General Iván Hernández Dala, the head of military intelligence, were genuinely seeking to oust Mr Maduro, working with Venezuelan businessmen who want US sanctions on them lifted. One senior official certainly did defect: General Manuel Cristopher Figueroa, the head of Sebin, the state security service. His decision to flip is what enabled Mr López to go free.

The spy chief, now believed to have left ▶▶



▶ Venezuela (perhaps for Puerto Rico), could count on support within the once-feared state security apparatus he ran. For months there have been rumours of discontent inside Sebin. In a speech in Washington, DC, on May 7th, Vice-President Mike Pence announced that the United States was lifting sanctions against General Figuera, and dangled similar relief from individual sanctions as an incentive to other officials to turn against Mr Maduro.

Mr Pence carried sticks as well as carrots. He threatened to hold all the members of Venezuela's Supreme Court accountable for their actions if they failed to uphold the rule of law. That puppet court, meanwhile, launched a criminal investigation for insurrection against six opposition legislators, who were stripped of their parliamentary immunity by the regime's National Constituent Assembly. Mr Pence warned that the safety of Mr Guaidó and his family was a priority for America. On May 8th Mr Guaidó's deputy in the elected National Assembly, Edgar Zambrano, was arrested.

The frustration for the United States is that neither its sticks nor carrots seem likely to persuade Mr Maduro to leave. "We're really running out of options," says Moises Rendon of CSIS, a think-tank in Washington, DC. One option the administration refuses to rule out if all else fails is the use of force, though any military intervention would carry huge risks. A more appealing possibility for now might be to work on the foreign countries that help to prop up Mr Maduro, notably Russia and Cuba.

Last week President Donald Trump discussed Venezuela with President Vladimir Putin. Mr Trump claimed afterwards that Mr Putin "is not looking at all to get involved in Venezuela". That was not the impression in Moscow two days later, when Russia's foreign minister, Sergei Lavrov, met Mr Maduro's foreign minister and criticised "irresponsible" efforts to topple the regime. Still, the pace of diplomacy could quicken. Mike Pompeo, America's secretary of state, saw Mr Lavrov in Helsinki this week and they are due to hold talks in the Black Sea city of Sochi on May 14th.

As for Cuba, it is facing a tightened American embargo as punishment for its support for Mr Maduro. Yet Mr Pompeo raised eyebrows when he said in a television interview on May 5th that America was "working with the Cubans" to bring about change in Venezuela. Overtures to Cuba seem to be multiplying. The Lima Group, made up mostly of Latin American nations, said in a statement that it would "take the steps necessary for Cuba to participate in the search for a solution to the crisis in Venezuela". It also wants to co-ordinate with a European Union-led international contact group.

All this must add to Mr Maduro's sense of insecurity. The public effort to oust him

failed, but it showed that some in the ruling clique and its foes are trying to find common ground, even if this amounts to little more than providing an escape route. "There is a clear conviction among regime officials that Maduro should go and that a transition is unavoidable," says Colette Capriles, a Caracas-based political scientist with close links to the opposition.

But Mr Maduro can take comfort in the fact that he is not the only one who has been weakened by the abortive uprising and its aftermath. Mr Guaidó is now facing open mutterings of doubt in Caracas about his leadership. He botched his big shove. His call for protests at all military bases on May 5th produced only lacklustre attendance. "We have been promised 'this is the day' once too often," says Annabel Hernández, an artist. ■

### Baseball in Peru

## Selling fish, catching flies

LIMA

### Peru discovers the home run

VILLA MARÍA DEL TRIUNFO, a poor district in Lima, Peru's capital, is best known for its sprawling wholesale fish market. Trucks from the city's 13,000 ceviche restaurants queue up before doors open at 4am for the best seafood. Soon, however, the fishermen may have to contend with a different sort of catch. The neighbourhood is now home to a baseball stadium, built for the Pan-American games, which Peru is due to host in July for the first time. The government is hoping that the games will kindle a love for sport still obscure in Peru: there are also venues for archery, field hockey and water polo.

Residents seem bemused. Jessica Vilca, who runs a small ceviche restaurant across the street from the baseball park, looks forward to extra business but is mystified by baseball and the other sports that will be played in the Andrés Avelino Cáceres sports complex. "I never heard of it until they said they would build the stadium here. The only sport we know is football," she says.

The new stadium seats fewer than 2,000 people and has bright green artificial turf. A three-metre-high fence challenges batters to clear it. Peru is fielding a baseball team for the first time in the 68-year history of the Pan-American games. That alone will give the sport a boost in the country, says Kenny Rodríguez, the team's manager. "We are realistic about our chances, but we think we can be the surprise of these games," said Mr Rodríguez, a Cuban-born

pitcher who played for several seasons in the Toronto Blue Jays' farm system (which trains young players).

His first challenge is fielding a team capable of defeating the seven other baseball teams that qualified for the games, including two powerhouses, Cuba and the Dominican Republic. Peru has no professional league; players for the five teams in Lima's first division are amateurs, who practise after hours. "My guys are working or practising up to 20 hours a day," says Mr Rodríguez. He had planned to choose his 24-man roster after a playing trip to Cuba in April, but some players could not get time off from work or school.

Just finding a place to play has been hard. The team was twice evicted from the national sports complex, temporarily to make space for building materials used in a transportation project and then for good last year, when a running track was built.

But now the team has a permanent home. And there are signs that baseball is gaining a purchase in Peru and other Latin American countries where it had been a niche sport. Argentina too has a relatively new league, which Mr Rodríguez says is helping to spread the sport. Colombia, the Dominican Republic and Puerto Rico have professional leagues.

The exodus from impoverished Venezuela, which does have a strong baseball tradition, is bringing talent. Seven players on the Peruvian team were born in Venezuela. They include Jesús Vargas, a pitcher with an 86-mile-an-hour fastball, who came to Peru two years ago. "Everyone in Venezuela plays baseball, but here it is only a hobby," he says. "I think we can change this if we do well." Mr Rodríguez hopes that a professional team will take up residence at the stadium after the games are over. If that boosts custom at Ms Vilca's *cevichería*, she may become a fan. ■





## Australia's election

## No takers

SYDNEY

## Voters are poised to punish a squabbling and scare-mongering government

IT IS BECOMING the party of mishaps, if not of mean-spiritedness. Ahead of an election on May 18th the ruling, right-of-centre Liberal Party has been obliged to disavow two of its parliamentary candidates for Islamophobia. Another stepped down after it emerged that he had called on the party to expel gay members. A fourth candidate was censured, but not dumped, for suggesting that women lack the “business skills” to earn as much as men.

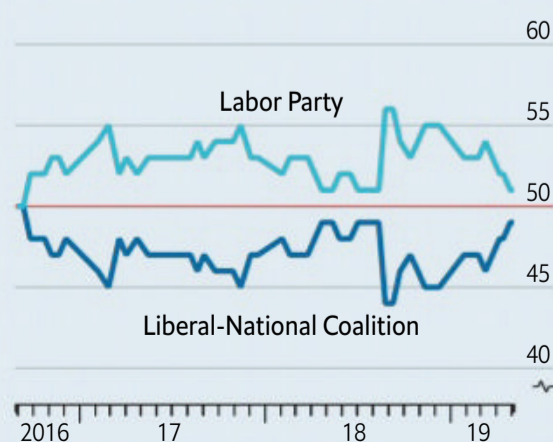
Australia's main opposition party, Labor, faces similar scandals: it ditched two of its would-be MPs this month for sexist and anti-Semitic slurs. But it does not already have a reputation for prejudice and division. Last year the Liberals' parliamentary caucus toppled its moderate leader, Malcolm Turnbull, in a right-wing coup. Female Liberal MPs have since made headlines by accusing their male colleagues of intimidation and misogyny. The new leadership has tried to revive the party's prospects by fanning paranoia about the trickle of illegal immigrants who attempt to reach Australia's northern shores by boat from Indonesia and by promising to cut legal immigration, too. It also insists that La-

bor's plans to reduce emissions of greenhouse gases will wreck the economy.

Both themes have brought the Liberals and their coalition partners, the Nationals, success in the past. But voters seem less receptive this time. The Liberals lost the recent by-election for Mr Turnbull's previously safe seat to an independent who campaigned for more resolute action on climate change and more humane treat-

## The long goodbye

Australia, federal-election voting intention\*, %



Source: Newspoll

\*Two-party-preferred vote

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ment of refugees. The coalition has been lagging behind in the polls for three years (see chart). Defections and the loss of Mr Turnbull's seat have already cost the government its majority. It does not just have to contend with Labor: several more conservative strongholds are under threat from independents.

Although the economy has grown without interruption for 28 years, many feel left behind. House prices have soared, while wages have grown more slowly and, recently, barely at all. The Liberals' solution is to slash income taxes, yet its cuts would benefit mostly the wealthy, argues John Daley of the Grattan Institute, a think-tank.

Labor has promised to match the Liberals' tax cuts for the middle class and expand them for low-earners. But it wants to close loopholes that go mainly “to the top end of town”, as Mr Shorten puts it. That includes paring back lavish tax breaks for investing in property and the even more generous treatment of income from dividends for certain taxpayers. The money would go on health care and education, as well as an expansion of subsidies for child care.

All this is sensible enough, but does not seem to energise many voters. Many are up in arms about climate change, however. Those living on drought-afflicted farms or on the coast by the heat-stricken Great Barrier Reef feel its effects most keenly, but even urban voters are anxious. Yet the Liberals have axed funding for research on it and scrapped initiatives to counter it. Emissions of greenhouse gases have risen, but the government has used accounting ►►

► tricks to pretend that it is on track to reduce them as promised. Its plan to enshrine reduction targets for power generation in law was jettisoned with Mr Turnbull.

Australia's politicians have been at war over climate change for a decade. The Liberals dismantled a carbon tax put in place by Labor as soon as they came to power six years ago. Labor says it will try again. It wants to resurrect Mr Turnbull's plan to cut emissions from power plants, but with a more ambitious goal, of a 45% reduction by 2030. To that end, it plans to spend A\$10bn (\$7bn) to boost renewable energy. It has also said it will impose emissions stan-

dards for vehicles, to speed the switch to electric cars.

Labor also promises to get to grips with another fraught subject on which the coalition's policy has been prevarication: the miserable circumstances and contested rights of Aboriginals. Their tiny share of the population gives them little power to shape policies which affect them, explaining, in part, why they fare so poorly on measures of well-being. In 2017 a gathering of Aboriginal elders called for the creation of an indigenous "voice to parliament", but the Liberals flatly rejected the idea. Labor has pledged to hold a referendum on

amending the constitution to create such a body. It would put an Aboriginal in charge of indigenous affairs for the first time in Australia's history.

Voters do not seem enthused about Labor, however. Bill Shorten, its leader, is less popular than the prime minister, Scott Morrison (pictured, previous page). Many on the left are disillusioned by the party's caution. It is almost as hostile to boat people as the coalition and refuses to oppose the development of a huge coal mine in Queensland despite its professed greenery.

Whichever party wins, the new government will have to grapple with a splintered upper house, which makes it increasingly hard to adopt controversial legislation. The churn of prime ministers has caused Australian politics to "lose its mojo", says Michael Fullilove of the Lowy Institute, another think-tank. The way to relocate it, he says, is to elect "a stable government with a prime minister who can serve for a decent amount of time". On this note, there is hope. Both parties have changed their rules to make it harder for their MPs to turf out their leaders. The next prime minister might even last until the next election. ■

### Press freedom in Myanmar

## 511 days later

### Two journalists go free but the press remains under the cosh

"I CAN'T WAIT to go to my newsroom," Mr Wa Lone told a crowd of reporters as he walked free from Insein prison in Yangon, Myanmar's biggest city. Mr Wa Lone and Kyaw Soe Oo, who work for Reuters news agency, were released on May 7th. The pair were convicted in 2018 of breaking the Official Secrets Act and received a seven-year sentence. They had served 511 days before being released as part of an amnesty for more than 6,000 prisoners to mark Buddhist New Year.

The trial of the two journalists was a farce. They had been investigating the killing of ten men from the Rohingya Muslim minority in Rakhine state, where the army went on the rampage in 2017, forcing more than 700,000 Rohingyas to flee to Bangladesh. The journalists said they were entrapped by police, who invited them to dinner, handed them state documents and arrested them shortly afterwards. One officer admitted to burning his notes on the arrest. Another said he had been ordered to set up the journalists. A third was caught consulting prompts written on his hand when testifying against the pair.

Nevertheless, Mr Wa Lone and Mr Kyaw Soe Oo were convicted, to the dismay of human-rights activists. They saw the pair's jailing as yet another symptom of Myanmar's failure to reform itself, even under the leadership of Aung San Suu Kyi, a democracy activist and winner of the Nobel Peace prize who ended many decades of military rule in 2016 when she came to power as head of the National League for Democracy (NLD) party. Every new legal appeal made front-page news. Diplomats pleaded with government officials for the journalists' release. But Ms Suu Kyi refused to intervene, citing the independence of the judiciary. In

fact, it was probably public hostility to anything that smacks of sympathy for the Rohingya that restrained her. Two weeks ago the courts rejected the journalists' appeal for a third time.

The amnesty provides a face-saving way out, but does not indicate that the government is turning over a new leaf. Under Ms Suu Kyi freedom of expression has been severely curtailed. A report released in January by Human Rights Watch, an NGO, found that a loosely worded telecoms law is being used to intimidate journalists and silence critics of the government. Since the NLD took power in 2016, about 140 cases have been brought under the law, many of which are baseless. Lots of reporters are languishing in prison. Many of those who remain free feel compelled to self-censor. The repression, sadly, is all too reminiscent of life under the generals.



There are many more like them

### Elections in the Philippines

## A first family affair

DAVAO

### Why the president and his allies look set to tighten their grip

SANA VALLES serves up President Rodrigo Duterte's favourite dish in a small eatery in the southern city of Davao. Tapa—crunchy, floss-like beef—arrives alongside tangy stew and fluffy rice. The place is a shrine to her favourite customer and his family. An early political poster showing the now-grizzled strongman with a fresh face adorns one wall, a picture of his daughter and successor as Davao's mayor, Sara Duterte-Carpio, another. Photographs of the city's toughest police units making Mr Duterte's power-fist gesture appear too. Waitresses wear T-shirts supporting Bong Go, a longtime aide of Mr Duterte's, who is running for a spot in the national Senate in mid-term elections on May 13th. "We are proud of our president," explains Ms Valles. "He disciplined all the people here."

Mr Duterte served as Davao's mayor from 1988 until he rose to the presidency in 2016, with only brief interludes as its representative in Congress and its deputy mayor (to get around term limits). It is where Mr Duterte tested the idea of a vigilante campaign against drug-dealers and -users. (Since he took the policy national, more than 20,000 people have died in extra-judi- ►►

cial killings, according to opposition politicians.) Davao's streets are clean and its people largely enamoured with the first family. Ms Duterte-Carpio will cruise to re-election this week; her two siblings are also fighting for local posts. More broadly the mid-terms will reveal the potential of the family brand to endure beyond the presidency of the patriarch.

Halfway through each president's six-year term, elections are held for the entire House of Representatives and half of the 24-seat Senate, as well as some 18,000 local and provincial posts. The House of Representatives' 300-odd members already cater to most of the president's whims. That is not expected to change. But the results in the Senate, the only political buffer against the president's excesses at the moment, will determine how much Mr Duterte can get done during the rest of his presidency. "Success or failure is based on how their Senate slate does," says Manolo Quezon, a journalist.

Mr Duterte's popularity seems likely to boost candidates associated with him. Filipinos like his authoritarian approach to crime and the economy is generally well managed. Last year growth exceeded 6%. Infrastructure spending has increased and poverty rates have gone down. His outrageous talk (he has called Barack Obama a "son of a whore" and declared the Philippines a province of China), his absurd bluster (this week he threatened to declare war on Canada if it did not take back rubbish exported to the Philippines without the proper paperwork) and his attacks on the Catholic church (the Pope got the son-of-a-whore treatment, too) only seem to add to his popularity. The fact that critics such as Leila de Lima, a senator, have wound up in prison, or out of a job, such as a former chief justice of the Supreme Court, does not worry many people. Fully 79% of Filipinos approve of the job he is doing, according to Social Weather Stations, a pollster.

Mr Duterte's supporters are preparing for a time when he carries less clout, however. Last year they created a new political party called Hugpong ng Pagbabago or HNP, meaning "Faction for Change". It boasts Ms Duterte-Carpio among its ring-leaders and appears set on replicating the president's tested formula for success: taking local tactics to the national level. Families with huge influence in their native fiefs have all teamed up. Thus Imee Marcos, daughter of the late dictator Ferdinand and a near-deity in the northern region of Ilocos, is one of HNP's star candidates.

Of the 14 candidates with a decent chance of winning a seat in the Senate according to a recent poll, ten fly the HNP banner. Mr Duterte himself is a vocal cheerleader for many of them, including Mr Go and Ronald Dela Rosa, a former head of the Philippine National Police and thus a

## Measuring India's economy

# Service culture

DELHI

## A dodgy database casts further doubt on disputed GDP statistics

**M**EASURING INDIA'S economy is a thankless task. About half of its vast and varied GDP comes from informal enterprises, which defy easy taxation, estimation or even definition. A similar share consists of services, which are harder to count than things you can drop on your foot or pull out of the ground.

To sharpen the statistical focus, India's data-gatherers tried to carry out a big survey of service companies in 2016-17. They set about contacting over 35,000 enterprises, drawn from a list of registered companies that file accounts online with the Ministry of Corporate Affairs under an initiative called "MCA21". But the online list did not match on-the-ground realities.

Many (12%) of the companies could not be traced. Others (5%) had closed since the list was compiled. Yet others (21%) were not service companies after all. And many bosses were reluctant to answer or sign off on the survey.

That throws fresh doubt on India's GDP figures, which have drawn heavily on the same MCA21 source since an overhaul in 2015. That overhaul, many feel,

has overstated recent growth rates. (It also led to a politically convenient downward revision of growth under the previous government.) The GDP flap, combined with the government's attempt late last year to suppress embarrassingly bad jobs figures, have badly damaged the credibility of Indian statistics.

The latest controversy may itself be overstated, however. If some companies were mislabelled as service firms, the error will change the composition of GDP, not its size. Some closures are to be expected, given that the survey took place more than two years after the companies filed their returns to the MCA. Some of the untraceable firms may be shell companies, reporting revenues they do not themselves earn. But that revenue may still be genuine, earned but unreported by other entities.

Cynics may conclude that thousands of non-existent service firms are inflating GDP data. But in the overhauled figures, which draw on MCA21, the service sector is actually smaller than it was in the old figures. The new database may be dodgy, but the old sources had flaws too.

bastion of the drug war.

A smattering of opposition candidates are pushing back with a multiparty slate called the Otso Diretso ("Straight Eight"). Their allies are few and far between. When they all appeared at a recent rally in Cebu city, the country's second-largest metropolis, local officials shunned them. Grace Poe, a senator who is not in the group, is among

the most popular candidates seeking re-election. But having lost to Mr Duterte in the presidential election, she is careful not to be too critical.

Mr Duterte's acclaim is hard to campaign against, as is his ire. In Bacolod, on the island of Negros, farm workers protesting against low wages decorate their battered van with posters of Neri Colmenares, a local human-rights lawyer and critic of Mr Duterte. But he has little hope of winning a slot in the Senate. Some locals say the whole system is rigged. "Election fraud is really massive here," complains an agrarian activist. "[Candidates] just need to ask for the blessing of the landlords."

The opposition's weakness does indeed flow from the political system. Personalities matter far more than policies or parties. Politicians flit between parties according to the political mood. The expense of running for office is another factor. Candidates for senator run nationwide, just like presidential ones. A credible campaign costs roughly 100m pesos (nearly \$2m), a political analyst estimates. No one wants to spend so much money simply to twiddle their thumbs in opposition.

Victory for Mr Duterte's forces in the mid-terms could reinvigorate his legislative agenda. He will probably dust off a ▶▶



shelved corporate-tax reform and may push for a constitutional amendment to institute federalism. The House of Representatives has approved a bill to that end, but the Senate has left the idea to moulder. Even with more allies in place, it will be a hard sell, since senators will be reluctant to vote to diminish their own clout.

Whatever else happens, the election has already raised the profile of Ms Duterte-

Carpio. A slick politician in her own right, she denies wanting to succeed her father as president, a prospect some supporters have mused about. But the temptation to run to defend Mr Duterte's legacy (and protect him from prosecution) would be enormous. By revealing the length of his coat-tails, the mid-terms will give an indication of how likely the Philippines is to see a second President Duterte. ■

shortly after the vote, a coalition of seven opposition parties, including Pheu Thai and Future Forward, which is popular with young voters, announced they had won a slim majority in the 500-seat lower house.

That is not what the results unveiled this week show. The Election Commission concedes that Pheu Thai won the most seats, 136, followed by Palang Pracharat, with 115, and Future Forward, with 80. It annulled the result in one district won by a Pheu Thai candidate, ordering a fresh election. But the biggest blow to the opposition came in the form of tweaks to the formula whereby the commission allocates the 150 seats awarded on a proportional basis. The result was to reduce the tally of the big parties and hand seats to a plethora of tiny ones. This change appeared to breach the commission's own rules and the election law, but a court found the new maths constitutionally permissible just hours before the party-list results appeared. Entirely coincidentally, the changes reduced the opposition alliance to a minority of 245 seats.

Chaos awaits, as 27 different parties now hold seats in the lower house. A weak, pro-military coalition looks the most likely outcome. The junta will soon present a list of senators to the king for approval. The two houses will then vote in a joint sitting to select a prime minister. The incumbent, Prayuth Chan-ocha, who led the coup in 2014, had seemed determined to stay on. Bangkok is rife with rumours, however, that the king might promote the selection of a less divisive figure, perhaps from the Privy Council, which is packed with soldiers and technocrats. Either way, the notion that the government ushered into power by the election will have any democratic legitimacy—always a doubtful proposition—now looks entirely forlorn.

As if to underline the point, the authorities have set about persecuting Future Forward and its leader, Thanathorn Juangroongruangkit, with a gusto typically reserved for supporters of Mr Thaksin. The party and its leadership face 16 accusations of wrongdoing. The Election Commission intends to press a charge against Mr Thanathorn for holding shares in a media company, which candidates are not allowed to do. He has also been charged with sedition and computer crimes. He denies all the charges, which could lead to a ban from politics, a prison sentence or the complete dissolution of Future Forward. "I'm prepared. I knew this would happen sooner or later," he says at his party's buzzing office in Bangkok. "In order to retain power they are willing to do whatever it takes." He believes the 16 cases are intended to pressure him to negotiate with the junta's political allies. At least five of Future Forward's MPs have been offered \$1m apiece to change party, he claims.

Mr Thanathorn is a threat because he is ►►



### Politics in Thailand

## Crown and spectre

### The government celebrates the new king's coronation with a fresh round of election-rigging

THAIS DO NOT see that much of their king, who spends most of his time in Germany. But for three days starting on May 4th he was on near-constant display for a long and lavish series of ceremonies surrounding his coronation. It all began with a ritual purification at the royal residence in Bangkok. Holy water was poured over the head of Maha Vajiralongkorn, the tenth monarch of the Chakri dynasty. It had been collected from all 76 of the country's provinces, as well as from around Bangkok. Courtiers and officials wore spotless white uniforms and prostrated themselves before their monarch.

The king changed into an embroidered golden suit for an anointing ceremony. Then he lowered onto his own head a pointed helmet of a crown weighing more than 7kg thanks to its crust of gold and diamonds. A royal procession the next day saw

the stony-faced monarch paraded through Bangkok on a gilded palanquin. Accompanying troops roasted in the heat. In a separate procession (pictured), respectful elephants dropped awkwardly to their knees.

The first substantial moments of the new reign came just days later, when the Election Commission released the final results of an election that took place in March. Palang Pracharat, a party created to support the military junta that came to power in a coup in 2014, battled Pheu Thai, which is loyal to Thaksin Shinawatra, a former prime minister who has feuded with the generals since an earlier coup, in 2006. The junta rigged the system in its favour, banning all political activity until a few months before the election, disbanding a second party linked to Mr Thaksin and awarding itself the power to appoint all 250 members of the upper house. Nonetheless,

▶ both popular and unblemished by scandal, two characteristics which neither the king nor the generals (nor Mr Thaksin) enjoy. The king has alienated his subjects not only by his absence, but also by his personal cruelty and insistence on sycophantic protocol. It was not just the elephants and courtiers who were forced to prostrate themselves: days before the coronation the palace released images of the king getting married for the fourth time, in which his new wife, a former stewardess, grovelled before the unsmiling groom. He has disowned children and locked up relatives of

one of her predecessors. Only a small share of Thais bothered to wear yellow, the royal colour, as requested during the coronation ceremonies. Thousands of civil servants had to be bussed in to swell the attendant crowds, which were much sparser than at the cremation of his father, who was far more popular.

Yet King Vajiralongkorn apparently feels secure enough to meddle in political matters. Before the election he intervened, quite hypocritically, to prevent his older sister from getting involved in politics. The courts and the Election Commission fol-

lowed his instructions slavishly, even though they lacked any clear legal underpinning. Just before polling day he told Thais to vote for “good people”; just after it he stripped Mr Thaksin of several military awards. The risk of royal displeasure seems to have deterred neutral parties from joining the opposition coalition in the lower house. That is no coincidence: a weak coalition would be in no position to stand up to the king. That an election that was supposed to restore Thailand to democracy will instead bolster its preening monarch is a crowning irony. ■

## Banyan Where the Raj lives on

*Colonialism bequeathed an unfortunate sense of entitlement to South Asia's soldiers*

IMRAN KHAN seemed weary, but otherwise in good form. Enthroned at his official residence, Pakistan's prime minister tossed out well-rehearsed bromides about his plans for a *naya* or “new” Pakistan. He was just hitting his stride when an unsmiling, crisply uniformed soldier marched in, tapping his watch. Mr Khan begged for a few more minutes before mumbling excuses and following his minder out. Later, at an informal gathering, an ebullient general assured journalists that “my boss the PM” was fully in charge of the army and intelligence services, and that they were all “trying to convert Pakistan from a security paradigm to a development paradigm”. A cabinet minister nodded and chuckled obsequiously as the general spoke.

The general's home, a colonial mansion dotted with photos of children at elite foreign universities, is located in Rawalpindi, the older twin city to Pakistan's purpose-built capital, Islamabad. More specifically, it sits on a military base which is itself inside a cantonment. These exclusive garrison-suburbs are a peculiar feature of South Asian cities. India has 62 of them spread over 200,000 acres, Pakistan 43 and Bangladesh 30. As bubbles of leafy comfort ambered in pre-war gentility, complete with flower-sprinkled traffic circles, manicured lawns, tennis courts, officers' messes and servants' quarters, cantonments are among the least-altered holdovers of the British Raj.

They are also an urban planner's nightmare. The low-rise, low-density zones have in most cases long since been engulfed by crowded, bustling cities. Yet municipalities have little say over how cantonments are run. Intended for an alien army of occupation, they remain protected by sweeping pre-indepen-

dence edicts. A military area that includes golf courses, officers' housing, lavish headquarters for different service branches and an entire air base slashes a Manhattan-sized slice out of central Dhaka, the capital of Bangladesh. Residents of Navy Nagar in Mumbai tee off onto lush fairways facing the Arabian Sea next to some of the most expensive property in the world. Far inland in Agra, home to the Taj Mahal, the armed forces occupy not only a huge cantonment, but three-quarters of the Red Fort, another spectacular Mughal-era monument.

Pakistan's army is still occupying new territory. The Defence Housing Authority (DHA), which was created in 1980 to support veterans and their families, has used its land-appropriating powers to build a sprawling property empire. In Pakistan's biggest city, Karachi, it owns the entire district of Clifton, a swanky suburb with half a million residents and 15km of beachfront. DHA phases I-XI take up the entire south-east quarter of Lahore, the second-biggest city, including the main business district. “By introducing modern designs

in construction of houses, infrastructure and essential associated facilities it has infused a new life in ‘Defence Living’, that is beautifully energetic, attractively vibrant and conveniently livable,” gushes the DHA's website.

Pakistan's supreme court is less enthusiastic. In a recent ruling that admonished the DHA for ignoring orders to open its accounts to public scrutiny, a judge remarked that the agency “seems like a government operating within the government”. Another judge was harsher: “You people run your business by using widows and martyrs as a shield, and you pocket royalties in their name.” In his cantonment mansion, the general scoffs at such rebukes. The DHA relieves the government from supporting veterans, he says. Besides, it is the country's biggest taxpayer.

In India it is civilians who call the shots. Bureaucrats and politicians often enjoy perks, including gracious colonial bungalows, that are every bit as grand as officers'. There is greater public scrutiny, too: a recent government report took the army to task for failing to collect more than a decade of rent from a deadbeat tenant. Yet India's army, every bit as spit-and-polished as Pakistan's, if not as commercially unrestrained, does enjoy other colonial indulgences. A raft of special laws, some of them holdovers from emergency rules the British imposed during the second world war, allows its soldiers near-impunity in parts of the country that are deemed to be troubled. Following a terrorist attack on an army convoy in Kashmir in February, the army has simply closed the road involved for two days a week, even though it is the main highway through a valley with 7m residents. The echoes of the Raj are not lost on the locals.





### Study abroad

## Formed in Formosa

TAINAN

**Despite ideological worries, China allows its citizens to study in Taiwan**

**S**IPPING ICED coffee at a trendy restaurant in Tainan, a city in southern Taiwan, Li Jiabao appears calm despite the attention the 20-year-old student's outspoken views have recently attracted on the island's campuses. Mr Li is a student of pharmacy from the eastern Chinese province of Shandong. In March he released a startling self-recorded video in which he denounced China's decision, unveiled about a year ago, to scrap the ten-year term limit for the presidency. He compared China's current leader, Xi Jinping, to an "emperor". Most Chinese students in Taiwan keep quiet about politics at home. But Mr Li says living in Taiwan's "model democracy" inspired him to speak out. Last month he applied for political asylum there.

Liberal thinkers in China have long been fascinated by Taiwan's politics because of the island's close cultural and historical links with the mainland. At the end of the Chinese civil war in 1949, the defeated Kuomintang (KMT), or Nationalist Party, took refuge on the island and ruled it with

the same contempt for democracy that the victorious Communist Party displayed in China. But Taiwan succeeded economically, producing a middle class that began pushing for reform. Eventually, in 1996, Taiwan held its first democratic presidential election. The KMT won but the next time, four years later, it was defeated.

### A beacon of hope

Despite the Communists' efforts to portray Taiwanese democracy as a raucous farce, the island's orderly political evolution has inspired some people in China. Even so, in recent years, as cross-strait economic links have boomed, China has allowed many thousands of students to experience the island's freedoms for themselves, just as it had permitted students to head to universities in the West. In 2018 nearly 30,000 Chinese students were enrolled at Taiwanese universities, more than ten times as many as a decade earlier.

The students' presence is a sign that both sides have become less worried about

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exposing future members of their elites to the ideologies of their foes (technically, China and Taiwan are still at war). In China's case it reflects confidence that its youth are unlikely to be won over by Taiwan's view of itself as a sovereign country with every right to resist China's claim to it. Recently China has reduced the flow. But the main purpose has been to show displeasure with Taiwan rather than limit exposure to its democracy.

The Communist Party does remain determined to protect its population from heretical thinking. Less than three hours after Mr Li circulated his video on Twitter, censors in China responded by shutting down his accounts on Chinese social media, apparently fearing that he might use them to post similar material. Mr Li says his parents in Shandong were briefly detained by police. He believes a "terrible fate" awaits him should he return.

But in its approach to student exchanges with Taiwan, other considerations have trumped China's ideological reservations: a desire to satisfy burgeoning demand at home for education abroad, as well as to boost support for China on the island itself. China's relations with Taiwan entered a deep freeze after the Democratic Progressive Party (DPP) took over in 2000—the Communists despise the party because of its rejection of reunification. But after the KMT returned to power in 2008 China began working hard to foster business, ►►

▶ tourism and academic links. That was a boon for Taiwanese universities which were worrying about falling enrolment. In 2010 Taiwan changed its law to admit Chinese students not only for brief exchange programmes but also for degree courses. The following year the total number of Chinese students in Taiwan more than doubled, to nearly 12,200.

Since the DPP's return to power in 2016 China has cut the number of students it allows to study for undergraduate degrees on the island, from about 2,100 who began such courses that year to 800 in 2018. The number of exchange students has also fallen, from 33,000 in 2016 to 21,000. But the number of Chinese students in Taiwan remains far higher than it was during the DPP's first period in power between 2000 and 2008. When the party was ousted, there were just 1,300 of them.

China still has anxieties. Its Taiwan Affairs Office arranges pre-departure "coaching sessions" for Taiwan-bound students, involving lectures on Communist Party policy towards the island and instructions to stick to it. China tries to deter its students from registering at universities in Taiwan where student unions have a reputation for organising pro-independence activities. One such institution is National Cheng Kung University (NCKU) in Tainan. In 2017 newly admitted Chinese students to NCKU reportedly received calls from Chinese officials warning them not to attend.

Around two years ago, Taiwan's education ministry discovered that some Taiwanese universities had signed agreements, requested by their Chinese counterparts, promising that Chinese exchange students would not be exposed in class to "politically sensitive" ideas such as Taiwanese independence. An official at a private university in Taiwan reckons as many as half of the island's universities did so, including his own. The education ministry's official responsible for cross-strait education, Andy Bi, says his department reminded these universities of the importance of academic freedom. The deals have since been scrapped, he says. But China had made its point clear.

For all China's precautions, some Chinese students do come round to Taiwan's political way of thinking. In 2010-11 Wang Chia-chou of I-Shou University in Kaohsiung, Taiwan's second city, surveyed some 200 Chinese students in Taiwan, both when they arrived and again four months later. He found that the students' average "regime identification" with Taiwan shifted considerably over this short period. At the time of arrival it was -0.72 compared with -0.04 four months later, where preference for China's politics is given a value of -1 and for Taiwan's a value of 1. In other words, the students on average moved from strong preference for China's

system to near neutrality.

Mr Wang, who teaches politics, recalls one Chinese student insisting in class that "communism will prevail in Taiwan". The student, however, later asked him in private how he could stay on the island (not, apparently, to await communism's victory there). But many Chinese students claim to be unimpressed. To many of them Taiwan's cities seem fusty in comparison with China's boomtowns. "Just as I can learn from Taiwan, so too can my Taiwanese classmates learn from China," says a Chinese student of public policy in Taipei. That kind of view gives China solace. ■

### Naval movements

## In deep water

### China bristles at Western navies' transits through the Taiwan Strait

AS DAWN BROKE ON May 5th, Chinese warships began live-fire drills in the north of the Taiwan Strait, the 180km-wide waterway between China and Taiwan. Fishermen, who were told to stay clear until May 10th, will be getting used to passing shells. In April 2018 the Chinese navy held its first live-fire exercise there for three years. The Taiwan Strait now seems thick with warships—and not only with China's.

Last month the passage of a French frigate through the strait angered China. It complained that the passage was "illegal" and barred France from a multi-country ceremony to mark the Chinese navy's 70th anniversary. The suggestion of illegality—later removed from the website of China's defence ministry—raised eyebrows. It seemed to imply that China was staking a claim to an entire international waterway.

That did not discourage a pair of American destroyers from sailing through the strait a few weeks later, on April 28th. The

US Navy said the transit showed America's "commitment to a free and open Indo-Pacific". It was the fourth such American passage in 2019, according to figures released by America's Pacific Fleet in May and first reported by the *South China Morning Post*, a newspaper in Hong Kong.

American naval transits rose from an average of under six per year between 2007 and 2010, to almost ten per year in the six years that followed (see chart). That was a relatively calm period in the Taiwan-China relationship, but a tough one for China-America ties—China was speeding up the reclamation of land and construction of military outposts on rocks and reefs in the South China Sea.

America's transits peaked at a dozen in 2016, Barack Obama's last year as president. That year a less China-friendly government also came to power in Taiwan, raising cross-strait tensions. Yet since Donald Trump took office, transits have plummeted. There were just three last year—the lowest on record. On the face of it, that is curious. Many of Mr Trump's officials have vocally supported Taiwan in the face of intensifying Chinese pressure. Mr Trump, as president-elect, was persuaded by advisers to make a taboo-busting phone call to Tsai Ing-wen, Taiwan's president, in 2016, the first such conversation since 1979. He has since signed laws encouraging American ships and officials to visit Taiwan and approved arms deals totalling \$2.25bn.

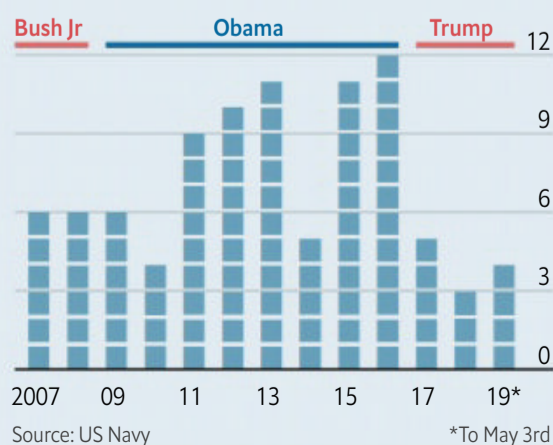
But Mr Trump may have far less interest in Taiwan's welfare than these moves suggest. At first he saw Taiwan as a useful card to play in his dealings with his Chinese counterpart, Xi Jinping. When Mr Xi pushed back, Mr Trump duly backed off.

But the main reasons why America has been sending fewer of its warships through the strait could be unrelated to Mr Trump's thinking about China or Taiwan. America's Japan-based Seventh Fleet—the core of the Pacific Fleet—suffered several collisions in 2017, resulting in its commander's dismissal and less time at sea for its ships. Seventh Fleet vessels also spent more time sailing north to the Korean peninsula as tensions caused by North Korea's nuclear programme spiked in 2017 and 2018, rather than south through the strait.

The drop in the number of transits has coincided with stepped-up muscle-flexing by China. Since 2016 it has started flying bombers around Taiwan. On March 31st China sent a pair of warplanes across the "median line" of the Taiwan Strait for 13 minutes. If deliberate, it was the first such intrusion in two decades. Taiwan is gearing up for a presidential contest in January. In recent years, China has reduced its military posturing ahead of Taiwanese elections, apparently to avoid boosting support for China-sceptic candidates. This year, however, it has been keeping up the pressure. ■

### Going strait

Number of Taiwan Strait transits conducted by US naval ships





## Chaguan | Pulling apart

*America is putting up barriers to reduce the threat from China. It may have the opposite effect*



THE HISTORY of attempts to contain modern China is not a happy one. The Soviet Union tried it in 1960 when Mao Zedong's insouciance about nuclear war—he had suggested that such a conflict would kill more imperialists than socialists, leaving the world ruined but Red—alarmed Nikita Khrushchev. Soviet technical advisers, including nuclear-weapons experts who shredded all documents they could not carry, were withdrawn from China. Chinese technicians reassembled the shreds, recovering clues which helped China test an atom bomb four years later.

The lesson was clear. Withdrawing assistance from a threatening China may be rational, but a China that succeeds anyway, and then feels less dependent on outsiders, is not necessarily safer.

It is not a lesson that has much resonance in America today. Whatever happens with the trade war started by President Donald Trump, America is hardening itself against China. Moves are afoot to wall off sensitive technologies behind export controls, tariff barriers and tougher investment-screening rules. With varying degrees of success, American officials are leaning on allies in Europe and elsewhere to shun such Chinese firms as Huawei, a telecommunications giant. Amid allegations of rampant, China-directed espionage on campuses, America is tightening visa rules for Chinese students of science and technology.

In Congress and in the White House, leaders sound unmoved by the downsides of withholding assistance as China rises. If the result is a China that feels that it does not need the West, they are inclined to shrug. "I think that's the way this ends anyway. In essence there is no way that China intends not to eventually wind up at that point," Senator Marco Rubio of Florida recently told Chaguan. The Republican has co-sponsored bipartisan bills that would restrict China's access to American technology and to markets such as telecommunications that touch on national security.

President Xi Jinping sees a test of China's mettle. Protectionism is making it harder to obtain vital technologies from abroad, he declared last September. China must take "the road of self-reliance".

The idea of "self-reliance" has been dear to the Communist Party for 70 years, notes a recent paper by Neil Thomas of the Paulson Institute, a think-tank in Washington. But it has usually referred to a desire for independence, not autarky. The phrase was

common under Mao, even during the period when leaders in Moscow sent money, modern machinery and over 10,000 advisers. Deng Xiaoping used the same phrase when he opened China to capitalist forces and foreign investment 40 years ago, Mr Thomas notes. Talking of self-reliance amid so much foreign help sounds contradictory. But the phrase in Chinese is a woolly one, meaning "regeneration through one's own efforts". The barriers that America is now erecting may push China to seek a kind of self-reliance that leads to something dangerous: a China that feels it owes nothing to foreign powers with very different values and rules.

In part, the West's newfound desire to distance itself from China reflects an erosion of the old and complacent belief that free societies have such an edge when it comes to innovation and creativity that they will invariably stay ahead of autocracies. As China catches up, the West is turning defensive.

In part, those advocating a warier approach to China are bowing to an unhappy political logic. Since foreigners first began seeking access to China, back in the days of the Qing emperors, engagement has been seen as a way to strengthen liberals and reformers within the Chinese system. In 19th-century Britain many commentators decried their government's resort to armed force to prise open China's markets, sometimes not so much from a moral standpoint as because they feared that getting tough with China would reinforce its contempt for foreign trade. In 2001, when the World Trade Organisation admitted China as a member, many in the West fondly hoped this gesture would boost the fortunes of reformers battling against state interference in the economy.

Alas, many Americans and other Westerners who work on China policy have little confidence that Chinese reformers wield enough clout to be meaningfully succoured or harmed. Foreign business bosses and politicians believe that Mr Xi's economic aide, Liu He, is a reformer who wants China's markets to be more open. But they see few signs that Mr Liu, who is a deputy prime minister, has any mandate of his own to tackle vested interests opposed to reform. His power comes from representing Mr Xi.

That helps explain why so many foreign governments and businesses quietly applaud an aggressive American approach that a short while ago would have appalled them. In the absence of internal pressure from reformers, they hope that Mr Trump and his team will secure substantive changes in the way China uses subsidies, local monopolies and the coercive transfer of foreign trade secrets to manage its economy. Many of Mr Trump's tactics dismay them, and have at times humiliated Mr Liu, as China's trade envoy. But seeking and empowering allies inside China has not worked.

### Losers on every side

This conclusion alarms some of those in China most sympathetic to the West. In Beijing's best-known universities and think-tanks, some scholars urge the world not to walk away. "Right now if you want to talk about reform, domestically, internally, it's difficult," says a think-tank boss, saying that outside pressure "keeps China open". A more hawkish government adviser charges that, if Western governments are too aggressive and distrustful, they "will produce a very terrible nationalism in China."

Darker Chinese forces have much to gain from visible divides with the West. Chinese spies have cause to target foreign trade secrets that are never going to be shared voluntarily. Hardliners can growl that America was always bent on containment, and is now proving it. Both America and China will feel that their actions are rational and make them safer. Both may be proved wrong. ■



## America and Iran

# A dangerous direction

**With both sides acting tough, the risk of conflict is growing**

“THE WORST deal ever negotiated,” was President Donald Trump’s view of Barack Obama’s signature diplomatic achievement: a deal that placed strict limits on Iran’s nuclear programme in return for sanctions relief. The agreement, signed in 2015 by Iran and six world powers, clumsily named the Joint Comprehensive Plan of Action (JCPOA), made it much harder for Iran to build an atom bomb, at least for a while. But it has been on life support ever since Mr Trump declared a year ago that he was withdrawing from it.

On May 8th Hassan Rouhani, Iran’s president, pushed it closer to death. Mr Rouhani said that Iran would stop complying with parts of the deal and warned that more breaches might follow. His announcement had an ominous backdrop. On May 5th America sent an aircraft-carrier strike group and bombers to the Middle East in response to “troubling and escalatory indications and warnings” of Iranian aggression. Two days later Mike Pompeo, the secretary of state, unexpectedly turned up in Iraq, where America has long accused

Iran of sponsoring attacks on American forces. The combination of a dissolving nuclear agreement and more sabre-rattling increases the risk that America and Iran will stumble into a war—whether by accident or design.

For now the nuclear deal is hanging on. Iran, said Mr Rouhani, would stop exporting enriched uranium once its stockpile reached 300kg and heavy water over 130 tonnes, thus breaching caps set by the agreement. That is worrying. Enriched uranium, if spun in centrifuges to higher levels of purity, can be used to power nuclear bombs. Heavy water is used in nuclear reactors that can produce plutonium, an alternative bomb fuel.

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Mr Rouhani also gave the deal’s other signatories—Britain, China, France, Germany, Russia and the European Union—60 days to work out how to relieve the pressure brought on by American sanctions, imposed by Mr Trump, which have crippled the Iranian economy (see next story). If they do not, Mr Rouhani is threatening to increase not just the volume of its enriched uranium, but also the purity, which is capped at 3.67%, far below the level of around 90% required to make a bomb. Were Iran to enrich some or all of its stockpile to 20%, that would halve the time needed to make the final leap to weapons-grade levels. He also said Iran might resume work on the heavy-water reactor at Arak that had been halted under the nuclear agreement.

Mr Rouhani’s calculation, and hope, is that these steps are strong enough to placate hardliners at home and to signal Iran’s resolve to America, but calibrated enough to avoid provoking Europe into reimposing sanctions. Mark Fitzpatrick, a former State Department official (currently at the International Institute for Strategic Studies in London), thinks this might work. The heavy-water limit is vaguely written and is “too minor an issue” to blow up the deal. It will also take some time for Iran to breach the 300kg-limit on enriched uranium. “When it is exceeded, the amount will probably be judged as not so great as to spark a crisis,” says Mr Fitzpatrick.

Yet it is unlikely that the other signato- ▶▶

ries will be able to meet Iran's demands. On January 31st Britain, France and Germany announced the creation of Instex, a barter-based channel to isolate Europe-Iran trade from American sanctions. But it has proved a disappointment, covering only food and medicine. Aniseh Bassiri Tabrizi of the Royal United Services Institute, a think-tank, says Iranian officials were especially incensed by America's decision on April 22nd to end exemptions from its sanctions that had allowed some countries to buy Iranian oil. Europe's best efforts are unlikely to compensate for that blow.

"Eventually, we'll reach another point where Iranians feel they have to go another step further," says Ilan Goldenberg, a former State Department official. How much further is the question. If Iran were to shrug off the nuclear deal entirely, it could take thousands of old centrifuges out of storage, install them underground and build up a huge stock of uranium enriched to higher levels. All that might bring its breakout timeline—the time it would take to produce enough material for a single nuclear weapon—to two to three months, where it stood in 2015, or even less.

But such dramatic moves would result in the evaporation of European support, diplomatic isolation and possibly even military action. More likely is that Iran continues to slice away at the JCPOA over time. "What we will have is not an immediate crisis, but a slow-motion crisis that will play out over years—just the way it did before," says Mr Goldenberg.

A race between American sanctions on the one hand, and a gradual Iranian nuclear build-up on the other, would take the world back to the febrile years before the nuclear deal, when American or Israeli air strikes sometimes appeared imminent. But the situation may be more dangerous today. Iranian-backed forces have grown stronger in Lebanon, Syria, Iraq and Yemen.

More importantly, American hostility to Iran has grown. Last year Mr Pompeo issued a dozen sweeping "demands" of Iran that resembled terms of surrender. These include halting uranium enrichment (per-

mitted under the deal) and pulling out of Syria. John Bolton, America's national security adviser, has long advocated regime change. It was he who announced the deployment of warships on May 5th. "I don't believe that President Trump wants to go to war," says Wendy Sherman, a former American diplomat who negotiated the nuclear deal. "But I don't think he fully understands the escalatory cycle Bolton has put him on, and the risks of war, which are growing every single day." ■

### Inside Iran

## Rouhani's remorse

CAIRO

**Iran's president does not want to walk away from the nuclear deal**

TWO YEARS ago the chairman of Iran's national airline was eager to travel the world and spend a few billion dollars. In December 2016 Farhad Parvaresh shook hands with a Boeing executive to buy 80 passenger jets. A month later he was in Toulouse, France, to take delivery of a new jet, one of 100 ordered from Airbus. Both contracts were vivid symbols of how the world's economy was opening up to Iran after the conclusion of a deal in 2015 that eased sanctions in exchange for limits on its nuclear programme.

Times have changed since America's president, Donald Trump, withdrew from the nuclear agreement a year ago. The reimposition of American sanctions halted both aeroplane contracts and scared away other potential trading partners. The Iranian economy is now isolated. President Hassan Rouhani, in turn, says Iran will stop abiding by parts of the pact.

This was not what Mr Rouhani wanted. When America withdrew he said that Iran would still fulfil its commitments under the nuclear deal. The International Atomic Energy Agency confirms that it has. But domestic politics has made his position untenable. As Mr Trump has increased pressure on Iran, he has unwittingly emboldened its hardliners to squeeze Mr Rouhani, one of the architects of the deal.

Mr Rouhani had hoped that the European Union would blunt the pain of American sanctions by compelling companies and banks to keep doing business with Iran. But European efforts to work around the sanctions and facilitate trade have not been effective. European countries have not taken action against big firms such as Total and Airbus that have backed out of their Iranian contracts. "They don't want a full-fledged trade war with the us over Iran because the benefits are too marginal,"

says Suzanne Maloney of the Brookings Institution, a think-tank in Washington.

Cut off from the global economy, Iran's economy is plunging. Before Mr Trump was elected one dollar bought 35,000 rial. Today's black-market rates are upwards of 150,000. Oil sales are hard to track because Iran hides shipments through middlemen and "ghost tankers" with transponders switched off. But analysts think they have fallen to about 1m barrels a day, less than half of their level before sanctions. They will drop more in coming months with the expiry of temporary waivers from sanctions that America granted to the biggest buyers of Iranian oil. New sanctions announced on May 8th target iron, steel, aluminium and copper production, which America says is Iran's "largest non-petroleum-related source of export revenue".

Suffering Iranians have understandably soured on the nuclear deal and the president who promoted it. A poll in December found that support for the agreement had fallen to 52% from 76% in 2015. Mr Rouhani's conservative rivals, long suspicious of his attempts to repair relations with America, feel vindicated. Mr Trump's recent decision to brand the Revolutionary Guard Corps a terrorist organisation gave them another boost; even reformists rallied around them. The ayatollahs who wield power in Tehran have fallen out with those who study in Qom. But Iran is still a clerical regime and the mullahs are in ever-tighter lockstep with the Guards, who also control a big chunk of the economy.

Iran's parliament has spent months debating legislation meant to remove Iran from a blacklist maintained by the Financial Action Task Force, a global body that sets anti-money-laundering standards. Mr Rouhani risked much political capital to advance these bills, one of which was even opposed by the supreme leader. That effort now looks dead. Hossein Shariatmadari, the curmudgeonly editor of *Kayhan*, a state-run daily, calls the bills a sign of "weakness" in the face of American sanctions on the Guards.

Mr Rouhani has tried to buy himself time—and to press Europe into offering economic relief—by setting a deadline of 60 days before breaching the nuclear deal further. Hardliners are praising his "first decisive step". But his ultimatum does not change the underlying political and economic realities. America wants to batter Iran. Europe cannot stop it. Nor does his move change the calendar: even if a future American president were willing to lift sanctions, Mr Trump still has 20 months left in his first term. That is a long time for a weakened Mr Rouhani to endure. In order to fend off hardline critics he is, by undermining the deal, adopting their policies. Even a tactical win for the president is ultimately a victory for his rivals. ■



## Israel and Hamas

## Rockets over Gaza

CAIRO

**War between Israel and Hamas has been averted, for now**

IT SHOULD HAVE been a celebratory weekend. Israelis were getting ready to mark their 71st independence day. In Gaza 2m Palestinians were making final preparations for the month-long Ramadan holiday, which began on May 6th. And then the rockets and bombs started falling. Residents on both sides spent the weekend cowering under rocket fire and air strikes. Four Israelis were killed, the first civilians to die in fighting with Gaza since a brief but brutal war in 2014. On the Palestinian side 27 people, a mix of militants and civilians, died. As in previous bouts of conflict, the fighting ended with a truce brokered by Egypt, Qatar and the UN. And, as before, no one expects it to last.

Such has been the pattern since March 2018, when residents of Gaza began holding regular protests at the barrier separating their enclave from Israel. The protests are meant to call attention to the dire economic situation in the territory, which is blockaded by Israel and Egypt, with only essential supplies allowed in. These restrictions have been in place since 2007 when Hamas, a militant Islamist group, took power. Tensions have risen over the past year, with exchanges of fire between Israel and Hamas every few months.

This time the spark was an attack on an Israeli army jeep patrolling the boundary by Islamic Jihad, another militant group, that wounded two soldiers. Yet the specific

cause matters little, since each round of fighting is a continuation of the last. What was different this time was the intensity. In the whole of 2018 militants in Gaza fired about 1,000 rockets, Israel says. During the latest flare-up they launched nearly 700 over a single weekend. Israel conducted more than 300 air strikes. Instead of bombing mostly empty buildings, as it has in the past, Israel has resumed the targeted killings of mid-level militants. It also bombed a compound used in an alleged cyber-attack, perhaps the first-ever case of a state using force against digital assailants.

Hamas and Israel are stuck in a bind. The militants know that Binyamin Netanyahu, Israel's prime minister, does not want to invade to remove them from power, for that would involve a bloody fight, followed by uncertainty about what would replace Hamas. The Palestinian Authority (PA), which controls the West Bank, is in no shape to control Gaza. Mr Netanyahu's rivals love to criticise his strategy, yet none has a coherent alternative. Hamas is also a useful foil for a prime minister who has no interest in peace talks with the PA. Division among the Palestinians makes moot any talk of a two-state solution.

Hamas believes that the best tool it has to extract concessions is force. The protests and occasional rounds of rocket fire have already won promises to alleviate Gaza's misery. Israel agreed to expand its fishing zone from six miles (10km) to 15. It also let Qatari envoys bring cash-stuffed suitcases into the territory; that allowed Hamas to pay salaries. After this month's fighting Qatar pledged another \$480m in aid.

But the bulk of the money, \$300m, will go to the PA, which is suffering a financial crisis of its own. Gaza will get an unknown share of the remainder, a small dose of aid for a territory where 52% of adults are un-

employed (up from 38% in 2010). Those lucky enough to have work earn, on average, 45 shekels (\$13) per day. Many residents receive just eight hours of electricity a day. Water supplies are undrinkable and once-unspoiled Mediterranean beaches are contaminated by untreated sewage.

Hamas officials say Israel has promised to take further steps, including easing import restrictions, within a week. That deadline will coincide with the start of the Eurovision song contest, to be hosted in Tel Aviv from May 14th. Mr Netanyahu will not want violence to mar an event that will be watched on television by millions of people. But some Palestinians may not be satisfied with whatever modest concessions Israel makes in the coming days. Ziad al-Nakhleh, the head of Islamic Jihad, calls the latest fighting a "live-fire drill" for an upcoming war. If the formula is money for quiet, Israel and Arab states will need to deliver much more cash. If they do not, this ceasefire will be short-lived. ■

## Albinos in Malawi

## White magic

LILONGWE

**The killing of albinos is overshadowing Malawi's election**

HIS FISTS clenched on the tabletop, Bon Kalindo, an opposition MP, leans forward conspiratorially to list the magical properties of albino body parts. Place the fibula of one under a bottle of Coke and it will fizz manically, until the top pops off. Pass it in front of a torch and the light will go out. Most handily of all, a bone correctly inserted into a machine made by a reputable witch doctor will cause large amounts of cash to fly out; it's the magnetic liquid albinos have in their bones, you understand. Sensing scepticism, Mr Kalindo brushes it aside. You are not from here, he says.

For some in Malawi, a belief in the numinous runs deep. Medicine men post flyers boasting of potions and charms to neuter rivals, punish the unfaithful or rekindle lost ardour. Such superstition is not uncommon in much of the world. But in Malawi, it can carry dark undertones. The most potent spells require ritual human sacrifice, according to a local journalist who has approached witch doctors under cover. Murders are not uncommon. Women and children are killed for their breasts and genitals. Albinos, who number no more than 10,000 in Malawi, are said to carry the most powerful magic and are thus most at risk.

Albino body parts can cost tens of thousands of dollars. The Association for Per- ▶▶



Yet more misery

sons with Albinism in Malawi (APAM) says it began documenting attacks in 2014 after a surge before an election that year. Since then it has recorded 25 murders, 15 disappearances and 122 other crimes, including attempted abductions and exhumations.

In recent months, as Malawians prepare to vote in a general election on May 21st, there has been another rise in attacks. An albino man was killed and dismembered in front of his nine-year-old son. Three weeks later an 18-month-old girl was kidnapped. In February, a machete-wielding gang carried away Goodson Makanjira, aged 14. Another 11 attempted attacks were thwarted by neighbours, APAM says.

Activists suspect politicians are involved. Though evidence remains circumstantial, suspicions have been fuelled by the mysterious deaths (one in police custody) of two suspects who may have held clues about who is behind recent attacks. The government of Peter Mutharika, the president, denies that anyone in power is involved in the murders or that the suspects were killed to silence them.

The scandal has only deepened since, with the parties of Mr Mutharika and his two chief rivals blaming each other for the killings. Mr Kalindo says that, while in custody earlier this year for insulting the president in song, he met suspects held for the murder of an albino in 2014. Lurid recordings of the men purportedly implicating one of the president's senior advisers have been circulated widely on social media.

These may be, as the government protests, yet more smears in a campaign that has been full of them. But in a close election that could be won by any of the three main candidates, the temptations to resort to witchcraft are high. After all, a credible electoral commission watched by international observers will make it difficult to rig the vote. And history shows that incumbency offers no guarantee of victory. In elections in 2014 the sitting president, Joyce Banda, came third.

Malawi's albinos would rather their politicians stopped trading accusations and worked together to protect them. The government says it is trying. Last week a judge handed down a death sentence to the murderer of an albino teenager. Hetherwick Ntaba, the head of a government task force on the issue, says he is working with village chiefs to bolster security. Albinos are to be issued with panic buttons connected to the nearest police station. Legislation to regulate witch doctors is being discussed.

Campaigners say the conviction and sentencing are a step in the right direction. But they want to see better police investigations that lead to the arrest of the kingpins behind the murders, not just the gangsters who carry them out.

Albinos will only truly be safe when belief in their magic powers abates. If even Mr

Kalindo, who has campaigned on albinism issues for several years, believes the superstitions, what hope is there? It is neither poverty nor lack of education that drives supernatural beliefs. "In Malawi you even have PhD holders who visit the medicine man," says Lazarus Chakwera, one of Mr Mutharika's main challengers in the general election.

Other countries have had some success in reducing killings. Kenya has an albino senator and holds albino beauty pageants, which helps demystify the condition. Tanzania has created an island refuge for albinos. That Malawi's politicians have failed to come up with such solutions is a deep and damning tragedy. ■



### Benin's lousy election

## The wrong kind of rupture

### Once a beacon of African democracy, Benin slides backwards

WITH ONLY two parties on the ballot, both of them supporters of President Patrice Talon, Benin's general election on April 28th was an unhappy throwback to the country's post-independence Marxist era, when voters had no real choice at all. This was all the more dispiriting because Benin was in the vanguard of Africa's democratic revival in the early 1990s, when its long-serving leader, Mathieu Kérékou, became the first incumbent president on the continent to let his people peacefully vote him out of office. Since then, the Beninois have managed freely to elect three more presidents, and prevented Mr Talon's

predecessor from flouting the constitution's two-term limit. This time, however, new electoral laws made it cumbersome and expensive to field candidates. All opposition parties were barred for not following them to the letter. So Beninois voted with their backsides: only 27% of them bothered to go to the polls.

Many Beninois are proud of their country's democratic record. Though Benin is poor and corrupt, it seemed to have avoided the fate of neighbours like Togo, which has been harshly governed, and Nigeria, where elections have invariably been violent. Mr Talon, one of Benin's richest men, was elected in 2016 promising a "rupture" with his country's history of underdevelopment. But more recently he has been keener to undermine its democracy.

Opposition parties, seething at their exclusion from the poll, took to the streets. Mr Talon sent in the army to squash them. The opposition says at least seven protesters were killed. An uneasy calm now prevails, with soldiers stationed outside the house of Thomas Boni Yayi, Mr Talon's bitter foe and predecessor as president.

Many Beninois worry that the new parliament, due to be sworn in on May 15th, will be Mr Talon's rubber stamp. Since 1991, the year Mr Kérékou left office, a multitude of parties has competed for power; 11 are represented in the outgoing parliament. The body has been an effective check on presidential power, for instance by forcing Mr Yayi to drop his attempt to stick around for a third term.

Now that Mr Talon has neutered parliament, his opponents fear he will further enrich himself and his cronies. Nicknamed the "King of Cotton", he won bids for state-owned assets and government contracts while Mr Yayi, then his ally, was in power. The opposition points to the changes in the electoral laws and his readiness to call up the army to suppress protests as further evidence of his intention to destroy democracy. Last year Sébastien Aja-von, a poultry magnate known as "the Chicken King" who had run against Mr Talon for the presidency, was sentenced to prison under what many observers considered false pretences. The president's friends say that such complaints come from entrenched elites who oppose his plans to liberalise the economy.

Mr Talon admitted before the poll that the exclusion of opposition parties "brings discredit on our democracy and on me". By staying at home in record numbers, voters in Benin rebuked him for holding the election anyway. They will hope that sooner or later the president cottons on. ■

**The rainbow nation:** South Africans voted in a general election on May 8th. Counting was under way as *The Economist* went to press. For our coverage of the results see [www.economist.com](http://www.economist.com)



## Turkey

## Democracy denied

ISTANBUL

**After the government loses the mayoral election in Istanbul, the authorities impose a re-run**

LATE ON May 6th, many of them having just broken their daily Ramadan fast over dinner, men and women in several neighbourhoods of Turkey's biggest city cracked open their windows, turned on their lights and started banging together their pots and pans in a time-honoured display of protest. Hours earlier, Turkey's electoral board had cancelled the outcome of the city's mayoral election held at the end of March, ordered a new one, and stripped Ekrem Imamoglu, the first opposition politician to preside over Istanbul in a quarter-century, of his mandate. The new vote will take place on June 23rd.

To many ears, the kitchenware concert, the loudest in years, was a sign of defiance against the man believed to have orchestrated the move, President Recep Tayyip Erdogan. To others, it was the beat of Turkish democracy's funeral march.

The election board's move had been in the making since March 31st, when voters in Istanbul handed Mr Imamoglu a very narrow yet shocking victory. The outcome

came as a bitter blow to Mr Erdogan, his Justice and Development (AK) party and their candidate, a former prime minister. AK refused to concede, though it did so in other cities, including Ankara, where it lost by bigger margins. The morning after the vote, Istanbul woke up to banners and billboards heralding victory—for Mr Erdogan and his party. Newspapers run by the president's cronies accused the opposition of conspiring with terrorists to steal the election. AK formally complained that tens of thousands of bureaucrats who had been sacked following a 2016 coup attempt

should not have been permitted to vote. Mr Erdogan claimed to have unearthed evidence of "organised crimes" at the ballot box. Days before the board reached its verdict, prosecutors launched dozens of investigations related to AK's claims, questioning some 100 people.

In the end, the election board chose to annul the election, citing improprieties in the appointment of some polling-station officials. AK hardliners applauded. Mr Erdogan said the decision had "strengthened our democracy". The opposition called it a power grab. Appearing before a crowd of supporters in his Istanbul neighbourhood, Mr Imamoglu came out swinging, condemning the board for caving in to pressure from Mr Erdogan and overturning an election whose conduct and outcome it had already endorsed. "You elected the president under the same rules last year, and you held a referendum and changed the constitution under the same rules," he said. "In that case, the constitution is questionable, and so is the presidential election." Powerful stuff.

Analysts see Mr Erdogan's fingerprints all over the move, and warn that Turkey and free elections might no longer belong in the same sentence. "For nearly 70 years there was a consensus in Turkey that political power changed through the ballot box, and that consensus came to an end today," says Soner Cagaptay of the Washington Institute. "I thought there was one institu- ▶

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tion in Turkey that could act somewhat independently", said Kemal Kirisci, a senior fellow at Brookings, referring to the electoral council, "and I was wrong." The markets are bracing for more turmoil. The lira has already slumped by more than 3% since the verdict, reaching its lowest level for seven months.

No expert reached for comment by *The Economist* saw any reason to endorse the board's argument. When voters in Istanbul went to the polls, they voted for city mayor, the local assembly and district mayors, points out Osman Can, a former member of the Venice Commission, but the board cancelled only the outcome of the mayoral vote. (AK prevailed in the others.) "This is crazy", he says, "because if the composition of the ballot board was corrupted, all of the votes should have been cancelled." Others were less generous. "When the independence of the judiciary no longer exists, anything's possible," says Ergun Ozbudun, a veteran academic. "There is no legal merit whatsoever to this decision."

This is not the only case of Mr Erdogan subverting elections. Since March's municipal vote, the election board has deposed at least six newly elected local officials in the Kurdish south-east, awarding their seats to the runners-up. Fraud allegations surrounded the constitutional referendum which gave Mr Erdogan sweeping new powers in 2017 and an earlier mayoral contest in Ankara.

This time around, even veteran AK members have been unable to stomach Mr Erdogan's antics. Abdullah Gul, a former president, and Ahmet Davutoglu, a former prime minister, who are both rumoured to be considering a political comeback, have distanced themselves from the Istanbul move. The decision, Mr Davutoglu said, "contradicted the universal rule of law and established practices".

The opposition, however, appears unlikely to boycott the repeat election or to stage mass protests. (Mr Imamoglu's Republican People's Party suggested as much on May 7th.) Fear is clearly a big factor working in the president's favour. Young people who took part in the last wave of large protests, six years ago, risked being tear-gassed. Today they risk being thrown behind bars, indicted as coup plotters and possibly attacked by pro-government goons. Of the millions who took to the streets in 2013, hundreds have been hauled through the courts. One, a respected philanthropist, has spent the past two years in prison on outlandish coup charges. He and 15 others now face life sentences. Mr Erdogan regularly brands the opposition as terrorists and provocateurs. Demonstrations, especially if they were to turn violent, could play directly into his hands.

Mr Imamoglu, hitherto a barely known businessman-turned-politician, who won

in March despite seemingly insurmountable odds, has gained sympathy. Some observers reckon that Mr Erdogan has miscalculated and that his actions might hand his opponent an even bigger victory next month. Others, though, warn the Turkish strongman may go to extremes to wrest back control of the city that elected him mayor three decades ago, a position he used as a springboard to national power. "Erdogan did not call a new election to roll the dice and see what happens," says Howard Eissenstat, an expert at the Project on Middle East Democracy, a research and advocacy group in Washington, DC. "The cost of losing [again] would be an unacceptable demonstration of weakness." ■

Italy

## Out of the frying pan, but into what?

ROME

### A scrap of economic good news

IN MOST OF the 19 euro-zone countries, provisional first-quarter economic growth data offered pleasant surprises. But in Italy they had a special importance. The economy grew by 0.2% compared with the previous quarter, ending a short, shallow recession in the second half of 2018.

The end of the contraction came at a politically delicate moment as the two parties in Giuseppe Conte's governing coalition battle for votes in the European elections later this month. The hard-right Northern League has barely half as many seats in parliament as the anti-establishment Five Star Movement (M5S). But, under its hyperactive, media-savvy leader, Matteo Salvini, it has overtaken M5S in the polls.

If the League wins more of Italy's 73 European Parliament seats than its rivals do on May 26th, it will become the dominant coalition partner (many would argue

that this has already occurred, since Mr Salvini is so powerful a figure). But a good result could also tempt Mr Salvini to put an end to the League's relentlessly fractious coalition with the more moderate M5S and force a snap election that would give him the votes needed for a more homogeneously right-wing coalition with the formerly neo-fascist Brothers of Italy and what is left of Silvio Berlusconi's Forza Italia party.

The economy has largely been the responsibility of the M5S, whose leader, Luigi Di Maio, heads an economic super-ministry. Unsurprisingly, Mr Di Maio pounced on the latest figures as evidence that "the direction taken is the right one". Last year Italy's populist coalition sparked a rise in government-bond yields when it tore up undertakings made by its predecessor and introduced a modestly expansionary budget with a target deficit of just over 2% of GDP, above what it is permitted under the EU's fiscal rules.

With an almost stagnant economy and mounting public debts of more than 130% of GDP, even a modest shortfall can soon create problems. On May 7th the European Commission warned that Italy's deficit this year would be 2.5% of GDP, and that it risked soaring beyond the euro zone's self-imposed ceiling of 3% in 2020, to 3.5%.

The commission also cut its forecast for Italy's growth this year from an already feeble 0.2% to just 0.1%. The economy remains acutely dependent on its exporters. Net of energy, Italy's trade surplus has grown from 1.4% of GDP in 2010 to 4.6% of GDP last year. "I'm pretty sure there isn't another country that can boast of having tripled its trade surplus in that time," says Gregorio De Felice, chief economist of Intesa Sanpaolo, a bank. As the commission notes, though, the outlook for world trade is particularly cloudy.

Internal demand, traditionally weak, had a negative impact on GDP growth in the first quarter. The coalition's largesse, notably income support for the poor and unemployed, was intended to provide a boost. But even the government reckons the effect of its measures this year will be modest. And last year's market reaction to the budget has done damage. Borrowing costs have risen and lending to companies has slowed, leading them to scale back investment plans.

Hence Mr Salvini's reaction to the end of the recession, which was to press for sharply lower income taxes as well. But that also explains why a government crisis after the European elections could lead Italy back into a vicious spiral of market fears over its ability to repay its debts leading to higher borrowing costs and an even bigger deficit. A populist right-wing government under Mr Salvini might be more homogeneous and harmonious. But it could be even more fiscally adventurous. ■

### Back to black

Italy, GDP, % change on previous quarter



Source: Istat



## Estonia

## In the fast lane

TALLINN

## Free buses are better buses

THE BUSES are on time, the trams are shiny and new, and passengers usually get a seat. In many cities that would be remarkable enough. But in Tallinn locals are also not required to buy a ticket. In 2013 it became the world's first capital city to offer residents free public transport. Estonia as a whole has been following suit, and last year set the ambition of becoming the first country with free public transport nationwide. Buses are now free of charge in 11 of its 15 counties.

Tallinn's city government came up with the idea of free transport after the 2008 financial crisis. Estonia was hit badly, and even though the city paid more than 70% of public-transport costs, ticket prices were still too high for poorer residents. Congestion had also become a problem. Since Estonia regained independence in 1991, car ownership rates have doubled.

Opponents branded the idea populist and unaffordable. Estonia was pushing through tough austerity measures at the time, including a 10% pay cut for public-sector workers. Critics predicted the transport system would become overcrowded and underfunded. The row was only resolved by a referendum.

Surprisingly, though, instead of collapsing, public transport has improved, despite a €12m hit to the system's finances from lost ticket sales. Tallinn's population has grown, leading to a boost in local tax intake. Additional revenue comes from tourists and non-Tallinn residents, who still have to buy tickets. The use of public trans-

## France

# When Marie met Yanis

PARIS

### What French baby names say about the country

A FEW YEARS ago a French couple tried to name their baby girl Nutella. It had a ring to it, and the French state had in 1993 relaxed strict rules about registering names. But the chocolate spread was a step too far, and the parents were overruled. In recent times, though, the parents of little Chanel, Dior, Britney and Beyoncé have all had their way.

Two new studies suggest that such trends reflect deeper social change. One element is the waning influence of the Catholic church. Its grip on names was entrenched by Napoleon in 1803, who decreed that all babies should be named after a saint (or a figure from ancient history). A century ago one in eight girls born in France was named Marie; today the figure is less than 1%. Jérôme Fourquet, author of one of the studies, says this reflects the "terminal stage of the dechristianisation" of France.

As Catholicism's hold has eased, American pop culture has stepped in, filling classrooms with Kevins, Jordans and Dylans. Such names, says the study, have become a class marker. They are also popular in regions which support Marine Le Pen, the populist defender of French cultural tradition. Her campaign for the upcoming European elections is headed by a 23-year-old called Jordan.

In a country that bans ethnic or religious census data, names can also serve as a proxy. The number of baby boys named Mohamed has grown sixfold since 1960. The persistence of such names, say some on the nationalist fringe, reflects an integration problem. Ms Le Pen has argued that naturalised French citizens should adopt a name more adapted to national culture. Hapsa-

tu Sy, a French presenter, understandably quit a TV show after a commentator told her that her name was "an insult to France", and that her mother should have named her Corinne.

On the contrary, suggests a second study by two demographers, Baptiste Coulmont and Patrick Simon, integration is indeed reflected in baby names, but in a different way. The French-born children of North African immigrants are often still given names from the Maghreb, most commonly Mohamed or Karim. Yet babies born in the third generation follow a broader French trend. The top choice, they say, is Yanis for boys and Sarah for girls. Part of being French these days, it seems, is naming your baby not Marie, but Lina or Mila—"international names", the authors note, "that everyone can identify with."



port in Tallinn has gone up by 10%, while the number of cars in the city centre has gone down by 10%, meaning less congestion. In the countryside, free buses aim to halt rural depopulation by boosting mobility and access to jobs.

Now other countries are looking at Estonia's experience. Tallinn officials say they have had interest from local authorities in France, Sweden, Poland, Italy and Germany. Luxembourg is set to introduce free public transport in 2020. Other places have already introduced free public transport for certain groups or at certain times. In England one-third of all bus trips are fare-free because of concessionary travel passes, especially for pensioners; Wales

runs free travel at weekends to boost tourism. But so far full fare-free travel is rare. The city of Hasselt in Belgium ran free public transport for 16 years before reintroducing fares because of soaring costs.

Free public transport on its own is not enough to stop people driving, though the evidence is that it helps. In Tallinn higher parking fees and reduced space for cars also played a part in cutting city-centre traffic: on-street parking now costs €6 an hour, and some parking spaces and car lanes have been replaced by bus lanes. Officials say providing a free alternative allowed them to avoid a backlash when driving in the capital was made more expensive and less convenient. ■



## Russia

## Workers of Russia, unite!

MOSCOW

**Alexei Navalny, the opposition's leading figure, is hoping to widen his appeal**

FOR MOST of her life Anastasia Vasilieva had little interest in politics. She did not vote, considered Vladimir Putin “cool” and had never heard of Alexei Navalny, his political enemy. One of Moscow’s top eye specialists, she practised at a prestigious state clinic and, like most doctors in Russia’s state system, sometimes received gifts from wealthy patients, including businessmen, artists and even Kremlin officials.

She first saw Mr Navalny (pictured) as a patient in April 2017, referred to her with a severe burn to his eye, the result of an acid attack by pro-Kremlin thugs. Ms Vasilieva managed to save the eye. A year later it was her turn to ask him for help. Thirty senior members of the medical staff at her clinic, including her mother, were made redundant as part of a cost-cutting exercise. Outraged, she posted on social media, wrote letters to Mr Putin and Dmitry Medvedev, the prime minister, but to no avail. The only person who helped was Mr Navalny. He provided lawyers who managed to get the redundant staff reinstated.

Mr Navalny, who has been trying to tap into a large pool of frustrated public-sector workers, persuaded Ms Vasilieva to set up an independent doctors’ union. He gave her advice and supplied her with professional cameramen. Soon a YouTube channel, “Doctors’ Alliance”, started to show videos of Ms Vasilieva barging her way into provincial hospitals, exposing the dire state of care and the lack of basic drugs, and insisting on the public’s rights. She has called for strikes and publicly criticised hospital bosses. Though the alliance is small, with only 500 members, its social-media impact is much larger, she says.

Tall, elegantly dressed and confidently hyperactive, Ms Vasilieva has become the face of Mr Navalny’s efforts to revitalise Russia’s trade unions and win support from a vast pool of workers and government employees who have long been ignored by liberal politicians. Having emerged as a leader of protests staged by the urban middle class in 2011-12, Mr Navalny has now taken a left turn, focusing on workers’ and citizens’ rights, not more abstract questions of democracy. “I am trying to show that a democratic agenda means not just talking about human rights and freedom of speech, but also about people’s salaries,” he says.

The fall in living standards over the past five years, and an unpopular increase in

the pension age, have produced a demand for a new centre-left political force. According to a recent report by the Centre for Analysis and Prevention of Conflicts (CAPC), an independent think-tank, some 40% of Russians sympathise with left-wing ideas and feel that none of the established political parties satisfy their needs.

Mr Putin’s ruling United Russia is increasingly seen as a party of “crooks and thieves”, as Mr Navalny calls it, acting in the interest of the *nomenklatura* and the business oligarchy. The Communist Party, the second-largest official party, has long been fully integrated into the Kremlin’s political system, and appeals mainly to pensioners nostalgic for the Soviet Union rather than campaigning for social justice. Russia’s liberal intelligentsia has traditionally shunned working people. “Nobody [in the opposition] has ever worked with these people—neither the democrats nor the Communists,” says Mr Navalny.

**Nothing to lose but their chains**

By reframing his discourse around working conditions and wages, Mr Navalny hopes to open up his appeal to a far greater segment of the population than just the urban middle classes, even if he is starting his efforts with government employees. Russia’s working class, including both skilled and unskilled labour and people employed in agriculture and transport, accounts for 27m people, nearly 40% of the entire working population of the country. Many of

them feel abandoned and unrepresented, and do not bother to vote.

The Kremlin portrays the working class as a conservative group, susceptible to nationalist rhetoric. Yet focus groups run by the CAPC reveal that opinions among the working class are similar to those among higher earners. Russian workers of all levels are wary of Mr Putin’s foreign adventures, seeing them as detrimental to their interests and only serving those of the ruling elite. They are not receptive to tub-thumping about patriotism and greatness, which is sometimes described as an opioid designed to divert attention from the core problems of injustice and corruption. Few lower-paid workers yet see Mr Navalny as their leader, though.

In the Soviet Union trade unions were part of the bureaucracy. In today’s Russia the two largest trade-union organisations are affiliated with the pro-Kremlin parties. But some union activists see Mr Navalny as offering a chance to increase their leverage. “If Navalny shifts to the left, it is good for our cause,” says Oleg Shein, the leader of one of Russia’s largest trade-union organisations, with 700,000 members.

So far, Mr Navalny has focused his campaign for improving workers’ rights on public-sector workers—especially health workers and teachers, who together comprise about 6m employees. “Firstly, these people are super-communicators, each of them comes into contact with patients and parents,” he explains. Second, they have been promised substantial pay rises by Mr Putin and feel let down.

Mr Navalny stands to benefit either way. If the government increases salaries as it has promised, he will take the credit for making it do so; if it doesn’t, people will get angrier. “We want to show that Putin’s support base is now our support base,” he says. “Until we can win over these people, we can only dream of victory.” ■

**He’s a union man**

# Charlemagne | Between somewhere and anywhere

To understand Europe's politics, visit its suburbs



FROM MAY 23rd to 26th, voters in the EU will elect a new European Parliament. But where is the bellwether? What sort of place, on a sprawling and diverse continent, reveals its overall state of mind? The crucial divide used to be left versus right. Areas with cooperative or working-class economic traditions (Emilia Romagna in Italy or the Ruhr in Germany) tended to the left. Strongholds of political centralism (Castile in Spain), prosperous borderlands (Skane in Sweden) or regions with a self-sufficient spirit (Bavaria in Germany) leant right. The bellwethers were the places that blended those tendencies: Lower Saxony in Germany, for example, or Aragon in Spain.

These old left-right distinctions are fading as class identities break down. The big-tent party families, the social democrats and Christian democrats, will probably be the biggest losers in the upcoming election, and may lose their joint majority in the European Parliament to an array of parties with a firmer address on a new political scale. Invented by David Goodhart, a British political commentator, this goes from traditional, typically rural or small-town “somewheres” to cosmopolitan, big-city “anywheres”. Left-versus-right bellwethers like Lower Saxony, where the old duopoly remains unfashionably strong, now seem like political museums. Many of the crucial contests have played out in regions whose politics was once taken for granted—like congenitally left-wing Andalusia, where a right-wing coalition propped up by Vox, a far-right party, came to power in January.

Culture wars have taken hold of European politics and eclipsed the old left-versus-right distinction. Two sub-genres have emerged in discussion of recent national elections. On the one hand, mournful reports from rural or post-industrial strongholds of locals resentful of big cities and fearful of migrants. On the other, scoffing reports of a pro-European backlash among bearded, bicycling types networking their way around city centres and drinking flat whites. It might make more sense to look at the suburbs, the places in between.

These are often overlooked in Europe. The suburban dream infuses American and Australian cultures, which often either put them on a pedestal or subvert them. Continental Europeans, it is true, also built post-war suburbs and continue to do so—but they

never embraced the ideals of personal space and car-borne independence to the same extent as Anglo-Saxons. Middle-class Europeans are more likely to live in flats, and wealthy Europeans have long preferred city centres, choosing museums and opera houses over swimming pools and golf courses.

To the extent that they play a role in European culture, suburbs have a mixed image. There are the post-war high rises around cities like Marseille and Rotterdam, typically inner-city slums relocated by idealistic planners. In France in particular they feature as places of crime and exclusion in novels like “Kiffe Kiffe Demain” and films like “La Haine”. Another suburban mode that Europeans understand is that of a fake America. “Vorstadtweiber”, (“Suburb Wives”), delights German-speaking television audiences with its satire on life in Döbling, a wealthy outskirt of Vienna. Most often, European suburbs are anonymous blank canvasses. Elfriede Jelinek and Michel Houellebecq, the twin masters of the dark contemporary European novel, have both lived in suburbs and are fascinated by what they see as the soulless nothingness of these “peri-urban” realms. More so than their American or Australian counterparts, European suburbs are anonymous places.

And yet it is in suburbia that Europe’s most important political shifts are occurring. They are melting pots where the pro-European internationalism of city centres meets rural scepticism, where fascination with the new meets love of the familiar. In a European election pitting nationalists against pro-Europeans and established parties against insurgents of all stripes, that makes them the continent’s most intriguing political zones. In Spain, for example, the two big trends of recent years are the conservative People’s Party’s vulnerability to Vox and Ciudadanos, a centre-right rival, and the Socialists’ struggle with parties virulently for and against the independence of Catalonia. At the national election on April 28th they were epitomised by results in Alcobendas, a Madrid suburb where the right-wing vote fragmented, and Hospitalet, a young town on the edge of Barcelona where the Socialists fought off hardline rivals on both sides. Suburbs were also crucial in the French presidential election of 2017. The battle between Emmanuel Macron and populists like Jean-Luc Mélenchon and Marine Le Pen was especially fierce in the outskirts of Paris.

## On to something

As so often, Europe’s populists have a sense of where the wind is blowing. They cultivate the edges of cities. Matteo Salvini, Italy’s hard-right deputy prime minister, vaunts his suburban Milanese lifestyle in his endless social-media posts, often featuring barbecues. Big right-wing populist events—Ms Le Pen’s pan-European rally with Austrian nationalists in 2016, the Czech populists’ victory party after the presidential election last year, the Finns Party’s rally on the eve of Finland’s election last month—took place in the Vienna, Prague and Helsinki suburbs of Vösendorf, Chodov and Myyrmäki respectively. Such places, sometimes examples of a halo effect in which culturally conservative city-dwellers put off by rapid change move outward, can offer populists rich pickings. “The suburbs are the place where energy is in the city—in the good, in the bad,” said Renzo Piano, Europe’s most famous living architect, in 2015. He could have been discussing politics.

To understand the fault lines in today’s Europe, then, go to the suburbs. Go to where unloved tower-blocks loom over empty streets, where the roar of motorways echoes in patches of woodland, where the somewheres mingle with the anywheres. Go to where the Ikeas are. ■



### Left-wing thinking

## The brains behind Corbynomics

**A glut of new think-tanks shows the left is at last coming up with new ideas—with help from an unlikely source**

THE EXPOSED brick walls, the east London venue and the bathtub full of free beer brewed specially for the evening did not point to a think-tank launch. Yet this was how Common Wealth, a new outfit aimed at radically overhauling the ownership of British business, announced itself on April 25th. “All of the energy is on the left in politics at the moment,” cheered Ed Miliband, a former Labour Party leader who sits on its board, to a merry audience.

Common Wealth is only the latest think-tank to have sprung up to cater to the thirst for new ideas on the left. Autonomy, which examines the future of work, started life in mid-2017 and has churned out reports calling for a four-day week that have been hailed by John McDonnell, the shadow chancellor. Other research organisations examining foreign policy and the workings of government from a left-wing perspective are in the works. Democracy Collaborative, a progressive American think-tank, has muscled into the British market. Meanwhile, established outfits such as IPPR, which provided the ideologi-

cal backbone of Blairism, have swerved leftward and called for a comprehensive reshaping of the British economy.

It marks a sharp change from 2015, when the left’s ideological cupboard was pretty bare. Jeremy Corbyn’s victory in that year’s Labour leadership contest created a space for left-wing wonks to come up with more radical ideas, beyond simply opposing austerity. Following Labour’s strong showing in the general election in 2017, when the party took 40% of the vote, leftie thinkers turned their attention to working out how to convert those ideas into policies. Now, an ecosystem of left-wing pointy-heads is thriving. “It didn’t exist, so it had to be invented,” says Will Stronge, the 29-year-old director of Autonomy.

The task is twofold. First, put meat on the bones of Labour’s economic programme. The focus of the new left is on ownership, the future of work and the environment. Mathew Lawrence, the founder of Common Wealth, helped shape the party’s plan to force big companies to hand over 10% of their equity to worker-owned

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funds. Autonomy, along with the New Economics Foundation, another left-wing think-tank, has banged the drum for a four-day week. Hints from Mr McDonnell that Labour would propose a trial of a universal basic income have provoked a flurry of papers looking at how it could work. Labour’s openness to a so-called Green New Deal has sparked a similar feeding frenzy among brainiacs to determine what such a policy might entail.

The second job is to come up with ways these policies can be put into practice when Labour takes power. Lefties have discovered a belated admiration for Margaret Thatcher’s means, if not her ends. In a new book, “People Get Ready!”, Christine Berry and Joe Guinan of Democracy Collaborative call for a left-wing version of the Ridley Plan, a paper produced in 1977 by Nicholas Ridley, a Conservative MP, which outlined in stark and prescient detail how Thatcher could break the unions and sell off nationalised companies. But whereas Thatcher came to power after economists such as Frederick Hayek and Milton Friedman, along with think-tanks such as the Institute of Economic Affairs, had spent three decades spelling out an alternative, Labour is having to reverse-engineer an intellectual spine in just a few years.

If the inspiration for the new blossoming of left-wing ideas is unlikely, so are some of the backers. Paying for the beers at Common Wealth’s launch was Democracy Collaborative, one of the think-tank’s main ►►

backers. The American outfit has been a socialist sugar-daddy for Britain's new left. It is helping to oversee the so-called Preston Model, whereby councils buy locally where possible. James Meadway, a former adviser to Mr McDonnell, is writing a book on Corbynomics, funded by the think-tank. A Labour-branded report laying out potential reforms to the banking system was partly financed by the same organisation.

For left-wing wonks, normally starved of cash, the money is vital even if its origins are somewhat ironic. A chunk of the money being used by Democracy Collaborative comes from the NoVo Foundation, which is funded by Warren Buffett and overseen by his son Peter. In short, the seed capital of modern British socialism is being indirectly provided by the godfather of American capitalism.

The recent transatlantic interest in niche left-wing wonkery is based on the assumption that Britain has once again become a political laboratory, as it was in 1979, when Thatcher began to transform the state. This time it is those on the left

who have most enthusiastically donned the white coats and safety specs.

Sometimes the new professors get carried away. Ideas such as capital controls are openly discussed, despite Mr McDonnell repeatedly ruling them out. And the relative lack of original output at the right-wing end of think-tank land has led to a sense of cockiness among some on the left. But right-wing thinking could revive when Theresa May leaves Downing Street. Most ambitious thinkers on the right have already been through government, points out one former think-tanker; anyone outside government is not going to waste a good idea on a dying administration.

If the left wants anything to show for its intellectual efforts, beyond grand plans and bespoke beers, it will have to get into power. But the unexpected advance of Mr Corbyn and Mr McDonnell has already provided room for the left's radical ideas to flourish. The growing network of thinkers and institutions means that these ideas may survive long after Labour's current leaders have gone. ■

first started it was like the Wild West," says Arthur Edwards, who has been the *Sun's* royal photographer since 1977. At work or on holiday, royals were fair game. "But all that's stopped now. Ever since Leveson."

At the same time, the internet has made British papers less important to the monarchy. Readers can get their royal gossip from foreign publications that are not bound by British privacy or libel laws. "You see websites with multiple royal stories a day, often stuff that would never make the cut in a newspaper," says Victoria Murphy, who writes about the monarchy for international outlets. In 2012 *Closer*, a French magazine, published topless photos of Kate after British papers turned them down. On that occasion the royal family sued and won. Yet the speed with which information now spreads online makes it impossible to correct. "If they say one story is wrong, do people assume that others are correct?" asks Ms Murphy.

This is especially true of social media. In 2013, the year Prince George was born, Facebook had 1.2bn users and Instagram just 150m. Those numbers have since risen to 2.4bn and over 1bn. The royal family has upped its social game, hiring a head of digital engagement in 2016. It now has several social-media accounts, each with millions of followers, who monitor the royals' activities alongside those of Beyoncé or Kim Kardashian.

Unlike those superstars, however, the royals benefit from a residual sense of deference on the part of their fans. Candid smartphone pictures of the royals are uncommon online. Mr Edwards says that when Kate takes her children to the park, she asks other mothers to refrain from taking and posting pictures, and they comply. What's more, when new families come to the park for the first time, it is the other mothers who tell them the rules of engagement. It is not just the British press that self-regulates, but also the public. ■

## The monarchy

# Rich kids of Instagram

### Social media are changing relations between the royals, the press and the public

THE PRESS had been camped outside the Lindo Wing of St Mary's hospital in west London for weeks before the birth of Prince George, son of the Duke and Duchess of Cambridge (better known as William and Kate), in July 2013. The news, when it came, was delivered via a press release sent to the world's media, before the immaculately turned-out family posed outside the hospital for banks of salivating photographers.

Archie Harrison Mountbatten-Windsor made a quieter entrance on May 6th. There were no waiting journalists because his parents, the Duke and Duchess of Sussex (Harry and Meghan), had kept the location of his birth secret. Instead, the first word of his arrival came via @sussexroyal, the couple's official Instagram account, which scooped the press with a message reading: "It's a boy!" There followed a video on @theroyalfamily, the monarchy's account. The next day William and Kate posted a video of themselves telling interviewers that they were "absolutely thrilled".

The relationship between Britain's royal family and the media has long been strained. But two developments in recent years have made the palace and the press mutually less interested in each other. One is that British newspapers have toned

down their royal muckraking. Tighter budgets mean that editors lack the staff to pursue princes and princesses as closely as they used to. Meanwhile the Leveson Inquiry, an official probe into the "culture, practices and ethics" of the press in 2011-12, set up a new system of self-regulation and shamed newspaper editors into dropping their most aggressive practices. "When I



Barbarians at the gate

## Bagehot | On manoeuvres

*Penny Mordaunt is a serious contender to succeed Theresa May*



THE POLITICAL arts are often likened to magic because they depend on the suspension of disbelief. David Lloyd George was nicknamed the Welsh wizard. Harold Wilson was called an illusionist. Penny Mordaunt got an early start in training for her current profession when, as a teenager, she landed a job as a magician's assistant. Now, thanks to Gavin Williamson's sacking over leaks from the National Security Council, she has been given another lucky break in the form of her promotion to defence secretary, making her the first woman to hold the position.

The Conservative Party is no longer run by a magic circle. But Ms Mordaunt's new job puts her in a prime position to appeal to the collection of MPs and party activists who perform the same function today. She has carte blanche to appear frequently in the press against a background of warships and parades. And as a former junior defence minister, in 2015-16, and long-standing naval reservist, she has experience and the goodwill of the military brass to help her make a success of the job.

Ms Mordaunt's rise is far more significant than the reverse side of the coin, Mr Williamson's fall, fascinating though that is. It is possible that Mr Williamson will succeed in clearing his name over the leaks and exacting revenge on Theresa May. But so what? Mrs May is on her last legs and Mr Williamson's reputation was shot to pieces even before the scandal. Ms Mordaunt's rise, on the other hand, is reordering the race to succeed the prime minister, providing Brexiteers with a potential new champion who is less dodgy than Boris Johnson and more likeable than Dominic Raab.

The defence job will let her highlight her distinctive life story. Her father is an ex-paratrooper who named his daughter after a frigate, *HMS Penelope*. Both her parents were struck by cancer during her youth—her mother died and her father recovered—and she became her younger brother's main carer. She worked her way through sixth-form college (hence the brief career in magic). Everything about her is a rebuke to Jeremy Corbyn, Labour's leader, who was born in privilege and has taken every opportunity to criticise “militarism”, at least when it is practised by his own country.

Her new job will also let her shake off one of her potential negative characteristics. No doubt for lamentable and atavistic reasons, voters continue to distinguish between what political strategists

call “mummy issues”, like health and welfare, and “daddy issues”, like security and the economy. Female politicians can pay a high price if they are associated only with the former. But, as if by way of compensation, they can also reap a rich reward if they master the latter. Mrs May's rise to power was much aided by the fact that she had held the law-and-order brief, as home secretary.

This is Ms Mordaunt's second piece of luck in the cabinet. Her previous job, running the Department for International Development (DFID), also brought big benefits. It allowed her to burnish her reputation as a passionate conservative. The department's guaranteed budget of 0.7% of GDP also provided Ms Mordaunt with a lot of money to spend at a time when other departments were suffering. Cabinet colleagues were grateful for DFID projects that helped them with their own agendas in, say, health or education.

Ms Mordaunt is well positioned on the subject that most obsesses her party. The Conservatives' ascendant Brexiteer faction trusts her to a degree that it doesn't trust Vicars of Bray such as Sajid Javid and Jeremy Hunt, because, unlike them, she supported Leave in 2016 (when she notoriously made the false claim that Britain would be unable to veto Turkey joining the EU). Nevertheless, she is at the saner end of the Brexiteer spectrum, so she can also harvest votes from Tory Remainers who want to honour the referendum without wrecking the economy.

She is equally well placed on the conservative-moderniser axis. She is a leader of the party's Women2Win campaign to recruit more female MPs, and since last year has combined her main cabinet post with a position as minister for “women and equalities”. Yet at the same time, perhaps most important of all in this febrile era, she is a perfect Farage-fighting machine. She is a creature of the very world of simmering resentment and disappointed dreams that Nigel Farage hopes to conquer with his new Brexit Party. Brought up in Waterlooville, a down-at-heel corner of Hampshire, she now represents Portsmouth, a struggling seaside city.

### Steady as she goes

For all her strengths, Ms Mordaunt has a big weakness: she is rather too similar to the current prime minister for comfort. On the face of it she is as different from the publicity-shy and humourless Maybot as you could get. She appeared on a reality-TV diving contest, “Splash!”, and once gave a parliamentary speech on poultry in order to use the word “cock” and “lay” as many times as possible, after losing a bet with navy chums. But at a deeper level there are similarities. She shares Mrs May's suspicion of the posh boys who have always vied with her own sort for control of the Conservative Party. And she has the same inability to think big thoughts or utter inspiring ideas. Rory Stewart, her successor at DFID, has made a more compelling case for overseas aid in his first few days in the job than she did in two years of leaden management-speak.

It is easy to forget how much hope the Tories once placed in Mrs May. The populist wing of the party thought she could stick it to the snobs. Pragmatists saw her as a safe pair of hands. Visionaries imagined she could extend the Conservatives' appeal to working-class voters who were terrified of Mr Corbyn. The party was so impressed by her credentials that it telescoped the leadership campaign and handed her the job just two weeks after she had declared her candidacy. Ms Mordaunt may prove to be a sturdier vessel for the party's hopes than the current prime minister. But this time the Tories need to make sure they subject all candidates to the most gruelling examination possible. When it comes to choosing prime ministers, it is vital to let in daylight upon magic. ■

# WHAT IS AVAXHOME?

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## Women's sport

# A defining moment

**The ruling on Caster Semenya's case is a very specific decision for a very special runner. But it has implications far beyond athletics**

**F**EW ATHLETES have been as blessed and cursed as Caster Semenya. All that the 28-year-old South African has ever done is run as fast as her legs could carry her—fast enough to win back-to-back Olympic gold medals over 800 metres. But her remarkable body has also drawn ridicule, speculation and a decade of investigation.

In 2009, when she breezed to a World Championship title, the International Association of Athletics Federations (IAAF), the sport's governing body, began examining whether she might be intersex—an umbrella term for people with developmental conditions affecting the genitalia and gonads. To protect her privacy, the findings are unpublished. The IAAF has since been in a regulatory tussle about whether Ms Semenya must adjust her testosterone levels to compete as a woman. On May 1st the Court of Arbitration for Sport (CAS), an international court for sports, ruled against her. Its decision covers only athletes with one of a group of syndromes known as 46,XY, which means that a person with a

male Y chromosome and high testosterone does not develop male genitalia. The ruling has implications far beyond Ms Semenya's sport—and indeed, beyond sport itself.

CAS allowed the IAAF to impose a limit of 5 nanomoles of testosterone per litre of blood (nmol/L) on runners with 46,XY conditions. This threshold is far below the normal male range of 8-30nmol/L, but well above the normal female range of 0.1-1.8nmol/L. The ruling covers women's races between 400 metres and a mile. To continue racing over 800 metres, Ms Semenya would have to undergo hormone therapy, which may have nasty side-effects, such as an increased risk of blood clots.

### Testing the limits

Ms Semenya has endured hormone therapy before, when the IAAF in 2011 introduced a testosterone limit of 10nmol/L for women in all track-and-field events. CAS suspended that rule in 2015, when Dutee Chand, an Indian sprinter with abnormally high testosterone levels, disputed that there was

any proof that women like her received an unfair advantage in all athletic events.

After a decade of gathering data on the question, the results the IAAF presented showed that women with high levels of testosterone did disproportionately well in middle-distance races—but no evidence of any effect in most other events. Ms Semenya is one of a handful of runners affected by the ruling. Rather than again submitting to hormone therapy, which added about 4% to her 800-metre time, she could switch to the 5,000-metre race, which is not covered by the new rules.

The precedent CAS has set could affect every sport. What makes it even more contentious is that testosterone limits also apply to transgender women, who were born male but identify as women. The International Olympic Committee (IOC) already introduced a testosterone cap of 10nmol/L for trans women in all sports in 2016, replacing its previous requirement for athletes to have undergone genital-reconstruction surgery—a procedure few trans people undertake. CAS's ruling makes the IOC's policy likely to stand up in court, although it is now considering cutting its limit to 5 nmol/L. Not a single openly trans athlete has yet competed in the Olympics.

The requirement for trans women to undergo hormone therapy to compete in women's events could face legal challenges. Several Western countries are weighing laws that allow people to categor- ▶



► ise their own gender. In America the Equality Act, a bill proposed by Democrats, would mean that sports officials could no longer discriminate between athletes using biological sex, explains Doriane Lambellet Coleman, a legal scholar at Duke University who is a former international 800-metre runner. It could force Team USA to select trans women who have had no hormone treatment—even though the IOC would bar them from international events.

At some levels of sport, self-identified gender is in many places already becoming the norm. Since September Canadian university athletes have been able to compete in the category of their choice, without hormone treatment. American high-school students in 18 states and Washington, DC, could already make that decision. In Connecticut trans girls finished first and second in the 100 metres at last year's junior state championships.

### The binary code

The underlying problem is a basic one: sports bodies still have no satisfactory way to distinguish between men and women. The most obvious route—to pick a binary characteristic, such as having testes or a Y chromosome—fails in a few cases. Between 1968 and 1996 officials at the Olympics verified athletes' sex through chromosome testing. But some women's performances are not enhanced by having Y chromosomes and testes. María José Martínez-Patiño, a Spanish hurdler with a 46,XY condition, was kicked off the national team after a test in 1985. Geneticists later proved that her body was insensitive to testosterone, so her condition conferred no athletic advantage. The IAAF subsequently stopped chromosome testing.

Just one in 20,000 people is affected by 46,XY conditions. But an unusually high number of intersex women take part in elite sport. By one estimate, 8.5% of championship medals in women's middle-distance races in the past 25 years have been won by 46,XY people—1,700 times their share of the general population. Over time, governing bodies have decided not to exclude such people if their conditions neither raise doubts about their biological sex nor confer a sporting advantage.

This has led them to a second option: picking a characteristic that exists on a spectrum. Scientists generally agree that testosterone is the best candidate. From puberty, the hormone drives the development of male traits, such as bigger muscles, sturdier bones and less fat. The gap between boys' and girls' running times widens during adolescence (see chart). The fastest men run about 10% faster than women. The discrepancy is even wider for jumping events. As a result, artificial testosterone is a banned substance.

However, using testosterone as a mark-

er also has its flaws. People's bodies respond to the hormone differently. It had no measurable effect on Ms Patiño. And once officials pick a testosterone threshold for intersex athletes, it is likely also to apply to trans women, who can use hormone therapy to fall below it.

The success of intersex athletes in middle-distance running and the 4% decline in Ms Semenya's performance after hormone therapy show that testosterone matters. But a couple of studies among small samples of elite women have found no statistical relationship between testosterone levels and performance in certain sports. The analysis that the IAAF presented in Ms Semenya's case is of this type: in most events it looked at, it found no correlation at all.

However, Ross Tucker, a sports scientist, points out, such studies are limited to people who perform at a similar level. A study of professional basketball players is unlikely to find a link between height and proficiency—the short, bad ones have already been filtered out. Among female athletes overall, the range of testosterone levels is quite large, but the average elite sportswoman has a higher one than an average woman (just as the typical basketball star bumps ceilings). The IAAF's data had other flaws. Three independent researchers found them riddled with errors, such as athletes who had been double-counted.

The IAAF's decision to cap intersex middle-distance athletes at 5nmol/L is based on estimating the maximum level that a non-intersex woman could naturally reach. Critics argue that this is no different from, say, penalising basketball players for their height. But others counter it is a price worth paying, for protecting women's sport. (Nobody is agitating for a short-person's basketball league.)

The guesswork around testosterone becomes even sketchier for contact sports, because measuring the ability of a wrestler or rugby player is harder than timing a runner, and their bone structure matters more. Anyone who develops a stronger skeleton at puberty has a permanent advantage.

Such advantages affect many trans athletes as well as intersex ones, sparking controversy. Fallon Fox, an American mixed-martial-arts fighter, was pilloried when she revealed in 2013 that she was a male who had undergone gender-reassignment surgery. Hannah Mouncey, a trans woman who had represented the Australian men's handball team before undergoing hormone therapy and switching to the women's team, was barred from the women's Australian Football League in 2017.

Good data for trans women are as scarce as for intersex ones. Joanna Harper, a scientist and trans runner, has conducted one of the few studies, of eight non-elite female endurance runners who had earlier competed as men. Their slower times after hormone therapy put them in much the same relative positions in women's races as they had achieved in men's. But the data are too scant to say that this holds for all athletes. Whereas chromosome tests discriminated against a small number of women with unusual conditions, the new rules could disadvantage a large number of women by allowing some stronger and faster intersex and trans women to compete against them.

### The law of comparative advantage

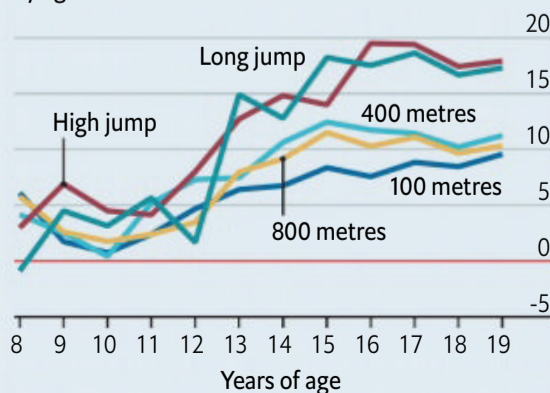
Ms Harper points out that there has been no deluge of trans women gaming the system. The trans athlete who has come closest to dominating an individual sport is Laurel Hubbard, a New Zealander who held junior national weightlifting records as a man, became an international contender as a woman and in 2017 finished second in the World Championships.

International sporting bodies are unlikely ever to accept self-identified gender as the basis for admitting trans women to women's competitions. Even so, many women still worry that the testosterone threshold could allow some fairly good male competitors to become all-conquering female ones. Some trans women call such fears scaremongering. The court's ruling on Ms Semenya is not going to settle that argument. ■

### Faster, higher, stronger, gender

Difference between male and female records\*

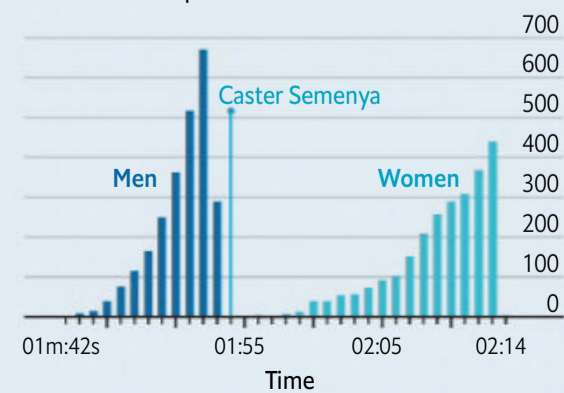
By age, %



Sources: Dominique Eisold; IAAF

Number of runners, by 800-metre running time

Best times for top 2,500 athletes of each sex, 2018



\*Among 51 selected countries



Anheuser-Busch InBev

## Bud far from Stella

LEUVEN

The world's mightiest beermaker needs a fresh way to grow

**S**NOOTY ALE connoisseurs mock Budweiser's usurped title of "King of Beers". No one, however, quibbles that Bud's purveyor, Anheuser-Busch InBev (ABI), reigns over global brewing. The all-conquering firm now sells almost three Olympic-sized swimming pools of beer an hour—more than its three nearest rivals combined. Yet even as profits have frothed, weariness has descended upon the head that wears the crown. ABI's prospects, once as golden as its Corona lager, have assumed the cloudier quality of a Belgian *witbier*.

ABI, which is nominally based in the Flemish city of Leuven but run out of New York, is not just much bigger than its rivals, selling one in four beers worldwide. It also generates around half the industry's global profits. Its gross operating margins were 40% in 2018, more than double the average for other listed brewers—and stellar by the standards of firms that peddle any kind of consumer goods. It has devoted managers, nearly all recruited out of university. The looming presence of ABI's boss, Carlos Brito, in the company's corridors, can feel

almost eerie. Employees' fealty to "Brito", as the methodical Brazilian is universally known, is reminiscent of General Electric under Jack Welch.

Investors' similar devotion to the company as a whole is increasingly being tested. The first set of worries is specific to ABI.

Its agglutinated name points to a firm whose trajectory has been set by financiers, not brewers. At its core is a trio of Brazilian investors best-known for later starting 3G Capital, a private-equity fund which has

snapped up other food firms such as Burger King and Kraft Heinz. They used Brahma, a Brazilian beer firm they acquired in 1989, as a platform to buy up rivals the world over: Interbrew, a Belgian brewer which makes Stella Artois, in 2004; Anheuser-Busch, the American owner of Budweiser, in 2008; and SABMiller, its biggest remaining rival, in 2016. Mr Brito is their main lieutenant. He has led ABI since 2005 atop a Brazilian-heavy management team with a lust for trimming fat from flabby conquests.

The successful two-pronged strategy of serial acquisitions and cost-cutting appears to be nearing its limits, however. Having consolidated the fragmented beer industry—four of the ten biggest brewers in 1990 are part of its empire—no large rivals remain to be taken over without goading competition authorities. As for cost-cutting, by the end of the year ABI will have wrung out the last of the \$3.2bn of annual savings it expected from SAB.

At the same time, cost controls espoused by ABI and its 3G-run cousins—starting with every manager having to justify every dollar of spending anew each year—have come under scrutiny. Kraft Heinz's shares tumbled in February after it wrote down the value of its assets by \$15bn. Many took it to be a tacit admission that its cost-cutting had done the business harm. The announcement by Kraft Heinz on May 6th that it would have to restate nearly three years of results, after an internal probe unearthed "misconduct" in its pro- ▶

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► curement procedures, though not directly linked to “zero-based budgeting” or 3G’s other distinctive management techniques, nevertheless cast a shadow over them.

Mr Brito is adamant that problems at Kraft Heinz are not ABI’s concern. His own cost-curling philosophy—to redirect spending from wasteful things to wiser ones like marketing, he says, not strip expenses willy-nilly—does seem less draconian than Kraft Heinz’s. “We are not a 3G company,” he insists. Investors are not so sure. ABI’s own share price dipped briefly in February in the wake of Kraft Heinz’s impairment. ABI’s erstwhile top marketer has been parachuted in to fix the food giant.

Either way, ABI needs a new growth strategy, having squeezed its historic one dry. Expanding its small non-beer offering—buying Coca-Cola, for example, or Diageo, which mainly sells spirits—once seemed like the obvious thing to do. But a daring takeover seems unlikely. The £79bn (\$98bn) bid for SABMiller three years ago landed ABI with net debt of over \$100bn, nearly five times last year’s earnings before interest, tax, depreciation and amortisation. Repayment has been slow, not least because ABI has borrowed largely in dollars and euros but earns most of its money in the fragile currencies of volatile emerging markets like Brazil and South Africa.

Worries about debt caused its shares to tumble by 38% in 2018, a third straight year of decline. The share price has recovered half of last year’s losses, though it still looks cheap relative to expected earnings compared with its two closest rivals, Heineken and Carlsberg—ABI’s superior margins notwithstanding. It is also still down by a third since the SAB deal, even as the shares of smaller rivals have risen smartly.

In a humbling turn, ABI’s board (which the Brazilian investors control alongside a group of Belgian heirs) halved its dividend in October to pay down debt. On May 7th it confirmed rumours that it is exploring listing a minority stake in its Asian operation, estimated to be worth perhaps a quarter of the group’s \$172bn market value.

No wonder Mr Brito says reducing debt is his priority. More specifically, analysts reckon, he wants to make it more manageable by boosting profits. Now that Kraft Heinz’s woes make some investors take a leery view of ABI’s fat margins, lest they too are down to indiscriminate cost-slashing, the focus has turned to increasing earnings by growing revenues from beer.

Beermaking is not what it used to be, however. Brewers are seeing demand for their tipples dry up. In America, ABI’s biggest single market by revenue, beer is losing “share of throat”, in industry jargon, to wine and spirits, just as people are drinking less booze. The only rival of any size whose shares have underperformed ABI’s is predominantly American Molson Coors. Youngsters across the rich world are spending less time in the pub and more at the gym (or smoking cannabis, another alternative to beer). Nearly a quarter of young Brits are teetotal.

Consumption is rising in poor countries, where 57% of ABI’s revenues now come from, in part thanks to SAB. But even there growth has slowed. Beer sales used to closely track the global economy, notes Ed Mundy at Jefferies, a brokerage. In future he expects them to grow a third as fast as GDP—or a paltry 1% a year.

Such trends explain why ABI shipped barely 0.3% more pints in 2018 than the previous year. Exclude acquisitions and ABI has not increased beer volumes in over a decade. Sales growth, of 4.7% a year since 2008, is largely thanks to what Mr Brito calls “revenue management initiatives”—or, in plain English, selling ABI’s existing beers at higher prices.

### Ale to the chief

Mr Brito wants to emulate the spirits-and-wine trade, where consumers pay vastly higher prices for top brands than for mainstream ones. For example, ABI owns lots of labels which are nothing special at home but marketed as posh overseas: Budweiser, America’s bog-standard lager, sells for a premium in China; Stella, which Euro-

peans quaff at football games, is served with three-course dinners across the pond. Around the world, dozens of craft breweries that ooze local charm and anti-capitalist mystique—think Camden Town Brewery or Goose Island—are, in fact, owned by ABI. But growth in craft-beer consumption, too, looks flat; people will only pay so much for ultra-hopy ales.

Analysts fret that ABI’s margins in emerging markets may come under attack next. Competition there used to be as weak as a Bud Light. Brewers did not unduly tread on rivals’ historic patches. No longer. “The competitive intensity has gone up a notch in recent years,” says Trevor Stirling of Sanford C. Bernstein, a research group. Countries that used to be beer monopolies, or at worst comfortable duopolies, are being besieged by outsiders. Heineken is making a big push into Brazil and Colombia, which would once have been considered an act of lèse-majesté against ABI. In November Heineken sealed a joint venture with China Resources, that country’s biggest brewer. The listing of ABI’s Asian business, if it happens, may help it retaliate by acquiring its way to a bigger market share in places where it is weak.

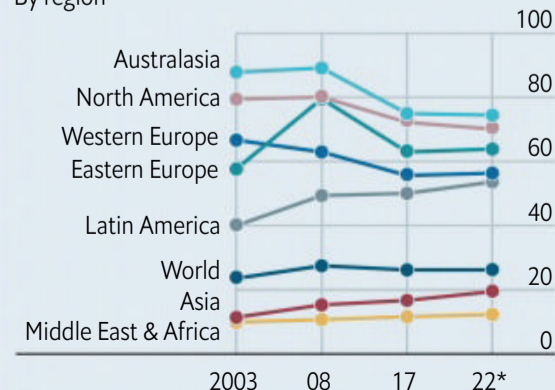
Mr Brito insists growth is still there if you know where to look for it. Non-alcoholic beers have got tastier thanks to improved recipes and are also growing quickly; Mr Brito theatrically cracked one open at ABI’s annual shareholder meeting last month. Once considered the preserve of young men, beer is increasingly marketed to women and older folk. First-quarter results reported on May 7th suggest Mr Brito could be on to something. Revenue grew by a respectable 5.9% year on year.

Sceptics question whether a corporate culture built around Excel wizards can be retooled into one where marketers eek out incremental market-share gains, quarter after quarter. Mr Brito may yet prove the doubters wrong. He betrays no hint of abdicating. But if he has learned anything, it is that reigning over the brewing world is more work than seizing the crown. ■

## Booze fest

### Beer consumption per person, litres

By region



Sources: Jefferies; Bloomberg

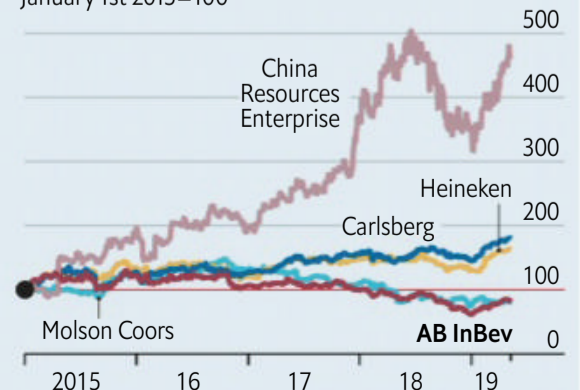
### Beer companies, gross operating margin†

2018, %



### Beer companies, share prices

January 1st 2015=100



\*Forecast †EBITDA

## Aerospace

## Down in flames

## A tragedy casts doubt on Russia's civil-aviation renaissance

JUST BEFORE the fall of the Berlin Wall in 1989, the Soviet Union built 150 airliners a year, around a fifth of the world's total. By 2000 that number had fallen to almost nothing. In 2006 Russia's president, Vladimir Putin, nationalised United Aircraft Corporation (UAC) and asked it to develop a commercial jet. When the slender, fuel-efficient silhouette of the Sukhoi SuperJet was unveiled in 2007, Sergei Ivanov, Russia's first deputy prime minister of the day, told foreign investors that it was "more than a plane". It was meant to restore Russia's glory in the civil-aircraft business.

On May 5th these high hopes took a knock when one such aircraft caught fire and crash-landed at Sheremetyevo Airport in Moscow. At least 41 of the 78 people on-board died. Investigators have not yet reached any conclusions about what caused the tragedy. Sukhoi, the UAC's civil-aircraft arm which makes the plane, extended "its profound condolences for the families and friends of the victims".

Before the accident UAC was aiming to increase its share of global revenues from civilian aircraft, from 17% in 2017 to 40% by 2025. The target now looks unreachable. Yet even beforehand Sukhoi had been making only slow progress towards it. The company has grabbed 20% of the global market for regional jets and secured a similar number of orders as rival aircraft from Bombardier of Canada and Embraer of Brazil, the two firms which have historically dominated the sector. But although the SuperJet is cheaper to buy, even Russian airlines were already falling out of love with it, says Tom Chruszcz of Fitch, a rating agency. The lack of a global maintenance network made servicing Sukhois more expensive, and the amount of time not in the air longer, than for the Canadian and Brazilian jets. Sanctions on Russia have crimped the availability of spare parts outside of Russia. Alexei Navalny, a former member of Aeroflot's board turned vocal critic of Mr Putin, has previously derided SuperJets as "always standing idle" and generating losses for the flag carrier.

Over the past year airlines have raced to pull SuperJets from service and to cancel future orders. CityJet of Ireland has dropped 15, Brussels Airlines of Belgium four, and Adria Airways of Slovenia 15, at a total cost to Sukhoi of up to \$1.5bn at list prices. In the wake of the crash, Yamal Airlines of Russia cancelled its order for ten

## Lyft's revenues double, losses quintuple—and prospects darken

## Ride-hailing

## Public distress

ON MARCH 29th Lyft became the first ride-hailing company traded on a stockmarket. The company's share price jumped by 9% on its debut, valuing it at \$22.4bn. By May 7th, the day it reported results for the first quarter as a public company, it was worth \$17bn. Some investors thought even that was too generous. Lyft's share price fell by another 11% the next day.

Although it posted quarterly revenues of \$776m, nearly double the level a year ago, the company also recorded a loss of \$1.14bn, more than it lost in all of 2018. Most of that was down to booking stock-based compensation plans for employees, who earned \$894m from Lyft's initial public offering. Lyft's chief financial officer, Brian Roberts, conceded that 2019 would be its "peak loss year". It will "move steadily towards profitability" thereafter, he promised.

How that might happen is unclear. Lyft is still bleeding cash, even excluding employees' compensation, as sales and marketing and insurance costs rise. The firm's adjusted operating loss of \$230m showed little improvement on the prior year despite fast top-line growth. And Lyft forecast that sales growth in the second quarter of 2019 would slow down sharply.

Everything that is true of Lyft also holds for Uber—only more so. The ride-hailing goliath was due to list its shares on the New York Stock Exchange on May 10th with a market capitalisation several times Lyft's. Its losses, too, are larger. According to Uber's own unaudited first-quarter results, it lost another \$1bn or so in the first three months of the year. That brings the total since it was founded in 2009 to \$9bn.

Both firms have enough cash to continue to burn money for years, but public

such aircraft, worth up to \$500m.

Sukhoi's troubles will have ramifications beyond Russia. The planemaker was the last viable challenger in the near term to an industry increasingly dominated by two behemoths: Boeing of America and its European arch-rival, Airbus. Bombardier tried to break their duopoly in larger narrow-body aircraft with its c Series. Instead, Airbus took over the c Series programme in 2017. A year later Embraer announced a tie-up with Boeing to counter Airbus.

Boeing itself is dealing with the consequences of two recent crashes. On the day



Glory days, March 2019

investors expect a rapid path to profitability. Making it into the black will require either raising prices or reducing the cut of bookings passed on to drivers. The former will be hard; in many markets ride-hailing competes with other cheap modes of transport, such as buses, bicycles and riders' own cars.

The latter looks harder still. Drivers on both platforms complain of earnings that barely cover the cost of living. They staged a global strike to coincide with Uber's IPO. That is why Lyft and Uber are keen to get rid of drivers altogether. During its earnings call Lyft announced that riders in Phoenix will soon be able to book one of ten robotaxis (all with human safety drivers to begin with). These will be provided by Waymo, the autonomous-car arm of Google's parent company, Alphabet. In March Uber raised \$1bn for its own self-driving venture from investors including Toyota, a Japanese car giant. Both firms' initiatives have doubtless been designed to signal to Wall Street that there is a way to make red ink turn into gold. Perhaps.

of the SuperJet accident the American firm said it knew about software problems two years ago on its 737 MAX jet, which have been linked to accidents that killed 346 people. The Embraer deal may fall by the wayside as Boeing contends with regulators and lawsuits. Airbus is worried that Bombardier could sell the technology for the c Series's lightweight wings, which the Canadian firm put on sale along with its factory in Belfast on May 2nd. Still, when the two giants put their current problems behind them, they may have no Russian rival to worry about. ■

## American oil

## There will be blood

NEW YORK

## The bidding war for Anadarko

VICKI HOLLUB, chief executive of Occidental Petroleum, had been wooing Anadarko for nearly two years, according to people familiar with the events, when in early April her target went silent. On April 12th it became apparent why: Chevron, an oil major five times Occidental's size, announced a \$33bn deal to buy Anadarko instead (and assume its \$15bn in net debt). Ms Hollub's advances appeared spurned. Until, that is, Occidental made a counteroffer of \$57bn (with debt) on April 24th, then on May 5th sweetened its terms. On May 6th Anadarko's board backed it as "superior" to that of Chevron, which has until May 10th to up the ante. It is already the energy industry's biggest bidding war in decades.

Ms Hollub's bold gambit now includes allies: Total, a French oil giant, and Warren Buffett. People close to the matter recount how she secretly flew to Paris on April 26th, then to Omaha two days later to speak with the revered investor, to win their support. Occidental, she agreed, would sell Anadarko's African assets to Total for \$8.8bn, reducing its debt. Mr Buffett would pay \$10bn for 100,000 preferred Occidental shares, which would receive a generous 8% yearly dividend, and the right to buy 80m shares of common stock for \$62.50 each. Brian Moynihan, the boss of Bank of Amer-

ica, which is advising Occidental and in which Mr Buffett's holding company, Berkshire Hathaway, has a stake, had urged him to consider Occidental's bid. Berkshire's promise of a capital injection enabled Occidental to pad the offer with more cash and fewer of its shares. Occidental no longer needs its shareholders to approve the deal.

In this battle, the risks and rewards are uneven. Winning would help Chevron produce more oil, more efficiently, thanks to Anadarko's prize holdings in Texas's Permian basin, whose abundant shale deposits make it the most productive oil field in America. However, reckon analysts at Morgan Stanley, losing would bring no long-lasting harm to its business.

If Chevron's courtship looks opportunistic, Occidental's would, if successful, be transformational. Buying Anadarko would nearly double the smaller suitor's production and help it battle ExxonMobil and Chevron as they expand through the Permian. But Moody's, a ratings agency, reckons that the deal—accounting for Mr Buffett's cash but not the sale to Total—would add \$46bn in debt to the combined companies. Even after the sale to Total, debt would leave Occidental vulnerable to future falls in the oil price. If it loses Anadarko, Occidental could itself be subject to a takeover.

Anadarko looks appealing in part because of its shale acreage, in part because its operations have room for improvement. Its share price also looked cheap. That it no longer does points to the bidding war's biggest victors: its shareholders. Its share price gained 32% after Chevron's bid was made public, and a further 17% following Occidental's offers, at a time when investors have cooled on American shale. ■

## Television

## I don't want my pay-TV

NEW YORK

## The decline in American cable and satellite tv is turning into an ugly rout

IN THE PAST decade one American industry has lost 5% of its customers, suffered a 20% drop in consumption, but still managed to increase sales by 30%. Pay-TV, for that is the miraculous sector in question, achieved this by charging customers 50% more for the same old services. Until recently it remained a lucrative formula for most owners of distribution networks, like cable companies, and the media firms that supply them with programmes.

Now this cushy business is showing unprecedented signs of strain. In the first quarter of this year American satellite, cable and telecommunications companies lost 1.4m TV customers, the steepest decline on record, as Americans rejected overstuffed pay-TV packages costing as much as \$100 a month.

## Money for something

MoffettNathanson, a research firm, estimates that the drop was less severe—about 860,000 households—when counting "skinnier" pay-TV services sold over the internet. These include things like Hulu Live, backed by Disney and Comcast, and were introduced below cost. These boosted the overall number of pay-TV households but generated big losses for operators.

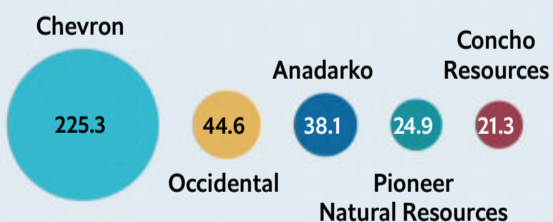
The first hints of losing customers to Netflix a few years ago drove a wave of consolidation, including AT&T's purchase of Time Warner and Disney's acquisition of much of Fox. Both are investing heavily in streaming as an alternative to pay-TV. That can only accelerate the pace of "cord-cutting", when viewers ditch traditional television and move online.

About 96m households still have a cord in place (if you include the likes of Hulu Live). That is 5m fewer than in 2011, despite the fact that the total number of American households has grown by 10m this decade. "There's every reason to believe that things will only get worse," observes Craig Moffett of MoffettNathanson.

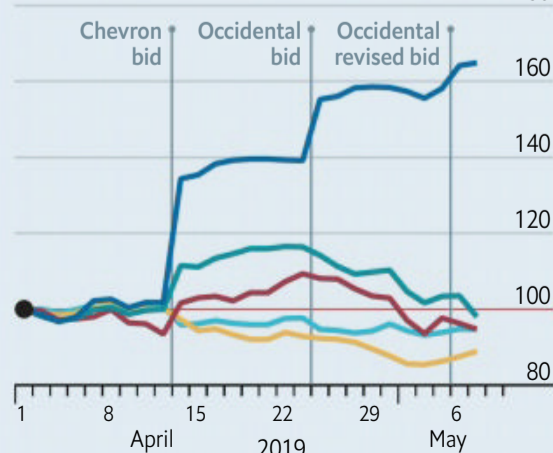
This will happen much more quickly for some than for others. Two big satellite operators, DirecTV and Dish Network, lost 1.7m of their 30m combined customers in the past two quarters. AT&T's bosses have said that the satellite business deteriorated more rapidly than they anticipated (AT&T bought DirecTV at the top of the market in 2015, for \$63bn). Cable operators like Comcast enjoy comparatively bright prospects, thanks to fat margins on broadband inter- ▶▶

## An Occident waiting to happen

Market capitalisation, May 7th 2019, \$bn



Share prices, April 1st 2019=100

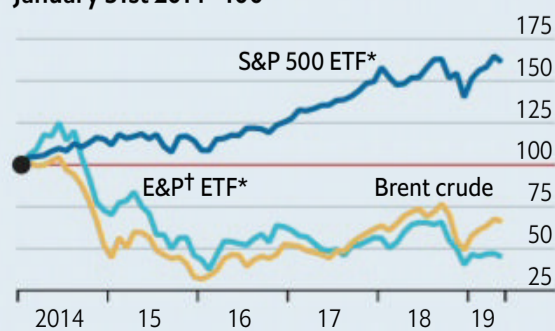


Sources: Bloomberg; Datastream from Refinitiv

Energy deals, target value including net debt, \$bn

Buyer	Target	Year	Value
Royal Dutch	Shell	2004	95.4
Exxon	Mobil	1998	85.1
Shell	BG Group	2015	81.0
<b>Occidental</b>	<b>Anadarko</b>	<b>2019</b>	<b>57.0</b>
Total	Elf Aquitaine	1999	55.3
BP	Amoco	1998	52.7
Chevron	Texaco	2000	43.3

January 31st 2014=100



\*Exchange-traded fund †Exploration and production

net, in which they hold what amount to regional monopolies, and which customers require to access streaming services.

The cable networks are suffering unequally, too. Those that offer Netflix-like fare—drama, comedy, children’s programming, documentaries and reality shows—are increasingly imperilled. Viacom’s collection of entertainment networks has seen a decade-long slide; in April ratings at its main children’s network, Nickelodeon, dropped by more than 20% compared with a year ago.

DirectTV, under pressure because of its

subscriber losses, is believed to have won concessions from Viacom when it agreed in March to renew distribution of its networks. Viacom is expected to merge with CBS as Sumner Redstone and his daughter Shari, billionaires who control both companies, seek to increase their clout through greater scale.

Yet as survival strategies go, size is less important than the ability to offer what streaming services typically do not: live news and sports. Disney’s flagship sports network, ESPN, commands higher prices from distributors than any other channel,

about \$8 a month, in part because it is seen as essential. Rupert Murdoch chose to keep parts of Fox that offer news and sports.

Providers of news and sports may abandon pay-TV and sell directly to consumers. Some are already testing the waters. In November Mr Murdoch started Fox Nation, a streaming service based on Fox News that seems to be faring well. A year ago Bob Iger, boss of Disney, launched ESPN+, a sports streaming service that has notched up over 2m subscribers. A Disney-branded streaming service is coming this year. The smartest moguls are hedging their bets. ■

## Bartleby Staff and nonsense



### Why companies are so bad at hiring

**P**ERHAPS THE oldest management cliché is that “people are our most important asset”. If that were true, companies would rigorously assess their own hiring practices, and their record, to ensure that they are indeed recruiting the best people. Remarkably, many fail miserably at this task. Only a third of American companies check whether their recruitment process produces good employees. That is one of the striking revelations in a recent survey of hiring by Peter Cappelli, professor of management at the Wharton School in Philadelphia.\*

When companies are asked why they do not monitor the effectiveness of hiring, the most common response is that measuring employee performance is too difficult. Given that staff costs are the single biggest expense item at many companies, this is a startling admission. And, as Mr Cappelli points out, there are some simple things employers could do: check how long newly hired workers stay at the company, or ask a supervisor whether they regret the hiring decision.

This failure of monitoring is all the odder given the effort that companies expend on recruiting outside their ranks. In the three decades after the second world war, American companies tended to fill around 90% of annual vacancies from within the company. That proportion has since fallen to less than a third. By definition, companies know more about the abilities of their own workers than they do about those of outsiders. But they still opt for the latter, even though research suggests that outside hires take three years longer to perform as well as internal candidates in the same job. They also pay outsiders more.

Companies often seem to be channeling Groucho Marx in their approach to applicants: they won’t hire someone who

is actively looking for work. Employers seem to operate on the principle that there must be something wrong with someone who is unhappy with their current job. Instead they aim to lure “passive” candidates who have shown no sign of wanting to move. Inevitably, this is time-consuming. It can also come back to bite companies, as rival firms compete to lure away each other’s staff.

In turn, the employment merry-go-round leads to an arms’ race, and thus higher costs. After all, employees happy with their current job are likely to need a greater inducement to move. Mr Cappelli has not discovered any evidence that hiring outsiders is more cost-effective than hiring other workers, or that passive candidates make better employees.

Worker-selection techniques are likewise a bit of a mess. Employment agencies offer a battery of tests, checking things like facial expressions and word usage, but it is far from clear how effective these actually are at picking good candidates. Testing the abilities of applicants at the skills required for the job (say, computer programming) is

probably the best approach.

Alas, even when these tests are conducted, Mr Cappelli has found that managers often ignore the results. Instead companies have doubled the amount of time spent on the interview process since 2009, according to a survey by Glassdoor, a website where employees review companies.

The best interview strategy is to ask all applicants the same set of predetermined questions. That way answers can be fairly compared. Managers, though, tend to improvise, looking for workers who will be a “cultural fit”, with questions like “what would you do if stranded on a desert island?” Unsurprisingly, this technique is subject to the biases of the interviewers, who then tend to recruit people most like themselves. Automated hiring algorithms reproduce this effect if they are trained on the characteristics of existing employees.

So how can companies improve? Mr Cappelli suggests that firms post all job openings internally, check how many positions are filled from within, and make a greater effort to see how outside hires perform.

But everyone should worry that companies are less rigorous about evaluating the performance of their staff than about the quality of the raw materials they put in their products. Improving productivity is generally agreed to be the best way to achieve faster economic growth and higher living standards. Recent productivity improvements have been sluggish. Hiring the right people would be an important way to shift the trend.



\* “Your approach to hiring is all wrong”, *Harvard Business Review*, May-June 2019

Intel

## Fear of missing out

The chipmaker's new boss wants to mix diversification with ruthlessness

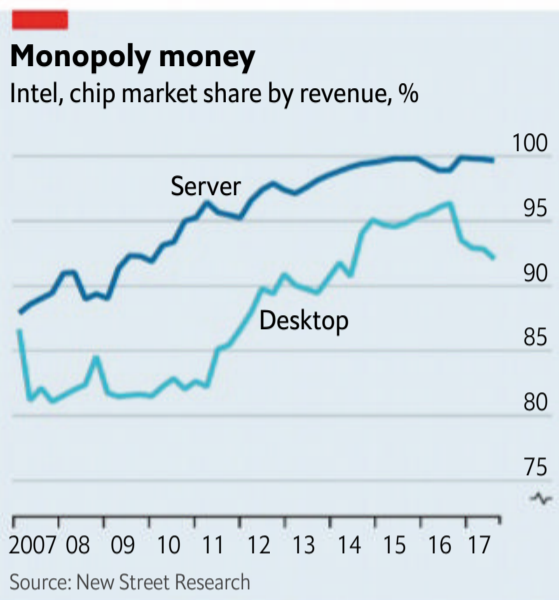
**I**T'S BEEN a couple of years since we've had you with us," Bob Swan told Intel's investors at its Californian headquarters on May 8th. "During that time, a lot has changed." Not least for Mr Swan. Two years ago he was chief financial officer. Then, in June last year, Brian Krzanich, the firm's previous boss, resigned after violating rules against romantic relationships between employees. Mr Swan, appointed regent while the firm hunted for a replacement, initially said he had no plans to make the arrangement permanent. By the end of January, though, he had decided that the view from the top was not so bad after all. He was duly appointed CEO.

He has inherited a company in an awkward position. Intel's business plan used to be simple. In 1971 it released the world's first commercial microprocessor. It then dedicated its existence to implementing, over and over again, the famous observation by Gordon Moore, its co-founder, that the number of components on such processors (and, roughly, their capabilities) would double every two years.

It worked, and very well. Intel dominates the market for chips that power desktop PCs. It is a virtual monopolist in the much more profitable market for the beefy server-class chips which power data centres around the world (see chart). The market for PCs is shrinking gently but demand for server chips is growing, propelled by the profusion of internet-connected giz-



Looking for Mr Moore's old magic



mos, from smartphones to cars.

More recently, however, Intel has made mistakes. It missed the arrival of the smartphone, which has elbowed aside the PC as most people's computing device of choice. It failed to capitalise on the rise of GPUS, specialised chips designed for video-game graphics which have found other uses accelerating the calculations used in AI and scientific computing.

And its manufacturing technology, which used to advance with such metronomic regularity that Intel called its business plan "tick-tock", has stumbled. The firm's latest generation of products, built on its "ten nanometre" manufacturing process, was due to arrive in 2016. They will not come until later this year. Such an unprecedented delay has allowed the world's two other cutting-edge chipmakers—Samsung of South Korea and the Taiwan Semiconductor Manufacturing Company—to catch up. Worst of all, the magic of Moore's Law seems to be fading. The performance gains from shrinking chips are not what they were, and the cost of doing so keeps rising.

Along with the rise of cloud computing, this has transformed the hardware landscape. GPUS were the first of a new wave of highly specialised chips. No longer able to rely on big performance boosts in the sort of general-purpose hardware sold by Intel, firms from Microsoft to Facebook to Tesla have begun designing custom chips specialised for the sorts of number-crunching their businesses need.

That is unlikely to harm Intel directly, since such accelerator chips are complements to its server chips, not replacements. Mr Swan could simply sit back and

watch the profits roll in. But as he explained to the audience in California, he hopes to continue Mr Krzanich's strategy of expanding the firm's reach. He wants to use Intel's almost unique position among chipmakers as both designer and manufacturer to mount an assault on both the accelerator market, and on data centres more generally. Intel's old business, he said, eyed an annual market of perhaps \$52bn. Add these new areas, he reckoned, and you get \$300bn.

With that in mind, the firm has been on a buying spree. In 2015 it bought Altera, which makes reconfigurable server chips, for \$16.7bn. In 2017 it acquired Mobileye, which makes computer-vision chips for self-driving cars, for \$15.3bn. Internally, it has poured cash into everything from photonics (which uses light, not electricity, to shuffle data between chips) to Optane, a new kind of memory designed to keep chips fed with numbers to crunch. It is even developing a GPU of its own. In February Murthy Renduchintala, Intel's chief engineer, told *The Economist* that matching Nvidia, the market leader in GPUS, was "non-negotiable".

But Mr Swan hopes to pull off the tricky task of marrying ambition with discipline. "Intel's acquisitions have a long history of destroying value," says Joseph Moore, an analyst at Morgan Stanley (and no relation of Gordon's). Fittingly for a former CFO, Mr Swan was at pains to emphasise that, in future, Intel would be hard-headed about when to double down on a bet, and when to fold. Pierre Ferragu, an analyst at New Street Research, calculates that Intel has spent \$19bn since 2012 trying, and failing, to bully its way into the smartphone-radio market, which is dominated by Qualcomm, an American firm. One of Mr Swan's early acts as boss was to pull the plug.

When it comes to Moore's Law, fixing things will be harder. Mr Renduchintala has said that, with the "ten nanometre" hiccup, Intel's renowned engineers simply bit off more than even they could chew. The company insists it can carry on shrinking its chips for some time yet. But the physics will only get more finicky and expensive. As Moore's Law slows, and engineers look elsewhere for performance improvements, the chip industry will become even more fragmented. Mr Swan's fundamental diagnosis—that one of Silicon Valley's original darlings must learn to diversify, and fast—is surely correct. ■

**Business and finance correspondent:** *The Economist* is looking for a writer to work at its headquarters in London. Applicants should combine a knowledge of finance with the ability to write informatively, succinctly and wittily. They should send a CV and an unpublished article suitable for publication in the Business or Finance and Economics section to [financejob@economist.com](mailto:financejob@economist.com) by May 31st. (Telling us what you would do if stranded on a desert island is optional.)

# Schumpeter | The REIT stuff

*Beneath the Amazon-led digital economy lies a physical gold mine*



**T**HE WHEELER-DEALERS of commercial property are a world away from the hipsters of big tech—more mini Donald Trumps than Steve Jobses. Theirs is an industry of bricks, not bits. Their sales grow square foot by square foot. They fight locally, not in “winner takes all” markets. Few people ever got into Stanford University boasting that their life’s ambition was to build real estate.

Surveying the landscape of America and Europe, it is easy to portray commercial bricks and mortar as technology road kill. In America, even though e-commerce still accounts for less than 10% of retail sales, it has left dead malls, derelict shopping centres and bereft landlords in its wake. In Britain, with higher online-shopping penetration, the owners of high-street property suffer from an epidemic of boarded-up shops and bankruptcies. Some hedge funds are betting on their debts becoming the next “Big Short”.

Big tech firms often boast of being “asset-light”—Uber owns only \$1.6bn of physical plant. Yet away from the spotlight property firms are making a mint out of the tech boom. Publicly listed real-estate investment trusts (REITs), which are tax-efficient legal structures that distribute income to investors from the property they own, are turning the back lots of America and Europe into a digital hinterland of warehouses, data centres and telecommunications towers. It may not look pretty. But in America five REITs servicing the tech industry are collectively worth \$250bn, more than double their value five years ago. Prologis owns warehouses. Equinix and Digital Realty have data centres. American Tower and Crown Castle International possess mobile-phone masts. If anyone can squeeze the pips out of the tech moguls, they can.

Start with e-commerce. In places where land and labour are cheap, it has become a boon to the owners of industrial REITs, which mostly focus on logistics. Take the Inland Empire, a vast swathe of dusty terrain formerly laced with citrus groves, 60 miles (100km) east of Los Angeles. In 2012 Amazon moved in, leasing its first 1m-square-foot (92,000-square-metre) “fulfilment centre”. Six-and-a-half years later, the e-commerce giant’s 13th such distribution hub is under construction. Walmart, Target and other retail chains have online depots in the area. John Husing, an economist (who in his spare time hikes the jungles of New Guinea), says that in March a staggering 26m square feet of such space was under

construction. “We have dirt and no one else does,” he quips. “Almost as fast as we’re building it, we’re filling it.”

Such big-box warehouses are the backbone of the industrial-REIT market. But as delivery times shorten (last month Amazon promised free one-day delivery to its “Prime” customers), REITs are building and leasing smaller warehouses closer to customers, and even within cities. Take the area close to Cleveland, Ohio. In a strange twist of fate, two abandoned shopping malls, Randall Park and Euclid Square, which both fell prey to a combination of the financial crisis of 2008-09, the ravages of the opioid epidemic and e-commerce, are being resurrected as vast Amazon fulfilment centres. CBRE, a property firm, has identified 24 such defunct properties across America that are being transformed into logistics hubs, providing 11m square feet of industrial space.

Land constraints are producing other innovations. In Amazon’s home town of Seattle, Prologis has borrowed a practice it uses in Japan and China to build what it says is America’s first multi-storey fulfilment centre. Meanwhile, online shopping has finally enabled Walmart to make its long-coveted entry into New York City. Its e-commerce business, Jet.com, is leasing a 205,000-square-foot warehouse in the Bronx for same-day delivery of goods and groceries to upwardly mobile urbanites.

Such developments mean industrial rents in metropolitan hot-spots like New York are at all time highs, and vacancies near historic lows. Nareit, an industry lobby group, says that in the past three years, industrial REITs made compound annual returns of almost 20% (REITs owning regional malls lost 6% a year). The *Wall Street Journal* has reported that GLP, a Singapore-based REIT that moved into America less than five years ago, has filed for an initial public offering of its American operations that would value it at \$20bn. That would be one of America’s biggest property listings.

Beyond e-commerce, cloud-computing firms such as Amazon Web Services and Microsoft, and mobile telecommunications firms such as AT&T, are leasing cavernous properties from REITs that build and operate data centres and mobile-phone towers. Data-centre landlords offer space, cooling, power and bandwidth; their clients put in the servers. They talk of additional profits from an explosion of data-gathering for artificial intelligence, autonomous driving and the internet of things.

Owners of mobile masts occupy fewer square feet. Even so, American Tower and Crown Castle are two of America’s largest REITs, thanks to the cash-generating business of having several mobile-operator tenants on a single tower. Fifth-generation (5G) telecoms networks are expected to amplify the opportunities because each antenna serves a smaller area, which requires denser infrastructure. Besides towers, Crown Castle is investing in fibre and “small-cell networks” on streetlights and other urban props. Its 5G clients will lease them.

## Bricks, bits, booms and busts

It is not unusual for property barons to ride a business boom—think of suburbia at the dawn of the motor age. But how quickly could it turn to bust? A recession could dent confidence, but few expect an economic downturn to derail the shift to digitisation. Over-confidence could lead to over-construction, yet the move into cities provides natural barriers to entry in the form of high land prices. Rising interest rates will dent returns, and one day the market will falter. Perhaps the biggest concern is that unlike the red-brick warehouses of yore, it is hard to imagine Amazon’s big-box eyesores becoming trendy lofts when the cycle does turn. ■





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US-China trade (1)

## Speaking softly

SHANGHAI

### China's measured strategy could soon be put to the test

CHINA'S PROPAGANDA machine grinds slowly. But its output is nothing if not consistent. It took more than 24 hours for state media to report President Donald Trump's threats, tweeted on May 5th, to ratchet up tariffs on China. By that time Chinese stocks had already plunged, a foretaste of global market ructions. When the response finally came in official editorials, it was a familiar refrain from China's canon of trade-war statements: "We do not want to fight, but we are not afraid to fight and, given no choice, we will fight."

That sounds bellicose. Yet one lesson from the past year's dispute with America is that China places more weight on the sentence's first part, its desire to avoid a full-on fight. At multiple points when the Chinese government could have retaliated against America by targeting its businesses, it has instead tried to win them over.

Dodging a fight, though, does not mean giving in. As *The Economist* went to press, officials from both countries were preparing for talks in Washington to see if they could revive a deal which, until Mr Trump's tweets, had seemed nearly done. The previous evening, America announced its intention to raise tariffs on \$200bn of Chinese

goods from 10% to 25% from midnight on May 9th. According to Reuters, citing American government sources, China had backtracked on pledges to rewrite laws on everything from competition policy to intellectual property. Chinese advisers counter that it is American negotiators who have become inflexible.

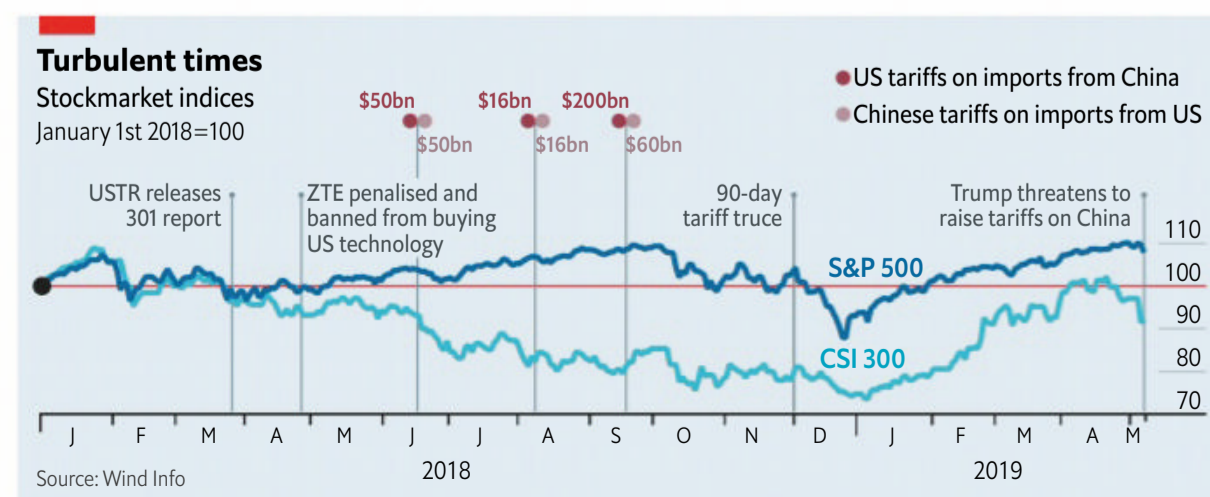
This creates two huge uncertainties for the global economy. One dominates discussion. Will there be a deal or will America raise tariffs? The other receives less attention. Is there a point at which China might lash out against America, even at a

cost to itself?

It is easy to imagine how China could punch back. Given its \$380bn trade surplus with America, China is more vulnerable to tariffs. But American businesses, from Apple to General Motors, have big footprints in China. American firms made roughly \$200bn more in sales in China in 2015 than Chinese firms did in America, according to Deutsche Bank. The Chinese government could whip up consumer boycotts. It could hold up supplies at customs. It could smother factories with safety inspections.

In its retaliation, China has already used tariffs to hit sensitive targets. It has pushed soyabean farmers in Iowa and Wisconsin, states that will influence whether Mr Trump can win a second term, to the brink of bankruptcy. But it has largely refrained from deploying the dirtier weapons in its arsenal. After briefly delaying American whiskey shipments at the border last year, Jack Daniel's is flowing again.

Even more striking are China's attempts ►►



▶ to be emollient. Having long hesitated, it opened the door last year for a range of foreign firms, from carmakers to insurers, to take majority stakes in their Chinese operations. In March it passed a foreign-investment law that, in theory, addresses some big American grievances. It has even undone some tariffs: in December it lifted extra duties that it had imposed on American cars and car parts.

China's decision to opt for a relatively conciliatory strategy can be explained in three ways. Most obvious is its desire to minimise the trade war. If America were to slap 25% tariffs on all imports from China, that could knock two percentage points off Chinese growth over the next 12 months, according to UBS, a Swiss bank.

A second factor is China's play to win back some support in America. Foreign businesses have grown frustrated with China. A more level playing field could change that, especially if China offers evidence of benefits. News on May 8th that JPMorgan Chase, an American bank, might become the first foreign company to own a majority stake in its Chinese mutual-fund business is just the kind of thing.

The final point is China's management of domestic opinion. Xi Jinping, the president, is powerful, but he does not want to arm his critics. One government adviser says that left-wing scholars are planning to greet the announcement of any trade deal as a "day of national humiliation", a reference to the 19th century when foreign powers dominated China. Front-loading reforms offers some insulation: the government can portray the deal as a ratification of what it was already doing.

But domestic politicking also sheds light on why the trade talks have hit a rocky patch. China has more incentive to take a harder line at this moment—just when a deal seems to be within reach. Sending Mr Trump into a frenzy on Twitter may worry investors. But to Chinese officials it looks like Mr Xi is driving a tougher bargain.

Complicating matters, negotiations have been conducted in English, with the draft agreement (reportedly seven chapters and 150 pages) also in English. As it is translated into Chinese and circulated among more officials, changes are inevitable. "You can't really renege on something that is a non-binding work in progress," says James Zimmerman, a partner in the Beijing office of Perkins Coie, a law firm.

China still wants to avoid a full-fledged trade war. Should America raise tariffs, China's initial preference will be to continue with limited retaliation, says Wang Yong, director of the Centre for International Political Economy at Peking University. The American economy would, he thinks, suffer enough damage for Mr Trump to change course. If not, China's fight-back could get much nastier. ■

## US-China trade (2)

# Shock therapy

WASHINGTON, DC

### How much harm have tariffs done?

**A** YEAR AFTER the start of trade skirmishes between America and China, America's economy—and the world's—seem to be holding up. Are trade wars, as President Donald Trump believes, not so costly after all?

The immediate impact was always going to be hard to spot. Though special tariffs now cover more than half of China's exports to America, those exports account for less than 2% of American personal consumption and only around 5% of American business investment. Surveys suggest that tariffs are suppressing investment in America, but how much is unclear.

As with all taxes, much of the effect is to shuffle costs and resources around. Taxing imports hurts companies and consumers by making their foreign purchases more expensive, and as domestic producers respond to weaker foreign competition by raising prices. Exporters may lose out from retaliatory tariffs. But there are also winners, including domestic companies shielded from foreign competition and thus able to enjoy fatter profits—and the US Treasury, which gains new revenues.

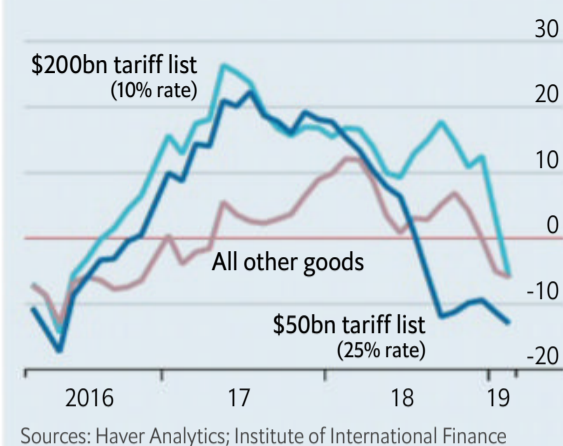
A recent study by Pablo Fajgelbaum of the University of California, Los Angeles, Pinelopi Goldberg of the World Bank, Patrick Kennedy of the University of California, Berkeley and Amit Khandelwal of Columbia University totted up all such effects for the tariffs imposed by the Trump administration in 2018. The bulk of these fell on imports from China. They found that the welfare losses to producers and consumers from higher prices came to 0.4% of GDP, but when the gains to others were included, the economy-wide net cost was just 0.04% of GDP.

However, the tariffs have clearly caused disruption and higher prices for American importers, while Chinese exporters and their suppliers have lost business. The value of affected imports crashed just after they came into effect (see chart). According to numbers crunched by economists at the Institute of International Finance, an industry group, China lost market share for those products hit by tariffs of 25% last July.

Lower underlying prices (that is, excluding tariffs) might have helped. But where trade has continued, American firms seem to have gone on paying full whack, in addition to the new levies. Their Chinese suppliers' margins have been spared. Importers may not have had time to

### President in the China shop

United States, goods imports from China  
% change on a year earlier, three-month moving average



renegotiate contracts, or they may have expected the tariffs to be temporary. (They may also have stockpiled imports before an increase in the tariff rate, from 10% to 25%, that was once planned for January.) In time contracts could adjust, or American firms could find alternative suppliers, further mitigating the economic fallout.

So far, then, tariffs on China seem to have disrupted business and geopolitics more than they have harmed the economy at large. But further escalation would bring rising costs. Mr Trump's threats are for a tariff of 10% on \$200bn of Chinese imports to rise to 25% on May 10th, and for a 25% tariff on a further \$325bn-worth "shortly" thereafter. American businesses would find the former tough to handle, and consumers would struggle to escape the latter. So far, consumer goods have been only about a fifth of the imports from China covered by tariffs. Escalation would add items such as toys and clothes. Economists at the New York Federal Reserve reckon that the effect of tariffs on core inflation (excluding food and energy) would rise from 0.1 percentage points to 0.4 percentage points.

The Chinese would surely retaliate, raising the costs. According to the IMF, tariffs of 25% on all trade between America and China would knock 0.3-0.6% off America's GDP, and 0.5-1.5% off China's. Financial markets would reel. Economists at Morgan Stanley, an investment bank, put the downside risk for the value of equities in Asia and emerging markets at 8-12%.

Faced with such harms, policymakers would feel pressure to act. If faltering American growth threatened to increase unemployment or push already-low inflation down further, the Federal Reserve could ease monetary policy. The Trump administration has already given billions of dollars in aid to farmers affected by China's retaliatory tariffs; it could hand out more. And China's government, which has already raised spending and cut taxes, could increase its stimulus. All this would help conceal the costs of tariffs. But it would not make those costs go away. ■

## Switzerland's stock exchange

## Hostage situation

ZURICH

## The EU tries to strong-arm Switzerland into a new trade deal

SWITZERLAND'S HALF-IN, half-out relationship with the European Union has suited its traders and firms well. Shares of almost all the large Swiss companies that are traded on SIX, Switzerland's main exchange, are also available within the EU through alternative exchange platforms known as multilateral trading facilities (MTFs). Traders based in the EU account for 60-80% of trading in Swiss shares by volume. Big Swiss firms like Nestlé, Novartis and Roche make up 20% of the market capitalisation of the Stoxx Europe 50 index. It is, to coin a phrase, a single market.

Now that system is at risk. It relies on "stockmarket equivalence", a status granted by the EU that allows swift and seamless trading across borders. But if Switzerland refuses to sign a new, EU-drafted trade deal, its equivalence may be revoked. The EU has given Switzerland until the end of June to sign, or at least make progress. If the deadline is met, equivalence is likely to be renewed indefinitely.

If it is not, however, traders within the EU, who are supposed whenever possible to trade within it or on exchanges granted equivalence, would be pushed to trade Swiss stocks on European MTFs, rather than on Swiss exchanges. That would make Swiss stocks harder and dearer to trade, because it would segregate interested buyers and sellers. "You want to buy a stock that is liquid, and that you can get in and out of without excessive costs," says Mark Hemsley of Cboe Europe, a pan-European exchange that accounts for close to 20% of trading volume in Swiss shares.

What lies behind the threat is the EU's desire to replace its patchwork of more than 100 bilateral trade deals with Switzerland with a single grand deal like the one it has with Norway—not least to foreclose a post-Brexit future in which Britain cites Switzerland's pick-and-mix arrangement as a precedent. Strong-arm tactics, the EU hopes, will speed up a process that has already taken four years. But Switzerland's direct democracy requires the new deal to be put to a referendum. At the moment it looks unlikely to pass.

Incensed by what it regards as bullying, Switzerland's government has prepared an emergency measure to come into force if the EU responds by withdrawing equivalence. It would attempt to bar the trading of Swiss stocks on EU exchanges by making it a criminal offence. EU-based traders would

then be unable to access the stocks outside Switzerland, overriding the bloc's rules on preferentially trading within its borders.

But a breakdown in stockmarket equivalence could lead to conflict over other financial-market agreements, making it harder for Swiss banks and asset managers to find and serve clients in Europe. And in the longer term fewer companies might choose to list in Switzerland.

So far Swiss companies are more curious than concerned, says Jos Dijsselhof, SIX's boss. Executives and traders seem to be betting that the EU, preoccupied with Brexit, will want to avoid any extra disruption on stock exchanges and will extend equivalence for a fixed term, perhaps six months to a year. It might be extended repeatedly—with the EU always able to threaten to let it lapse. A shaky relationship with the EU would put Switzerland's financial-services-driven economy in jeopardy. Its tiny market means it needs clients from the giant trade bloc next door. ■

## India's stockmarket

## 28 weeks later

MUMBAI

## Months after a lender collapsed, financial markets are on a strong run

IN OCTOBER, SENTIMENT ON India's financial markets was bleak. The previous month Infrastructure Leasing and Financial Services (IL&FS), a Mumbai-based lender with scores of subsidiaries, had defaulted on a series of loans. Stockmarket indices fell sharply (see chart). Investors worried not only that the firm's losses would directly harm other institutions, but also that similar problems might be lurking in other lenders.

Then the government stepped in. The management was replaced, and state-controlled entities ensured that other non-

bank lenders had enough liquidity to enable credit markets to function. From a low point on October 26th, financial markets resumed a rise that, notwithstanding several reversals and a lull in recent days, has seen dramatic gains in the past decade. Late last month the major indices, including the Bombay Stock Exchange's Sensex, which includes 30 companies, and a broader index of 500 companies, flirted with the heights they reached before the IL&FS scare—even though American sanctions on Iran pushed up the price of oil, India's biggest import.

## Looking lively

Crucial to the rally have been foreign buyers, whose activities are tracked and reported by local exchanges. Their importance is a consequence of the odd ownership structure of Indian companies. More than half the shares of private companies are held by "promoters", managers with controlling stakes, who rarely trade. Similarly, the government sits on its shares in the numerous semi-public companies in which it holds large stakes, in sectors such as banking, coal and oil.

Of the "free float" (the shares not locked up and thus available to trade), foreign institutions own about half, reckons Gaurav Narain, head of equities for India at Ocean Dial Advisers, an asset-management company. They thus play a crucial role in setting prices. And in recent months they have been pumping billions of dollars into Indian shares. That is no doubt partly a result of broader enthusiasm for emerging markets that has led to rallies elsewhere. But there are also India-specific reasons.

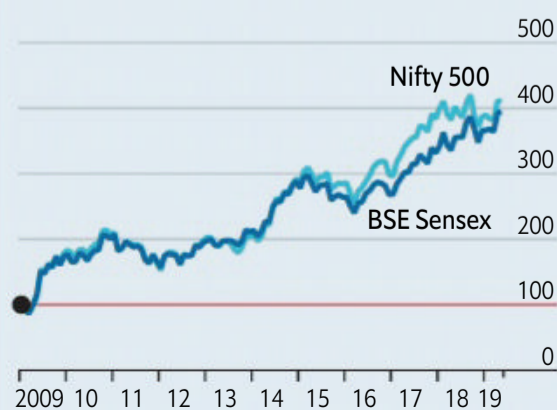
The first is the election. As a bitter campaign reaches its final stages, fears that the result will be a destabilising muddle have receded. Narendra Modi, the current prime minister, looks likely to remain in office, albeit with a reduced majority. He has not lived up to all the business-friendly promises he made before entering office, but investors would still prefer stability over unpredictable parliamentary horse-trading.

More significant, some sectors of India's economy that have been through serious problems are now doing well. The best-performing, up more than 70% since the October dip, is airlines, which have been in the news since the collapse in April of Jet Airways, once India's largest private airline. Though Jet's shareholders were largely wiped out, shares of other airlines rose on the prospect of less competition and higher fares.

Shares in some private banks have also appreciated, though less dramatically, buoyed by the demise of IL&FS. So have those in the cement sector, plagued by overcapacity in recent years: a flurry of mergers and acquisitions is letting prices stabilise. Even in telecoms, where competition from ▶▶

## Mumbai maximum

India, stockmarket indices  
January 1st 2009=100



Source: Datastream from Refinitiv

► Jio, of Reliance Industries, one of India's biggest conglomerates, has been relentless, rising share prices suggest business conditions are improving. Some of Jio's competitors have merged and there are hints it may be tiring of a costly price war.

India's rising stockmarket has not benefited every industry. Vehicle and apparel stocks, for example, have declined as sales have slowed. The specifics suggest something less indiscriminate than a bull market, and more heartening: that tighter bankruptcy laws passed in 2016 are finally biting, and rotten financial structures are being exposed. With fewer "zombie" companies able to stagger on endlessly, healthy competitors will be less likely to get dragged down. ■

### Financial inclusion

## Revolutionary cells

ABUJA

### The mobile-money revolution finally arrives in Nigeria

THE SHARED cars that shuttle between Abuja and Kaduna, two Nigerian cities, carry more than passengers. For a fee they will also carry cash, says Odedele Olu-sanmi, a driver. On a typical journey he takes five packages, each holding around 20,000 naira (\$55). Only two-fifths of Nigerians have bank accounts, which is why some send money this way. Yet an alternative could already be in their pockets.

In the past decade a mobile-money revolution has swept through much of Africa, enabling the unbanked to make transfers, pay bills and save. Half of the world's 866m mobile-money accounts are in Africa, not counting services which need users to belong to a bank. But not many are in Nigeria, its largest economy and most populous country, with 200m people, where mobile money was used for transactions worth just 1.4% of GDP last year (compared with 44% in Kenya). Four-fifths of Nigerians have never heard of it.

Until recently, the Nigerian central bank did not allow telecoms firms to offer financial services, except as the junior partners of conventional banks. Elsewhere mobile operators had been in the vanguard. A mobile-money system needs agents to take in and give out cash—boots on the ground, not just bytes in the pocket. In the early stages telecoms firms, which sell phone credit in the remotest villages, can run these operations at costs 40% below those of banks, according to consultants at McKinsey.

So late last year the Nigerian central bank brought in new rules that will allow

telecoms firms, supermarkets, courier companies and others to become "payment-service banks", with a licence to take deposits, make payments and issue debit cards. A quarter of their service points must be in rural areas. Among the applicants is MTN Nigeria, the local unit of Africa's largest telecoms firm. Designing and marketing its own service is "completely different" from working with a bank, says Usoro Usoro, its head of mobile financial services. He argues that MTN can draw on its experience with mobile money elsewhere and has the "know-how to build and manage a distribution network". Globacom, a rival, plans to launch its own mobile-money service. Airtel, an Indian firm, is interested.

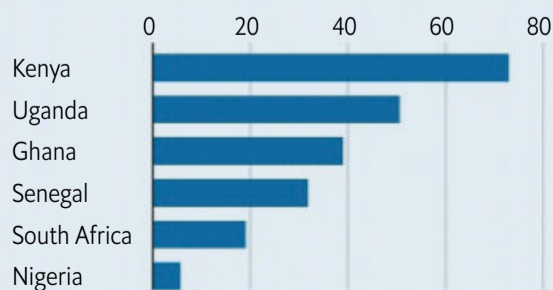
But success is not guaranteed, warns Yinka David-West of Lagos Business School. In east Africa, mobile money was initially touted as a way for urban workers to send money to relatives in villages. That may have less appeal in Nigeria, where more people live in cities and new arrivals often come with their families. And the rules restrict the products firms can offer: for example, they cannot lend.

Competition comes from specialist mobile-money operators, which are neither banks nor telecoms firms. They were permitted under the old rules, but faced obstacles to growth: until 2015, for example, unbanked mobile-money users could send no more than 3,000 naira at a time. Paga, a PayPal-like startup, has recruited 20,000 agents and reached 12m users (still a small fraction of a vast market). Tayo Oviosu, its founder, argues that the advantages of telecoms firms have been exaggerated. Many airtime sellers are not set up to handle large transactions, he says, so the likes of MTN have to build a new network of agents.

The advent of mobile money was a shock for east Africa's fusty financiers. In Nigeria it is less of a threat. Bankers will not mind if telecoms firms scoop up the poor, rural clients whom they have long ignored. And their existing customers can already use their bank accounts to carry out transactions through apps or by typing short codes into a phone. Nigeria will have insurgents. But the incumbents will survive. ■

### Next big thing

Adults with a mobile-money account  
2017, % of total



### Welfare programmes

## Spilling over

### The surprising effects of Brazil's much-admired welfare scheme

INCENTIVES ARE central to welfare systems. In developing countries some "conditional cash-transfer" programmes offer families on low incomes benefits only if the children are sent to school and vaccinated. Payments may be suspended if they do not meet the conditions, but relatively little is known about how recipients respond. A trio of papers written by Fernanda Brollo of the University of Warwick, Katja Kaufmann of Mannheim University and Eliana La Ferrara of Bocconi University, and presented at the annual conference of the Royal Economic Society last month, examine the far-reaching spillovers of enforcing conditionality.

The authors analyse the behaviour of recipients of the world's largest conditional cash-transfer scheme, Bolsa Família (Family Grant), which covers 14m poor households in Brazil, or roughly a third of the country's population. Its budget amounts to 30bn reais (\$7.5bn)—0.4% of GDP. In order for a family to receive the benefit, the children must attend school for at least 85% of days in a month. Parents whose children play truant first receive a warning; further absences eventually lead to payments being suspended.

The papers find that such penalties have wide-ranging effects. They encourage compliance not only by the family that is directly affected, but also by their neighbours, and by the families of classmates and siblings' classmates.

But the ripple effects do not end there. Families punished by having their benefit withdrawn or receiving a warning have an

▶ opportunity to punish in turn—at the ballot box. The authors examine the results of mayoral elections in 2008, and find that municipalities with a high share of penalised recipients were less likely to vote for the Workers' Party (PT), the party that introduced the benefit in 2003 and was leading the federal government at the time. Parents who were sanctioned in the week before the election were more likely to turn against the PT than were others in the same municipality who were penalised immediately after.

Furthermore, it seems that officials af-

iliated with the PT, fearing a drubbing at the polls, became strategically lenient around election time. Although the benefit is administered at the federal level, the data suggest some municipalities may have massaged school-attendance records to make it appear that fewer families were breaking the rules.

Under Brazilian electoral law, mayors can be in office for only two terms consecutively. The authors compared the behaviour of mayors with the most to lose—those with an extra term to run, in narrowly contested municipalities—with those

who had reached the term limit. First-term mayors were more likely to be lenient. The effect was especially strong in areas where school principals were political appointees rather than chosen through exams or elections, and so perhaps more susceptible to pressure to fiddle with attendance records.

The authors stress that the effects of Bolsa Família are still very positive overall. But their research shows the importance of taking account of a policy's knock-on effects when considering its impact. Schemes with sophisticated incentives provoke sophisticated responses. ■

## Buttonwood The rub of the VIX

*When you have options, volatility is your friend*

**I**MAGINE THAT, by some twist of fate, you become the ruler of an oil-rich state. A crash in the oil price has left a hole in its budget. You are forced to consider selling the kingdom's assets. Among them is a mothballed oilfield in a remote part of the country—so remote that it costs \$90 to retrieve each barrel of oil. That is above the prevailing price of \$70 a barrel. Even so, you are advised to try to sell a licence to operate the field.

Who would buy such a licence? It is valuable only if a barrel of oil sells for at least \$90. Yet there is always value in a right—if it carries no obligation. The greater the chance that prices will rise above \$90, the more the licence can be sold for. The price will be higher if the licence is for a long period. Crucially, the price also depends on how changeable the oil price is. The more volatile, the likelier it is that it will hit a level where it is profitable to restart production.

Volatility is normally something to fear. People prefer a stable income to an erratic one, for instance, and they feel the same way about their wealth. In this regard, the jumpiness of stock prices is a source of discomfort. But where you have rights without obligations—options, in other words—things are different. Here, volatility is welcome.

Look closely, and the hypothetical oil licence has the features of a “call” option, a particular kind of financial contract. A call option is the right to buy an asset—a barrel of oil or a basket of stocks, say—at a specified price (the strike price) on or before a specified maturity date. The owner of a call option profits if the price of the underlying asset goes above the strike price. The owner is not obliged to buy at the strike price; she will do so only if it is in her interests. Anyone who buys the oilfield licence is essentially buying a

call option on the oil price. If it goes above \$90 the buyer makes a profit; if it stays below \$90 for as long the licence is valid, the option expires worthless.

Putting a value on options is a fiddly business. The key ingredients in the Black-Scholes model, the industry formula, are time, volatility and the gap between the asset's strike price and its current price. A small gap is more likely to be closed than a large one, so options with strike prices close to prevailing prices cost more. Call options with a strike price above the prevailing price are said to be “out of the money” and are cheaper. The more violently prices fluctuate, the more chance there is that an out-of-the-money option, like the hypothetical oil licence, becomes a winning lottery ticket at some point before it matures.

Estimates of volatility are a central input to options prices. They can also be calculated from those prices. The VIX (a contraction of volatility index) is one such gauge. It is the level of expected volatility derived from the market in equity-index options. Many of these traded options are put options, which confer on a buyer the

right to sell an asset (in this case the S&P 500 index of leading stocks) at a specified price. By contrast with call options, the owner of a put option benefits when the price of the asset falls. Out-of-the-money puts are insurance policies. They pay off when a market crashes.

As in any other corner of financial markets, there are traders looking for mispricing. The Black-Scholes pricing model has flaws that they might exploit. A few years before he died, Fischer Black (who with Myron Scholes gave his name to the formula) listed them in a paper called “The holes in Black Scholes”. A big one is the assumption that an asset's volatility is known and fixed. You can make a decent estimate of it based on history. But how prices will fluctuate in the future is unknowable. And volatility itself is volatile. So are forecasts of it—the VIX is prone to spikes in anxious moments (see chart). Black offered some advice in dealing with such flaws. If you think volatility will rise, you should buy options; if you think it will fall, you should sell them. And as he showed in his paper, the value of an out-of-the-money option rises very rapidly as volatility inches up.

This quality has not gone unnoticed. Nassim Nicholas Taleb, a trader-turned-author, has built a view of the world based on the properties of out-of-the-money options. There are fragile things, like Ming vases or priced-for-perfection stocks, which are hurt by an increase in disorder and randomness. And there are others that come to life because of such an increase, among them our oil licence, a put on the S&P index or even personal character. These things are “Antifragile”, the title of one of Mr Taleb's books. They have a value that is latent. All you need is a dose of volatility to bring it out.

### Jumpy

Stockmarket volatility, Cboe VIX index  
Percentage points



Source: Datastream from Refinitiv

## America's community banks

## They know their customers

WASHINGTON, DC

Don't write off the admirable bantamweights of America's banking industry

THE CLASS of the guests reflects the clout of the hosts. In a posh Washington hotel, two powerful visitors—first Maxine Waters, the Democrat who chairs the House of Representatives' financial-services committee, and then Mike Crapo, the Republican head of the Senate banking committee—address a roomful of well-breakfasted bankers. After the speeches and a few polite but pointed questions, the bankers head to lobby Capitol Hill.

They are not from Wall Street, but are community bankers, from towns large and small all over America. Some belong to the third or fourth generation running the family business. They each oversee only up to about \$10bn in assets, and most of them much less. But the Independent Community Bankers of America (ICBA) are both deeply rooted in their home soil and well organised. Almost every congressional district is home to at least one such bank.

Though their numbers have been falling for years (see chart), America's small banks are, by and large, in fair shape. According to the Federal Deposit Insurance Corporation (FDIC), a regulator, the 4,979 community banks reported an average re-

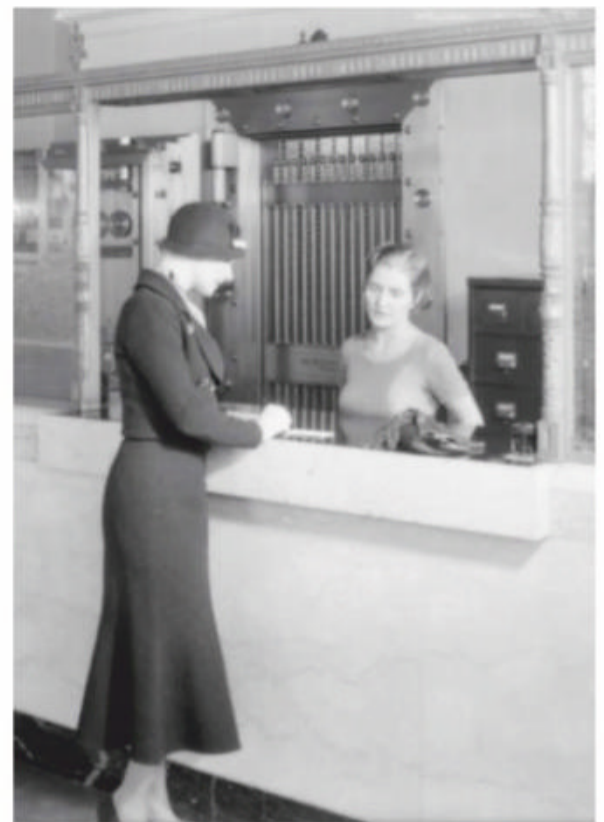
turn on equity of 10.6% last year—less than bigger banks, but nearly two percentage points more than in 2017 and the most since the financial crisis. Only 3.4% lost money, the lowest share on record.

Community bankers are at last finding their regulatory burden easier to shoulder. They groaned even more than big banks under the Dodd-Frank act, which bulked up the rule book after the crisis. In 2017 President Donald Trump promised them, during that year's outing to the capital, that he would lighten their load. Tim Zimmerman, who runs Standard Bank, a Pittsburgh lender with assets of \$1bn, detects "a difference in the tone at the top" of supervisory agencies, which all have new leaders. He and his peers also credit last year's Economic Growth, Regulatory Reform and Consumer Protection Act, which was partly the product of the ICBA's tireless lobbying.

The new act expanded the range of mortgages presumed to satisfy the detailed underwriting requirements, under Dodd-Frank rules, to assess borrowers' ability to repay. The loosening applies only to small lenders, which must keep the loans on their balance-sheets. Bankers had feared lawsuits from defaulting borrowers and say the risk made them wary of lending.

Capital rules are being simplified. If they satisfy a simple minimum leverage ratio, banks with less than \$10bn in assets will be exempt from the more complicated ratios laid down in Basel 3, an international post-crisis agreement. Quarterly "call reports" of banks' health, which had become ever thicker over the years, have been slimmed from 80 pages to 50-odd.

Community banks still have battles to fight. Regulators want to fix the leverage ratio at 9%. The ICBA wants 8%. Jelena McWilliams, chairman of the FDIC, says 80% of community banks satisfy the 9% limit; a lower figure would require additional forms of scrutiny. Bankers say that the shorter call reports omit pages that were anyway irrelevant and are filed only for the first and third quarters. Kathy Underwood of Ledyard National Bank, in New Hampshire, which has assets of \$500m, says one of her staff spends two weeks a quarter compiling call reports, even though "nothing really changes" from one to the next. The banks are keen on the SAFE Banking Act, which would legalise financial services for the marijuana trade. Mr Crapo is not. The drug is illegal in his



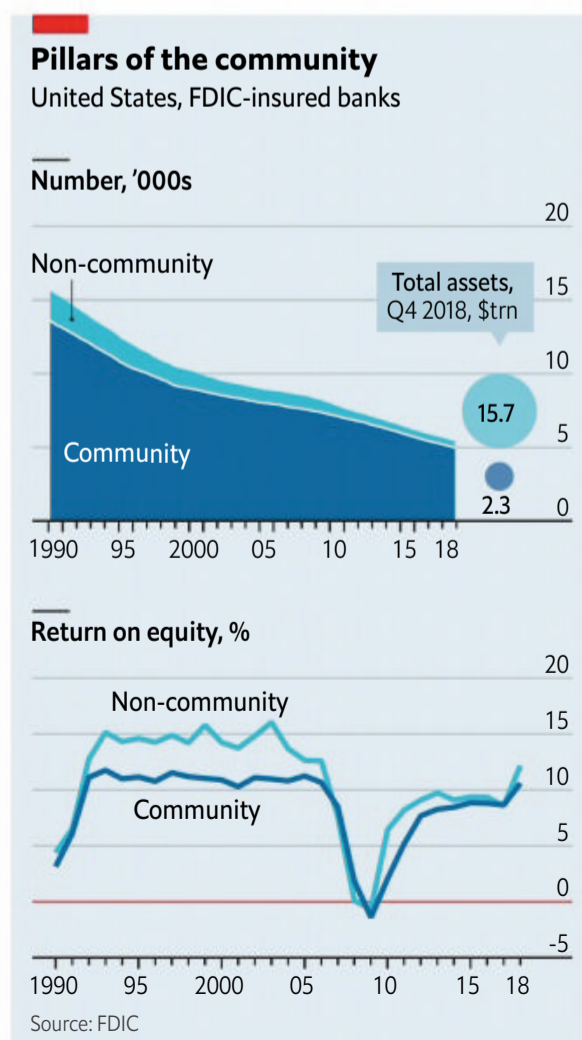
Facial-recognition technology

state, Idaho, as well as at federal level.

Despite their successes, in recent years community banks' ranks have been thinning by around five a week, mainly through mergers. Lighter regulation may help to slow the decline, because fixed compliance costs weigh heaviest on small businesses. A trickle of new banks is being founded; (after the crisis, the flow had dried up altogether). But reversal is unlikely. The smallest banks, with assets below \$100m, are most vulnerable. One in 12 tiddlers is unprofitable. They lend, on average, only 71% of their deposits, compared with 82% at banks with \$100m-1bn. When business is slow, it makes sense to sell up.

You may wonder whether community banks can thrive in the digital age against the sheer scale of America's giants. Their combined assets, \$2.3trn, roughly match those of Bank of America, the country's second-largest bank. Yet it seems they can. Incredible Bank, the digital operation of River Valley Bank, of Wausau, Wisconsin, collects deposits from more than 2,500 customers in all 50 states and makes online loans—notably for fancy mobile homes. Todd Nagel, River Valley's chief executive, says that in September the branch and digital sides will merge and Incredible will be the \$1.4bn bank's sole brand. The ICBA has an accelerator for fintech firms developing products for community banks.

Most important, local knowledge of the needs of small firms and family farms still counts. Community banks make more than 40% of small loans to businesses. Big banks have quit some rural spots or, says Alice Frazier of Bank of Charles Town in West Virginia, moved their commercial bankers to bigger towns. Community bankers aren't going anywhere. Except, of course, to Washington again next year. ■



## Free exchange | You'll never ride alone

*Single-passenger car rides are a luxury—an increasingly unaffordable one*



UBER'S INITIAL public offering, due after *The Economist* went to press, will be one of the largest in tech history. The hoopla cannot drown out uncertainty about the firm's future. Ride-hailing platforms have grown hugely in recent years, changing the face of urban transport. They have also been virtuosic losers of money (see Business section). Lyft made an operating loss of nearly \$1bn in 2018; Uber, about \$3bn. The flow of red ink mainly represents subsidies from investors to riders: cash that allows average Joes to feel as though they have a personal car at their beck and call. It will not last. But Uber passengers are not the only road-farers facing straitened circumstances. Car-related subsidies of all sorts are becoming harder to sustain. Their loss could reveal mass travel in single-occupancy cars to be a no-longer-affordable luxury.

The mania for tech platforms that match cars with riders rests on the idea that they can turn car-hire into critical urban-transport infrastructure. Perhaps ride-hailing could spare millions of people the cost of owning cars that mostly sit idle, and allow vehicles and roads to be used more efficiently. But increased scale has yet to turn losses to profits. To remain viable, Uber and its peers must make more money per trip. They could increase fares. But cheap rides have been crucial to building their user bases. However dominant one or another becomes, competing transport options remain, from personal cars to public transport to travellers' own two feet. Higher fares will make those alternatives more attractive.

Perhaps instead the firms could cut their per-ride costs. Payments to drivers are the juiciest target, and indeed Uber is keen to develop a fleet of driverless taxis (as are other firms, including Waymo and Tesla). Yet even these may struggle to turn a profit. A recent analysis by Ashley Nunes of the Massachusetts Institute of Technology and Kristen Hernandez, now at Securing America's Future Energy, an advocacy group, concludes that driving your own vehicle costs about \$0.72 per mile (inclusive of ownership costs and expenses such as fuel and parking charges), whereas the lowest break-even fare an operator of driverless taxis could expect to charge is \$1.31 per mile. While on duty, taxis rack up costs for items such as petrol, whether or not a fare-paying passenger is in the car. Furthermore, driverless cars would need some minding by human safety monitors, whose salaries must be covered by fares.

Until they turn profits, ride-hailing firms will be vulnerable to a loss of investors' patience. But drivers of private vehicles also receive plenty of implicit support. Drivers impose environmental hazards on others at no financial cost to themselves, from the health effects of local air pollution to the climate change resulting from carbon emissions. And then there is congestion. The right to use scarce road space is valuable. When it is given away, drivers overuse available roads, and clog them. The waste is colossal. An estimate by INRIX, a consulting firm, suggests that the value of time lost to traffic in 2018 in America alone reached \$87bn.

Removing the subsidy to drivers means pricing road space by levying tolls that increase with traffic. That would deter driving, and reduce congestion and other social costs of automobile use. Such charges are rarely popular with drivers. But governments' enthusiasm for new, untolled roads has dimmed. And they do not help much with traffic. Gilles Duranton of the University of Pennsylvania and Matthew Turner of Brown University posit a "fundamental law of road congestion": unless road space is priced appropriately, new capacity reduces the cost of driving, thereby inducing more of it, leading, eventually, to renewed congestion.

Uber passengers also benefit from subsidies to driving, and contribute to the social costs. According to new research published in the journal *Science Advances*, from 2010 to 2016 time lost to congestion in San Francisco rose by 62% more than it would have in the absence of ride-hailing vehicles on the city's streets. Were dirty fuels to face stiffer taxes or road tolls to be increased, those additional costs would probably increase fares. But there is reason to think that eliminating subsidies, while reducing driving, would nonetheless boost the ride-hailing business. Congestion delays the response to a request for a ride, which inconveniences passengers. And it raises the cost of operating taxis by increasing the time spent between dropping off one rider and picking up the next. The more efficiently firms can serve customers, the better their cost proposition relative to driving alone. So total trips would fall, but a greater share would involve an app-hailed vehicle. Tellingly, both Uber and Lyft spent money advocating for a recent budget measure in New York City that will introduce congestion-charging in parts of Manhattan. Similar efforts in other traffic-choked cities are likely to follow.

### Just what I needed

Should congestion pricing spread, ride-hailing firms might gain room to raise fares and survive, even without fresh injections of capital. Urban transport would nonetheless be transformed. Ride-hailing services have gained passengers, in part, by luring them away from public options. Higher fares would induce some to switch back. Ride-hailing firms might retain users by improving their car-pooling options. Congestion pricing would reduce the delay associated with multiple stops. Indeed, in a subsidy-free world car-pooling of all sorts would increase. On a once congestion-clogged highway in Northern Virginia, for example, the number of cars with multiple occupants has risen by 15% since the introduction in 2017 of tolls that vary with the level of congestion.

For decades, the striving working class has dreamed of the freedom to commute in the splendid isolation of a private car. "A man who, beyond the age of 26, finds himself on a bus can count himself as a failure," Margaret Thatcher is supposed to have said. The real failure may be a widespread, persistent reluctance to grapple with the cost of travel in vehicular solitude—whether with or without the aid of an app. ■



### Intelligent machinery

## Speaker see. Speaker do

### Household electronics are undergoing a sensory makeover

SMART SPEAKERS, like Amazon Echo, Google Home and Apple HomePod, are spreading rapidly, and it is now common to hear people asking such assistants to provide weather forecasts or traffic updates, or to play audiobooks or music from streaming services. But because a smart speaker can act only on what it hears, it has little understanding of objects and people in its vicinity, or what those people might be up to. Having such awareness might improve its performance—and might also let users communicate with these digital servants by deed as well as word. Several groups of researchers are therefore working on ways to extend smart speakers' sensory ranges.

One such effort is led by Chris Harrison and Gierad Laput of Carnegie Mellon University, in Pittsburgh, Pennsylvania. On May 6th, at a conference in Glasgow, Dr Harrison and Mr Laput unveiled their proposal, which they call SurfaceSight, to give smart speakers vision as well as hearing. Their chosen tool is lidar, a system that works, like radar, by bouncing a beam of electromagnetic waves off its surround-

ings and measuring how quickly those waves return. That information, run through appropriate software, builds up an image of what the beam is pointing at. If, as many radars do, a lidar then revolves, it can sweep the beam around to create a 360° picture of its surroundings.

Dr Harrison and Mr Laput have fitted such a system to an Amazon Echo speaker, permitting it to sense and identify nearby household objects and to recognise hand gestures—and, having been told what those gestures are intended to convey, to respond to them. At the moment, the lidar they use sweeps a six-millimetre-deep

beam around the speaker's base. It is thus able to see only things within that slice of space. This is a restriction on its effectiveness, but a deliberate one. The two researchers are sensitive to suggestions their system might be used to spy on its owner. Although widening its field of view would undoubtedly increase its utility, giving it tunnel vision of this sort helps overcome such suspicions.

Even with this restriction in place, however, the system's machine-learning software can be trained to recognise objects as diverse as saucepans, cereal boxes, screwdrivers, bunches of carrots and smartphones. It can also be trained to respond to this information in useful ways. One experimental app, for example, employs it to recognise utensils and ingredients laid out on a preparation surface and to check everything needed is available to cook a particular dish. Another app recognises the owner's smartphone and connects it automatically, via Bluetooth, to that individual's music collection.

Gesture recognition is similarly useful. When running the music app, a user might swap between tracks by swiping his fingers over the surface the lidar is scanning. The user of a teleconferencing app might similarly advance through a PowerPoint presentation. And, though SurfaceSight's laser beam cannot recognise particular people, it can be trained to sense how many of them are standing beside the surface it sits on—and which way they are facing. This ▶

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69 Protecting coral reefs



► means it could cajole those it deemed not to be paying attention to the aforementioned presentation (that is, those not facing inward) to follow things more avidly. Nor is the technology limited to smart speakers. It can, for example, be employed to control a thermostat.

### Knock knock. Who's there?

Dr Harrison and Mr Laput are not alone in making surfaces active. Swan Solutions of Houston, Texas, sells Knocki, an accelerometer which can be fixed to a surface to detect the vibrations made by someone knocking on that surface. Different devices—lamps or a television, say, as well as a smart speaker—can then be activated by anyone making the appropriate pre-arranged number of knocks.

### Success in academia

## Never give up

### New research confirms the value of an old proverb

**I**N 1968 ROBERT MERTON, a sociologist at Columbia University, identified a feature of academic life that he called the Matthew effect. The most talented scientists, he observed, tend to have access to the most resources and the best opportunities, and receive a disproportionate amount of credit for their work, thus amplifying their already enhanced reputations and careers. Less brilliant ones, meanwhile, are often left scrambling for money and recognition. Or, as St Matthew puts it (Chapter 13, verse 12), “For whosoever hath, to him shall be given, and he shall have more abundance: but whosoever hath not, from him shall be taken away even that he hath.”

The Matthew effect is undoubtedly real. But a more recent piece of research, by Yang Wang, Benjamin Jones and Dashun Wang of Northwestern University, in Illinois, suggests Matthew's verse is not the only relevant aphorism. Another, “If at first you don't succeed, try, try, try again”, also seems to be true.

The Drs Wang (who are unrelated) and Dr Jones discovered this by collecting data on grant applications. In particular they examined those submitted between 1990 and 2005 to America's National Institutes of Health (NIH) by junior-level scientists. Rather than analyse every proposal, they focused on two groups of applicants: those who received relatively high scores on their submissions but just missed getting a grant, and those who scored similarly well but just succeeded in being awarded one.

The three researchers found that, rather

Other firms, too, are attempting to build devices that are more aware of their surroundings—for example, by boosting their ability to recognise sounds. Audio Analytic, a British maker of sound-recognition technology, has developed and filed a patent on what it calls “brand sonification”. In this, distinctive noises characteristic of the use of a certain product, such as the pop made when removing the lid from a tube of potato crisps or the hiss of opening a can of drink, are recognised by a smart speaker—prompting it, perhaps, to offer discounts on related products.

That is technologically clever. How far Audio Analytic has thought this one through, though, is unclear. Being spied on by a smart speaker sounds bad enough. Being pestered by one might be worse. ■

than automatically holding the failures back, as the Matthew effect might be thought to predict, an early-career setback of this sort was sometimes associated with greater academic success in the long run. Those in the sample who missed out on funding were more likely to drop out altogether from the NIH system than those who won it. That came as no surprise. What did surprise was that those in the near-miss group who persevered and continued to apply for grants after their initial failure outperformed their counterparts who had succeeded first time, as measured by the number of citations of their research that they received over the subsequent ten years. On average, they garnered, over that period, 36% more citations and published 39% more “hit” papers (those with citations in the top 5%) than their near-win counterparts.

### True grit

While some of this can be explained by the weakest scientists in the no-grant group giving up, something else is going on as well. The three researchers showed this by removing the lowest-performing scientists from the group that had won grants until its dropout rate matched that of the group that had not. That done, they found that there was still a significant gap between the subsequent performances of the two groups. They thus conclude that other, unobservable, characteristics are at work—the sort of stuff that laymen refer to as “effort” or “grit”. ■

### Satellite internet

## Weaving a web in space

### How to provide fast internet access anywhere on the planet

**O**N MAY 6TH SpaceX, a private rocketry firm founded by Elon Musk, an internet entrepreneur, celebrated its 17th birthday. Despite being old enough to drive, the firm is still occasionally described as a startup. In reality, its ability to slash the cost of rocketry has given it a bulging order book and made it a pillar of the satellite-launch market.

But Mr Musk has not lost his appetite for adventure. On May 15th, assuming the weather holds, the firm will launch one of its Falcon rockets with an unusual payload. Instead of carrying another company's satellites, it will be packed full of dozens of small satellites of SpaceX's own design. They are prototypes for a project called Starlink, the intention of which is to deploy thousands of satellites in orbits close to Earth to provide internet access anywhere and everywhere on the surface of the planet—including to the estimated 3.5bn people who currently lack regular, high-quality connectivity.

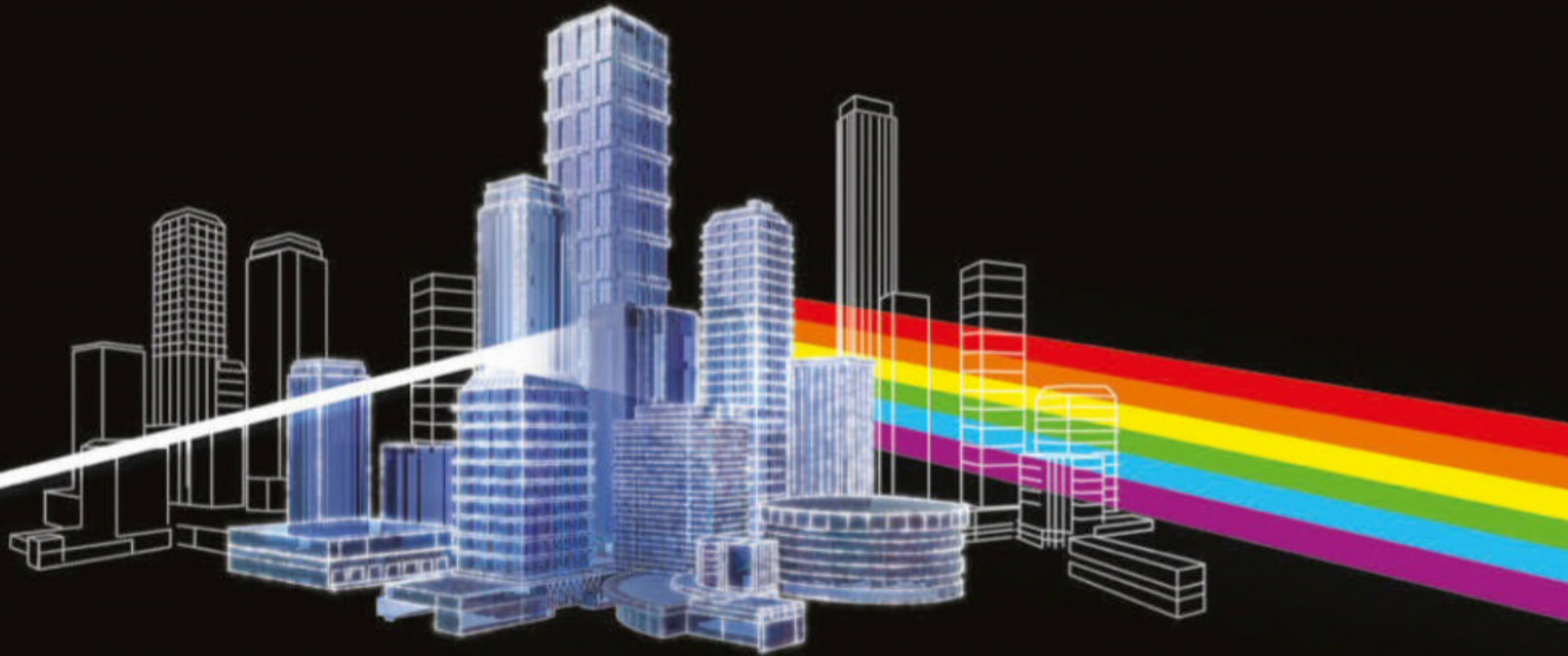
Communication satellites are not a new idea. But most existing ones orbit far above Earth's surface, in so-called geostationary orbits at a height of about 36,000km. That is the magic altitude at which a satellite orbits as fast as Earth rotates, and thus appears to hang fixed in the sky when seen from the ground. Starlink satellites, by ►►



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contrast, will fly in three sets of orbits at roughly 340km, 550km and 1,200km.

That will make things complicated. For one thing, Starlink will need a lot of satellites. The firm has said the system should be able to begin commercial service with around 800 of them. But applications filed with the Federal Communication Commission, an American regulator, suggest the firm may eventually be planning nearly 12,000. That is more than twice as many satellites as are currently in orbit (5,101 according to the United Nations Office for Outer Space Affairs), and almost half as many again as the total number of objects—8,539—sent into orbit since the dawn of the Space Age.

Low orbits mean that antennas on the ground must be able to track different satellites rapidly as they appear over the horizon and then vanish again. SpaceX has lodged plans for a million such ground stations. The satellites, meanwhile, must be able to hand customers off quickly to one another. (They are designed to communicate with each other via lasers.) Both of these things will be tricky. Flying low has benefits, though. The strength of a radio signal falls with the square of its distance, which means that communicating with Starlink will use a fraction of the energy needed to talk to high-flying geostationary comsats. And flying low reduces signal latency. The speed of light means that talking via a geostationary satellite imposes a delay of around half of a second.

For some applications, such as voice calls, low latency is nice. For others, such as remote manipulation of machinery, it is vital. Mark Handley, a computer scientist at University College, London, who has done modelling studies of how Starlink might work, thinks financial traders could be one lucrative market. Since light moves faster in a vacuum than through glass, SpaceX's network might provide quicker connections than the fibre-optic cables that currently carry most internet traffic, opening up new possibilities for arbitrage. At the same time, SpaceX is working on huge rockets that, if and when they fly, could help drive launch costs down even further.

It is not the only firm with ambitions to beam the internet from the sky. OneWeb, a company founded in 2012 and now part-owned by Airbus, a European aerospace firm, and SoftBank, a Japanese conglomerate, wants to do something similar. OneWeb launched six satellites in February, and expects that its finished constellation will contain about 900 of them. Amazon, Samsung, Boeing and others have toyed with similar plans, though they exist mostly on paper for now.

Whether any of this will actually happen is, of course, the biggest question of all. The idea is not new, says Jonathan McDowell, an astronomer and satellite-watcher at

the Harvard-Smithsonian Centre for Astrophysics, in Massachusetts. In the 1990s three firms—Iridium, Globalstar and Teledesic—tried something similar, albeit with fewer satellites. The satellites worked, but were expensive and slow, with limited capacity. And clunky hardware was needed on the ground to connect with them. The dotcom bust in 2000, says Dr McDowell, brought an end to their dreams of truly global internet access. Second time lucky? ■

## Formula E

### Zap!

PARIS

**Electric racing cars are catching up fast with petrol-driven ones**

FANS OF "STAR WARS" will never, in reality, be able to watch the Boonta Eve Classic Podrace on Tatooine. But they might find a pretty good substitute on the streets of Monaco, Berlin and New York over the next few months. The fifth Fédération Internationale de l'Automobile Formula E Championship, a class of motorsport that admits only electric-powered cars, has a lot of the hallmarks of pod racing—and not only because the cars, with their high-pitched, almost insect-like drones, sound eerily similar to the intergalactic racers portrayed in "The Phantom Menace". Blade-like points at the front and a huge wing at the back give them speed. Add sufficient power to these aerodynamics and you have something capable of reaching 280kph. That is pretty nifty, even by the standards of established Formula 1 racing.

The most recent ePrix of the season took place at the end of April, in a hailstorm. The circuit was the streets around Les Invalides, Louis XIV's monumental home for retired and injured soldiers in Paris. There were, as with fictional pod racing, a fair few

crashes and smashes before Robin Frijns, of the Envision Virgin Racing team, took his place on the winner's podium.

Formula E was conceived of originally as a means of demonstrating that electric motors are not, as many greens portray them, merely a worthy but slightly dull face of environmentalism. Actually, they are as exciting a means of propulsion as internal-combustion engines, if not better. That goal has been abundantly achieved, for Formula E is now the fastest-growing form of car racing.

Formula E cars are powered by an electric motor supplied by a lithium-ion battery that provides a quarter of a megawatt of power (335 horsepower, to petrolheads). They can accelerate from zero to 100kph in 2.8 seconds—as fast as an F1 car can manage (and also, some drivers privately admit, as fast as a human being can easily cope with). And, like their street-legal electric cousins, they are good at conserving energy, for when the driver takes his foot off the accelerator, the motor acts as a generator, braking the vehicle by turning its kinetic energy into electricity and thus recharging the battery at the same time.

Crucially, those batteries are getting better. Drivers in last year's Formula E Championship had to stop halfway through each 45-minute-long race to change cars. This year's entrants are all powered by a battery, made by McLaren Applied Technologies, a British firm, that offers twice the energy storage, and thus twice the range, of the pile previously employed. Batteries with longer lifespans make electric cars more suitable for long-distance travel—an important point for many private car owners who, even though most of the journeys they make are already within the range of a single charge, do not want to risk getting caught out chargeless and miles from home.

Formula E still has some way to go before it can take on the two-hour race durations of its fossil-fuel-powered big brother, F1. But it is racing along fast. ■



**Eat your heart out, Anakin**

## Extinction

**Dead end****A new report confirms that life on Earth is in trouble**

**A** MILLION SPECIES of animals and plants are threatened with extinction. Three-quarters of the world's land and two-thirds of its marine environments have been "significantly altered" by human action. Urban areas have doubled in size in just the past 30 years. More than 85% of wetlands have been lost. More than 90% of ocean fish stocks are being harvested at or above sustainable levels. These are among claims made in a report published on May 6th by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, a big international quango.

The report, based on 15,000 research papers, makes grim reading. More than 40% of amphibians are threatened with extinction, as are a third of marine mammals, a third of sharks and a third of corals (a novel idea for the protection of which is described in the next story). Even 10% of the world's insects are on the brink.

A cynic might suggest that 1m is a suspiciously headline-grabbing figure. It is, indeed, only a little short of the number of animal and plant species (around 950,000 and 200,000 respectively) currently recognised and described by science. And its accuracy depends on many assumptions. But it is probably not a bad guess.

A consensus is emerging of there being some 8m species of animals and plants (the report ignores bacteria, fungi and unicellular creatures like *Amoeba*). Using figures from the International Union for Conservation of Nature (IUCN), which publishes an annual Red List of Threatened Species, the report's authors looked at the proportion of threatened species in well-studied groups of organisms and extrapolated.

In those groups, the IUCN reckons around a quarter of species are at risk of extinction. Many of the best-studied groups, however, are vertebrate animals, while most animals are invertebrates. Extrapolating from vertebrates to invertebrates is risky. The authors therefore made an exception for insects, the most speciose group (5.5m of the 8m purported species). For these they suggest 10% might be threatened with extinction—a figure in line with one derived by combining data on habitat degradation with the known relationship between habitat area and species numbers. This suggests 9% of terrestrial animals (most of which are insects) are threatened with extinction. Add the figures up and a bit over 1m is what you get. Depressing. ■



Protecting coral reefs

**Please do not bleach****An idea to save coral reefs from climate change takes a step forward**

**B**LEACHING IS BAD for coral. It happens when heat-stressed polyps, the sessile animals that construct coral reefs, eject the photosynthetic algae which usually reside within them. These algae are symbionts, providing nutrients to their hosts in return for shelter, so losing them is harmful to polyps and often results in their death. The higher temperatures brought about by global warming have therefore led to worries that more frequent episodes of bleaching might result in the loss of entire reefs.

Some of these symbiotic arrangements between alga and animal are, however, more heat-sensitive than others. It might therefore be possible to save reefs by seeding them with heat-resistant symbioses. As temperatures rose, these biological partnerships would spread and the reef they had been transplanted to would survive. Two researchers studying this idea are Megan Morikawa and Stephen Palumbi of Stanford University, in California. And they have just published a paper in the *Proceedings of the National Academy of Sciences* which suggests that it might work.

Dr Morikawa and Dr Palumbi started by collecting 20 representatives of each of four types of coral from a lagoon off the coast of American Samoa. They picked the lagoon in question because it was small and shallow, and thus had limited water circulation. This meant it often experienced temperature spikes, so any corals living within it would be expected to be adapted to endure such spikes. Laboratory tests proved those expectations correct.

The researchers then picked a second reef, 3km from the original lagoon, which had similar mean temperatures over the year but experienced lower daily temperature fluctuations. They seeded this with 400 fragments derived from their collected samples and a further 400 that were not heat-resistant, to act as controls. The original plan had been to let these transplanted corals grow for a while in their new environment and then bring them back to base for testing. Nature, however, intervened. Eight months after the seeding, soaring temperatures caused extensive bleaching on the reef.

Their hands thus forced, Dr Morikawa and Dr Palumbi put on their scuba gear and went diving to see how their transplants had fared. They found that those from resistant colonies were between a half and a third as likely to have become bleached as were the controls. Moreover, when they returned to the parent corals in the shallow lagoon and looked at the health of these after the bleaching event, they found that the experience of the parents tended to match that of their offspring. The eight months of acclimatisation and growth the transplants had undergone had not, in other words, eliminated the heat tolerance they inherited from their parent colonies.

Though eight months is not that long, this result is encouraging. Dr Morikawa and Dr Palumbi now plan an extended study in Palau. If that proves successful, then the idea of saving reefs by seeding them with heat-resistant strains will have received a significant boost.



The uses of antiquity

## An artist of the floating world

DELOS

A groundbreaking show on a Greek island mixes classical and contemporary art

**E**UCLID, THE father of geometry, ordained that the centre of a circle must be a fixed point. The Greek island of Delos, a thirsty patch of rock and thin soil that lies, roughly, at the midpoint of a ring of islands known as the Cyclades, violated this rule. The ancients imagined it to be drifting perpetually. It was said to have gained a fixed location only after serving as the birthplace of Apollo, god of wisdom and light, and probably also of Artemis, the moon goddess. Its reward for this hospitality was to be bound to the seabed by diamond chains. Previously known as Adilos (invisible, unmanifested), it was given the new name of Delos, which suggests something shown or demonstrated.

Stable co-ordinates were no guarantee of a stable life. In the realm of real history, this holy speck of land was contested by rival islands, city-states, empires and trading interests. At first there were benign competitions to build the finest temple; but in the Hellenistic and Roman eras Delos became an earthy duty-free market where slaves were the most visible commodity. More than 20,000 people lived on a

dot 5km long by 1.5km wide; some had prosperous homes with superb mosaics. But there are also traces of a terrifying fire.

Sir Antony Gormley, one of Britain's foremost public artists, says he could sense all these legacies in the shape-shifting environment when he set about installing his own iron sculptures amid the rocks, the antiquities and the sea. On chilly days, the water and the island's crust are a similar shade of grey; on sunny ones the granite reflects the sun and merges with the sky. Sir Antony says he understands why Delos was once seen as drifting: "There is a feeling of being extended into space at large." This spring its beauty is outstanding: a wet winter has left a gorgeous carpet of flowers.

Twenty-nine of Sir Antony's anthropo-

morphic figures will stand on Delos until the end of October. Some are visibly cast from human bodies (including his own), others are an assembly of brick-based shapes which only approximate to *Homo sapiens*. Five of the works were made specially for the exhibition; the rest were produced during his 20-year study of the relationship between bodies and their environments. On Delos they also represent a startling experiment in juxtaposing classical and contemporary art—and a rare exception to Greece's stringent attitude to the uses of its antiquities.

### Rock and a hard place

Nobody but custodians may live on the holy isle, but each year about 165,000 people sail to Delos in packed boats, either from the swanky island of Mykonos or from cruise-ships. The lifelike statue that stands guard in the water at the north-western tip will catch visitors by the throat as they chug towards the quay. Other sculptures, like the highly abstracted prone figure planted in an ancient theatre, are more provocative. The heavy blocks of iron are placed stolidly in a spot that once hosted sophisticated classical tragedies.

Having grown up Catholic but later immersed himself in Buddhism, Sir Antony abhors rigid religious systems. All the spiritual art of the past involves subservience to established ways of thinking and power structures, he contends. He tries to avoid that, calling his works a suggestion or a stimulus. They invite human beings to re-▶▶

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▶ inhabit their bodies and overcome their alienation from nature, which in his view all civilisation, even that of classical Hellas, has inflicted. His choice of iron has a double meaning: it is a core material of the planet, but also the basis for the Industrial Revolution with all its collateral damage.

For reasons of both practicality and cultural politics, the installation has itself been a big, expensive feat. For a start, eight of the sculptures had to be delivered by chartered helicopter. Among the organisers of the show, named “Sight”, is Neon, a foundation established by Dimitris Daskalopoulos, a Greek businessman. In an unusually seamless case, for Greece, of public-private collaboration, Neon has worked with the department of the culture ministry that oversees the Cyclades. Together they approached the Central Archaeological Council, which jealously guards classical sites; it insisted that no sculptures be placed in the most sacred parts of the ancient temples.

Even with the provisos, the permission to stage the exhibit was unusual. In the history of independent Greece, its antiquities have been put to unconventional use only a small number of times. In the 1850s British and French soldiers held a banquet in the Parthenon; for proud Greeks, this was provocative behaviour by countries which already held much looted Hellenic art. In the 1920s a Greek photographer called Nelly induced famous ballerinas to pose nearly or completely nude around the Parthenon. Isadora Duncan, a matriarch of modern dance, had been more decent as she twirled around the columns a few years earlier.

Demand from film-makers for ancient Greek locations has posed fresh dilemmas. Permission to shoot on the Acropolis was granted to Francis Ford Coppola; the BBC’s bid to use the temple at Sounion, south of Athens, for “The Little Drummer Girl”, a mini-series, was accepted, too, though only after the broadcaster made revisions to its plans. But Gucci, the fashion house, was sent packing in 2017 when it asked to stage an event on the Athenian rock. And woe betide the tourist who attempts any spontaneous re-enactment. Don a classical dress and pose for friends in front of a pillar, and you risk a scolding from a guard.

Films and other cultural events in the vicinity of the antiquities should be “an exception, not an addiction”, says Manolis Korres, doyen of conservation at the Acropolis. So in its boldness, its extravagance and its challenge to a revered location, the Delos show will very likely prove a one-off. “Nothing like this will ever happen again,” guesses Dimitris Athanasoulis, the culture-ministry mandarin who oversees the Cyclades. For now, Sir Antony hopes, his figures stand like acupuncture needles on the island’s craggy surface, primed to reactivate its mystical energies. ■

### What lies beneath

## Another country

**Underland: A Deep Time Journey.** By Robert Macfarlane. *W.W. Norton*; 384 pages; \$27.95. *Hamish Hamilton*; £20

WHEREVER THEY walk, people tend to look up, ignoring the world beneath their feet. For that world is dark. When it is cut open, for city drain-work or open-cast mining, the raw, muddy scar seems repellent. Few want to venture into it, let alone go deeper, where the light gradually diminishes and the bedrock closes in.

Yet as Robert Macfarlane points out, in his best and most lyrical book of nature-writing since “The Wild Places”, humanity’s relationship with this underland is complex and contradictory. It is a place to hide both what is precious and what is revolting—including objects that excite both feelings, such as the bodies of the dead. The underland is rifled for treasure, oil, gold, rare earths; it is visited by heroes and shamans to retrieve memories, discover mysteries, consort with ghosts (Aeneas) or rescue love (Orpheus). At one point Mr Macfarlane combines these enterprises, rattling in a truck for miles through the tunnels of a giant potash mine under the North Sea. He debouches in a laboratory where, in the necessary pitch-dark and silence, a young scientist sits watching deep space to catch, if he can, the invisible tremor of dark matter on the last, least particles that humans can observe.

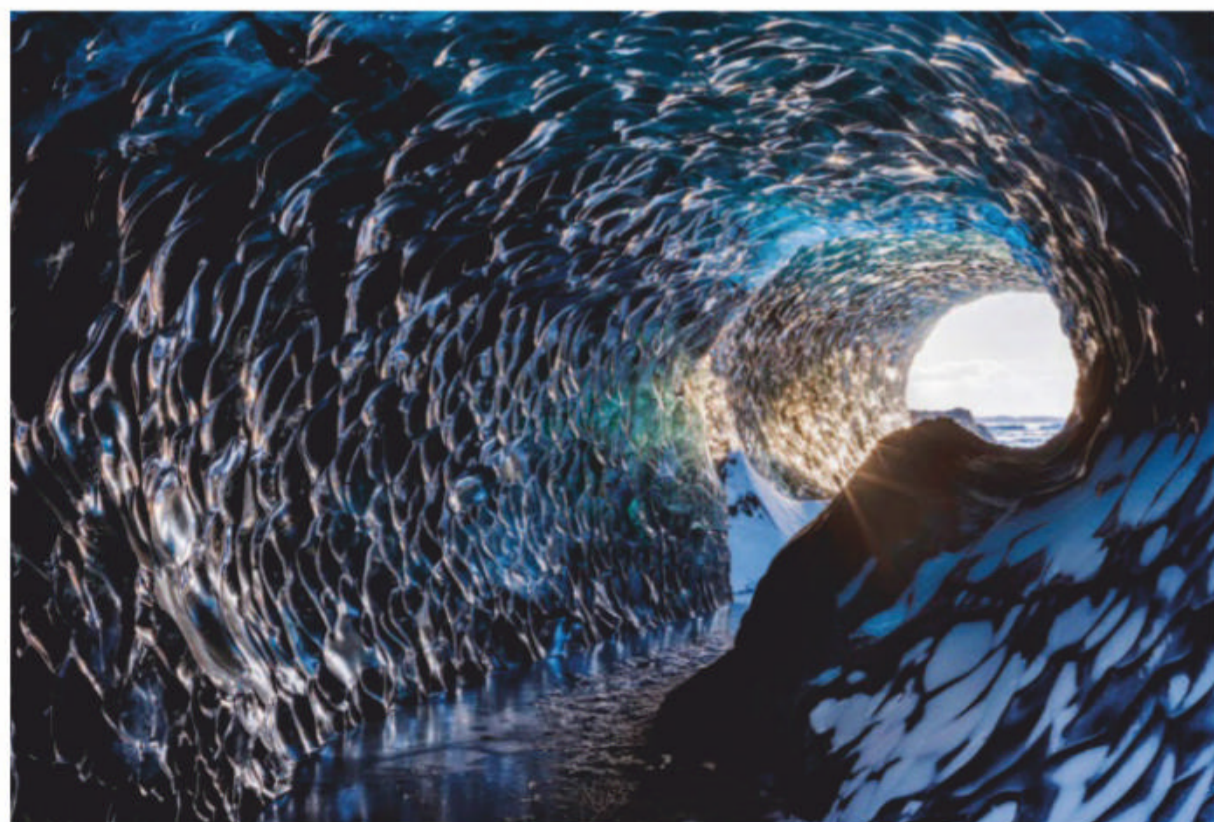
Once again, then, as naturally as in an-

cient times, knowledge of the true nature of things is being sought in the depths. And once again, other depths are concealing what humans do not want to know. Few readers will be aware—so vastly accommodating and patient is the Earth—that at Olkiluoto in Finland, down a road through birch woods and saltmarsh, a “tomb” is being built to hold 6,500 tonnes of nuclear waste with a half-life of 4.46bn years.

The name of this tomb, Onkalo, suggests both a hiding place and hell. The underland is often hellish, not so much for its obscurity (for it is often lit by torches or helmet lamps, and Mr Macfarlane has an owl mascot to help him see in the dark), as for its horrible constriction, and the weight of the world above. This is not a book for claustrophobes. In the Mendips in Somerset the author works his way sideways through a diagonal slit between two angled planes of rock, a “deep time space” that will only just admit him, squeezed by an immense overhang. Far beneath Paris, in the labyrinth of tunnels cut into the limestone to accommodate the overflowing dead of the city, he slithers along a crawl space, the back of his skull scraping on rock and his face pressed into gravel.

These defiles sometimes open on surprises: dunes of black and gold sand, a roaring river writhing with strange white shapes, a long-lost Cabinet of Mineralogy belonging to a School of Mines. But such scenes are rare, and hard won. As a man of the mountains and open air, Mr Macfarlane often feels his fear “like bats, flocking and tangling”. His terror is not merely his; it is ancestral and primeval.

In one of his most fascinating chapters, however, he stays on the surface. Safely seated among the coppiced beeches of Epping Forest, east of London, he learns from ▶▶



Going underground

▶ a mycologist about the near-invisible networks of fungi, “the wood wide web”, which connect trees in infinite succession below ground, another buried city. Through this web trees succour sick companions, co-operate and communicate, in ways still mysterious to those who walk above. Whenever he himself moves, sleeps and eats underground, he likes to think he is leading a similar unsuspected life.

Swiftly, he becomes good friends with his guides and helpers through this hostile world. His most emotional response, however, is reserved for the humans who

braved the underland millennia before: the mourners who laid corpses there, gently covered with a swan’s wing, or with coins pressed on their eyes to pay their fare across the Styx; or the artists who, at Chauvet in France, left their palettes and tapers below the bison they had painted. In one remote cave on the west coast of Norway, discovering a faint but spirited array of red stick-dancers, he simply collapses in tears.

Man’s impact on the underland is no longer benign. The bedrock is hollowed to hold poison and trash, while the depths of the ice-cap are warming and shifting. In

the Arctic, Mr Macfarlane watches a melting glacier calve: it seems to disgorge a whole city of ice. Cavers and miners of the future will spot the Anthropocene as a stratified layer of plastic, which he finds strewn on beaches in the farthest points of the Lofoten Islands. His book is suffused with sadness for this. He finds comfort where he can: in the innocence of children, the company of friends, the light-drenched vividness of surface life, which cries out to be cherished—and in the astronomer who, confined to the dark, patiently turns towards the stars. ■

## Johnson Degrees of separation



Words, like people, have tangled and extensive family trees

IT IS NATURAL to try to find resemblances in family photos: grandma’s nose here, Uncle Jim’s hairline there. When considering the family of English words, it is tempting to look for the same sort of likenesses. Often they are real; for instance, *regal* and *royal* derive from the same source, which was imported into English twice, from both Grandpa Latin and Aunt French.

But often they are not. In the human world, people sometimes find out to their shock that they are adopted, or take a DNA test and discover a surprising parentage. At this point, resemblances that they thought were genetic turn out to be illusory. Similarly, two words can look so alike that it seems they simply must be siblings—yet they aren’t.

Take *pawn* the verb and *pawn* the noun. Both have to do with exchanging something for something else of value. In chess, a pawn is sacrificed for strategic advantage; at the pawn shop, a guitar is sacrificed for much-needed cash. Are they variants of the same word? No. While one word can develop many senses—to *run* a computer program is descended from the word to *run* with your legs—sometimes two words identical in spelling and pronunciation have entirely separate origins.

As with *pawn*. The verb may be from a Germanic root meaning “surety”, which made its way into English via French; in modern German, *Pfand* is a “deposit”. The chess-piece, though, has a totally different story. It came from (Norman) French, as *paun*, but that in turn came from Latin *pedon*—a foot soldier (compare *pedestrian*). Since a foot soldier is lowly and dispensable, it came to mean a sacrificable chess-piece, and, in other languages, a menial labourer. English borrowed *peon*, another form of the same

word, from Spanish. *Pawn* is related to *peon*, but not to *pawn*.

This kind of thing is all over the language. *Repair* (to fix) and *repair* (as in “let’s repair to the smoking room”) look like they must be the same word with different meanings. In fact, they are pawn-style homonyms. The “fix” word comes from Latin *reparare*, to set something right again; the return/retire meaning comes from *repatriare*, to go back to your country.

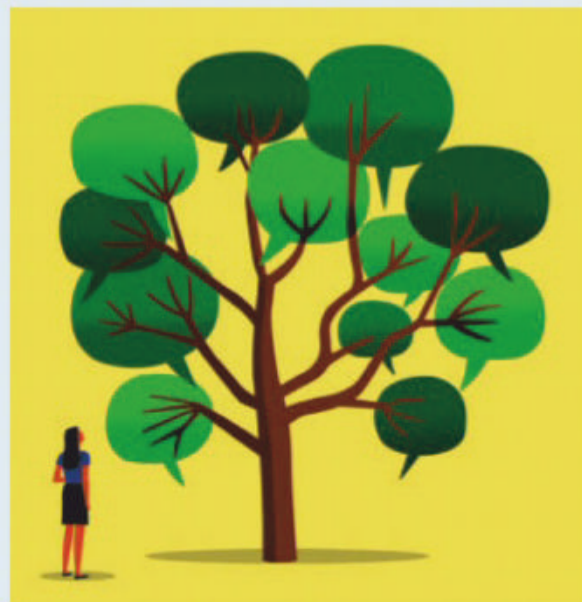
*Isle* and *island* seem to be obvious relatives. In fact their resemblance is happenstance combined with human error. “Isle” comes from Latin *insula*; its “s” became silent in its voyage through French. But *island* is Germanic (the *-land* is a hint, and the “i” is reminiscent of cousins like Icelandic *eyja*). Medieval writers mistakenly thought that the word, then written as *iland*, came from *insula* too. They inserted the “s” to reflect that (incorrect) etymology. It has never been pronounced.

In fact, odd as it may seem, *island* is related to *aquatic*. The source of nearly every language in Europe and many in the Middle East and South Asia is Proto-Indo-

European (PIE), spoken perhaps 5,000 years ago. That’s enough time for some truly scrambling sound changes: PIE’s *akwa* mutated into *agwjo*, *aujo* and *ieg* in the Germanic branch of the family before becoming the “i” in *island*. In the Romance branch, it stayed closer to its roots and became Latin *aqua*. Reconstructing PIE is one of the unsung achievements of modern science. Working backwards from today’s languages through written classical ones allowed philologists to discover systematic changes, which in turn let them peer further into the past to posit what the unwritten PIE would have sounded like.

Browsing through an index of Indo-European roots (the American Heritage Dictionary website has an excellent one) enables verbal discoveries as startling as the fact that Dick Cheney is distantly related to Barack Obama. *Dyeu* (to shine) not only yielded *day* and *diary* but *deity* and *divine*, plus the gods’ names *Jove*, *Jupiter*, *Zeus* and *Tiu*. That last term, for a Norse god, appears in *Tuesday*—which therefore includes *dyeu* twice.

Since PIE’s descendants are now spoken from Donegal to the Bay of Bengal, the “family” in question is not just the vocabulary of English but that of some 3bn people speaking over 400 modern languages. The stories of words that are surprisingly unrelated (*pawn-pawn*, *repair-repair*) are overwhelmed by the number of those that are just as startlingly connected (*island-aquatic*, *divine-Tuesday*). Those links are a good reminder of just how big the circle of family can be drawn, if you are open-minded enough in today’s nervously nationalist age. Time and distance can too easily obscure the fact that words—like people—have many more relatives than they might seem to.



## Urban fiction

## Tales of the cities

**Walking on the Ceiling.** By Aysegul Savas. Riverhead Books; 224 pages; \$26 and £18.99

**I**N ORHAN PAMUK'S novel "A Strangeness in My Mind", a character admits to floundering in the author's native Istanbul: "Being alone in this big city is unbearable." The sentiment is shared by the protagonist of "Walking on the Ceiling", a debut by another Turkish writer, Aysegul Savas. Despite its vitality and bustle, Nunu finds Istanbul infused with "a poetic sadness", and a loneliness that "robs you of words".

Lonely as Nunu is, she narrates an original, mesmerising story about growing up in a fractured Istanbul family and spending time with a kindred spirit in Paris, where she moves after her mother's death. In a bookshop she meets M., a fellow foreigner (British, in his case) and one of her favourite writers. An unlikely friendship develops. Soon they are corresponding, devising a private slang, and going on long exploratory walks around the French capital. He shows her new ways of seeing the city; in exchange, she provides material—hometown details, childhood recollections and "stories that weren't quite mine"—for his work in progress set in Turkey.

As Nunu traverses Paris, taking in sights and sounds, she also offers flashbacks of the life she left behind. She tells of her father's death, the summers she spent at her grandparents' house, Sunday walks along the Bosphorus, and most of all her difficult relationship with her unhappy mother. And she meditates on the "new political climate" in Istanbul, in which "there was no knowing what would happen next."

All this makes for a fragmented narrative, composed of scattered, occasionally scrambled, remembrances. Ms Savas (who writes in English) flits between places and times. Each short, sharp chapter is either a discrete thought or deed, or the next stage of a city walk or relationship. Some sections are little more than vignettes that are over before they have properly begun. Others succinctly convey a fraught moment, intimate encounter or pivotal discovery.

At the outset Nunu describes her account as an "incomplete inventory". Not every reader will appreciate the disjointed storytelling: an intriguingly dangling thread for one will be a frustrating loose end for another. In the end, though, Ms Savas allows a coherent and rewarding whole to emerge. The result is a beguiling tale of two cities which expertly illuminates "the devious ways of memory". ■



## Religion in America

## Beyond belief

**Sacred Liberty: America's Long, Bloody and Ongoing Struggle for Religious Freedom.** By Steven Waldman. HarperOne; 405 pages; \$28.99

**A**BENIGN PARADOX lies at the heart of America's approach to religion. It is far more devout than other wealthy Western countries. While 6% of British adults report praying every day, over half of Americans say they do. Yet, observant but diverse in their beliefs, Americans are remarkably accepting of other faiths.

Steven Waldman, the author of a fine history of the religious views of the Founding Fathers, has now written a powerful account of American religion since the colonial period. As he recounts, Thomas Jefferson and James Madison ardently supported the separation of government and religion. The First Amendment duly provides that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof." The pair were in the minority, however. Before the revolution, Quakers in Puritan Massachusetts were whipped and hanged. Baptists in Virginia were jailed. The constitution's religious strictures were not fully enforced until the first world war.

"Sacred Liberty" chronicles a general trend towards toleration—punctuated by outrages. In 1838 the governor of Missouri ordered the extermination of Mormons; a massacre ensued. In the 1920s and 1930s the anti-Catholic, anti-Jewish Ku Klux Klan gained power in several states. Twenty thousand people attended a Nazi rally at New York's Madison Square Garden in 1939.

The second world war shifted attitudes decisively. The draft mixed men of all faiths as comrades-in-arms. The entertainment industry chimed in. "Religion doesn't make any real difference," Frank Sinatra says in a short film of 1945, "except to a Nazi or a dope." To be anti-Semitic was to be Hitler's ally; the concept of a Judaeo-Christian heritage took hold. For his part, Franklin Roosevelt advocated the "freedom of every person to worship God in his own way—everywhere in the world". Later, describing the struggle against atheistic communism, Harry Truman declared that there had never been a cause greater than defending "the right to worship God—each as he sees fit". The Supreme Court began vigorously to protect religious freedom.

In those days a Supreme Court without a Protestant majority was unthinkable. In 2010 the advent of a bench composed of six Catholic justices, three Jews and no Protestants was barely noticed. Jews are now the country's best liked religious group—but the warm attitudes transcend philo-Semitism. By 2010 around half of all Americans had a spouse of a different religious tradition. Neighbourhoods, workplaces and friendships have become more religiously diverse. As Robert Putnam and David Campbell put it in "American Grace" (2010), a magisterial study that Mr Waldman cites: "It is difficult to demonise the religion, or lack of religion, of people you know and, especially, those you love." Messrs Putnam and Campbell found that, within the big faiths, overwhelming majorities of Americans believe that good people of other creeds can go to heaven.

Meanwhile, zealous as America may seem to outsiders, religion, particularly the organised kind, is becoming far less important. When pollsters queried religious preferences in the 1950s, some 95% of Americans gave a specific denomination or tradition. In recent surveys, the share who say they have no particular religion is roughly the same as those who identify as Protestant. The "nones" now comprise 40% or more of 18- to 44-year-olds.

"Sacred Liberty" concludes with an analysis of the present. These days, Mr Waldman points out, the divisive religious cases before the Supreme Court sometimes involve what, by historical standards, are comparatively trivial issues, such as a baker's reluctance to make a cake for a gay wedding. Even America's most demonised religious group mostly feel secure. According to a survey by Pew in 2017—after the vitriol of Donald Trump's campaign—over half of Muslims regarded other Americans as generally favourable to them. Only 14% saw their compatriots as unfavourable.

This insightful study is grounds for guarded optimism. It shows that the advance of decency has been steady, heartening—and fragile. ■





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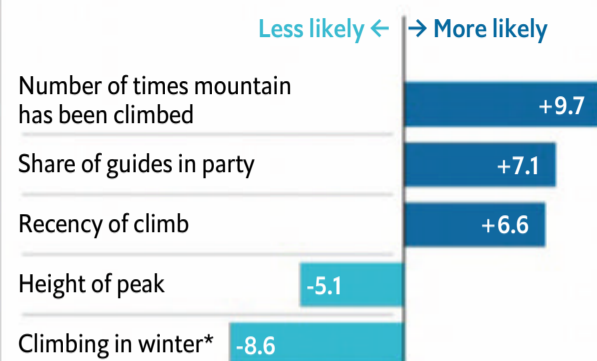


Compared with other Himalayan peaks, climbing Everest is getting easier

Climbers' odds of success vary based on when, how high and with whom they climb

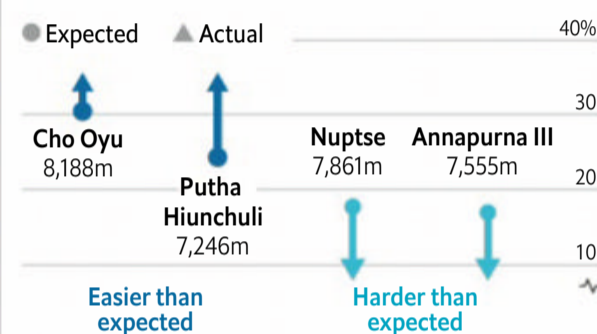
Factors with biggest impact on probability of reaching a Himalayan summit

%-point change for every one-standard-deviation increase, relative to an average climb

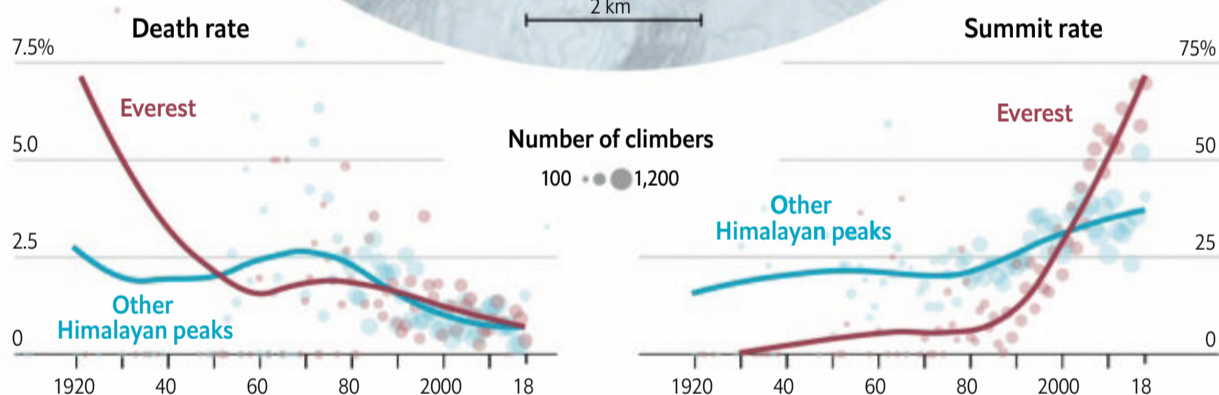
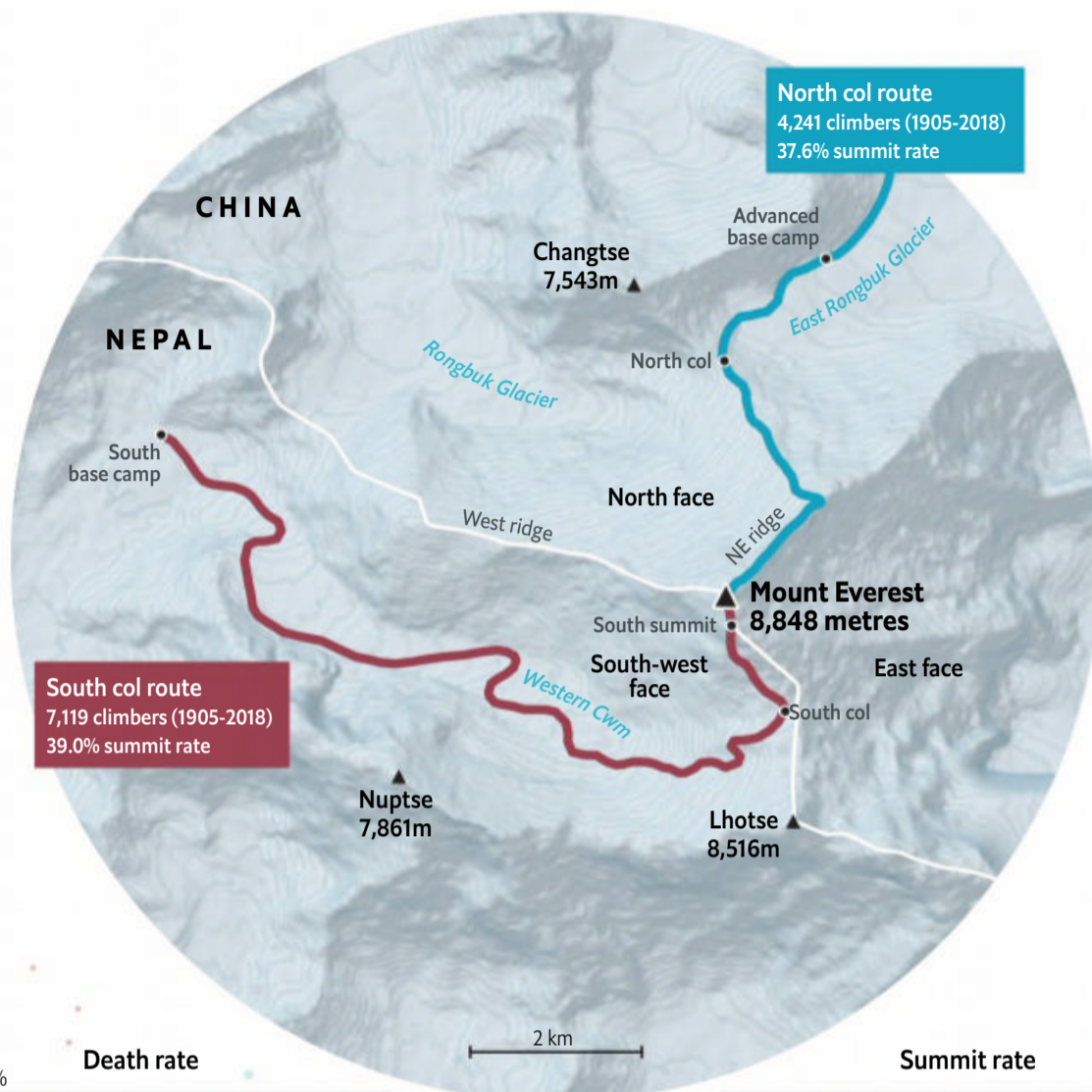


Expected rate of reaching summit v actual

Based on factors listed above



Source: Himalayan Database. All figures exclude guides. Chinese and Nepalese peaks only. \*Compared with other seasons



## Not so rare air

Climbers' success rate on Everest is higher than any other Himalayan peak

BEFORE EDMUND HILLARY and Tenzing Norgay set foot on the summit of Mount Everest in 1953, at least 145 other climbers had tried and failed to reach Earth's highest point. In 1924 a British team got within 250 metres of the top, but turned back after two members (who may or may not have reached the peak) vanished.

Scaling Everest was scarcely easier afterwards. Excluding guides, just 9% of people making an attempt reached the summit from 1954-83, while 2% died. As climate change thaws the snow, the remains of many of these victims have emerged—including one of the lost climbers from 1924.

But since the 1990s, the pinnacle of

mountaineering has become accessible. In 1994-2003, 24% of Everest climbers got to the top, double the rate in the previous decade. The share doubled again, to 51%, in 2004-13. In the past three complete climbing seasons, 66% have made it. The first summit attempts of 2019 are due this week.

Technology accounts for some of these gains. Oxygen tanks deliver twice as much gas as before, and suffer fewer leaks. Suits and gloves made from high-quality down and double-insulated boots keep climbers warmer. And better weather forecasting has minimised unpleasant surprises.

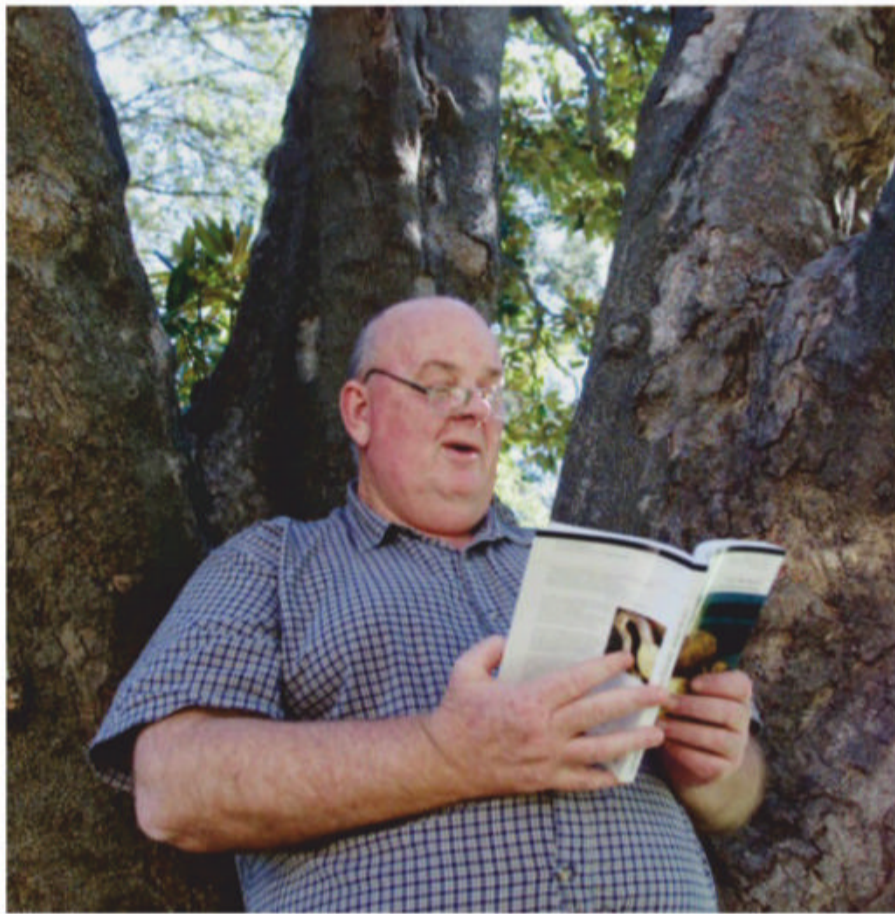
However, these advances help just as much on other peaks. And summit rates elsewhere have risen much less. Among the 13 Himalayan mountains with available records that were climbed by at least 40 people since 2016, Everest's summit rate was the fourth-lowest before 1994. In the past three years it has been the highest.

Two factors probably account for this trend. First, Sherpas set up ladders and ropes along the entirety of the two most

popular Everest routes, which are used by 98% of climbers. This work is perilous—an avalanche killed 16 Sherpas in 2014—but makes the ascent easier for foreigners.

In addition, the bulk of Everest climbers today hire private firms to bring them up and down alive. In contrast, grizzled daredevils seek harder challenges on other mountains. A few peaks stand out for their difficulty, after adjusting for factors like their height; the season, year and number of guides for each expedition; and how many people have tried to ascend them. Climbers on popular routes benefit from greater infrastructure and know-how.

Take Nuptse, whose snow is especially loose and dangerous. Just 8% of its climbers have succeeded, less than half the 19% predicted by a model we built using the factors above. Its victims include Ueli Steck, a renowned alpinist who fell 1km to his death in 2017. Another siren is the Annapurna massif. For every ten people to reach its three highest summits, three have died trying. The latest perished just last week. ■



## A bard for the left-out

**Les Murray, Australia's greatest modern poet, died on April 29th, aged 80**

WHEN HE GOT too curious as a baby, which was most of the time, Les Murray's parents would tether him to a bench-leg in the yard. There, straining aslant, he took in the world that was to shape his work for good. Low scrubby hills with red cattle on them, stretching to tall woods and the creek that ran through Bunyah, a hamlet with no main road in northern New South Wales. The house, a shack of wood slabs with a tin roof, without power or much of a floor, where drought hissed out of the water tank. Hens, pigs, Bluey the cattle dog. "Lank poverty, dank poverty", he wrote; "its pants wear through at fork and knee,/ It warms its hands over burning shames..." He came to speak for all Australia's white rural poor, and was pleased to irritate the hell out of the liberal metropolitan intellectuals of Sydney and Melbourne by showing that his poetry came from that left-out place. One collection, called "Sub-human Redneck Poems", won the T.S. Eliot prize. A shame that he didn't have too much time for Eliot and his like.

There were many prizes, for he was a great spigot of words which, once flowing, wouldn't easily stop: poems most notably, but essays and criticism too. In 1961 he got his first poem into the *Bulletin*, Australia's foremost literary magazine; by 1973 he was editor of *Poetry Australia*; by 1994 he was tipped to win the Nobel. When required he could squeeze into a suit, but he made his roots plain in his bulky, towering presence, his off-duty preference for shorts and bush hats, his random domestication (gravy slurped from the plate) and a gappy smile unfixed by cosmetologists. As he recited his poems his eyes would roll up in his head, as though he was a hundred miles beyond the lecture hall.

Nature was always his first resource: shadows of barns "thin with frosted straw", parrots "twinkling down", cornfields "decaying/to slatternly paper", the forest trees in spring "feathering/With gold of emergence". Every aspect of cows pleased him: their "hull-down affinities" when grazing, their "curveting, fish-leaping"

when made anxious, the "puffed felt" of their manure. He wrote too of the cities he had to work in, with their mirror skyscrapers ("Jade suits pitched frameless up the sky"), of the suburbs with their "calendared kitchens" and the "dazed white sand" of beach towns in January, but then he could write about and catch anything. When he could, he reverted to what he loved.

His native air had given him a cornucopia of words. The dialect of Bunyah, heavily laced with the "black poetry" of swearing; prayers from the kirk (at three he was fascinated for days by the phrase "trespass against us"); Aboriginal place-names, which he later used as mantras for their rhythm and sound. At nearby Coolongolook, watching mayflies one evening on the river, he decided at 18 that he would be a poet. He became a mighty devourer of encyclopedias, libraries and other languages, but his lasting love was for "bush-syllabary". Like the Aborigines, he meant to possess the land imaginatively with beautiful, flexible, Australian words. His longest work, "Fredy Neptune", a novel in verse that spanned the 20th century, was written in the language of a young migrant stockman; the words his own semi-literate father used when he told stories. Digging down yet further, he "translated" the voices of animals and plants: the "me me me" dew-flash of finches in seed grass, or the rasp of a cockspur bush, "sharp-thorned and caned, nested and raised,/earth-salt by sun-sugar..."

Round the land for years he went with his rifle, shooting at rossellas in the trees or even at eagles ("I see him yet, a wrecked thing drifting/Down the ringing air..."). He could split a playing-card edge-on at ten paces, and this same acuity was used to bring down words. The arrival of a poem was a physical thing, a tickle in the cerebrum, his muscles tensing until he was "inwardly dancing". Good poems were as much dreamed as thought. As an editor at *Poetry Australia* and *Quadrant* he had a keen eye for words that had lost their bite, killing them as briskly as the trapped rabbits he had chopped and dropped, "still straining", into his burlap bag.

Almost inevitably, there was much other cruelty in his life. His father routinely beat him; his mother died of a haemorrhage, when he was 12, because it was not thought worth sending an ambulance to "some excited hillbilly". At high school he was mercilessly bullied. He knew homelessness and also, behind his bonhomie and loud stripes and big cigars, many bouts of depression, some lasting years. Even at the height of his fame he was sure the bottom must fall out of things, as it had done before; and the petty battles of the literary scene were a constant scourge. That was not his Australia, and lofty class-based put-downs were not his values. Regularly he let prime ministers know what sort of country he wanted: a proud republic, freedom-loving, land-rooted but progressive, "dignity growing on trees/in the drystick forests", with each citizen receiving at birth "a stout bullshit gauge". It was certainly not liberal as metropolitans understood the word.

Nor was it secular. (That was another thing he reproached the modernist poets for.) He shared with Aborigines a sense of the sacredness of the land and its potential for a spirituality involving all its people. This feeling was underscored when, in the early 1960s, he became a Catholic and poetry a vocation. His first collection, "The Ilex Tree", appeared in 1965; from that point on, each set of poems evoking the sprawl and thrust and thirst of Australia was dedicated "To the glory of God".

His inklings of transcendence were often odd. A blazing truck careering through a town, drawing people to follow it in wonder; a man weeping in the street, leading others to long for the gift of weeping; a horse "printing neat omegas" on gravel. "We're all so close to eternity", he wrote, "...that we stumble over the doorstep quite often." His doorstep was at Bunyah. In 1974 he had bought 40 acres of the old property; by the late 1990s, at last recovered from depression and at peace with his demons, he resettled there in happiness. He was still the child tethered to the bench-leg, his view slant and endlessly curious, but with one near-certainty now in his head: "God, at the end of prose,/somehow be our poem—." ■



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