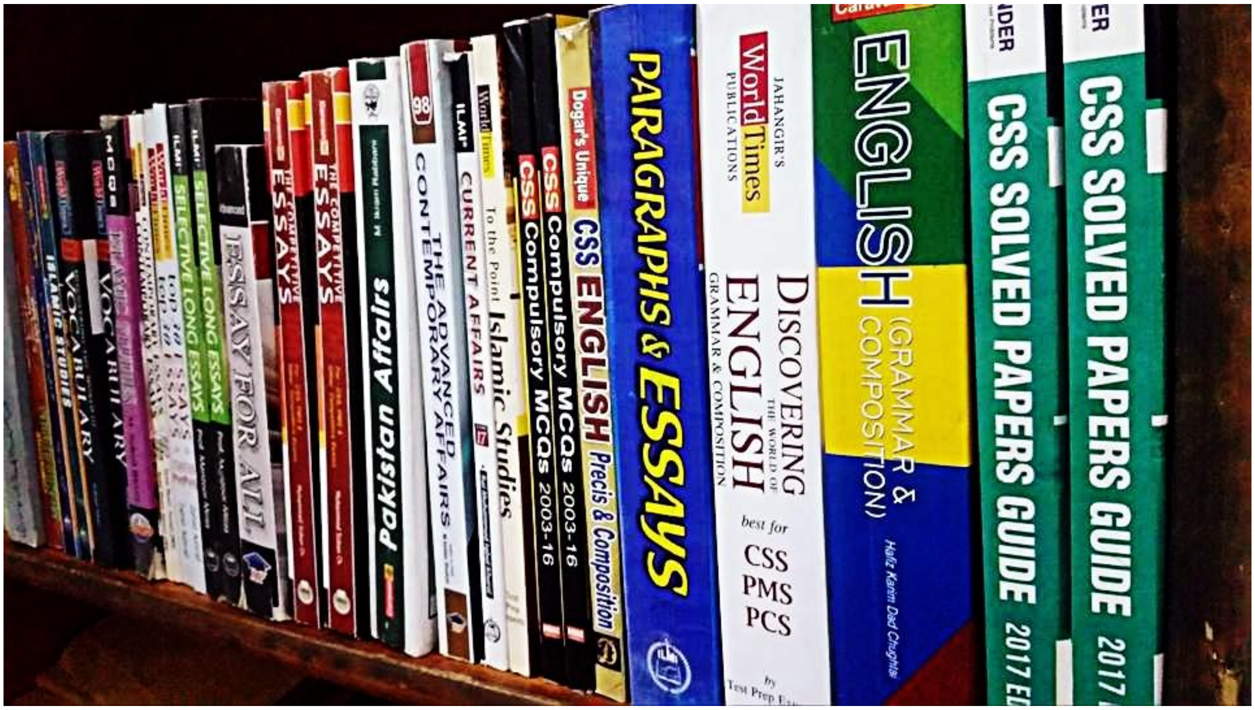
The Economist

- Royals and racism
- Time to fix the filibuster
- How useful are vaccine passports?
- The future of shopping: a special report

MARCH 13TH–19TH 2021

Biden's big gamble

What a $1.9 trillion stimulus means for the world economy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America's House of Representatives gave the final approval to Joe Biden's $1.9trn **stimulus bill**. The legislation will send direct payments of up to $1,400 to each American, extend a $300 per week top-up to unemployment benefit until September, and expand provisions for poorer households, among many other things. The OECD thinks the stimulus will turbocharge the American economy and add a percentage point to global growth.

Jury selection began in the trial of Derek Chauvin, a policeman accused of murdering **George Floyd** by kneeling on his neck. Finding an impartial jury could prove hard. Potential jurors are being asked whether they saw the video of the incident, which went viral.

A **Brazilian** supreme-court judge annulled two corruption convictions against a former president, Luiz Inácio Lula da Silva. Although Lula, of the left-wing Workers' Party, could still be charged in another court, that looks unlikely. He is now expected to run again for president in 2022.

The lower house of **Mexico's** congress voted to legalise marijuana for personal use, and to allow its commercial cultivation. The bill now goes back to the Senate.

Protests continued in **Paraguay** over the government's mishandling of the covid-19 pandemic. Many of the demonstrators called for the impeachment of Mario Abdo Benítez, the president. The resignation of the health minister failed to quell the anger. The country of 7m has received only 4,000 vaccine doses.

At least 98 people were killed and more than 600 injured in a series of explosions at an army barracks in **Equatorial Guinea**. The blasts seemed to have been caused by the careless storage of munitions, which caught fire after a farmer burned his fields to prepare them for planting.

John Magufuli, the president of **Tanzania**, was reportedly admitted to a hospital in Nairobi, Kenya's capital, with covid-19. Mr Magufuli, who has not been seen in public for two weeks, has prevented his government from taking steps to slow the spread of the virus, or to vaccinate people against it, insisting that God would protect them.

Bashar al-Assad, the president of **Syria**, and his wife, Asma, tested positive for covid-19, according to his office. Syria has seen a sharp rise in cases.

Pope Francis made the first-ever papal visit to **Iraq**. The pontiff prayed among ruined churches in Mosul, the former stronghold of Islamic State, and held mass at a stadium in Erbil. It was his first international trip since the start of the pandemic.

Oprah Winfrey's interview with **Harry and Meghan** (the Duke and Duchess of Sussex) received mixed responses. Older Britons sided with the royal family; younger people and Americans had more sympathy for the Sussexes. The monarchy's response acknowledged the concerns Meghan raised about race; it noted that "while some recollections may vary", they will be taken seriously and "addressed by the family privately".

China's rubber-stamp parliament, the National People's Congress, ended its week-long annual meeting in Beijing. It approved a new five-year economic plan, which unusually did not set a target for average annual GDP growth. The plan called for a reduction in the amount of carbon dioxide that is emitted for each unit of GDP by 18% between 2021 and 2025. But this would be a smaller cut than in the previous five years.

The legislature also called for sweeping changes to **Hong Kong's** electoral system. These will include expanded powers for its Election Committee, a body stacked with Communist Party loyalists. Currently it chooses the territory's chief executive. In future it will also fill some seats in Hong Kong's Legislative Council.

The security services in the **Philippines** killed nine political activists in a series of raids on suspected sympathisers of a left-wing insurgent group. Two days beforehand Rodrigo Duterte, the president, had publicly urged police and soldiers to murder "communist rebels".

South Korea and America agreed to a five-year deal on sharing the costs of deploying American forces in the country. South Korea will pay $1bn this year, 14% more than last year.

Malaysia's High Court ruled that non-Muslims could use the word "Allah" in publications such as Bibles, overturning a 35-year ban. Christian plaintiffs had argued that the word is simply the Malay for "God".

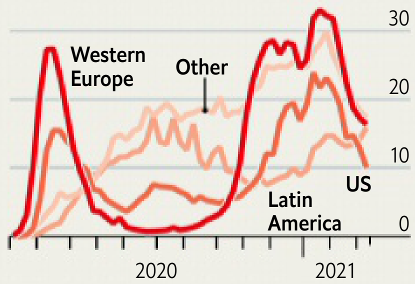
Italy infuriated **Australia** by blocking a shipment of 250,000 doses of the AstraZeneca covid-19 vaccine. This was the first time that an EU member state has made use of new blocking powers recently approved by the EU in response to a row with Britain over shortages of the jab.

In **Germany**, two members of parliament from the ruling coalition, one from the Christian Democratic Union and one from its sister party in Bavaria, announced they were resigning, following news that they had profited from government deals to buy face-masks. This comes ahead of crucial state elections.

Coronavirus briefs

To 6am GMT March 11th 2021

Weekly confirmed deaths by area, '000



Vaccination doses

	This week, '000	Total '000	Per 100 people
Israel	626	8,976	103.7
Seychelles	5	84	85.9
UAE	294	6,325	63.9
Britain	2,498	23,774	35.0
Maldives	40	166	30.6
Bahrain	50	515	30.2
United States	14,772	93,693	28.0
Chile	1,207	5,090	26.6
Serbia	219	1,751	25.7
Malta	17	102	23.0

Sources: Johns Hopkins University CSSE; Our World in Data; United Nations

China launched a "passport" scheme through which its citizens can register their vaccination and testing status. It is not yet mandatory.

A year after quarantine measures were imposed on the whole country, **Italy** passed the milestone of 100,000 deaths from covid-19.

In **Brazil** a report warned that the country's intensive care is close to being overwhelmed. Infections hit a new daily record.

America's Centres for Disease Control said that it is now safe for fully vaccinated people to meet indoors in small groups without social distancing or masks. However, it still urges distancing and mask-wearing in public.

Pupils in **England** returned to school after a two-month lockdown. Despite concerns over testing and mask-wearing during classes there was little disruption.

→ *For our latest coverage of the virus please visit economist.com/coronavirus or download the Economist app.*

Bob Sternfels was selected by the partners at **McKinsey** as their new global boss, following the defenestration of Kevin Sneader in the leadership ballot. Mr Sneader had tried to introduce more oversight of the firm's consultancy work after several scandals dented its reputation, not least the advice it gave to Purdue Pharma on how best to push sales of OxyContin. Mr Sternfels says he is committed to continuing the reforms Mr Sneader started.

Oil prices rose sharply, in part because of an attempted drone attack on Saudi Arabia's largest oil-export terminal by Iranian-backed Houthi rebels from Yemen. Other factors, such as a surprise agreement by OPEC to keep curbs on output in place until April, also helped drive up prices. Brent crude breached $70 a barrel for the first time since May 2019.

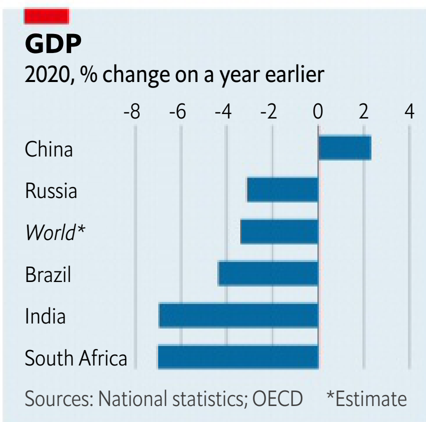
General Electric decided to sell its aircraft-leasing business, one of the biggest in the world, to **AerCap**, in a transaction worth $30bn. GE will retain a 46% stake in the newly combined company, which will have 2,000 planes, and another 500 on order, for rent to airlines. GE will use its proceeds from the deal to pay down its debt. The jet-leasing unit was the biggest remaining piece of GE Capital, the conglomerate's troubled financial-services division.

American employers added 379,000 jobs to their payrolls in February. The bulk of the increase came from **restaurants and bars** hiring more workers, as states and cities begin to ease their lockdown restrictions on indoor dining. Warmer weather in southern states means more people can eat outside. Employment in leisure and hospitality is still down by a fifth from its pre-pandemic level.

The White House warned of an "active threat" from an attack by hackers on **Microsoft Exchange** email. It has emerged that tens of thousands of organisations that use the service may have been compromised. Microsoft has blamed state-backed hackers operating in China, which China denies.

Roblox had a successful debut on the New York Stock Exchange. The video-game platform, which has created a "metaverse" with its own currency and became wildly popular during lockdowns, saw its share price rise by 54% on the first day of trading in a direct listing.

Not so solid BRICS



South Africa's economy shrank by 7% last year, the biggest contraction since at least 1946, according to official statistics. Output from construction was down by a fifth, and from manufacturing and mining by around 11%. Agriculture was the one bright spot, growing by 13%. The government imposed strict curbs on economic activity, including a ban on selling alcohol, to stop the spread of covid-19, but the country was in a mess before the pandemic. The official unemployment rate is 32.5%.

America and the European Union suspended **tariffs** that each has imposed on the other in a dispute over state aid to the aerospace industry. The suspension is a goodwill gesture from both sides that will last four months, as they hold talks on how to resolve their disagreements on the issue, which stretch back 16 years. Ursula von der Leyen, the president of the European Commission, described it as a "fresh start" for the American-European partnership, which came under a lot of strain during the Trump presidency.

Loss appetite

Deliveroo revealed more details of its financial performance, as it prepares for an IPO in London. Filings showed that even though the food-delivery service's sales rose by more than half last year, it still made a substantial loss. **Just Eat Takeaway.com**, Deliveroo's bigger rival, told a similar tale in its annual earnings: sales surged, but its pre-tax loss rose to €147m ($165m).

The share price of the **London Stock Exchange Group** plunged by 14%, after it revealed higher-than-expected costs related to its acquisition of Refinitiv, a financial-data provider, which push the financial benefits from the deal into the future.

John McAfee, the founder of the McAfee software-security company, and an adviser were charged in America with conspiracy to commit fraud by promoting certain cryptocurrencies on Twitter. The pair allegedly used "misleading statements" to conceal their true motive of making a profit. Mr McAfee is currently being held in Spain, where he faces extradition to America on separate tax-evasion charges.

Lego reported that both consumer sales and operating profit rose by a fifth last year. Despite lockdowns, it opened 134 new stores, including 91 in China. The toy company is expanding the tech aspect of its brands, investing in products that seamlessly blend physical and digital play. It recently launched a platform that allows children to make music videos.

Biden's big gamble

This week's extraordinary stimulus is a high-stakes bet for America and the world

When the pandemic struck it was natural to fear that the world economy would stay in the doldrums for years. America is defying such pessimism. Having outrun gloomy growth forecasts from last summer, it is adding fiscal rocket fuel to an already fiery economic-policy mix. President Joe Biden's $1.9trn stimulus bill, which he was poised to sign into law after *The Economist* went to press, takes to nearly $3trn (14% of pre-crisis GDP) the amount of pandemic-related spending passed since December, and to about $6trn the total paid out since the start of the crisis. On current plans the Federal Reserve and Treasury will also pour some $2.5trn into the banking system this year, and interest rates will stay near zero. For a decade after the global financial crisis of 2007-09 America's economic policymakers were too timid. Today they are letting rip.

The probable result is a bounce-back that was unthinkable in the spring of 2020. In January America's retail sales were already 7.4% higher than a year earlier, as most Americans received $600 cheques from the government, part of the previous round of stimulus. Stuck at home and unable to spend as much as they normally would in restaurants, bars and cinemas, consumers have accumulated $1.6trn in excess savings during the past year. Mr Biden's stimulus gives most Americans another $1,400 each. Unusually for a rich country, a big chunk of the cash pile is held by poor households that are likely to spend it once the economy fully reopens (see Finance section). If vaccines continue to reach arms and America avoids a nasty encounter with new variants, the unemployment rate should fall comfortably below 5% by the end of the year.

The good news is not confined to America. Manufacturing surveys are healthy even in the euro zone, which is behind on vaccinations and battling new variants, and is applying less stimulus. Mr Biden's spending will further boost global demand for goods. America's trade deficit is already more than 50% greater than before the pandemic, as the economy sucks in imports (see Buttonwood). But the rest of the world will not match Uncle Sam's breakneck pace. On March 9th the OECD, a club of rich countries, forecast that America's economy will, uniquely among big economies, be larger at the end of 2022 than it had been predicting before the pandemic. From April to September America is likely to outgrow even China, which is tightening monetary policy and has suffered a 9% fall in its stockmarket since mid-February.

Surging out of a crisis that had at its worst moment cut the number of people in work by 15% will be a triumph for America, and will stand in contrast to the puny recovery after the financial crisis. Mr Biden's spending will provide welcome relief to those whose lives have been upended—today America is still missing 9.5m jobs. Thanks to extra cash for most parents, the country's persistent and widespread child poverty will fall dramatically.

Yet, though today's policymakers have a guaranteed place in economic history, they may not come to be seen as heroes. That is because America is running an unpredictable three-pronged economic experiment that features historic levels of fiscal stimulus, a more tolerant attitude at the Fed towards temporary overshoots in inflation, and huge pent-up savings which no one knows if consumers will hoard or spend. This experiment has no parallel since the second world war. The danger for America and the world is that the economy overheats.

It is a risk that investors have been weighing up. America's ten-year bond yields, which move inversely against prices, have risen by about one percentage point since last summer, on expectations of higher inflation and higher interest rates. Because of America's pivotal role in the global financial system, its outlook for monetary policy spills across borders. In recent weeks Australia's central bank has had to increase its bond purchases to prevent yields from rising too much. The European Central Bank was deciding whether to make a similar intervention as we went to press. Emerging markets with big deficits, like Brazil, or with large dollar-denominated debts, like Argentina, have reason to fear the tightening in global financial conditions following a turn in American monetary policy.

The Fed is adamant that it will keep interest rates low and continue to buy assets until the economy is much healthier. Inflation will inevitably rise as a collapse in commodities prices early in the pandemic falls out of comparisons with a year earlier, but the Fed will ignore this. Under its new "average inflation targeting" regime, adopted last year, it is seeking to bring about inflation over its 2% target in order to make up for past shortfalls. That is particularly desirable because, for much of the past decade, the world economy's problem has been too little inflation, not too much. Even if the economy eventually overheats, Jerome Powell, the Fed's chairman, has argued that this, too, will be temporary. Longer-term inflation dynamics, he argues, "don't change on a dime".

Might they, however, turn on trillions of dollars? We have no reason to doubt the Fed's near-terms plans, but neither it nor the markets can predict the eventual outcome of America's experiment. The Fed might have to pour cold water on the economy, raising interest rates to get inflation down. That would be awkward, given how much it has recently emphasised its obligation to seek "broad based and inclusive" strength in the jobs market. Higher rates would puncture asset markets and might also precipitate conflict with an increasingly indebted government.

All the chips on red

Mr Biden's stimulus is a big gamble. If it pays off, America will avoid the miserable low-inflation, low-rate trap in which Japan and Europe look stuck. Other central banks may copy the Fed's new target (see Free exchange). Massive fiscal stimulus may become the normal response to recessions. The risk, however, is that America is left with rising debts, an inflation problem and a central bank facing a test of its credibility.

This newspaper would have preferred a smaller stimulus. Alas, America's troubled politics do not permit fine-tuned policymaking (see next Leader) and Democrats wanted all they could get. Mr Biden's gamble is better than inaction. But nobody should doubt the size of his bet. ■

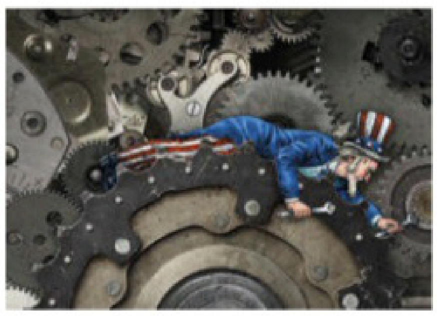
Politics

How to renew America's democracy

Voting reform and scrapping the filibuster would help

For President Joe Biden to sign a $1.9trn stimulus bill this week was an economic gamble—on inflation, the Federal Reserve and the capital markets (see previous Leader). But politically, it was a dead cert. The Democrats, though in control of Congress and the White House, can pass only rare budgetary bills, under a procedure known as reconciliation. Any other legislation could be blocked by a filibuster, which requires a bill to muster a supermajority of 60 Senate votes (see Briefing). Because covid-19 is unpredictable, the stimulus had to be big enough to deal with new variants. Because the administration might not get another chance, the plan smuggled in pet priorities. Because, under the rules, it was not subject to scrutiny in Senate committees, Republicans made no contribution. It is a terrible way for the world's leading democracy to pass laws.

Congress is not the only political institution under strain: elections are, too. After Donald Trump's victory in 2016, some Democrats thought the result was manipulated by Russia. After Mr Trump's defeat in 2020 a large majority of Republicans accepted his baseless claim that the vote had somehow been stolen. Motivated by that conviction, Republicans in 45 states have since introduced bills to tighten election laws (see United States section). For their part, Democrats in the House have already passed HR 1, which if enacted would rein in state Republicans, by imposing federal voting standards instead. But the bill will not get through Congress as long as the Senate has the filibuster.



Thus the task of fixing America's democracy enmeshes both voting in the Senate and voting in the country at large. When politics is infected by bad faith, that can make the situation worse. If the rules of politics became the main field of combat, the system itself could come to seem even more illegitimate to voters. However, it is a bit late to worry about that. As the assault on Congress on January 6th suggests, a struggle over procedure and voting is already under way. America must emerge better able to govern itself without resorting to once-a-session monster-bills. As a result, the incentives which reward bitter partisanship could be tempered—including through voting reform. Fortunately, this is not an idle hope.

American democracy looks tired. In 2010 Freedom House, a sort of ratings agency for democracies, gave America a score of 94 out of 100; its latest rating is 11 points lower. The Economist Intelligence Unit, our sister company, puts America 25th in its rankings, behind much younger democracies that it helped create such as Germany, Japan and South Korea. The judgment of America's own voters, which is what matters most, is even harsher. According to the Pew Research Centre, a think-tank, the share who trust the federal government always or most of the time has fallen to just 20%, compared with scores in the 30s and 40s in the Reagan era.

One cog at the heart of this creaking engine is the filibuster, a parliamentary convention that the Senate has increasingly come to rely on over the past century. Plenty of parliaments ask for a supermajority to change the constitution, but nowhere else requires one for routine legislation. Despite that, its supporters in Congress, many of them institutional conservatives, see it as a brake on hasty lawmaking that encourages bipartisanship. They say that scrapping it would invite a seesawing of legislation from one election to the next.

Take these arguments one by one. By making lawmaking so hard, the filibuster often prevents the kind of changes that conservatives want. The proof of that is the fact that, except for a piece of emergency covid-19 legislation, the Trump administration was able to get only one ambitious bill through Congress—a tax cut, also under reconciliation. By favouring stasis, the filibuster channels power from the legislative branch to the president and the Supreme Court, which also ought to alarm constitutional conservatives.

The claim that the filibuster encourages bipartisanship is no longer true. Barring that covid law, no bill has passed with a bipartisan, filibuster-proof majority in the Senate in more than a decade. More often it kills bipartisanship. Sometimes a handful of Democrats or Republicans are open to voting with the other side, but not enough to get to 60. Rather than handing power to moderates across the aisle, the filibuster more often takes it away from them. That kills compromise.

The risk of seesawing laws is real, but other democracies seem able to tolerate it. Indeed, the passing of legislation is a vital part of how voters hold governments to account. By contrast, the filibuster lets politicians campaign on divisive, hare-brained policies knowing that they will never have to enact them, and hence take responsibility for them.

Ideally America would scrap the filibuster completely. Although that needs a simple majority, because it is a procedural rule, it is unlikely because at least two Democratic senators want to keep it (see Lexington). Yet they may be ready to carve out exemptions, as happens today with tax bills and judicial nominations. One reform would be to require legislators to talk on the Senate floor for a long time if they want to delay legislation, as in the past, rather than just placing a hold on a bill. That could clear a path for voting reform with HR 1.

This, too, should be a priority. State Republicans argue that their changes will safeguard elections, but many look like attempts to change the rules in their favour. In Georgia, for example, Republicans have passed a bill restricting Sunday voting, which by an amazing coincidence is when many churchgoing African-Americans vote. HR 1 would restrict the ability of state parties to game voting laws. It also asks presidential candidates to disclose their tax returns and ends gerrymandering, which enables politicians to redraw district boundaries once a decade. It is not perfect: it lets political operatives collect mail-in ballots, for example. But, suitably amended, it need not harm Republicans disproportionately. And besides, making voting easy and secure ought to be the aim of any party committed to democracy.

A bold reform risks unforeseen consequences. But the United States is no longer viewed as the beacon of democracy it once was. To renew itself at home and set an example abroad, America needs to roll up its sleeves and get on with the repairs. ■

Vaccine passports

Needle to know

Identity schemes have a part to play in the return to life as normal, but only a modest one

THE WORLD has stumbled through the pandemic by nationalising risk. In heavily infected countries the state has shut citizens in their homes for weeks at a time, letting them out only for exercise and to buy food. As vaccination spreads, and hospitals are less likely to be overrun, governments must gradually move choice back to the individual, where it belongs. How?

Information is part of the answer. This week the Centres for Disease Control and Prevention issued the first guidance on what vaccinated people can do. More is needed. True, covid-19 is still poorly understood and the risk for individuals will depend on their own circumstances. Yet, as our covid-19 risk estimator in this issue explains, the data already cast some light on what puts you at risk if you are diagnosed with the disease (see Graphic detail). Age is closely tied to death, so do not visit your unvaccinated grandparents, however healthy they may be. Comorbidities can lead to a spell in hospital even for the young, so don't imagine you are safe just because you're under 35. More work like this will be needed for people to be able to make informed decisions about covid-19, just as they do in the rest of their lives.

There is a role for vaccine passports, too. America, Britain and the European Union are all studying how they might be made to work. Angela Merkel, the German chancellor, has spoken up for them. Israel, where vaccination is advanced, already has such a system.

Vaccine passports have their uses, especially in international travel, but at home they are unlikely to be as helpful as their supporters imagine. To see why, consider two extremes. When nobody is vaccinated, passports obviously serve no purpose. Yet, outside a dictatorship, they are not terribly useful at the end, when everyone who wants a jab has had one. If vaccines are free and widely available, unvaccinated people are choosing to risk infection. Those who cannot be vaccinated face extra risks from covid-19, just as they do from other diseases. Passports are most useful in the period when large numbers of people who want to be inoculated risk being infected because vaccine is scarce. That is also when passports are most unfair.

For international travel this window could remain open for years. Countries with a large tourism industry can use passports to help protect their people from visitors bringing in disease. Even if global vaccine distribution raises ethical questions, the passport system itself presents none that are new, because it is already established for diseases like yellow fever.

At home, however, the window may remain open for only a few months. Britain plans to have all adults vaccinated by the end of July. America will have enough doses to finish soon after. Even in Europe, where inoculation has been slow (see Europe section), a sweeping vaccine-passport system may not be worth the cost or the hassle.

Supporters argue that passports are an incentive for people to be vaccinated. If they are well-designed, they need not pose a threat to personal data; nor need they become a platform that the state later uses to intrude into citizens' general health (see Science & technology section). However, the more heavily passports are used as an incentive, the more they are oppressive. If you need one simply to get on a bus or buy a loaf of bread, you lose your choice to be vaccinated. Most employers should have no use for them. Better to encourage people to get a jab.

That leaves two reasons for passports at home. One is to enforce vaccination when infected people could harm those who have had their jabs in hospitals and care homes, for example—rather as some countries already require proof that those working with vulnerable people have no criminal record. The other is as an insurance policy against the possibility that boosters are needed, to deal with variants, say. Countries have often looked for magic solutions to stop the pandemic. The only one that promises to succeed is not passports; it is vaccines. ■

Human rights

How to curb violence against women

A good start would be to stigmatise it

ON MARCH 3RD police in Uttar Pradesh state in India arrested a man holding the severed head of his 17-year-old daughter. He had locked her into their home and beheaded her, he explained, apparently calmly, because he had caught her with a man of whom he disapproved.

Violence against women remains frighteningly common (see International section). Some are attacked by strangers, but far more suffer at the fists of those who are supposed to love them. More than one woman in four will be beaten or sexually abused by a partner over her lifetime, according to new data from over 150 countries from the World Health Organisation.

The consequences are dire and long-lasting. Abused women report more emotional distress and higher rates of depression. They are more likely to consider or attempt suicide. Their physical health suffers, and they are likely to earn less—by a conservative estimate, violence against women reduces global output by 1-4%. And that does not include the costs passed on to the next generation. Babies born to abused mothers are more likely to be underweight. When they grow up, children who witness their fathers beating their mothers are more likely to become victims—or abusers.

The pandemic is almost certainly making all this worse. ▸▸

black owned restaurants

The Four Way

4.5

Identifies as Black-owned

Nos Casa Cafe

4.2

Identifies as Black-owned

Many women are cooped up at home with their assailants. Lockdowns make it harder to see friends who might help, or to get to a shelter. Covid-induced job losses and money worries have stressed many homes, making some men likelier to lash out. More generally, poverty makes it even harder for women to escape from an abusive relationship. It is staggeringly difficult for a mother to leave her husband if she fears that the loss of his income would mean her children going without shelter or food.

Yet domestic violence is not inevitable. Attitudes can change, and have done so in the past. For centuries violent husbands have counted on society to look the other way. Now, in most rich democracies, wife-beating is both illegal and deplored. In most Western countries polled by the World Values Survey, nine in ten people say it is never justified. That does not mean it never happens. Far from it: in a typical year, 5% of European women with partners are abused by them. But in poorer places the situation is much worse.

In Africa and South Asia a fifth of women with partners are abused each year. In Afghanistan 80% of women say husbands are justified in hitting their wives under certain circumstances (such as if they burn the food or neglect their children). In the Democratic Republic of Congo 75% believe this. Unsurprisingly, wherever people think wife-beating is acceptable, more of it happens. And other sexist norms reinforce it. The belief that wives should obey their husbands, and that if they don't, husbands have a right to "discipline" them, is still widespread. So are customs that make it harder for women to own property, which increase their dependence on their husbands.

The key to inculcating more woman-friendly values is to start young. Schools can challenge harmful ideas about girls. Teachers can teach respect during sex-education classes. Sports coaches can teach boys that real men don't hurt women. Programmes for couples, especially newly-weds, can teach them how to resolve arguments peacefully. Schemes that enlist the help of local leaders—such as the police, health workers and religious figures—are particularly effective in reducing violence.

However, education is not enough. Abusers must face a credible threat of punishment. Too often they bear no consequences at all. Authorities should make it easier for women to report abuse and press charges. In many countries the process is both terrifying (because police are violent, too) and futile (because accusations are seldom taken seriously). That has to change.

Building a less sexist society takes time. In the shorter term, modest but regular cash transfers to vulnerable households in low-income countries can help. These appear to work well when handouts go directly to women, and they are also given some kind of training, for example in child care or nutrition. If designed well, such schemes reduce economic uncertainty and stress. They also increase women's standing and bargaining power, both within the home and outside it. A review of 22 studies found that in 16, such programmes were linked to men attacking their partners less. In one in Bangladesh positive effects continued even when the cash stopped coming.

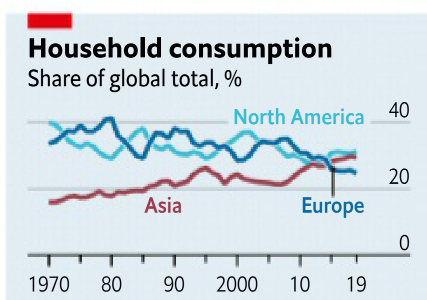
For too long, the disastrous consequences of violence against women have been downplayed, ignored or denied. It is time for counter-measures that match the scale of the problem. ■

The transformation of retailing

21st-century consumers

New shopping behaviours should be welcomed, not feared

AT THE DAWN of the 20th century the notion emerged that people were consumers, as well as being workers, neighbours and voters. These bag-carrying, stuff-accumulating shopaholics went on to transform the way the world works. Today you may tut at their hamster-on-a-wheel mindlessness and its environmental impact. Or you may celebrate their freedom to choose goods, experiences and ways of life. But you cannot dispute their economic and political clout. As we explain this week in our special report, a new species of shopper is emerging: less centred on America, more intent on ensuring that what they buy reflects what they believe, and technologically dexterous. This latest incarnation of the global consumer looks likely to change how capitalism works—for the better.



Today's shoppers are no longer epitomised by Westerners stuffing mountains of groceries into the boots of their cars and loading up on monolithic, all-American brands. For one thing, they are increasingly Asian. Last year China and America were almost neck-and-neck as the world's biggest retail markets. China's two biggest online marketplaces, Alibaba's Taobao and TMall, both do more third-party business than Amazon, the American juggernaut. Just as American consumers once popularised the shopping catalogue and the mall, now Asia's shoppers are at the frontier of retail innovations, whether that is live-streaming, a store that sells a single book in Tokyo, or browsing by WhatsApp in India.

Another change is that all around the world the new shoppers are not just value-conscious, but also increasingly project their ethical and political values onto their decisions about what to buy. So, for example, they select firms on the basis of their environmental credentials and supply-chain standards. Shoppers are using their power to support trends from veganism to Xinjiang-free cotton. Fashion is increasingly conscious of its carbon footprint. Even Kraft Heinz, the hardest-nosed of Western food giants, is trying to rebrand itself as a force for environmental clean-up, as well as ketchup. It is a mistake to view these trends as mere virtue-signalling, or a fad. One way that capitalism adapts to society's changing preferences is through government regulation and laws, which voters influence, at least in democracies. But the dynamic response of companies to the signals that consumers send is a force for change, too.

The final big change is digital—but not in the way you might think. Many people worry that dominant retail platforms like Amazon and Alibaba, reinforced by giant logistics networks, will snuff the life out of commerce, leaving shopping centres barren and destroying jobs. In fact the implications of technology, for producers and consumers, are more exciting and benign. More accurate and voluminous data about shopping patterns are breaking down the decades-long relationship between mass consumption and mass production. In its place is a more varied world in which the shopper can decide whether to buy online or in store, whether to shop via platforms or from individual brands, and whether to accept targeted ads or not. The store will not die, but producers and consumers will have a more direct relationship with each other. Increasingly, middlemen will be squeezed out of the supply chain. The boundaries between entertainment, communication and shopping will blur.

One result is a surge in creativity. Shopify, a Canadian-owned tech platform that gives brands the chance to bypass Amazon, sold $120bn of merchants' goods last year, double the level of 2019. It hosts the first-ever sale by a first-time retailer every 28 seconds. In China Pinduoduo, an e-commerce firm started in 2015, may overtake Alibaba in its number of users this year, partly by enabling Chinese villagers to club together and buy groceries online. Companies like Nike are cutting their dependency on wholesalers and selling trainers via their websites and even vending machines. Giant retailers like Walmart are going "omni"—online and offline—and diversifying into new services for their digital customers. Even Amazon has opened its first cashierless grocery store outside America, in Ealing, in London.

The pandemic has boosted online retail, but make no mistake, the new generation of shoppers have yet to hit their stride. Worldwide e-commerce sales last year were $4.2trn. Consumer spending is above $65trn. The consumer was crowned king over a century ago but endless new aisles remain unexplored. ■

Benefiting from Brexit

Growing apart

Brexit brings precious few advantages, but there are some. The government should exploit them

In January Britain faced two simultaneous problems. Its departure from the European Union's single market and customs union on the first day of the month hit trade. Early data have suggested that exports to France, for instance, were 20% lower in January than six months earlier. (That does not seem to have been due to the pandemic: trade in 2020 was higher than in the previous year.) The second blow came from a surge in covid-19 cases. Britain, which already had the highest death rate in any big economy, saw deaths peak at 1,361 on January 19th.

The way Britain managed the second of these problems holds lessons for how it should deal with the first. The speed with which its medical regulator approved covid-19 vaccines allowed a swifter roll-out than in any other large country, which has helped slash the daily death toll to around 200. If Britain is to derive any benefit from leaving the EU, nimble regulation is one of the ways of doing so (see Britain section).

Britain's economy has experienced other big shocks in the past century, but the one brought about by Brexit is different from those inflicted after the second world war and in the 1980s. Clement Attlee's and Margaret Thatcher's governments had clear ideas about the direction in which they were taking the country. Boris Johnson's does not. Brexiteers burbled about a British economic model, distinct from the European social-democratic model, without specifying what it should look like. The budget speech on March 3rd by Rishi Sunak, the chancellor, included a single reference to Brexit; the 111-page "plan for growth" that was published alongside the budget offers only a couple of pages of platitudes about Brexit at the end. Rather than producing a plan, the government has been going out of its way to pick fights with the European Commission instead.

This failure has several causes. Britain's scope for diverging from the EU is limited. The trade deal agreed on Christmas Eve between the two commits Britain to staying close to European norms. If it does not it may be punished by trade restrictions; anyway, most businesses are fine with the EU's standards. To sell into the bloc, they need to stick to its rules, and working with one set of regulations is cheaper than working with two. Northern Ireland's half-in half-out position raises the costs of divergence, for a bigger gap between Britain and the EU hardens the border in the Irish Sea and angers unionists committed to keeping the province inside the United Kingdom. And British voters do not have much appetite for the hyper-liberal economy which some Brexiteers advocated. Britons want their food safe and their employers to be required to treat workers well.

In most ways, therefore, Britain should aim to stay close to Europe. Yet there is scope for it to diverge in both damaging and beneficial ways. Britain could, for instance, abandon the EU's restrictive state-aid regime; indeed, the government is already consulting on how to go about it. Britons should be wary of these moves. No doubt, Britain has room to improve on the EU's rules, which are pernickety, but voters should regard the prospect of ripping up limits on state aid as a risk, rather than a benefit, of Brexit. Shovelling money in the direction of private companies is not a habit that taxpayers should want their governments to acquire.

In other ways, divergence could work in Britain's interests. The process of regulation can be faster for one country than for 27 and, as the medical regulator showed with vaccines, there is much to be said for speeding it up. The nature of rules can be different, too. Where Britain has critical mass—as in finance—and in others in which it has innovative companies, such as fintech, life sciences and artificial intelligence, the country can help set the standard for liberal, nimble regulatory regimes, rather than taking whatever rules Brussels makes. And Britain can sharpen up competition. It will need to, since Brexit will reduce competitive pressure and thus undermine productivity. The Competition and Markets Authority has offered a number of wise proposals for opening up sectors to new challengers—by, for instance, overhauling antiquated EU rules that shield airlines from competition. The turmoil in the travel business makes this an excellent time to do so.

This newspaper still regards the decision to leave the EU as a self-inflicted wound. But Britain will, for the moment at least, have to live with it. It should therefore grab advantages from Brexit where it can find them, and exploit them thoroughly. ■

Letters

For the sake of science

By definition, "blue skies research" is driven by curiosity, without any obvious practical implications ("Blue skies ahead", February 6th). Yet the aim of Britain's new Advanced Research Projects Agency is to develop proposals that give a payout to the economy. The left field nature of paradigm-changing scientific discoveries and their long path to being actually applied mean that no manager at ARPA would understand the impact of such research. Who, for example, would have predicted that understanding blood-clotting in the horseshoe crab would end up protecting our drug supply from bacterial contaminants, including covid-19 vaccines?

Arguments for the importance of basic science continually fall on deaf ears. In 1897 Santiago Ramón y Cajal, the Nobel-prizewinning father of modern neuroscience, noted an unhealthy preoccupation with applied research and highlighted the existence of "mysterious threads that bind the factory to the laboratory".

We do need to fund applied research, but this cannot come entirely at the expense of fundamental science. Scientific development is near impossible to plan centrally; its success relies on a free market of ideas. An extreme focus on short-term gain will in the long-run risk severing the mysterious threads that connect ideas to applications.

PROFESSOR BRIAN STRAMER
Randall Centre for Cell and Molecular Biophysics
King's College London

Your ingredients for innovation include "good education" ("How to make sparks fly", February 27th). Quite so. "Good" should mean broad based, crossing disciplinary ranges, and lifelong. This needs stressing, as governments too often take a narrow view, emphasising skills training, STEM subjects (science, technology, engineering and mathematics), and education ending at age 18 or 21. When Britain faced its ultimate STEM-based challenge, breaking the Nazi codes at Bletchley, which included developing the world's first digital programmable computer, researchers were recruited from across the disciplinary spectrum.

In 1919 the British Ministry of Reconstruction's report on adult education urged "good education" so that the newly extended electorate could think critically and weigh evidence. It also had the foresight to warn that unknown industries and technologies were on the horizon, so it was no use just training workers for today's skills. A workforce had to have the capabilities to make the most of new technologies as they emerged.

The Bank of England's chief economist argued 100 years later, in a centenary report on adult education, that "the education system of tomorrow needs to span the generational spectrum—young to old—and the skills spectrum—cognitive to vocational to interpersonal."

JONATHAN MICHIE
Professor of innovation and knowledge exchange
University of Oxford

A sovereign's debt

Graphic detail's analysis of the limited ruling abilities of in-bred monarchs focused on King Charles II of Spain ("The reign in Spain", February 20th). Charles was certainly not the most brilliant of intellects, but recent historical studies, such as those by Luis Antonio Ribot, hold the view that he has been evaluated unfairly by mainstream historians. He deserves at least a passing grade.

Indeed, Charles II broke the trend of preceding Habsburg rulers, who viewed Spain as a warring champion of Catholicism. They continuously got Spain involved in a succession of meaningless religious wars, wasting its riches from a newly discovered continent. Charles II instead engaged in defensive wars. He selected capable ministers and stopped raging inflation, accomplishing the almost impossible feat of pulling the kingdom's budget out of the red.

Charles II was derisively nicknamed "The Bewitched". But as Professor Ribot says, he was "neither so bewitched nor so decadent".

JESÚS FERNÁNDEZ SALIDO
Marbella, Spain

Reach out and touch

Regarding your report on the loss of human contact during the pandemic ("You've lost that lovin' feeling", February 20th), most children have been in pods with their families, so they at least have had the physical affection of their parents and siblings. Not so for the elderly in care. They were forced into isolation, unable to have visits from family members and companions. What will be the cost for all of us after a year without casual contact with our fellows? The handshake, hug, pat on the back, squeeze of the shoulders, none of it of deep emotional significance, but an assurance nonetheless, that we belong to the human community, that we aren't alone.

MARGARET MCGIRR
Greenwich, Connecticut

I am 90 and have lived in America since 1969. I was born and raised in Japan, which is not a feely culture, and I do not miss that "lovin' touch." Since my divorce in 1979 I have slept alone. In Japan most married couples sleep on separate futons. Kissing is for foreign movies. My grandchildren and I hug lightly, but they are very much loved; we are connected. We all practise social distancing and wear masks, yet never feel a loss of love. Skin-to-skin contact does not necessarily promote vital health. Love truly from the heart is what matters.

MUNEYUKI NAKANO
Honolulu

The pandemic has allowed us to understand what our ancestors went through during the Spanish flu epidemic a century ago. The result then, as now, was to limit social interaction and make life generally less pleasurable. Perhaps it was not surprising that the response once that pandemic was over was to resort to the heady exuberance and wild partying that became known as the Roaring Twenties. Hopefully, our own pandemic will follow similar lines, and we will have an exciting decade of explosive gaiety where we can let our hair down and enjoy life simply for the living. Anyone for the Charleston?

DAVID SCOTT
Port St Mary, Isle of Man

Carrying your baggage

Your special report on the future of travel (February 13th) recited Seneca's view that a change of scenery can "impart new vigour to the mind". Other writings reveal that the Roman Stoic was more ambivalent on the matter. Seneca also said that "All this hurrying from place to place won't bring you any relief, for you're travelling in the company of your own emotions, followed by your troubles all the way."

Travel, for all its virtues, is no panacea for what ails us as individuals, or as a society.

M. ANDREW MCCONNELL
Chief executive
Rented.com
Atlanta

What people believe

It is a bit optimistic to think that Vladimir Putin's over-the-top propaganda effort against Alexei Navalny will backfire ("Sympathy for the devil", February 20th). In America between a third and half of Republicans partially or fully believe that cannibals and paedophiles pervade the government, and that Donald Trump was on a secret crusade to purge them. Hope springs eternal; perhaps Russians are more discriminating.

STEVE BAKER
Colorado Springs

Letters are welcome and should be addressed to the Editor at
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Chief Information Officer and IT Department Manager
Washington DC

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Executive Director, IISS–Europe (Berlin)

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The Institute is seeking to appoint an energetic, senior figure as its Executive Director to lead IISS–Europe. The post will be available from 1 June 2021. As Executive Director, the successful candidate will be responsible for leading and developing the IISS–Europe office and will be a member of the IISS Directing Staff.

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- A full Curriculum Vitae (résumé);
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Motion to dismiss

The filibuster is an oddity that harms American democracy

In the aftermath of a mass shooting at a primary school in Newtown, Connecticut, in 2012, two senators introduced a modest measure to require background checks on all gun sales. Out of 100 senators, 54 voted to move ahead with it. In almost every parliament in the world, such a majority would be enough to ensure passage. In the Senate it meant defeat.

The men who framed America's constitution intended the Senate as a bulwark against the tyranny of the majority. Its present-day failure to pass bills supported by a majority of its members, though, was never any part of that original design. It is the result of what seems to have been a genuine error: a lack of fixed procedures for shutting down debate. That absence allowed minorities in the chamber to use various manoeuvres, most famously the filibuster, to block legislation a majority wishes to pass. Once onerous and used sparingly, subsequent changes to the rules have allowed these ruses to become routine, cost-free and all but ubiquitous. This has turned the Senate into the only legislative body in the world which requires a supermajority for ordinary business.

→ Also in this section

22 The supermajority elsewhere

The ability to filibuster could be abolished by a simple majority vote. But neither party has chosen this route. Instead, as the filibuster has become more routine, frustrated majorities have carved out various exceptions. Now that Democrats find that their unified control of Washington is insufficient for enacting the sweeping agenda of the Biden administration, further exceptions seem possible. But some requirements for supermajorities seem certain to stay.

The room where it doesn't happen

Few have put the case against supermajorities better than Alexander Hamilton, one of the framers of America's constitution, who brought to the issue the impassioned frustration of one who had seen them in action. Reflecting on the way they had been used in the Congress created by the Articles of Confederation, he wrote in the Federalist Papers that "What at first sight may seem a remedy, is, in reality, a poison." Rather than protecting minorities, as its supporters claimed, "its real operation is to embarrass the administration, to destroy the energy of the government, and to substitute the pleasure, caprice, or artifices of an insignificant, turbulent, or corrupt junto, to the regular deliberations and decisions of a respectable majority."

He and his fellow framers saw the case for supermajorities in circumstances of great consequence—the constitution requires them for convicting impeached officials, overriding presidential vetoes, ratifying treaties and enacting constitutional amendments. They could have also written them in for other matters. They did not.

The filibuster was only rendered possible at all by a parliamentary housekeeping accident. In 1805 Aaron Burr (who, as a service to musical theatre, had killed Hamilton in a duel the previous year) recommended removing from the Senate rulebook the motion used to force the end of debates: it was thought redundant. It was only a few decades later that John C. Calhoun, a senator for South Carolina, realised that the absence of such a rule meant that debate could defer a vote indefinitely. After the civil war, organised filibusters—the term, an anglicisation of the Dutch *vrijbuiter*, meaning mercenary or privateer, denotes the way in which the tactic overthrows the normal order—became a recognised tactic. But they were used only for matters of great importance.

Those 19th-century filibusters could run indefinitely. In 1917 the Senate created a way to cut them short: a "cloture" vote requiring a two-thirds majority (in 1975 this was reduced to three-fifths, which is 60 ▸▸

votes in today's Senate). But a minority could still hold business hostage. And if it had enough votes to defeat a cloture motion it could block legislation.

The minority these rules ended up protecting was that of segregationists in the Senate. Their protection was achieved at the expense of the African-American minority in the country at large. From the end of the civil war to 1964 practically the only bills actually defeated by the filibuster were civil-rights legislation opposed by Southern Dixiecrats.

The filibuster has changed since then. The "two-track system" created in 1970 allows the majority leader to consider more than one piece of legislation at a time. This has stopped filibusters from derailing all business, but has also reduced the public cost paid for using the device. Now the threat of a filibuster (known as a "hold") chills the progress of any bill that seems unlikely to muster the 60 votes needed for a cloture vote. Such threats are now quotidian (see chart 1). "You can make it more difficult to pass a bill than it has ever been before. And you can do so with near total anonymity," says Adam Jentleson, whose time as deputy chief of staff to Harry Reid, the Senate Democrats' leader through much of the 2000s and 2010s, led him to entitle his book on the filibuster "Kill Switch".

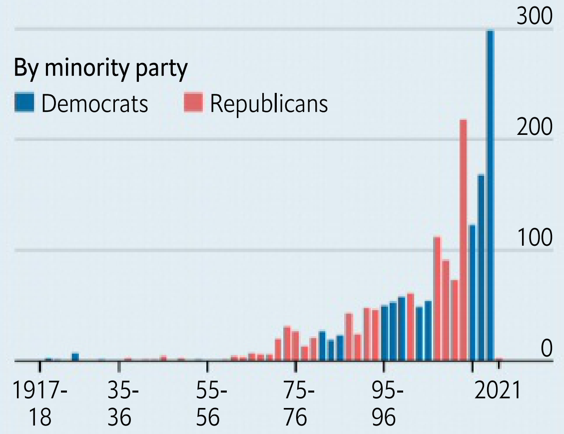
Checks in a chequered history

The recent increase in filibustering has been a bipartisan achievement. Both parties, when in the minority, have driven it forward—a ratcheting-up which both parties, when in the majority, have decried. During the presidency of George W. Bush, Mr Reid's Democrats started to use the filibuster routinely to block nominations for cabinet secretaries and federal judges. A frustrated Mitch McConnell, then the Republicans' majority whip, openly mulled changing the rules to allow simple majority votes: "What Senate Republicans are simply trying to do is get us back to the procedure that operated quite nicely for 214 years." But Republican senators under Mr McConnell's leadership took up the baton with gusto during Barack Obama's presidency—and Democrats under Mr Reid and his successor, Chuck Schumer, outdid them during the tenure of Donald Trump.

Senators seeking to justify the filibuster say that it is an incentive for bipartisanship in matters of substance. There may have been some merit to that argument when the parties had real ideological overlap, with a smattering of East Coast Republicans further to the left than some Southern Democrats. Those days are gone. The median Republican senator has moved a long way to the right (see chart 2), creating a polarised legislature well suited to a political landscape where animosity towards the other side trumps everything else.

A tradition unlike any other 1

US, cloture votes*, per session of Congress



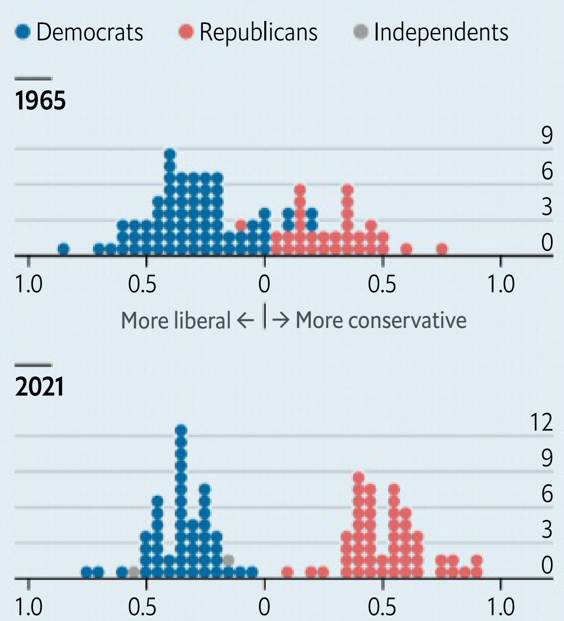
Source: US Senate *Vote used to end a filibuster

What is more, control of the Senate now swings back and forth. Between 1933 and 1979, the Senate was led by Democrats for all but four years. Since 2000 it has changed hands five times. Put together these changes create "less incentive to share hands and jump over the cliff together" says Sarah Binder, a professor at George Washington University. The rewards for stymieing the majority in the hopes of retaking the gavel in the next election cycle look (rationally) enticing. In these circumstances the filibuster operates as a convenient tool of partisan struggles, not as a helpful stimulus towards dealmaking. The Senate certainly does not seem much more genial and conciliatory than the current House of Representatives, which has no such parliamentary faff.

As the filibuster has risen in use, so have threats to change the rules and impose simple majority votes (called "the nuclear option" in the overheated parlance of the day). In 2013 Mr Reid, then majority leader, launched a limited nuclear strike, eliminating the filibuster on presidential nominations other than those for the Supreme Court. Mr McConnell lamented this "power grab" as a "sad day in the history of the Senate". But in 2017 the nukes flew again as Mr McConnell got rid of the filibuster for Supreme Court confirmations.

The centre did not hold 2

US Senate, left-right ideology score distribution



Source: Voteview

Why did he not go further? One reason is that in the 1970s the Senate created a limited exception to the filibuster: reconciliation, which allows a bill to pass the Senate if its provisions are aimed at changing spending and taxes. This means that tax cuts, like the appointment of conservative judges, are rendered filibuster-proof. If he could provide both those things Mr McConnell was content to do little else; his forbearance reflected shrewdness more than deference to senatorial norms.

The status quo is less pleasing to Democrats. Their plans for dramatic climate action and curtailing income inequality fit poorly with reconciliation, if at all. They are also well aware that the nature of the Senate makes Republican filibusters doubly minoritarian because the states they represent tend to be less populated. The 41 Republican senators needed to defeat a cloture motion could, in principle, represent just 23% of the population.

The process of shoehorning President Joe Biden's covid-19 relief bill through the reconciliation process (which forced the shedding of a long-sought increase to the federal minimum wage) underscores this painful state of affairs for progressives. The stillborn bill to reform the immigration system and create a pathway to citizenship for illegal immigrants, introduced at the insistence of the Biden administration, will be another expedition doomed to a dead end.

This has produced new enthusiasm for going fully nuclear. When Mr McConnell, now in the minority again, recently tried to force Mr Schumer to guarantee that the filibuster would not be tampered with, Mr Schumer demurred. Mr Biden—in the past very much a traditionalist on Senate procedure—has not flatly ruled out abolition. But in practice it seems off the table. Two moderate Democrats, Joe Manchin of West Virginia and Kyrsten Sinema of Arizona, have expressed their resistance to outright abolition in no uncertain terms. Pressed on the possibility by a reporter, Mr Manchin snapped back "Jesus Christ, what don't you understand about 'never'?"

This leaves only the option of a further carve-out. The likeliest immediate crisis point will be a new voting-rights bill with which Democrats hope to head off Republicans' efforts to amend state election laws (see United States). Because voting rights have little budgetary effect, the measure could not pass using reconciliation. The hope of reformers is to force a carve-out for certain genres of critical legislation (beginning with civil and voting rights) and try to expand its remit over time.

The Economist INTELLIGENCE UNIT

Trade and investment challenges and opportunities in the post-pandemic world

In 2020, global trade experienced the steepest decline in over a decade, while foreign direct investment (FDI) fell by more than 40%.[1] However, despite the unprecedented disruption, many businesses and sectors will benefit from the acceleration of existing trends and the emergence of new ones. Cybersecurity, Financial Technology (FinTech), Education Technology (EdTech), and Smart Cities are among the industries that have the potential to drive growth in the post-pandemic world.

With many aspects of our working and personal lives shifting to the online world, Cybersecurity is more important than ever. Even before the pandemic, the Cybersecurity market was expected to be worth over US$1trn cumulatively between 2017 and 2021.[2] As schools closed, adoption of EdTech soared: 90% of the world's students have now used it in some form.[3] With financial services moving online, global finance app downloads in 2020 increased by 34%.[4] And finally, fuelled by the need for sanitation, transportation and energy services, as well as green stimulus packages, the global market for technology related to Smart Cities is expected to double by 2025 to over US$800bn.[5]

In order to explore the impact of these trends, The Economist Intelligence Unit (EIU) is publishing a new report – "Trade and Investment Challenges and Opportunities in the Post-pandemic World" – with support from the UK Department for International Trade. Drawing on a series of expert interviews, the EIU analyses how well these four sectors are positioned to benefit from accelerated transformations in digitalisation, datafication, and the green agenda. The report also analyses the challenges created by this rapid acceleration, in terms of digital divides and social equity, as well as financial and environmental sustainability.

To find out more about the challenges and opportunities that businesses and industries face, visit: *futuretradeandinvestment.economist.com*

The coronavirus pandemic has sped up demand for e-commerce and payment platforms, accelerating the use of FinTech. For instance, the UK saw about 6 million adults download an online banking app for the first time in 2020.

The view from the UK's Department for International Trade

During these challenging times, trade and investment continue to be two of the best enablers we have to kickstart growth, get businesses back on their feet and build back our economy greener and stronger than ever. The UK is committed to supporting our businesses to export globally, and making investing in the United Kingdom even easier, more secure and more profitable for businesses around the globe.

—Lord Grimstone of Boscobel Kt,
UK Minister for Investment

[1] UNCTAD, 2021
[2] Cybersecurity Ventures, 2019
[3] UNESCO, 2020
[4] Sensor Tower, 2020
[5] Markets and Markets, 2020

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Other reforms could temper the filibuster where it still applies—and might meet with Mr Manchin's approval (see Lexington). Dr Binder suggests lowering the threshold for cloture from 60 votes to, say, 57, then 54, and, finally, 51 as the debate on a bill goes on. Norm Ornstein, a scholar at the American Enterprise Institute, suggests requiring the minority to provide 41 votes to continue debate (rather than requiring the majority to find 60) and insisting that the debate-seekers actually hold the floor of the Senate and debate the measure they object to.

There is little doubt that in either case the minority, whichsoever party it might be, would seek to maximise whatever possibilities for obstruction remained. And hopes that more debate would be better debate should be tempered: the Senate will never be the "world's greatest deliberative body", as is sometimes grandiloquently claimed. But steps towards simple majority rule would bring it more into line with the rest of the democratic world—and the vision of the framers. ■

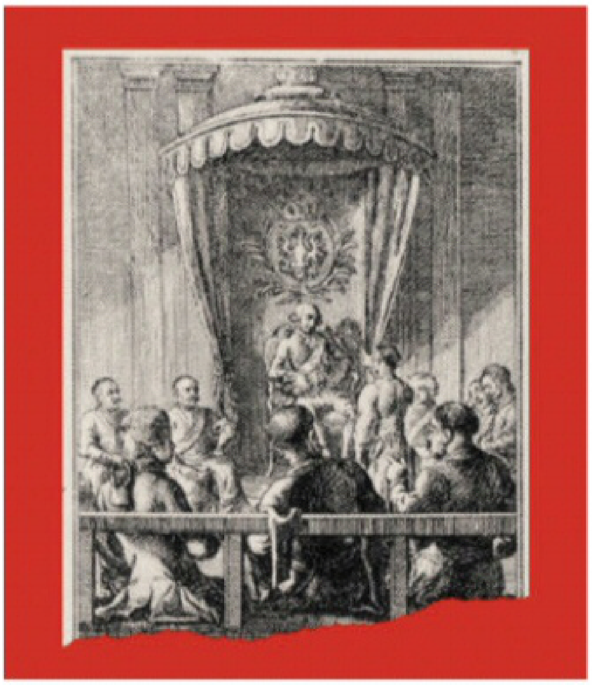
The use of supermajorities elsewhere

Less than overwhelming

Most countries want nothing to do with the filibuster

When the Polish-Lithuanian commonwealth was dismembered by the Habsburg Empire, Prussia and Russia in 1795, it was in part because its parliament, the Sejm, had spent most of a century getting very little done. A 17th-century rule known as *liberum veto* allowed any individual delegate to end a parliamentary session and scuttle all the bills it had passed with a simple cry of *"Nie pozwalam!"* (I do not allow it). It was not a recipe for progress.

Politicians elsewhere took note of Poland's example. When John C. Calhoun, a senator from South Carolina, was pushing the case for his home state to have the freedom to nullify federal laws that might grant African-Americans rights, he held up Poland's *liberum veto* as an example to follow. Few others took the same lesson. When in 1787 Alexander Hamilton wrote that the need for supermajorities in America's Articles of Confederation put Congress in the position of a "Polish diet, where a single VOTE has been sufficient to put a stop to all their movements," he was not commending the situation. "Polish parliament" is still used in Dutch, German and Norwegian to refer to an anarchic or pointless gathering.



Though the Sejm was an extreme case, supermajority requirements do make legislative change harder. Their proponents claim this can protect vulnerable minorities against the tyranny of the majority, but history suggests it generally serves to empower well-represented minorities against the wishes of majorities that are in no way tyrannical. Most democracies see a need to tilt the scales against change only in special cases, prime among them constitutional amendments. In various bicameral legislatures, including those of America, Germany and India, such changes require a two-thirds majority in both houses. Some countries impose further barriers to constitutional change, requiring a majority in a popular referendum (Japan) or ratification by three-quarters of the states (America). In Italy an amendment which has failed to win by the required margin in parliament can be put to the people instead. This happened to reforms championed by then prime minister Matteo Renzi in 2016. He lost the referendum and resigned.

Other countries feel that the steadiness of support over time matters more than its intensity at a given moment. In Sweden and Denmark constitutional amendments can pass by simple majority, but must do so in two consecutive parliaments with an election in between. The Danes do have a use for supermajorities, though, when it comes to issues of national sovereignty: laws which cede control over some aspect of governance to international bodies require a five-sixths majority in the Folketing or a referendum. This has led to repeated ructions over EU treaties.

In some countries, including the Czech Republic, Lithuania and Romania, procedural votes to close some debates can require supermajorities. But this has not led to anything like the situation in America's Senate. The only other country with filibusters comparable to those is South Korea, where a three-fifths vote in the legislature is needed to stop delegates from speaking. This opportunity for delaying a simple majority vote had gone unused for decades when, in 2016, opposition legislators organised a 192-hour-long filibuster, the world's longest ever, against a new security law. A few more filibusters have occurred since. But they are mainly publicity stunts: any bills delayed past the end of a legislative session come up automatically for a vote at the start of the next one. South Korean filibusters can delay a bill's passage, but not block it.

Supermajority rules can make things easier, though, in bodies where the alternative is unanimity or some sort of consensus. Melissa Schwartzberg, a political scientist at NYU, argues that was what they were invented for, pointing to examples in medieval Europe such as the procedure for electing popes. In international organisations, still often run on consensus lines, supermajorities continue to offer a more tractable alternative when needed.

The UN General Assembly mostly operates on consensus. The Security Council, though, can make substantial decisions to which a minority objects as long as nine of its 15 members agree and none of the permanent five members exercises a veto. The European Council, which brings together the leaders of the 27 EU member states, requires a "qualified majority"—the support of a group of 15 states which comprises at least 65% of the bloc's total population—for many decisions. (In 2004, in an attempt to protect minority interests that was as technical as *liberum veto* was broad-brush, Poland proposed that voting rights should instead be distributed on the basis of the square root of each country's population.)

On other matters the council is required to make its decision unanimously. This has led to paralysis on critical issues such as the erosion of the rule of law in Hungary—itself a cautionary example of supermajority requirements failing to do what they were intended to. Hungary's post-communist leaders required a two-thirds majority in its single-chamber parliament to amend the constitution, thinking that authoritarians would never win that many votes. In 2010 Viktor Orban's Fidesz party proved them wrong. It has been enthusiastically changing the constitution ever since—in part to reshape the electoral system so as to safeguard the supermajority that allows it to do so. ■

→ Also in this section

The battle over voting laws

Heads we win, tails you cheated

WASHINGTON, DC

The election wars are escalating since Donald Trump's exit from the White House

After the Republicans lost the presidential election in 2012, a period of gloomy introspection set in. The party commissioned an excoriating report. "Devastatingly, we have lost the ability to be persuasive with, or welcoming to, those who don't agree with us," it declared. The lesson the Republican Party learned from 2020 is different. There has been no comparable period of inquiry. Instead, the party has found another culprit for its disappointments—widespread election fraud—that it is now committed to rooting out.

Instead of commissioning an autopsy, the Republican National Committee has formed a committee on election integrity. "That is the number-one issue," says Allen West, the chairman of the Texas party. "I think all Republicans are united on election integrity." Proven voter fraud is vanishingly rare, constituting an estimated 0.0025% of all votes cast. Nevertheless, in Texas and almost every other state, Republican legislators have introduced 253 bills this year to tighten voting rules with the aim of eliminating fraud.

Donald Trump remains in charge of the Republican Party. "He is the leader of the conservative movement. He is the leader of the America First movement. And I truly hope that on January 20th, 2025, he's once again the leader of our country," says Jim Jordan, a Republican congressman from Ohio. The vast majority of Mr Trump's supporters—81% according to polling by YouGov—still believe his claim of a stolen election. Voters and activists agree that changes to voting laws are necessary. "They want to be sure we have good, clean, solid elections and, and there's no hanky-panky," says one county Republican chairman in Texas. The logic is circular. To revive confidence in elections, which Mr Trump almost singlehandedly undermined during his presidential campaign, Republicans must now change the election rules.

In Georgia, where Republicans were embarrassed by losing the presidential race and both Senate seats, they are close to passing laws that would require photo ID in order to vote by post, eliminate no-excuse absentee voting, limit the time when secure drop boxes can be used and move back the deadline for requesting an absentee ballot. Most controversially, their proposal would also disallow early voting on some Sundays. This might seem curious for a fraud-prevention measure, as there is no convincing evidence that fraud is more likely on the Lord's day than on others. It does so happen, however, that Sundays usually see heavy turnout for Democratic-leaning black voters, because they head to ballot boxes en masse directly after church. On Sundays 37% of early voters in the state are black, compared with just 27% on other days.

The effort is most extreme in states where Republicans have recently lost federal elections but still control state government. In Arizona where, as in Georgia, Republicans have complete control of state government, 22 separate bills have been filed aimed at restricting voting in various ways. One measure would require all absentee ballots to be notarised. Another would require them to be returned in person, rather than through the post. Those on the permanent early voting list who did not vote in four consecutive elections would be removed from it, according to another proposal. Two bills would bar automatic voter-registration and registering to vote on the same day as an election—redundantly, since neither practice actually exists in the state.

Knife-edge elections have become more common in America. Even marginal changes in voter behaviour—suppressing opponents' turnout by a percentage point, or slightly boosting that of sympathisers—could thus prove decisive. So far, however, it has proved difficult to game the results so neatly. Back in 2012, when voter ID rules ▸▸

were becoming fashionable, a senior Republican in Pennsylvania got into trouble for publicly saying that new rules in the state would "allow Governor Romney to win" the state. Mr Romney lost to Mr Obama by a not-particularly-close five points.

Contrary to Democratic doomsaying, which often equates the passage of vote restrictions with certain electoral defeat, political scientists who try to assess their impact often find no clear partisan effect. This is partly because turnout is a volatile and noisy indicator. If black turnout declines when Barack Obama is no longer at the top of the ticket, it would be wrong to attribute the whole of the drop-off to a recent vote restriction. "The effects of these laws are difficult to detect, and relatively small in terms of direct effects," says Bernard Fraga, a political scientist at Emory University and a leading scholar on the subject. He notes that restrictive measures may generate lots of attention and activism, resulting in a counter-mobilisation boosting turnout among those affected—the sort seen in successful Democratic efforts to register black voters in Georgia.

Recent research by a squad of political scientists examined whether unrestricted absentee ballots benefited one party by considering a natural experiment. In Texas, 65-year-olds need no excuse for requesting an absentee ballot, whereas 64-year-olds do. Although the researchers found a modest increase in turnout, as expected, they found "at most a muted partisan effect" in the final election tallies.

State lawmakers assume otherwise, though. In 2019 Republicans in Pennsylvania joined Democrats to pass a sweeping law, known as Act 77, that created no-excuse mail-in voting and extended deadlines for registering to vote. The working theory then was that easier absentee voting would increase turnout among elderly voters, who lean Republican. Then came the election in 2020, when Mr Trump insisted that mail-in voting was used to commit massive fraud and steal his victory. Republicans in the state have now introduced legislation aiming to repeal Act 77.

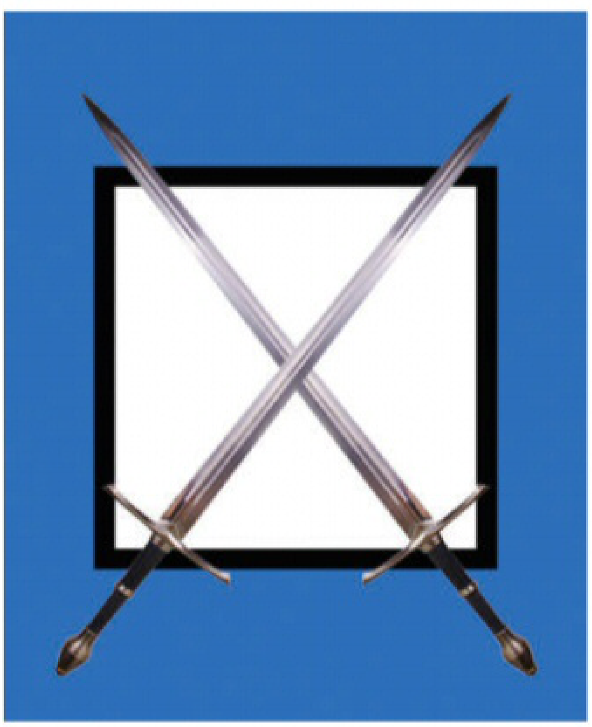
"What we identified was the no-excuse mail-in votes, specifically, had been targeted and had been exploited," says Mike Puskaric, a Republican state representative who voted for Act 77 in 2019 and introduced the legislation seeking its repeal. Mr Puskaric alleges that activists registered homeless people at 25 or 50 addresses and then collected ballots from them; that solar-powered video cameras monitoring drop boxes for ballots failed; and that the results were marred because there were 205,000 more mail-in ballots received than requested (the Associated Press wrote in December that this allegation was false).

The fact that it is hard to tailor election rules to favour Republicans does not mean that doing so is harmless, though. "It's fundamentally anti-democratic to restrict the franchise. This is classic democratic backsliding," says Lee Drutman, a prominently pessimistic political scientist. The efforts also reinforce the belief that Democrats can win elections only through the fraudulent votes of dead people or illegal immigrants, conspiracies that further corrode belief in democracy.

The second area of concern is practical. Republicans are experimenting with voting-rules changes that, as with state-level experiments to develop increasingly arduous abortion restrictions, may eventually yield a winning formula. Courts have constrained the most egregious schemes. Before it was struck down as unconstitutional, one law in Kansas required not merely a driving licence, but a passport or birth certificate in order to register to vote. "It's going to be a lot tougher to bring that kind of challenge against something that just makes voting harder, but not necessarily altogether impossible," says Dale Ho of the American Civil Liberties Union (ACLU), who led the case against the Kansas law.

Nation states

Few developed countries have such devolved, and therefore disparate, election rules as America. Local discretion means that in a state like Vermont a felon can vote while still in prison, but in a state like Mississippi he may not ever recover the right after his sentence is complete. This enduring localism results in a recurring pattern, notes Alex Keyssar, a historian at Harvard. The battle over voting rights has always proceeded in fits and starts, with the federal government repeatedly stepping in to correct for perceived inadequacies in state administration. After the civil war Congress passed the 15th Amendment, finally guaranteeing the right to vote for African-Americans; the modern regime of the Civil Rights Act and Voting Rights Act was installed at the end of Jim Crow.



The contemporary example of this pattern is a bill proposed by Democrats known as HR 1, which seeks to harmonise state voting rules and pre-empt the ongoing Republican efforts to modify them further. "The project of the modern Republican Party is not to compete on the merits of its unpopular policy ideas, but rather to disenfranchise large swathes of the American electorate," argues Mondaire Jones, a Democratic congressman from New York. "This bill is their public enemy number one."

HR 1, which passed the House of Representatives on March 3rd on a straight party-line vote, contemplates sweeping changes to election rules. The bill would require states to allow universal mail-in voting, 15 days of continuous early voting (to avoid Sunday shenanigans of the Georgian variety) and automatic voter-registration. It would also limit the use of voter-ID requirements. Felons would be allowed to vote after serving their sentences.

If passed, the legislation would stop most Republican efforts to change state rules for federal elections. It is unclear whether any of these changes would actually damage Republican chances of winning, for the same reasons that it is hard to discern the effect of changes to state laws. But a relatively unremarked-on provision, to abolish the practice of partisan gerrymandering, would be immediately consequential (see next story).

The ambitions of HR 1 do not end there, however. The 791-page bill devotes roughly half of its attention to reforming campaign finance, including the creation of a public-financing scheme for matching small-dollar donations at a generous rate of six to one which, however well-intentioned, could be called ancillary. Other provisions fall a bit short of guarding sacrosanct voting rights. The ability of paid political operatives to collect sealed absentee ballots and return them en masse (which critics call "ballot harvesting") would be enshrined in the law, for example. The ACLU, though a long-time champion of expanding access to voting, has objected strongly on free-speech grounds to some of its disclosure rules on donations to non-profits.

The largest obstacle to HR 1, now that it has passed the House, will be the Senate filibuster. If the bill is stalled, that would uncomfortably recall the filibusters of southern Democrats, who tried to stop the civil-rights bills of the 1960s (see Briefing). Advocates who wish to break the filibuster once and for all, or at least make it less obstructive, think that the legislation will be their best opportunity to do so. The weight of all the extraneous and questionable measures may hamper their argument, however. A skinnier bill aimed solely at curtailing efforts to restrict the vote would stand a better chance of becoming law. ■

Gerrymandering

House that?

WASHINGTON, DC

How the 2020 census may help Republicans regain power

EVERY TEN years the Census Bureau attempts to track every person in America. The count, required by the constitution, is inherently democratising, for each individual sees themselves reflected in a countrywide sum of inhabitants. Among other things, the resulting numbers in each state are used to divvy up federal tax dollars and draw boundaries for congressional districts, a process known as apportionment. But this year, because of complications from covid-19, the numbers will be late. The bureau has announced that the apportionment estimates will not be released until September, whereas they would usually be sent out in March.

The delay will complicate redistricting plans in almost every state. Most have deadlines to pass new plans for congressional and state legislative districts by the end of the year. But drawing new boundaries will be hard in this compressed timeframe. In many instances, the delay raises issues that will have to be resolved in court. But when state legislatures do eventually get round to drawing maps for their states, lawmakers around the country are poised to tilt the scales towards the Republican Party—just as they did last time.

To begin with, the reapportionment of congressional seats is likely to favour Republicans nationally. According to Election Data Services, a political consulting firm that specialises in redistricting, Texas and Florida, the biggest Republican states, are poised to gain three and two seats in Congress respectively. California, New York and Illinois, all Democratic strongholds with declining populations, are each likely to lose between one and two seats. This alone could tilt the balance of power in the House of Representatives—which Democrats controlled by a slim four-seat majority after last November's elections—towards Republicans, if mapmakers in the South have their way.

This is reminiscent of the redistricting battles of 2011. After the Tea Party movement swept Republicans to power across America in 2010, the GOP used its dominance of the process to pack Democratic voters into fewer districts than they deserved based on their share of the vote. Republicans were able, for example, to pass a plan that gave them nine of 13 House seats in North Carolina and a 13 of 18 in Pennsylvania, even though voters in both states are, in effect, evenly split between Democrats and Republicans.

The Brennan Centre for Justice at the New York University School of Law found that this process of drawing biased districts, referred to as "gerrymandering," won Republicans at least 16 more House seats than they would have won if the maps had been fair. Democrats also engage in gerrymandering, but are less blatant about extracting advantage; the Brennan Centre estimates that they redrew the congressional map in Maryland to gain only one more seat than they should have got.

In Texas, Florida, North Carolina and Georgia redistricting is controlled by the states' Republican-dominated state legislatures. In the past, this one-party rule over redistricting gave rise to claims that the states' plans were drawn to dilute the power of racial minorities or of Democratic voters. In all four states, challenges to state or federal districts after reapportionment in 2011 made their way through the judiciary; in Texas, Florida, and North Carolina, the courts upheld the complaints and ordered mapmakers to draw new, fairer maps before the next elections.

When the previous round of gerrymandering took place, there were still some restrictions on how contorted mapmaking could be. But in 2013 the Supreme Court struck down the portion of the Voting Rights Act (VRA) of 1965 that required a number of southern states to receive "preclearance" from the federal government before implementing new state and congressional district boundaries. The decision in *Shelby County v Holder* held that section 4(b) of the VRA was unconstitutional, since it was based on data that were 40 years old and was preventing states from exercising power over their own elections, a power given to them by the constitution.

Given the relaxing of restrictions on gerrymandering across the South; the near-certainty that these states will gain an extra six congressional districts after the census release; and their unified Republican control, it is not unreasonable to think that Republicans could simply draw themselves the extra five seats they need to take back the House of Representatives in the 2022 mid-term elections. The Brennan Centre also considers South Carolina, Alabama and Mississippi to be at high risk of passing partisan gerrymanders.

Cartographic chagrin

Were the Republican Party to gain a majority while receiving fewer votes than their opponents, that would be the third time in 50 years the House had a Republican majority that received fewer votes than the minority (an advantage not enjoyed by Democrats since 1942). That would add to the impression that what a majority of Americans vote for—and what they actually get—are two different things. ■

Press freedom

Midwestern nasty

CHICAGO

Trying a reporter in Iowa fits a trend of rising hostility against journalists

THE WRONG person went on trial in Des Moines, Iowa, this week. Andrea Sahouri, a journalist for the *Des Moines Register*, testified in court on March 9th about her rough treatment—her lawyer called it "assault"—by a policeman last year. Along with a colleague, she had been observing a protest against police violence and racial injustice on May 31st. Though she stood away from protesters, a policeman in helmet and gas mask rushed up and, without warning, she says, "grabbed me, pepper-sprayed me." Even as she called out "I'm press, I'm press," he handcuffed her and a friend. Her colleague and a passing television camera crew both identified her as a journalist, to no avail.

Such things happen at chaotic moments, when adrenalin is high and tear-gas flies. Much of the past year was exceptionally frantic. A tally kept by the US Press Freedom Tracker, an industry body, counts 128 journalists arrested across America in 2020, a huge increase from 9 reporters detained in 2019. Many were caught up in summer protests related to Black Lives Matter or over virus-related lockdowns. Police detained one CNN presenter, Omar Jimenez, as he reported on live television. Kirstin McCudden, of the Tracker, says last year they counted "violations against journalists in 36 states. It wasn't a one-off, we saw it night after night."

Some reporters say police, or members ▸▸

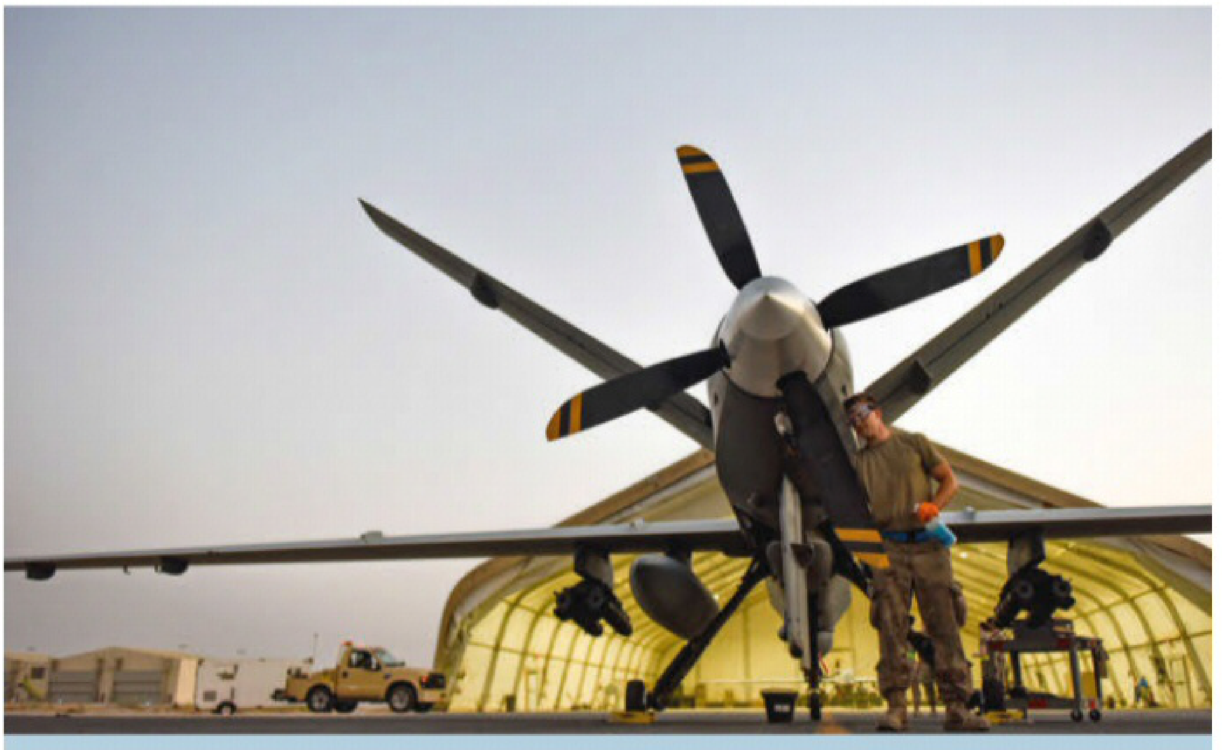
of the public fired up by Donald Trump's frequent attacks on the press as "enemies of the people", violently targeted them. Usually, however, arrests are almost the end of the story. Seattle police, for example, detained Andrew Buncombe, a British journalist with the *Independent*, for not dispersing while he reported on protests in July. The officer ignored State Department-issued press credentials round his neck, he says. Put into handcuffs, leg shackles and a belly chain, he was thrown into a crowded cell for hours. But then, as usually happens, he was released with no charges.

Prosecutions of journalists in such cases almost never follow detention, because the First Amendment grants the press explicit freedoms to monitor events in the public interest. States' attorneys can in theory still choose to prosecute, but they usually realise how bad it looks. Of the 128 arrests last year, for example, Ms McCudden says charges have so far been dropped or never brought in most.

Yet Iowa's Polk County is an exception. The aggressive officer was not charged. Instead, it was Ms Sahouri (and her former boyfriend and co-accused) who sat in the dock this week, charged with failing to disperse and interfering with the work of the police. Nine months after her detention the Polk County attorney, John Sarcone, insisted that the trial should go ahead, though he would not explain why. The jurors were unimpressed: on March 10th, after brief deliberation, they issued not-guilty verdicts for both of the accused. Ms Sahouri said afterwards she had been "unjustly assaulted and arrested". Her editor at the *Register*, Carol Hunter, called the process "an unjust prosecution of a reporter who was doing her job."

Despite the verdicts, the unusual trial was a "black mark in our history, in terms of freedom of the press", says Denise Bell of Amnesty International, warning that "we're in dangerous grounds when the state treats media work as a crime". Her organisation described what she calls a "pattern of abuse" and deliberate efforts by many police forces to harass reporters during protests last year. But forcing Ms Sahouri into court went a step further, she says; it was an unusual and unwelcome example of using "the state machinery to prosecute a working journalist".

Was Ms Sahouri extra-vulnerable because she is young, female and of Palestinian-American origin? Her lawyers made no reference to the fact but, at the least, the contrasts of her trial in an overwhelmingly white and male Iowan court looked bad. Bizarrely, it took place in a specially fitted-out room in Drake University, where the trial, which was also broadcast on a live feed, was presented as a model for law students—some of whom watched from wooden pews—to study. ■



Plane expensive

The sky-high cost of drones

Why taking pilots out of planes has failed to produce savings

When Tom Cruise first appeared as Lieutenant Pete "Maverick" Mitchell, the rakish naval aviator of "Top Gun", in 1986, the F-14 Tomcat fighter jet that he jinked around Soviet warplanes cost little over $50m. When he reappears in this year's sequel, "Top Gun: Maverick", he will fly a F/A-18E Super Hornet that approaches $60m. And if a geriatric Mr Cruise should be plucked from retirement to complete a trilogy, he might star in a stealthy F-35C that exceeds $90m.

The answer to such runaway costs was once thought to be drones. The idea was that remotely piloted aircraft were not just smaller and thus cheaper than their crewed equivalents, but that they would also allow air forces to save money by pruning personnel. But a new report by the Centre for Strategic and International Studies (CSIS), a think-tank in Washington, suggests that replacing humans with machines is not so simple.

Drones do require fewer people. Consider America's fleet of planes for intelligence, surveillance and reconnaissance (ISR)—essentially, spotting things from the air. Crewed aircraft like the E-8, E-3 and RC-135 have average annual personnel costs of around $12m per plane. Though the comparison is imperfect, an MQ-9A Reaper, a drone that can perform similar missions, comes in at $3m per plane. That is not cheap—it is about the same as the personnel costs associated with an F-35 jet—but it is a saving.

The problem is that the savings tend to be wiped out because the drones rack up so many flying hours. Each of America's Global Hawks, a surveillance drone that can conduct day-long sorties, flies an average of almost 1,400 hours annually—the equivalent of two months in the air. The U2 spy plane, a cold-war stalwart still in regular use, does less than half of that. During 2016-17, the last period for which complete figures are available, America's ISR drones flew six times as many hours as every crewed ISR plane combined. Commanders' "insatiable demand" for eyes in the sky has "prevented overall reductions in personnel and operating costs", concludes CSIS.

That demand was evident in Iraq and Syria during the American-led war against Islamic State. A recent study by the RAND Corporation, another think-tank, notes that drones, by feeding back full-motion video, largely replaced the human targeters who in previous wars had been needed on the ground to guide air strikes. Yet precisely because drones generate so much intelligence, they require more humans to analyse it all—at least until artificial intelligence is good enough to do the job.

Doing away with the humans is hard. At present, keeping a single Predator or Reaper drone above a given target around the clock requires four drones, and thus 49 people in mission control and 59 more, most of them for maintenance, in the local "launch and recovery" area where the drone is operating. The current practice is to have one pilot per drone. Adopting a "one-to-many approach", with a single pilot flying several aircraft at once, would be more efficient, notes CSIS—in other words, multi-taskers rather than mavericks.

Tribes of the Hamptons

White shoes and slot machines

SOUTHAMPTON, NEW YORK

A proposal to build a tribal casino in the playground of affluent New York

SAUNDERS, A HIGH-END real-estate firm, sold and rented $2.3bn worth of property in the Hamptons last year. Calvin Klein, the panjandrum of pants, sold his beach house there for $84.4m. Well-heeled New Yorkers go to the string of small towns on Long Island to throw frisbees on the beach and compare Picassos in their kitchens. They are not universally thrilled by the Shinnecock Nation's plans to build a casino on their reservation in Southampton.

Jay Schneiderman, the town supervisor, is "totally opposed" to the planned site. "I cannot think of a worse location to build a casino," he said. Congestion, already bad on the single road into the Hamptons, will get worse. Fred Thiele's opposition was gentler. The state assemblyman acknowledges the Nation's right to build on its sovereign land, but thinks it is nonetheless a bad idea. He expects opposition to grow, and not just among the gilded summer residents. The not-rich year-round residents, like teachers and landscapers, will oppose it, too. Some are worried about the environmental impact of the proposed casino. The tribe finds this thinking a bit precious. They are not the ones who built McMansions and a golf course on sacred land.

The existence of a 900-acre (364-hectare) Native American reservation 90 miles from Manhattan is not widely known. Though the folks who helicopter in to their summer homes may not realise it, the Shinnecocks have always been there. According to legend they are the children of a goddess who created land on the back of a giant turtle. The Nation now reckons building a casino on the turtle's back would bring economic development.

It has good reason to think so. Median household income rose 34% between 1990 and 2010 for Native Americans living on reservations. Gaming, which expanded on reservations during this period, probably played a big role in that. About half of the 574 federally recognised tribes have some sort of gambling facility, ranging from casinos to bingo halls and slot machines at petrol stations.

"Gaming has become the economic lifeblood for many native and non-native communities," says Jonodev Chaudhuri, former head of the National Indian Gaming Commission, a federal agency. It provides funding for social services and health programmes and has an economic impact beyond the reservation's borders. A study by the American Gaming Association estimates that the positive economic impact is over $100bn a year (though, given the source, that is no great surprise).

In the wake of the epidemic, tribal leaders across the country are having discussions about diversifying income. Some are looking at renewable energy. The Shinnecock Nation has explored shellfish harvesting, smoke shops (tobacco sold on reservation land is exempt from state tax), a medical-cannabis outlet and roadside billboards. Casino money would help kick-start other ventures. "It takes money to make money," reckons Miriam Jorgensen, of the University of Arizona's Native Nations Institute. Most New Yorkers would at least agree with that. ■

Economic experiments

Taking stock of Stockton

An experiment with guaranteed income returns its first results

FOR the past two years, as part of an experiment, 125 residents of Stockton, a small city in California's Central Valley, have found themselves $500-a-month richer. The money arrived on or around the 15th of every month, timed to coincide with a period that tends to be sparse for people on typical low-income pay cycles. The recipients were selected at random from a longlist of people who signed up for the experiment online. The only criteria was that they should be adults living in neighbourhoods in which the median income was lower than the median in Stockton overall. Since about 10% of Stockton's residents do not have bank accounts, the money was transferred onto pre-paid debit cards issued by the research group, the Stockton Economic Empowerment Demonstration. Recipients did not have to meet any conditions to get the money. They could spend it on whatever they wanted.

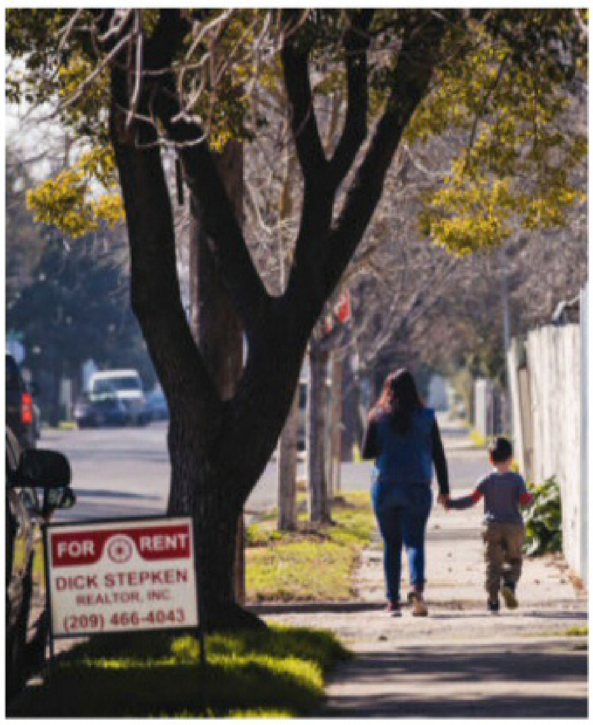
An experiment involving just 125 people in a single city must be interpreted cautiously. Myriad small differences in the ways in which money is given, and in the social contexts in which it is received, mean that the impacts of such a guaranteed income elsewhere are complex and hard to predict. Still, the initial results of the Stockton experiment, which were published at the beginning of March, will cheer supporters of a guaranteed income.

In the study's first year, from February 2019 to February 2020, the incomes of the 125 were much smoother from one month to another than a control group that received no money. The 125 were also more likely to have found full-time work in the first year of the experiment than the control group. The researchers suggest that the extra money freed people to take on the risk of quitting or reducing hours at part-time jobs or gig work, giving them time in which to complete internships or training that led to full-time work.

One participant, Kent, said he was able to risk quitting his old job for an internship, which led to better-paid full-time work, only thanks to "knowing that I have that money" from the scheme. Other benefits were harder to quantify. "I'm able to read and write my poetry, and spend time with my Mom," reported another participant, Nicole. A third, Pam, said that anxiety associated with caring for her young family had lessened to the point where she no longer needed to take medication.

The Stockton experiment is not the only instance of guaranteed income in America. Other cities are considering launching their own pilots, and are currently discussing the parameters through a group called Mayors for a Guaranteed Income. Alaska has long paid a dividend to all state residents, funded by its oil revenues. A large study focused exclusively on new mothers and their children, called Baby's First Years, is running nationwide right now. One thousand new mothers were recruited to the study between May 2018 and June 2019, to receive either $333 or $20 a month for the first 40 months of their child's life.

Robust causal evidence about the costs and benefits of guaranteed income is still lacking. One issue is the limited social and geographical extent of pilots to date. It is also unclear how guaranteed income changes overall productivity, a question which is vital to determining whether and how to pay for it at bigger scales. But those who think it is beneficial are gaining ammunition to support their argument, from Stockton and elsewhere. ■



How to spend it

Lexington | The wild man of the mountains

Senator Joe Manchin illustrates how hard it will be for Democrats to scrap the filibuster

American politics has provided little cause for levity in recent times. So give thanks for the campaign to primary Senator Joe Manchin of West Virginia launched by a group of brave left-wingers. A recent email from No Excuses PAC, which was formed by a pair of former aides to Congresswoman Alexandria Ocasio Cortez, threatens to "replace" Mr Manchin and other "conservative Democrats in the Senate who stand in the way of progress". Without wishing to make excuses for No Excuses, its masterminds seem to know even less about Mr Manchin's rugged little state than John Denver did, when he co-wrote his great "misty taste of moonshine" homage to West Virginia without ever having set foot there.

Mr Manchin, a pro-coal, pro-God progressive of the old school, is certainly an outlier in the modern Democratic Party. He scuppered Barack Obama's environmental agenda and voted to confirm Justice Brett Kavanaugh. He is for the filibuster, against a $15-minimum wage, and last week threatened to derail Joe Biden's covid-19 relief package until it was made less generous to the unemployed. Yet the fact that he has been elected three times as a Democrat in West Virginia, notwithstanding the state's hard-right tack, is so improbable that his party had better focus on the positives.

When he governed the state, in 2005-10, all but one of its congressional delegates and senior state-level officers were Democrats. Mr Manchin, who exchanged Charleston for Capitol Hill to succeed Robert Byrd, a legendarily long-serving Democrat, is the only notable Appalachian Democrat left. He won re-election in 2018 after Donald Trump had won West Virginia by a 42% margin. No other Democrat would have got within hailing distance. That the hulking, garrulous native of Farmington (population: 375), West Virginia, has since voted with his party about half the time, including on Mr Biden's most cherished initiatives, is a bonus it should gratefully pocket.

The left's efforts to cajole him are sparked by more than frustration, however. The eye-catchingly coiffured senator loves wading into a big debate—especially, as on the filibuster question, when it concerns Senate procedure. As a small-state senator and successor to Mr Byrd, who wrote a four-volume history of the Senate, he considers it one of his pet topics. This makes him a target for those with opposing views. Especially as his free-wheeling style—this week he reiterated his support for the filibuster and for reforming it—suggests a possible openness to persuasion.

In reality, he is not much interested in what anyone in Washington, DC, has to say about almost anything. Though he has a fun time in the capital, aboard the houseboat on the Potomac (called "Almost Heaven") where he lives midweek, his survival is based on assiduous shoe-leather politicking in West Virginia, village fete by fete, hallooing and chatting to the thousands of voters he knows by name. And his policy positions are set by whatever he believes will keep them happiest in the moment.

As governor, he signed an "alternative energy" standard to diversify the state's energy mix, then the next year ran for the Senate lambasting a cap-and-trade bill designed to do the same thing (in a campaign ad, he grimly shot the bill down...with a hunting rifle). He is pragmatic, intuitive and, on economic though not cultural issues, changeable. If he sounds pugnacious yet somewhat hazy on the details, it is not because he is open to arguments, but because that is how most West Virginians think about politics.

At a time when character appears increasingly to have been subsumed by the ineluctable forces of political science—asymmetrical polarisation, negative partisanship and the rest—Mr Manchin is a refreshing anomaly. The other big personalities in American public life, including Mr Trump, are all running with the cultural winds; he is leaning into a howling gale. The demise of moderate Democrats even in less conservative places, such as Indiana and Missouri, shows what a unique performance this is. Joe Donnelly and Claire McCaskill were also dab hands at retail politics, yet lacked Mr Manchin's long record and near universal name-recognition. His success is less a template than a one-off.

That also helps explain why most Democrats want to change the Senate rules. They have won the popular vote in every cycle of Senate elections since 1998. Yet their hopes of passing legislation now rest with a man whose political survival depends on his skill at judiciously picking fights with his own party. Which is, in turn, why changing the rules will be so hard.

Mr Manchin says he is for the filibuster because bipartisanship is still possible. It is an analysis based less on Senate reality than an apprehension that Trump-loving West Virginians are prepared to vote for him on the strength of that claim. They are, as ever, the audience he has in mind—as he further suggests by linking his defence of the filibuster to his predecessor, who made similar arguments for it, and is revered in West Virginia for his decades-long success in bringing home the bacon. Were he to vote against the filibuster, Mr Manchin told *The Economist*, "Robert Byrd'll come out of his grave after me and I'm not gonna have that happen."

In my father's house

That does not mean he will not shift a bit. A commitment to getting stuff done is, alongside bipartisanship, the other essential feature of his brand. And as he indicated this week, in expressing his openness to filibuster reform, he will be willing to compromise in order to keep both commitments alive.

In so far as he can be predicted—which is admittedly not far—he is on track to support re-literalising the filibuster, forcing the minority to snarl up Senate proceedings with actual debate, but not the issue-by-issue carve-outs most Democrats want. Yet he is probably still a fair few trips home to West Virginia away from making up his mind. And good luck, meanwhile, to any liberal activist or commentator who thinks he can influence Mr Manchin's calculation either way. ■

Canada and China

Hostage diplomacy

NEW YORK

The incarceration of two Canadians has paralysed the relationship between the two countries

WHENEVER CANADA'S ambassador to China visits Michael Kovrig virtually in jail, the prisoner gives him a list of books he wants to read next. In January he asked for "The Trial" by Franz Kafka. Like the unhappy hero of that novel, Mr Kovrig, a Canadian former diplomat, has done nothing wrong. Yet he has been stuck in a cell in Beijing for 800 days. The true reason for his ordeal has never been stated openly by Chinese authorities. His fate, and that of another Canadian, Michael Spavor, depends on a case neither man had anything to do with: the detention in Canada of a Chinese businesswoman, Meng Wanzhou.

The "two Michaels", as they are known in Canada, appear to be hostages. In December 2018 they were taken into custody and later charged with spying. Many assume this was in retaliation for the arrest of Ms Meng, who is the chief financial officer of Huawei, a Chinese telecoms firm, and also the daughter of its founder, Ren Zhengfei. Ms Meng and Huawei are accused of violating sanctions against Iran. The United States' Department of Justice had sought her arrest so that she could be extradited to America. Ms Meng appeared in court on March 1st to begin the final round of her extradition hearing, which will end in May. Unlike the two Michaels, she is detained in comfort in a cushy house in Vancouver. She wears an electronic tag, but can see friends and go shopping.

Canada's government faces a conundrum: how should it deal with a powerful country that refuses to play by the same rules? Its experience so far suggests that when it comes to hostage diplomacy, liberal democracies with moral scruples are at a disadvantage, for the obvious reason that they don't take hostages.

Some Canadian ex-ministers and diplomats have lobbied Justin Trudeau, Canada's prime minister, to defy the United States and release Ms Meng, bending the rule of law so that the two Michaels can return home. Mr Trudeau has refused, pointing out that to intervene on behalf of Ms Meng would show China that all it has to do to gain leverage over Canada is, as he put it, to arrest two "random Canadians".

As a result, Mr Trudeau has been accused of weakness in the face of Chinese bullying. He did not retaliate when, after Ms Meng's arrest, China imposed a de facto ban on imports of Canadian canola, pork, beef and soya. His government has not formally banned Huawei from its 5G networks, as some other countries have. (China's ambassador to Canada warned that a ban would bring "repercussions".) Mr Trudeau resisted calls from parliament to follow America in labelling the persecution of the Uyghurs in Xinjiang a "genocide".

Supporters of Mr Trudeau argue that he is dealing pragmatically with an impossible situation. They point out how, after a dip, China's purchases of canola and other goods have recovered somewhat. Last year Canada's overall exports to China increased by 7.1%, to C$26.2n ($20.7bn). Mr Trudeau's minority Liberal government criticised China's crackdown in Hong Kong and made it easier for Hong Kongers to come to Canada, angering the Chinese government. And he did not stand in the way of a unanimous vote in parliament to apply the "genocide" label to atrocities in Xinjiang; the government abstained and let Liberal party members vote as they wished.

In February Marc Garneau, Canada's foreign minister, issued a declaration with the US secretary of state, Antony Blinken, and 56 other governments, denouncing the arbitrary detention of foreign citizens

→ Also in this section

by states for political purposes. The statement did not mention China by name—another of Mr Trudeau's calibrations. But the message was heard in Beijing. Hua Chunying, a spokeswoman for China's foreign ministry, called the declaration a "despicable and hypocritical act", and said it amounted to a "confession" by Canada that it had erred in detaining Ms Meng.

Chinese authorities have intimated that the fates of the two Michaels are intertwined with Ms Meng's. In February Morgan Elliott, Huawei's vice-president for government relations in Canada, almost said as much in a television interview. "Mr Ren, like any father, wants his daughter home, just as the families of Michael Kovrig and Michael Spavor want their family," he said.

It is becoming increasingly clear that to get the two men home Canada will need America's help. In Ottawa hope flickers that this will be more likely with Joe Biden as president instead of Donald Trump. In December the *Wall Street Journal* reported that America's Justice Department was negotiating a possible settlement with Huawei's lawyers that would free Ms Meng, perhaps with a hefty fine.

Those talks appear to have fizzled before Mr Trump left office, though they may resume. In February Mr Biden promised to work with Canada to get the two Michaels home. It is unclear, however, if America will pursue a legal settlement. "Human beings are not bartering chips," Mr Biden said. Mr Kovrig's Kafkaesque nightmare suggests otherwise. ■

Mexico's pampered pets

The dogs are all right

MEXICO CITY

Pooches are enjoying the pandemic. Shame about the children

AT 9AM ON a Wednesday, Gaby Rountree Antón waves goodbye to Mila as she is picked up to go to day care in Mexico City. "It has made her so independent, so friendly and so lovely with others," Ms Rountree Antón gushes. She shuts the front door and turns to homeschooling her two children. For Mila is not a child, but the family dog.

Schools and nurseries have been shut in Mexico for a year, thanks to the pandemic and overmighty teachers' unions. But doggy day care is booming. Canine carers offer claw-trims and let beloved pets frolic outdoors. "Many clients now have a home office or are worried about their dogs becoming too attached to them," explains Montserrat Mondragón, the co-owner of Casa Pek, a dog day-care centre, as she strokes a tiny pooch on her lap. One facility in the rich neighbourhood of La Condesa also has a camp where mutts can spend a relaxing weekend in the countryside.

Because she's worth it, too

The number of dogs in Mexico increased by 20% in the decade to 2018, to nearly 20m. Most are strays, but many have found loving homes. They account for 85% of all pets in Mexico. Parks have "canine areas". Many restaurants welcome dogs and provide drinking water. Pet beauty salons provide not only baths and trims but massages and acupuncture, too. None of this is cheap. Casa Pek charges 300 pesos ($14) per day. A "relaxing bath" at PetCare, a salon, can cost more than an average worker's daily wages.

Mexico's rising passion for dogs has coincided with falling human fertility. In the mid-1980s a Mexican woman could expect to have four children; now, only two. In the long run, as people have grown richer and the returns to education have risen, families have shrunk. In the past year, however, it is economic uncertainty that has prompted many to delay having sprogs.

For some, a dog is a lovable substitute. The most devoted owners buy clothes and prams and throw birthday parties for their pooches, with hats and birthday cakes (beef or tuna flavour, often bone-shaped). Ice-cream parlours sell *helados* for hounds; some restaurants even offer a full doggy menu. All this furry infantilisation has inspired a portmanteau word, *perrhijo*, a fusion of the Spanish for "dog" and "child".

Mexico's pampered pets are probably enjoying the pandemic more than its locked-down kids. By one estimate, nearly two-thirds of the children who have missed a year of school because of coronavirus live in Latin America or the Caribbean. For mothers such as Ms Rountree Antón, doggy day care offers some respite from covid-induced drudgery. But she will not stop worrying until her children, too, are let off the leash and back into the classroom. ■

Brazilian politics

Back in the game

SÃO PAULO

A judge clears the way for Lula to run for president again

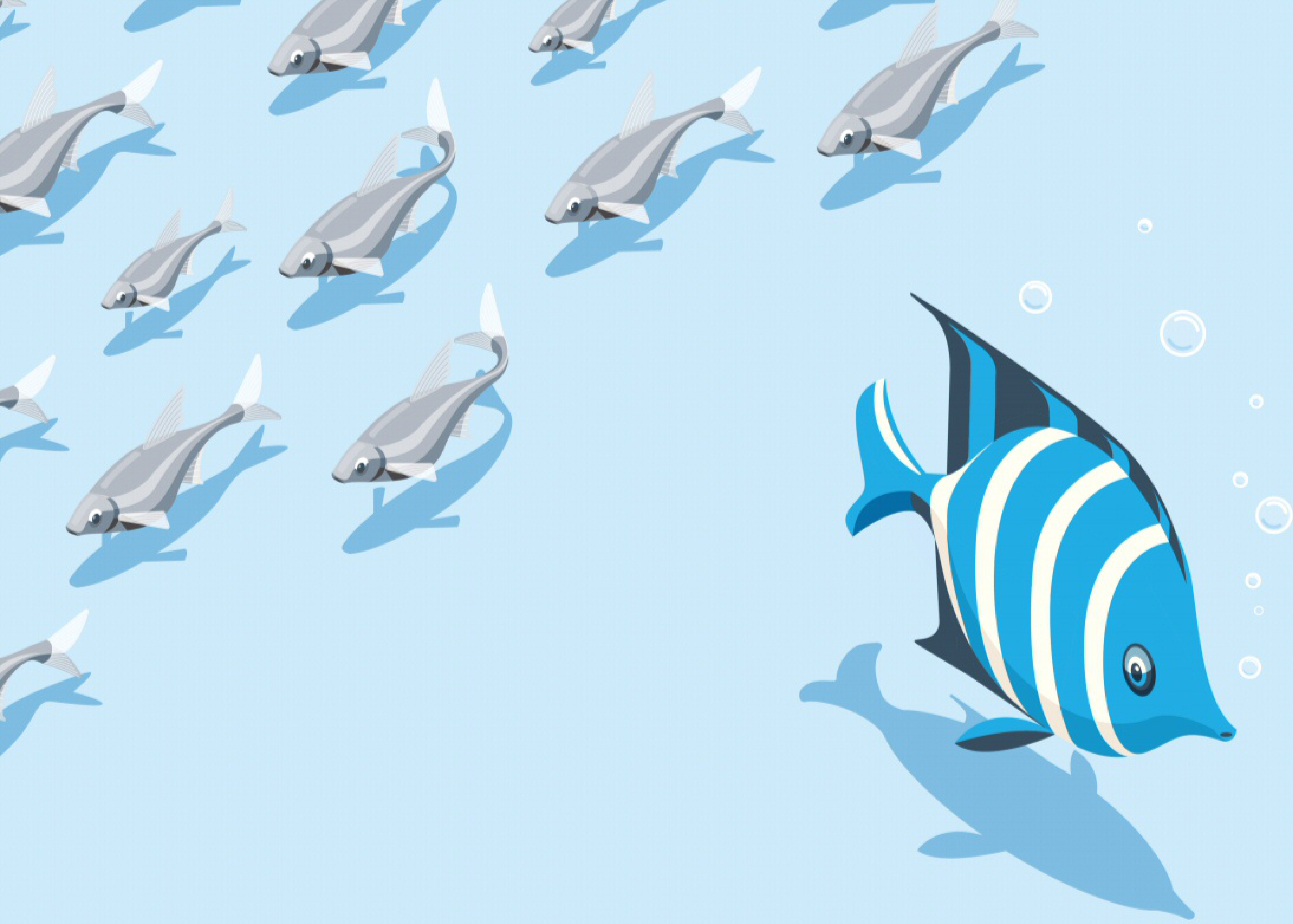
BRAZILIAN JUSTICE works in mysterious ways. The latest twist came on March 8th when Edson Fachin, a Supreme Court judge, annulled two corruption convictions against ex-president Luiz Inácio Lula da Silva, clearing the way for him to run in the elections in 2022. Mr Fachin belongs to a faction of the Supreme Court that tends to rule in favour of the anti-corruption task force known as Lava Jato (Car Wash). This makes his ruling surprising.

Mr Fachin accepted a years-old argument from Lula's lawyers that the cases, which concern properties he allegedly received from construction companies, were filed in the wrong jurisdiction; if the full court confirms this decision, they will start again elsewhere. But another motion before the court seeks permanently to quash both the convictions and the evidence against Lula, on the grounds that Sérgio Moro, the judge who oversaw the probe, was biased. Leaked messages reveal that he coached prosecutors; he later became justice minister for Jair Bolsonaro, Brazil's populist president.

Some suspect that Mr Fachin was trying to shield the rest of Lava Jato by sparing its most controversial target. But the day after his ruling, a chamber of the court began debating the case concerning Mr Moro. A decision in Lula's favour could be used to annul the sentences of dozens of politicians and businessmen implicated in Lava Jato. After the chamber failed to reach a ruling, the judge postponed his verdict. But it is unlikely that Lula will be convicted again, thinks Felipe Recondo, a founder of Jota, a website that focuses on Brazil's judiciary. A former Lava Jato prosecutor even suggested that the statute of limitations has passed for some of his alleged crimes.

At first glance, Lula's eligibility is a boost for Mr Bolsonaro. In 2018, the former president launched a quixotic presidential campaign despite being barred from the ballot, hoping to convince wavering supporters of the left-wing Workers' Party (PT) to vote for Fernando Haddad, who had replaced him as the party's candidate a month before the election. Instead, anger about graft helped elect Mr Bolsonaro, who ran on an anti-establishment platform.

Brazil has changed since then. Mr Bolsonaro can no longer paint himself as an outsider. His attempt to shield his eldest son, Flávio, a senator, from a money-laundering investigation has led to deals with



the very parties he once denounced. Mr Moro resigned last year, accusing the president of obstructing justice; Mr Bolsonaro's hand-picked attorney-general disbanded the Lava Jato task-force in February.

The president has been criticised for treating covid-19 with apathy and quackery. The pandemic has killed more than 265,000 Brazilians. Hefty handouts to the poor in 2020 shored up his support, but after they stopped and a new wave of covid-19 cases filled hospitals, his approval rating fell from 41% to 33%, one pollster finds. And whereas the PT was renowned for vaccination campaigns, Mr Bolsonaro rejects them. After a record 1,910 patients died on March 3rd he told people to stop whining. In 2018, "he was a sniper, firing at everyone," says Cláudio Couto, a political scientist. "This time he is going to be a target."

Brazil remains polarised, but *antibolsonarismo* may have surpassed *antipetismo* (opposition to the PT). In a recent poll, 50% of Brazilians said they could vote for Lula; 44% said they never would. Only 38% said they could vote for Mr Bolsonaro; a whopping 56% refuse to. Such high rejection rates have intensified calls for a *frente ampla* ("broad front") to coalesce around a centrist candidate. The PT, for its part, has moved further left in recent years, but Lula could move the party back towards the centre, as he did during his first term.

Much as Mr Bolsonaro would like to spend his way to re-election, his government lacks the money. Its failure to pass economic reforms to curb the growth of public debt has fuelled rising inflation. "Every day is high prices day in Bolsonaro's Brazil!" proclaims a video that went viral. But a lot can change in the 570 days until voters cast their ballots. ■

Bello Forward into the darkness

A bad electricity law says much about Mexico's president

With the pandemic raging and the economy in a slump, Mexico's Congress found time to discuss a new electricity law at the behest of President Andrés Manuel López Obrador. Approved on March 3rd, it will make electricity more expensive, dirtier and less reliable. It has thrown into doubt the value of some $26bn of private investment in wind and solar energy, mainly by foreign companies. That Mr López Obrador (or AMLO for short) sets so much store by such a bad law says much about what is wrong with his vision for his country.

Until the 1990s electricity was a state monopoly in Mexico, mainly in the hands of the Comisión Federal de Electricidad (CFE). A timid opening to the private sector, begun in the 1990s, gathered force with an energy reform by the government of Enrique Peña Nieto in 2014. This allowed private investment in oil and gas as well as electricity generation. It established a wholesale electricity market. A regulatory commission set rules under which the cheapest and greenest providers of power would get priority in selling to the grid.

AMLO's law reverses that. It gives priority to CFE's power, much of which comes from ageing thermal plants running on polluting fuel oil. The CFE's generating costs are about 25% higher than those of solar or wind plants. It is not clear whether wind and solar plants will still be able to operate. "We don't know who will set the price," says Montserrat Ramiro, a former member of the now-moribund regulatory commission. The CFE can't meet peak energy demand alone, so blackouts are likely. AMLO says the price Mexicans pay for their electricity will not go up, so the government will presumably subsidise the increased cost.

Why has he pushed this measure? The new law states that CFE was "broken and ruined" by the 2014 reform, which the government claims discriminated in favour of private operators who in some cases gained contracts "by fraud". Putting the interests of CFE ahead of those of Mexicans seems to be the work of the company's boss, Manuel Bartlett. Aged 85, Mr Bartlett is an old-fashioned statist and was a pillar of the Institutional Revolutionary Party, which ran Mexico in authoritarian fashion from the 1920s to 2000.

AMLO had not previously shown much interest in electricity. But one of his obsessions is to boost Pemex, the state oil and gas company. He wants Mexico to be self-sufficient in fuels. He has pushed Pemex to step up refining (and is building a new $8bn refinery in Tabasco, his home state). But the company's ancient refineries throw off a lot of high-sulphur fuel oil which, under new international rules imposed in 2020, can no longer be used by most ships. CFE is now its only big customer for this gunge.

The government rushed through the law after the Supreme Court ruled unconstitutional its attempt to roll back the 2014 electricity reform through regulations. Whether the court strikes down the law, too, will be a test of its independence. Investors are likely to invoke dispute-settlement mechanisms in Mexico's trade agreements with the United States, the European Union and Asian countries.

The president will not pay a political cost for all this in the short term. Lax monetary policy in the United States prompts investors to buy Mexican government bonds, keeping the peso broadly stable and removing a constraint on AMLO, argues Luis de la Calle, an economist in Mexico City.

And the president has forged a quasi-religious tie with many of his supporters. He poses as a moral crusader against the "pillaging" of Mexico in "the neoliberal period" (there was indeed much corruption under Mr Peña). Such rhetoric is popular. Polls show that some 60-65% of people approve of AMLO, even though most think his government is failing on the pandemic, security and the economy. He is likely to retain his congressional majority at a mid-term election in June. Should he increase it, he may overturn the energy reform of 2014 altogether.

With the American economy recovering and companies looking to move plants from China, Mexico has much going for it. To capitalise, it needs reliable energy, better technology and the rule of law. Investment is now the lowest it has been as a percentage of GDP since 1995. By tearing up the rules, and casting doubt on power supplies, the new law may depress it further. "Mexico is no longer an interesting place for private investment in anything," says Andrés Rozental, a former diplomat. Eventually Mexicans will come to regret that.

Covid-19 in India

Getting off lightly

THIRUVANANTHAPURAM

The country seems to have suffered surprisingly few deaths during the pandemic

"WE'VE KILLED it," drawls a grand client at a fancy hairdresser in Delhi. "Covid came to India but we were so grubby and diseased it just bounced off, rolled over and died." The hyperbole elicits a round of chuckles, as it was meant to.

Such glibness might seem tasteless, considering an official national death toll of nearly 160,000, as well as ominous signs that India is on the cusp of a second wave that its vaccination drive may be too slow to suppress. Yet as a share of its nearly 1.4bn people, the tally is minuscule, despite a huge outbreak. A national survey of blood samples suggests that by December some 22% of Indians had been exposed to covid-19, 30 times the official tally of around 11m cases to date. If that estimate is right and if India's fatality rate had been as high as, say, Britain's, there would have been some 10m deaths.

Arun Madhavan, a doctor in Palakkad, a town in the southern state of Kerala, was pretty sure one patient would not survive covid-19. Thin and frail, the farm labourer was over 80. More to the point, she had lost a lung to tuberculosis 40 years earlier. Yet to Dr Madhavan's amazement she suffered only sniffles, aches and a fever.

Across the country, tales of such resilience abound. Politicians have been quick to grab credit, ascribing the low numbers to their wisdom in decreeing strict lockdowns or boosting hospital capacity. Health experts are sceptical. India has certainly made big efforts, but its lockdown and subsequent easing may have actually spread the disease, as migrants were first cooped up in covid-racked cities and then allowed to return to their villages. Neither convincing data nor medical evidence have yet been produced to explain why the disease's impact has been relatively light.

One place that provides clues is Kerala, a state with much better record-keeping than most of India. It claims to register 100% of births and deaths, compared to less than 50% in many other states. K.K. Shailaja, the state's health minister, notes that, despite the state's strong public-health system, its 35m people should have been more susceptible to covid-19 than the rest of the country: "We have double the population density as the rest of India, but also a higher proportion of old people and also more lifestyle diseases, like diabetes."

Yet in January, when the state released its vital statistics for 2020, the number for deaths from all causes revealed a surprise. They showed that Kerala saw nearly 30,000 fewer deaths during the epidemic year than in 2019, and fewer deaths than in any year since 2012. Whereas overall mortality rose by 15% in America last year, and in almost covid-free New Zealand dropped by 5%, in Kerala it seemed to have plummeted by an astonishing 11%.

Alas, this news proved too good to be true. Since the initial tally was published, the addition of unreported deaths has narrowed the gap to a still impressive 8%. It may shrink further. "I would have waited before tom-tomming those numbers," cautions Rajeev Sadanandan, a former top health official in the state. "Civil registration data always come with a delay, which ▶▶

→ Also in this section

may now be worse because of covid, so we will only know for sure by June or so."

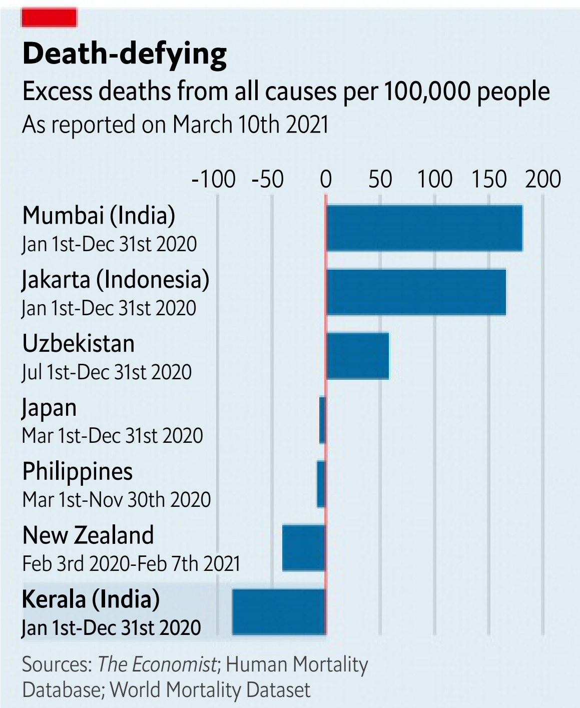
Even with the downward estimate, Kerala appears to have weathered the pandemic remarkably well (see chart). A group of students returning from Wuhan, China in January 2020 brought the state's (and India's) first cases. But a fierce government-led campaign, mobilising more than 300,000 volunteers to trace and look after patients, nearly eradicated the virus. The subsequent lifting of India's national lockdown and the return of some 500,000 expatriate workers from the Gulf fed a surge in cases that was harder to control. But the state's stronger curbs seem to have delayed the peak of its first wave, which came in October, a month after the rest of India's. The most recent national survey of blood samples showed Kerala's rate of exposure to the virus was half the national average, a sign of success in containing its spread. Official figures also suggest that Kerala's fatality rate has been substantially lower, at just 0.4% of confirmed cases, than the rate of 1.4% for India as a whole.

These figures, too, are far from accurate. Dr Madhavan has carefully compared local newspaper obituaries with official death records. For political reasons, he believes, the state has been underreporting covid-19 fatalities by 30-40%. Other doctors concur, saying they are encouraged to cite comorbidities as the cause of death when covid-19 was the main factor.

Even if Kerala has suffered far more than the official 4,300 fatalities from the disease, however, its overall death rate remains strikingly low. Critics such as Mr Madhavan concede that the communist-led state government, which faces an election in April, has done a creditable job of caring for people, including the very poor. Health experts cite a range of other reasons for the low death rate, such as reduced traffic accidents, less stress-related illness and an almost total absence of other infectious diseases. One doctor jokes that colleagues complained of having so few cases in Kerala's post-monsoon "fever season" last summer that they feared going out of business.

The limited data available suggest that in other parts of India, too, covid-19 has been less lethal than in much of Europe or the Americas. One group of researchers compared data on deaths with the infection rate (based on surveys of blood samples) in the state of Karnataka and the city of Mumbai. In those locations, too, they found that Indians, and especially the elderly, had an unusually high chance of survival. The number of covid-19 deaths in Karnataka would need to have been under-reported by a factor of five to match the typical global fatality rate.

Mr Sadanandan says plenty of research disproves the theory that India may have lucked out with a weaker strain of the disease. Dr Madhavan agrees. "The fact is that Indians have been exposed to a lot of pathogens, so there is probably some cross-immunity at play here." Perhaps the talk in Delhi's hair salons is not all bluster. ■



Beauty treatments in Afghanistan

Vanity at war

KABUL

Plastic surgery is thriving—to the outrage of some

There's bags of work to do

FROM THE outside the Arvin Hospital in Kabul is unassuming. Tucked away in a residential neighbourhood, it looks like a pharmacy. Yet enter the warren of treatment rooms and offices concealed behind the façade and you discover a quiet revolution. For prices that range from a few hundred to a few thousand dollars, Afghans can get a rhinoplasty (a nose job), a blepharoplasty (tautening the skin around the eyes), hair implants or liposuction.

Afghanistan is tormented by a brutal war between the government and the insurgents of the Taliban, which has intensified over the past year despite the initiation of peace talks between the two sides. At the edges of Kabul, the Taliban launch attacks nightly on army and police outposts. But for many Kabulis, the war on their doorstep is no reason to neglect their appearance. Some are turning to gyms, of which dozens dot the city, promising superheroic bodies. Shops stock huge bottles of imported protein powder. Cosmetic dentistry is also thriving; many clinics offer a "Hollywood smile", with veneers made in the United Arab Emirates.

But it is plastic surgery that is perhaps the most surprising success. The city now has perhaps ten clinics that provide cosmetic procedures. Business is "growing day by day", says Mohammed Arif Abdi, the lead surgeon at the Arvin hospital. "Middle-class people like to do surgeries," he says with a shrug.

The demand often comes from Afghans who have spent time abroad, says Mr Abdi. People with family in neighbouring Iran are particularly keen on nose jobs, he says, which are extremely popular there. But thanks to social media, the use of which is soaring in Kabul, interest in "getting work done" is spreading. "Most of the people in Afghanistan want to do some cosmetic surgery," he says, though the vast majority cannot afford it. If the economy improves, demand will soar, he predicts. Even now, the main shortage is not of demand but of expertise. Mr Abdi trained in Thailand and practised in India before coming back to Afghanistan to open his clinic. Relatively few Afghan doctors have such experience.

Sadly, there are risks to doctors joining the profession that do not exist elsewhere. "Security is our main concern," says Mr Abdi. "Even in our hospital, we do not feel safe." Doctors are thought to be rich, and so are often targeted for kidnapping. But religious extremists are a problem too. Doctors at Mr Abdi's clinic have had threatening comments left on their Facebook pages, accusing them of disobeying the laws of Islam by meddling with God's creation. Mr Abdi himself was once shot in what he suspects was a failed kidnapping attempt, but may have been an attempt to stop him working. He pulls up his trouser leg to show a scar from the attack which, even with access to the country's best surgeons, will never be fully concealed.

Such incidents are another reason for the boom in plastic surgery. Thousands of soldiers and civilians suffer disfiguring injuries every year. Although the clinicians at the Arvin hospital make their money from nose jobs, they also patch up bullet wounds and treat burns, often charging far less than for procedures motivated by vanity. Even the most puritanical zealot should find it hard to quibble with that. ■

American forces in Asia

Dispersal orders

America rethinks its bases in response to the threat of China

FOR YEARS American commanders have watched the military balance in Asia shifting against them. In 2018 a commission warned that, in a war with China, "Americans could face a decisive military defeat". On March 4th Admiral Philip Davidson, head of America's Indo-Pacific Command (INDOPACOM), said China would achieve "overmatch" within five years.

That prospect has roused Congress. In December it authorised a $2.2bn fund, the Pacific Deterrence Initiative (PDI), to shore up INDOPACOM. Now American commanders in Asia have asked Congress to double funding for the initiative, with $4.7bn in 2021-22—more than the defence budget of the Philippines—and $22.7bn in additional funds over the five years to 2027. In a report published on March 1st they explained how they would spend such a windfall.

America has plenty of troops, planes and ships. The issue is where to put them. In any conflict in Asia it would rely on a handful of large bases, notably in Japan and South Korea, well within range of China's huge arsenal of conventional missiles (see map). American commanders want to use the PDI to harden their defences, spread their forces out and develop new ways of putting China on the back foot.

The centrepiece of these efforts is Guam, a Pacific island that INDOPACOM describes as "our most crucial operating location in the western Pacific". It is close enough to China to use as a springboard for bombers and other weapons, yet distant enough—some 3,000km from the Chinese mainland—to be out of range of China's most numerous missiles. Conveniently, it is also American territory, so commanders could use it without haggling with allies. A new Marine Corps base on Guam that opened in October is the corps' first in Asia since 1952.

The problem is that Guam, despite its relative safety, can still be struck by some of China's newer ballistic missiles, though these are fewer in number, as well as low-flying cruise missiles launched from ships, subs and bombers. INDOPACOM therefore wants to spend almost $4.4bn over six years to upgrade the island's air and missile defences, in part through new radar systems, both on satellites and on the ground in Palau, an archipelago 1,300km to the south-west.

But if American bases in Japan and South Korea are peppered with missiles, Guam may not suffice. Troops will need more places to disperse. Admiral Davidson says that America is therefore "adapting from our historic...focus on north-east Asia and Guam" towards a "distributed" force spread out more widely. To that end, he wants to spend $9bn over six years building and upgrading runways, fuel stores and arms depots, among other infrastructure, all across the region. Potential sites include American territories, such as Tinian in the Northern Marianas; islands in friendly Pacific countries, such as Yap in the Federated States of Micronesia; and as-yet-unspecified spots in Asia.

The point of this dispersal is not simply to hunker down and wait for an onslaught, but also to give China a taste of its own medicine. Donald Trump's withdrawal from the Intermediate-range Nuclear Forces Treaty in 2019 allows America to build conventional land-based missiles with a range of over 500km. The PDI sets aside $3.3bn over six years for such weapons, which would be aimed at China's navy.

The catch is that not many countries are enthused by the prospect of hosting American missiles in peacetime or becoming a refuge for American troops in the middle of a war. Singapore, for instance, is a strategic maritime hub, but would come under intense Chinese pressure to deny use of its territory to America in a conflict.

Euan Graham of the Singapore branch of the International Institute for Strategic Studies (IISS), a think-tank, says that America would benefit from a return to Subic Bay in the Philippines, which it left in 1992, to "plug a gap between Singapore and Japan". But he says that is unlikely, especially during the remaining 15 months of the presidency of the mercurial Rodrigo Duterte. Pentagon insiders argue that China's aggressive behaviour will eventually persuade Asian countries to open up to American forces. Some optimistic observers think even Vietnam, America's cold-war foe, may welcome American troops in a decade or so.

In the meantime, INDOPACOM wants to lubricate relations with cash. More than $2.6bn is earmarked for training and equipping friends in the region over six years. That is sorely needed: last year China's defence budget grew by $12bn, more than those of every other Asian country combined, according to the IISS.

For now, this remains a wish list. America's defence spending is not expected to grow this year. Admiral Davidson plaintively points out that his request is "less than seven-tenths of 1%" of defence spending. What is pocket change for the Pentagon would make a splash in the Pacific. ■

Sources: CSBA; US Department of Defence

Human rights in North Korea

In the dark

SEOUL

Getting information about the regime's prison camps is harder than ever

ONE FAMILY was sent to a prison camp after a relative was accused of, and then executed for, opposing the regime. Another family was detained after one of them was caught searching for relatives of a man who had escaped to South Korea. One unfortunate fled to China, only to be arrested and sent home, whereupon he was promptly dispatched to a camp.

The Database Centre for North Korean Human Rights (NKDB), a monitoring group in South Korea, has documented hundreds of cases of North Koreans sent to labour camps for "political" crimes such as criticising the government or watching South Korean television shows. Their stories make grim reading. Recently, however, there have been fewer such reports. That is not because the regime is less inclined to torment its own citizens, but because it has become so strict with them that even less information has been trickling out.

Collecting information about North Korea's prison camps has always been hard. The regime has never even admitted that they exist. They tend to be in remote, mountainous areas. A UN report published in 2014 found that inmates are forced to do hard labour, receive very little food and are subject to rape, torture and random executions. The camps are designed to look like ordinary villages to avoid attracting attention. Foreign residents or visitors to North Korea, of whom there are fewer and fewer, are not allowed anywhere near them.

Former inmates who have managed to escape from North Korea have been the main source of information about what goes on inside the camps. But in recent years fewer people have escaped from the country, because of stricter border controls, higher fees for smugglers and more ▸▸

Banyan No way forwards—or back

Myanmar's generals have not thought their coup through

SIX WEEKS after the armed forces under General Min Aung Hlaing launched a coup d'état with calamitous implications for Myanmar, two factors become more salient by the day. The first is the scale of popular revulsion at the return to naked military rule.

Hundreds of thousands of Burmese have marched in protest at the coup. Huge numbers of civil servants, teachers, bus drivers and bank clerks and more are boycotting work. Savvy social-media types are highlighting the army's abuses. Popular resistance to military rule appears stronger even than in 1988, when students led huge protests against it. As Thant Myint-U, author of "The Hidden History of Burma", puts it, the spontaneous demonstrations are like antibodies responding to an endemic infection. The difference this time is the vehemence with which young Burmese refuse to revert to the tyranny and poverty their parents knew. They have come of age during the past decade of economic reform and semi-democratic government. The generals, as a refrain has it, are messing with the wrong generation.

That fewer people showed up on the streets in a general strike on March 8th is hardly surprising now that the army has started shooting. That is the second factor: the Tatmadaw, as the army is called, is increasingly willing to spill blood. In recent days soldiers have shot and killed some 60 civilians in Naypyidaw, the capital, Yangon, the commercial hub, and beyond. More than a third of the dead are teenagers. A 19-year-old, Kyal Sin, known as Angel, who had posted her blood type on Facebook in case anything happened to her, took to the streets in Mandalay in a T-shirt proclaiming "Everything will be OK". Soon after she was dead from a sniper's bullet to the head. Her fate exemplifies the Tatmadaw's ferocity. Its sudden disinterment of her corpse to "prove" its innocence in her death exemplifies the grotesque lengths it will go to to justify its actions.

This could be just the beginning. The Tatmadaw is not the only army in the region that sees itself as embodying the state rather than as subservient to it. The Thai army next door shares a similar outlook. Yet in Thailand the monarchy, which military governments rely on for legitimacy, does not want to be associated with wanton bloodshed. When the army kills too many people, the king tends to withdraw his blessing, prompting military regimes to fall.

By contrast, when the Tatmadaw's grip looks shaky, violence strengthens its hold, as in 1988. The army's worldview is both paranoid and uncompromising. Sequestered in military cantonments inherited from the British, a powerful officer caste peers out at a hostile country. Admittedly Myanmar, or Burma as it was, has seen not a single year of peace since the Japanese dropped bombs on Yangon (then Rangoon) in late 1941. Independence in 1948 was accompanied by a communist uprising that almost reached Yangon. The conflict in Kayin (formerly Karen) state is the world's longest-running civil war. A dozen more ethnic conflicts rumble on in the country's borderlands.

As for the Tatmadaw's lower ranks, they are hazed by their officers and at the sharp end of ethnic wars. Battlefield techniques include the rape of women and girls, and the use of civilians as human shields. These same brutalised infantrymen are now patrolling Myanmar's streets.

Just as with earlier coups, the press has been muzzled: five media organisations were banned this week. But there are differences, too. General Min Aung Hlaing is less interested in cultural purity or autarky—obsessions of some of his predecessors, who shut the country off from the world. His concern, rather, is the Tatmadaw's prerogatives. These include stakes in formal businesses as well as the drug, jade, timber and smuggling rackets at the heart of a predatory economy. Above all, as Mr Thant puts it, the army wants to "wind the clock back and rerun the politics of the past decade", with far tighter control.

But by repressing the protests so violently, the Tatmadaw has made Myanmar a pariah again, and thus turned the clock back further than it intended, to the isolationist era that preceded the past decade of opening. With investment collapsing, the economy will struggle to recover from the coup. That will hurt the army, too. Yet retreat is not really an option: given the Tatmadaw's behaviour in recent weeks, any civilian government would sweep away the prerogatives it intervened to uphold. The coup is not working out well for anyone.

stringent surveillance in China, which the fugitives must cross to seek refuge in South Korean consulates in South-East Asia. The covid-19 pandemic has sealed the border almost entirely. "I have heard of nobody escaping after January 2020," says Sokeel Park of Liberty in North Korea, which helps North Koreans cross China.

What is more, few recent refugees have first-hand experience of detention in a camp, says Hanna Song of NKDB. In part that is because there are fewer camps. But it is also because the remaining ones are run differently. Refugees interviewed in 2019 by researchers from the Korea Institute for National Unification said that people continued to be sent to the gulag for things like trying to defect to South Korea or distributing Bibles. But most camps appear no longer to have "revolutionary zones", from which detainees could hope to be released after a period of political indoctrination. Instead, they are "total-control zones", where people are imprisoned for life. "Most of what we know about life inside the camps comes from people who were imprisoned in revolutionary zones for a time," says Ms Song. "Virtually nobody gets out of the others, so they can't tell us about them."

This is particularly worrying because North Korea seems to be preparing to expand the camp system again. In January Kim Jong Un, the country's dictator, announced a crackdown on "anti-socialist elements" in the ruling party. Soon afterwards, according to DailyNK, a website based in Seoul with sources in the North, the authorities ordered an expansion of the camps' capacity, recently stretched by violators of quarantine rules, to make space for wayward officials. ■

Five-year plan

The big target

SHANGHAI

Flush with confidence, China wants to insulate itself from the world

THE ANNUAL session of China's legislature, the National People's Congress, leaves nothing to chance. Speeches are thoroughly rehearsed, those attending are carefully vetted and even the tea service is immaculately choreographed. Yet there are always a few unscripted remarks—or, perhaps, remarks scripted to sound unscripted—that stick out. During the week-long event, which ended on March 11th, the most memorable words came from Xi Jinping, the country's leader. "China can now look the world in the eye," he said in a small meeting on the sidelines. "It's not like back in the day, when we were still bumpkins." It was an unvarnished expression of Mr Xi's belief that China has become a great power and now must act like one.

The main business of the congress was ratification of a new five-year plan that aims to make China even more powerful, while guarding it against global rivals. A legacy of the Soviet economic system, such plans remain important. They set targets that officials must fulfil. The new plan—the 14th, running from 2021 to 2025—confirms just how serious the leadership is about trying to insulate the country from the hostile foreign forces that it believes are arrayed against it.

The document does not mention America by name, but it does not need to: every official knows that competition with America looms large in China's strategies. The previous five-year plan described how a peaceful multilateral world would benefit China. This one highlights the danger of "hegemonism". Geopolitical uncertainties help explain what, to many observers, is its most striking element. That is its omission of one target that was a centrepiece of previous plans: average yearly growth. Instead, it states that growth targets will be set each year, depending on conditions. China is wary of committing itself when it does not know whether America will choke off its supply of high-end semiconductors, among other things. But the plan does pledge that China will be a "mid-tier developed country" by 2035.

It also sets out numerous other goals. These include an increase in spending on research and development of at least 7% annually over the next five years. The plan says 65% of the population should be urban by 2025, up from nearly 61% at the end of 2019. And it vows to reduce the amount of carbon dioxide emitted for each unit of GDP by 18% between 2021 and 2025. These targets, however, are slightly underwhelming. If China were to continue on its trajectory of the past five years, it would handily outperform them all.

More telling in this plan is the kind of growth it describes. It talks of a "dual-circulation strategy", a mouthful of a concept unveiled by Mr Xi last year. This requires China to remain part of the "international circulation" of global trade—the plan says it must defend its share of export markets. But it emphasises the improvement of "domestic circulation"—ie, the building of a vibrant economy at home while reducing dependence on others.

Some aspects of this strategy are welcome. Officials say that it will require resources at home to be allocated according to market principles, not government diktats. They recognise the need to relax the *hukou* system, a household registry that makes it hard for rural citizens to settle in cities. The plan says *hukou* will be paired with a points-based arrangement that could make migration easier, especially for young, educated workers. ▶▶

Other aspects may worry the rest of the world. The plan does not mention the "Made in China 2025" programme that has been roundly criticised by American officials as an industrial policy on steroids. But the main elements of it remain. In setting out priorities for manufacturing, the plan urges investment in the very same sectors, from robotics to electric vehicles.

It also identifies seven frontier technologies that are deemed vital to development and national security. These include quantum computing, semiconductors and artificial intelligence. China is already spending vast sums on these technologies, but results have been patchy. Its years-long drive to catch up with world leaders in the making of semiconductors has so far fallen well short of the government's ambitions.

China wants to prop up less cutting-edge production, too. The country is the world's biggest maker of goods. Its share of global manufacturing is nearly 30%—about the same as the combined shares of America, Japan and Germany. Many foreign firms wonder whether to move some operations away from China, because of climbing costs and political risks arising from tensions with America. The plan calls for China to keep critical parts of supply chains in the country. To foreign executives, that may sound threatening.

More positively, one way that China hopes to maintain its industrial advantage is with its tried-and-tested approach of building top-notch infrastructure. The transport ministry has plans to nearly double the length of China's high-speed rail network to 70,000km within 15 years. That would make it almost five times as long as all other high-speed rail networks in the world combined.

The five-year plan hints there may be economic difficulties ahead. It commits to stabilising or reducing the ratio of China's debt to GDP—implying that it is getting too high (nearly 300% of GDP). But cutting debt will be tricky when pouring cash into infrastructure and sponsoring high-tech.

The environment is another thorny issue. China has vowed that its carbon emissions will peak by 2030, and the country will be carbon neutral by 2060. The plan, however, gives little indication of how to get there, except for boosting nuclear-power generation from 52 gigawatts today to 70 gigawatts by 2025. It vows to promote the "clean use of coal", but does not promise to phase it out. More details may emerge in the coming months as ministries draw up their own targets.

State media hail five-year plans as evidence that China has far-sighted leaders, who bravely chart new paths for the future. But the documents really summarise where the country is already heading. The pursuit of self-sufficiency is well under way, however costly it may prove. ■

Hong Kong politics

Democracy, China's way

HONG KONG

Officials have unveiled plans for crushing democracy in Hong Kong

When Britain handed over Hong Kong to China in 1997, the former colony was far from a proper democracy. Its departing leader was a governor sent from London. Only one-third of its legislators were directly chosen by the public. But at least it had open and free elections. Encouraged by Chinese officials, many hoped that, under Chinese rule, it would become much more democratic. Some even thought it would inspire the rest of the country. There has been little progress on either front. Now China is trying to snuff out its democracy altogether.

On March 11th, at the end of its annual meeting in Beijing, the country's rubber-stamp parliament, the National People's Congress, called for the overhaul of Hong Kong's election rules. Delegates applauded as the resolution passed with 2,895 votes in favour, zero against and one abstention. A Chinese official said the aim was to create "a new democratic electoral system suited to Hong Kong's realities and with Hong Kong characteristics". That is another way of saying that the territory can have as much democracy as the congress itself displayed: an abundance of it, as the Communist Party would claim, or virtually none at all, as was in fact the case.

A few days before the congress began its meeting, a senior Chinese official had already made it clear that, in future, only Chinese "patriots" would be allowed to stand in Hong Kong's elections, and that to count as patriotic one must support Communist rule in China. At the meeting itself, more details began to emerge of how this may work. The resolution called for the establishment of a new body to vet candidates standing for election. Discussions of this have made clear that no one deemed unpatriotic will pass.

All red—how democracy should look

The resolution calls for more power to be given to the Election Committee that currently chooses Hong Kong's chief executive. The 1,200-member body is already stacked with the party's supporters. It will gain another 300 members—all party loyalists. In 2019 pro-democracy candidates won a landslide victory in district polls after months of anti-government unrest. That would give them control of the 117 seats in the Election Committee that are allocated to district councillors. So these seats will probably be given to other, more reliable, people. Candidates running for chief executive will need at least 15 supporters from each of the committee's five sectors. That, in effect, will give the most loyal sectors the power of veto.

The committee will also gain a new responsibility, namely filling some of Legco's seats. These will be increased from 70 to 90. The five Legco seats that are currently filled by elected district councillors may be allocated another way.

At present, half of Legco's seats are filled through competitive elections in which the public has a vote. The others are chosen by "functional constituencies" comprising business, professional and other groups such as the district councils. For the directly elected ones, the boundaries of constituencies may be redrawn and the voting system changed to make it even more likely that pro-establishment politicians will win (the next polls are due to take place in September, but may be delayed because of these developments). The resolution called the overhaul "another major step taken by the state to improve" Hong Kong's legal and political systems following the imposition of a national-security law in the territory last June.

Details of the political changes will now be discussed by the national parliament's Standing Committee, which will then write them into Hong Kong's mini-constitution, the Basic Law. Companies in the city will applaud or keep mum. Swire, a conglomerate that controls Cathay Pacific, an airline, said the principle of patriots governing Hong Kong was "beneficial to the city's future as a world-leading business and financial centre". But on March 3rd a prominent Chinese academic wrote that the pro-establishment camp in Hong Kong must prove they are "virtuous patriots" rather than "rubber stamps or loyal garbage". That may prove harder than changing the rules. ■

Chaguan | Why the internet hasn't freed China

Judgmental fans and cowardly advertisers empower Chinese censors

At the dawn of the digital age Bill Clinton predicted that a combination of capitalism and the internet might liberalise China. His vision was bold, uplifting and wrong. It was the year 2000 and America's then-president saw a revolution in the making, as the Communist Party ceased to be a monopoly provider of everything from jobs and housing to news. In an age of new opportunity and information sources, the party would be less able to control people, Mr Clinton argued, adding: "In the new century, liberty will spread by cell phone and cable modem." Sure, he had heard that China was trying to control its internet. "Good luck! That's sort of like trying to nail Jell-o to the wall," he chuckled.

Party bosses spent the next 20 years proving that, with enough nails, the internet can be hammered into submission. It has been a slog, involving armies of censors, secret police and propaganda officials. Internet firms must employ moderators in their tens of thousands, paid to spot and delete banned ideas and images within seconds. Mr Clinton was not wholly mistaken. The state is less present in many ordinary Chinese lives than before. In some sectors, officials have scrambled to maintain their near-monopoly as providers of approved information. In the news industry, party chiefs have poured resources into staid official news agencies, such as the *People's Daily*, encouraging them to create livelier subsidiaries to compete with more commercial outlets. Private citizens occasionally dare to report news on their own initiative, and question official accounts of events. For this they are routinely reprimanded, sacked from jobs, detained or jailed.

The entertainment sector is the best place to see how Mr Clinton's predictions went awry, because it is one in which commercial competition has exploded, especially online, but the party's overall grip remains firm. That is remarkable, on the face of it. A generation ago, a few pirate videos aside, state-run television stations and official film-censors enjoyed near-total control over what was seen in homes or cinemas. Not now. Visit a village home and a television may still blare in one corner, half-watched by the very old and the very young. But elsewhere, in every train carriage, canteen or dormitory, individual Chinese will be found gazing at smartphones. They may be watching a drama, a talent contest or short videos by amateurs with big online followings: a dancing farmer, perhaps, or a lorry driver singing on some lonely road. A teenage boy, half asleep on the bus, may be following a live-streamer playing a video game. The young women in the row behind may be watching a social-media influencer with 40m followers peddling lipstick, for China boasts the world's largest and most developed e-commerce market.

All this inclines officials to vigilance. On March 5th, in his annual report to the National People's Congress, the prime minister, Li Keqiang, called for greater public civility in cultural industries, in the name of "advanced socialist culture". Four days earlier, the Chinese Association for Performing Arts, a state-backed body, began enforcing a new list of 15 behaviours that could see actors, musicians and other artists banned from performing for a year or longer. The penalty-incurring activities range from insulting China's national honour to drink-driving, gambling or lip-synching during commercial performances. The guidelines build on earlier moves by industry associations to defend social stability, including rules forbidding depictions of gay love, extramarital affairs, smoking or witchcraft. In today's China, a painfully unequal society, film and television regulators have tried to limit displays of wealth or inherited privilege. To that end they have criticised reality television shows featuring the children of famous people.

Censors have not only kept their grip on entertainers with rules. Lately, the very nature of the modern Chinese internet, a hyper-commercial place patrolled by thin-skinned bullies, is helping them succeed. This is a perilous time to be famous in China. In the first few weeks of 2021, fans, prominent bloggers and state media have united to rebuke so many celebrities that a recent item on Tencent News, an online platform, was headlined: "The era of stars saying sorry is upon us: whatever you did wrong, apologise." Those who have said sorry this year include an actress accused of abandoning two infants born via surrogacy in America and a comedian who made a sexist advertisement for women's underwear. Other apologies have come from a comic actress who posed in a cardigan over the caption "husband-snaring gear", leading to charges of objectifying women; and from a 20-year-old Tibetan horseman caught smoking on camera. Months earlier his good looks and shy smile had shot him to fame and helped him into a job as a goodwill ambassador for his hometown.

When market forces help the Communist Party to rule

Chaguan spoke recently to entertainment-industry veterans. They described famous friends on medication for depression, and explained why. Once, stars were on show only when they made a new film. Now, fans want to scrutinise every detail of actors' lives on social media, and expect perfection from their idols. Established artists see hundreds of new rivals being created annually by talent contests. In a country whose rulers may not be criticised, letting the public pillory the famous is a useful safety valve, especially when stars cause real anger by dodging taxes or otherwise abusing their privilege. Cut-throat competition has raised production values. But political controls have reduced the diversity of cultural offerings. With so many patriotic war films or slick dramas out there, what counts is profitability, not art. Skittish sponsors are quick to flee at the first sign of trouble.

The party no longer monopolises entertainment. But it still writes the rules. Closed off from the world by firewalls and import controls, China's internet and cultural industries have become cartels, rewarding the loyal and the biddable. That gives censors all the power they need. ■

Syria

A country divided

QAMISHLI

Ten years of war have broken Syria into pieces. Will it ever be whole again?

THE PRICE OF food has soared in Syria, leaving many of its people at risk of going hungry. Yet from his office in Qamishli, in the north-east, a trader describes how officials make it hard to bring wheat to market. His lorries must cross scores of checkpoints on their way to Damascus, the capital. Most demand fees. Kurdish forces charge by the tonne at the de facto border between the territory they control and that of President Bashar al-Assad.

On the other side the Fourth Armoured Division, controlled by the president's brother, takes $3,000 per load. The trader must also bribe officials in Damascus and support government causes, lest he be detained as a terrorist. Sometimes the crossings are closed because one side wants to squeeze the other. It is easier and more profitable to sell wheat abroad, he says. "The politicians are starving the people."

A decade ago Mr Assad launched a war on his people rather than accept their demands for democratic reforms. Hundreds of thousands have died in the conflict, which drew in foreign powers and destroyed much of the country. Half of the pre-war population of 22m has been displaced. Today a patchwork of agreements involving America, Iran, Russia and Turkey limits the fighting. Syrians travel the country to study, shop and visit relatives. But it is divided into enclaves, each with a foreign protector. Local administrations are becoming entrenched. They have their own militias, run their own economies and often favour one ethnicity or sect. "We're seeing the Balkanisation of Syria," says a UN official.

Mr Assad's men have regained most big cities and hold around 60% of the land, up from around 30% in 2014 (see map on next page). The Assad family has ruled Syria for over half a century. (Bashar's father, Hafez, led before him.) A sham election in May or June, if it is held, would undoubtedly net the president a fourth seven-year term.

But these are pyrrhic victories. The Syrian economy is in worse shape than at any time in the past decade. The Syrian pound trades at about 1% of its pre-war value in dollars on the black market (see chart on next page). Mr Assad's government can afford to pay civil servants only $15 a month. Across the country people spend hours queuing for petrol. The causes of the crisis are many, including war, corruption, covid-related restrictions, American sanctions and the collapse of Lebanon's banks, where rich Syrians stashed their cash. Mr Assad's main allies in the war, Iran and Russia, offer little help—in part because they are suffering, too.

Mr Assad has no answers. In speeches he often ignores Syria's big problems. It was announced that he and his wife, Asma, recently tested positive for covid-19. There has been a sharp rise in infections since mid-February. But only half of Syria's hospitals are fully functional. And even the country's vaccination plans are divided, with opposition groups negotiating separately with donors for jabs. Mr Assad seems more concerned with keeping his people, ▸▸

rather than the virus, in check. His snoops look for any hint of dissent. An otherwise-loyal journalist who wrote about hunger on Facebook was recently jailed.

Travel beyond the capital and Mr Assad's government looks less in charge, even in the areas he nominally controls. Russian troops operate unchecked. Iranian-backed militias control the borders between regime-held areas and Iraq and Lebanon. Israel drops bombs on the militias from above. Syrians, meanwhile, look to their ethnic or sectarian brethren for the type of support that the government once provided. Druze tribes in the south, Arab ones in the east and even Mr Assad's own Alawite sect on the coast increasingly fend for themselves. Clashes between groups are common. "If an Alawite comes here unarmed and alone, he'll be killed," says an Arab elder from Deir ez-Zor, in the east.

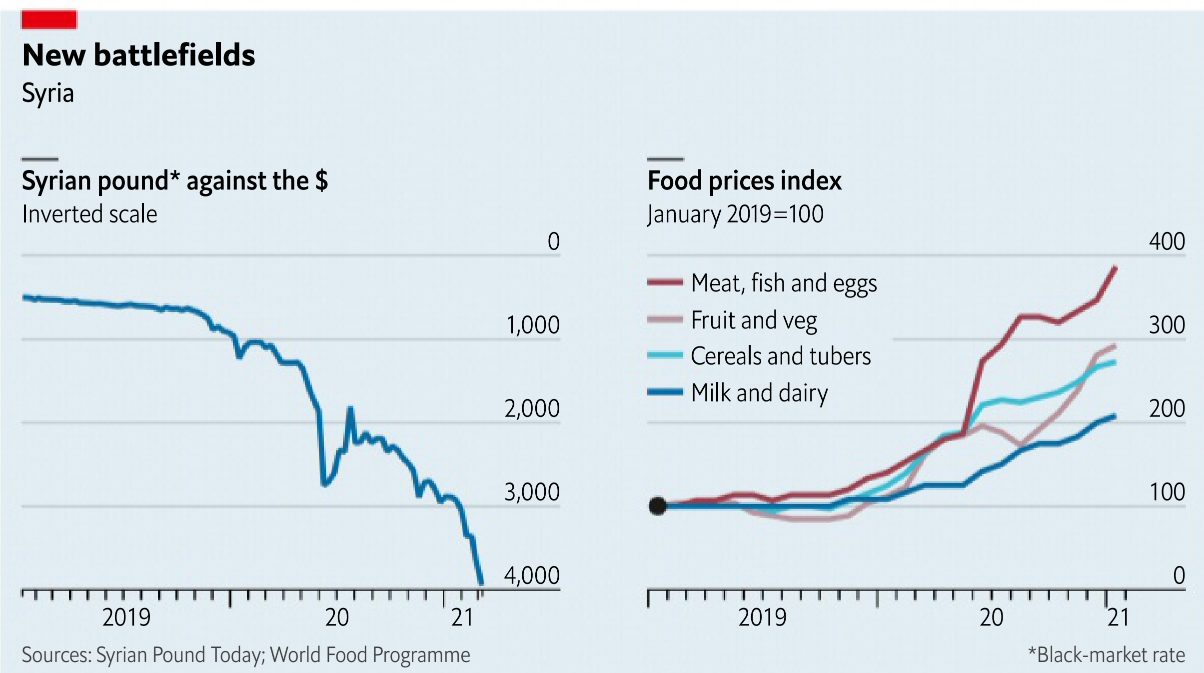
In the portion of Syria controlled by the Kurds, in the north-east, locals have ditched Arabic for Kurdish and the dollar is preferred. Syrians from outside the enclave seeking residency need a local sponsor. The Kurdish authorities do not like dissent either. Their forces hound critics and dragoon young people (Arabs included) into service. The region is suffering along with the rest of the country, but at least it has oil—and American protection. It sells the black stuff and wheat to Iraq. So the Kurdish administration in Syria can afford to pay salaries that are much higher than those in Mr Assad's territory. Reconstruction material arrives from abroad. A plant refining vegetable oil opened last month, providing hundreds of new jobs.

Turkey has long feared that Syria's Kurds would encourage its own Kurdish separatists. So since 2016 it has launched offensives inside Syria, taking its north-western corner and strips along the border. These areas have been largely cleared of Kurds and handed over to Sunni Arab rebels who share the Islamist leanings of Recep Tayyip Erdogan, Turkey's president.

Local officials are paid by Turkey, which also facilitates reconstruction. The territories use the Turkish lira and have been hooked up to the electricity grid that serves southern Turkey. A UN official likens the situation to northern Cyprus, which Turkey invaded in 1974 and still controls.

A more pragmatic Syrian president might have tried to cut deals with regional authorities, devolving power in an attempt to keep the country unified. But Mr Assad fears compromise will be taken as a sign of weakness, so instead he threatens more war. In speeches he has revived his father's old tropes about the glories of Arab and Islamic civilisations—to the consternation of minority groups. State broadcasters denounce Syrians outside regime-held areas as terrorists and fifth-columnists. On March 1st the parliament in Damascus ratified a law stripping citizenship from anyone who fails to renew their identity card after ten years. It is aimed at those who have fled or broken free of Mr Assad's rule. Many of them would like to return, but also want to see someone else in charge. ■

For more about Syria, ten years on, read "Banker, princess, warlord: the many lives of Asma Assad" in our sister publication, *1843*: **economist.com/1843/AsmaAssad**



The oil trade

Ghost ships and dollar scrip

DUBAI

How to buy and sell oil in the Middle East—even if you're Iran

ON A RADAR map, the northern mouth of the Suez canal resembles a Bermuda Triangle-sur-Mer: ships have a habit of disappearing. So it was with the *Emerald*, an oil tanker which went through the canal on February 1st and vanished. Two days later it reappeared off the coast of Syria. What happened in the interim is now the focus of an international investigation.

Israel believes the *Emerald* was the source of an oil spill that has washed more than 1,000 tonnes of tar onto its Mediterranean beaches (and those of neighbouring Lebanon). The case so far is largely circumstantial. The tanker, which was carrying Iranian oil to Syria, was in the right place to have caused the spill, but it will take time to gather forensic evidence.

Yet on March 3rd Gila Gamliel, Israel's environment minister, not only blamed the *Emerald* for the spill but accused Iran of causing it in a deliberate act of "environmental terrorism". It was a dubious claim. Iran has a history of sabotaging oil tankers, not spilling oil from them. Ms Gamliel offered no evidence. Benny Gantz, the defence minister and hardly an apologist for the ayatollahs, said Israel has none.

Without proof, there is no reason to suspect the *Emerald* was anything but an ordinary Panama-flagged tanker, owned by an obscure holding company, running dark to ferry oil between two countries under economic sanctions—and there is nothing unusual about that.

Oil commands attention like no other commodity, for good reason. Pork bellies do not power the world; national fortunes do not rise and fall on orange-juice futures. A surge in the price of Brent crude, the international benchmark, has shaken the markets (see Finance section). If the politics of the business can be wild, though, the mechanics of it should be a routine matter of contracts and logistics.

In the Middle East they are often not. The *Emerald* is one of dozens of tankers put to unusual use since 2018, when America imposed sanctions on Iran's oil exports. As onshore storage filled with unsold oil, some of Iran's tankers were pressed into service as floating storage units. The waters off its main oil port turned into a maritime parking lot.

Other tankers load cargo in Iran and transfer it to smaller vessels at sea to obscure its origins. These ship-to-ship transfers can lead to spills. The vessels involved ▸▸

often lack insurance and turn off their transponders to conceal their activities. They also hide behind a thicket of bureaucracy that spans the globe: tankers seized in Indonesian waters in January for transporting Iranian crude have links to firms in China, Singapore and the Marshall Islands. Of the world's roughly 2,700 large oil tankers, more than 6% are now being used by Iran for storage or sanctions-busting, estimates *Lloyd's List*, a shipping journal.

For other states the problem is not distribution but payment. Lebanon defaulted last year and is running out of hard currency. In February it struck a desperate deal with Iraq, which is the world's sixth-largest oil producer. It has a glut of heavy-fuel oil, a leftover after refining more valuable products. Heavy oil makes up half the output of Iraq's ageing refineries.

It is the wrong grade of fuel for Lebanon's power plants. But the government nonetheless agreed to buy 500,000 tonnes of the stuff. Burning it will produce electricity, but also lots of pollution, owing to its high sulphur content (around 4%). It also risks damaging power-plant turbines.

If this seems a bad deal for Lebanon, it is not much better for Iraq, which will be paid through an escrow account at Lebanon's central bank. The money cannot be withdrawn or transferred abroad, only spent on goods and services inside Lebanon, an import-dependent country where a currency crisis has halved imports and crippled manufacturing. In other words, it is a barter arrangement with a country that has little to barter. ■

Senegal

Botching the beacon

DAKAR

The arrest of an opposition leader sparks protests and dents democracy

STANDING OVER a smouldering barricade as riot police draw nearer, Mohamed Thiam, a protester in Senegal's capital, Dakar, does not mince his words. Macky Sall, the president, "wants to impose a dictatorship", he declares. "We will not accept it."

Thousands of people took to the streets in Dakar and other cities after the police arrested Ousmane Sonko, the main opposition leader, on March 3rd. They battled the police, blocked roads and burned shops. For days after the arrest the smell of teargas wafted through the capital city.

Mr Sonko was arrested for public disorder while he was already on his way to court to answer a rape accusation (which he denies). The issue has sparked a fierce debate within Senegal. On the one hand are Mr Sonko's supporters, who claim that Mr Sall uses the legal system to kneecap political rivals—two other opposition leaders have been jailed during his tenure. Mr Sall denies such charges are politically motivated. On the other hand are women's-rights activists, who are angry that many Senegalese have pooh-poohed a rape allegation before it has been heard in court. Most of all, though, the violence has shaken the country's status as a beacon of peace and democracy in the region.

Political violence is rare in Senegal, which has never experienced a successful coup or harsh authoritarianism. Although many demonstrators were peaceful, some hurled rocks at police, burnt tyres and attacked businesses, especially those linked to France, such as Auchan supermarkets, a French chain that competes with local shops, irritating their owners. At least eight people were killed in the clashes.

Hell, no, Sonko won't go!

The government's response to the protests was initially heavy-handed. Two television stations were suspended by the regulator for showing the protests "on loop". Social media were throttled. Motorbikes were banned in Dakar. Near the courthouse in the capital police hurtled down streets in pick-up trucks, scattering protesters and blindly firing tear-gas. Worse, videos showed thugs in plain clothes shooting at protesters on March 5th.

Alioune Badara Cissé, a Senegalese official whose job is to calm conflicts, warned that the country was on "the verge of an apocalypse". Senegal's powerful Muslim brotherhoods publicly called for "peace and serenity". Perhaps in light of this, on March 8th Mr Sonko was freed on bail, to the jubilation of his supporters. After his release he urged his followers to keep their protests peaceful.

This sudden eruption of violence in Senegal may have been caused partly by a build-up of frustration over the economy. In the six years before covid-19 struck, GDP was growing at 5% a year or more, among the fastest rates in Africa. But gains have not been evenly spread, with the rich capturing a disproportionate share of the growth. Even before the pandemic around one in five young people was unemployed.

This has created a well of resentment for Mr Sonko to tap into, with fiery denunciations of corruption and a feckless elite. As a revenue collector, he rose to prominence after exposing large tax-avoidance schemes. In presidential elections in 2019 he railed against France, the former colonial power, and condemned Senegal's use of the West African CFA franc, a common currency backed by the French treasury. Senegal has begun to vaccinate people against covid-19. But boosting economic growth and spreading its benefits more widely will be hard, especially since investors may be scared off by violence and arson.

The protests were also fuelled by worries about Senegal's democracy, and fears that the constitutional bar against the president serving more than two terms would be flouted. Mr Sall has not ruled out running for a third term in elections in 2024. In 2016 he tweaked the constitution in a way that might let him do so.

Senegal has become less free. In 2019 the police arrested Adama Gaye, a journalist, on charges of offending the president with unflattering posts on Facebook. He was held for more than a month and has since gone into exile. In presidential elections that year, the constitutional council barred 19 candidates from running. Among them were Karim Wade, the son of a former president, and Khalifa Sall (no relation of the president), a former mayor of Dakar. Both had previously been convicted of corruption, but opposition activists say the law was invoked selectively to exclude them. Freedom House, an American think-tank, said the pair's exclusion had marred the election. It changed Senegal's rating from "free" to "partly free".

Calm was restored after Mr Sonko's release, but Dakar is still on edge. The Movement for the Defence of Democracy, an opposition coalition, has called for more demonstrations on March 13th. Mamadou Diouf, a 22-year-old student watching the protests, says the stakes are high. "Everyone fighting there today", he says, "is fighting for their future." ■

The Ibrahim prize

A gift seldom given

DAKAR

Does Niger's president deserve an award for leadership?

Few prizes are as prestigious, or as seldom awarded. In 2006 Mo Ibrahim, a Sudan-born British telecoms billionaire, endowed an annual prize for good governance in Africa. It goes to a head of government who has run a sub-Saharan country well—and has left office gracefully when it is time to go. The winner receives $5m.

Alas, in the past 15 years Mr Ibrahim's foundation has withheld the prize more often than it has granted it. Stepping down when constitutionally required to do is not hard, compared with what Nobel prizewinners for physics have to achieve. Yet depressingly few African leaders manage it. Since 2015 no fewer than 13 have sidestepped or weakened term limits to stay in power. That has narrowed the pool of potential Ibrahim laureates, who also have to have been democratically elected and demonstrated "exceptional leadership" while in office.

On March 8th a new winner was announced, the first since 2017: Mahamadou Issoufou (pictured), the departing president of Niger. The foundation cited his country's progress in reducing poverty and spurring economic growth during his ten years in power. During this time the share of Nigériens who are extremely poor has fallen from about 48% to 40%. And although the country is ranked as the world's poorest on a range of measures by the UN Development Programme, under Issoufou it has got more children into school and improved life expectancy. Between 2010 and 2019 GDP per capita increased by 16% in Niger, whereas in Africa as a whole it fell by almost 3%. Such progress is all the more impressive in a country that is caught between two jihadist insurgencies—one in Mali to its west and another on its south-eastern border with Nigeria.

Yet Issoufou's main achievement may simply have been his decision to leave office. In doing so he is responsible for Niger's first-ever democratic transition of power. That alone is worth cheering in a country that has seen four successful coups since its independence in 1960.

The prize committee praised Issoufou, saying he has "championed African democracy and respect for constitutional rule in Niger and across the continent". Critics sniped that picking him shows how low expectations have fallen.

Issoufou's record on freedom is iffy. During a presidential election in 2016 his main rival, Hama Amadou, was locked up on the ludicrous-sounding charge of having smuggled babies from Nigeria for sale in Niger. Amadou denied wrongdoing and said the charges were trumped up, before jetting into exile in France. In his absence, a court in Niger sentenced him to a year in jail. He returned in 2019 to serve his time, but by then the government had changed the electoral law, banning anyone who had been sentenced to a year or more in prison from standing as a candidate.

With the main opposition candidate out of the race, the presidential election earlier this year was won by Mohamed Bazoum, a close ally of Issoufou. After the opposition alleged electoral fraud and protested against the result, the authorities cut off the internet and arrested Amadou, accusing him of instigating violence. At least two people were killed in clashes between the police and demonstrators.

Festus Mogae, a former winner from Botswana who now chairs the prize committee, points to insecurity and deep poverty in Niger and argues that neither he nor most winners faced such challenges. He argues that by stepping down democratically, Issoufou set a powerful example. "A seed has been planted," he argues, which "will encourage the population to be more demanding of future leaders." Even so, Mr Mogae concedes that Issoufou is "not on par" with previous prizewinners.

The aim of the Ibrahim prize is to encourage better governance, by offering honest, democratic rulers a comfortable retirement. In the past, by celebrating the likes of Nelson Mandela (an honorary laureate) and Ellen Johnson Sirleaf of Liberia, the foundation has indeed promoted the kind of leadership Africa needs. But this year's award is more dubious. Where praise is not truly merited, it is perhaps better to withhold it. ■

Taking the golden handshake

Somalia's politics

Guns, terms and stealing power

MOGADISHU

A power grab has pulled Somalia into crisis

"Stand up here too long and you'll be a target," warns the manager of a hotel near the airport in Mogadishu. Visible from the rooftop are two watchtowers and several military checkpoints. In the basement is a bunker. The risks for visitors to this fortified enclave of the Somali capital are not hypothetical: on February 19th a rocket-propelled grenade hit a row of shops near its edge.

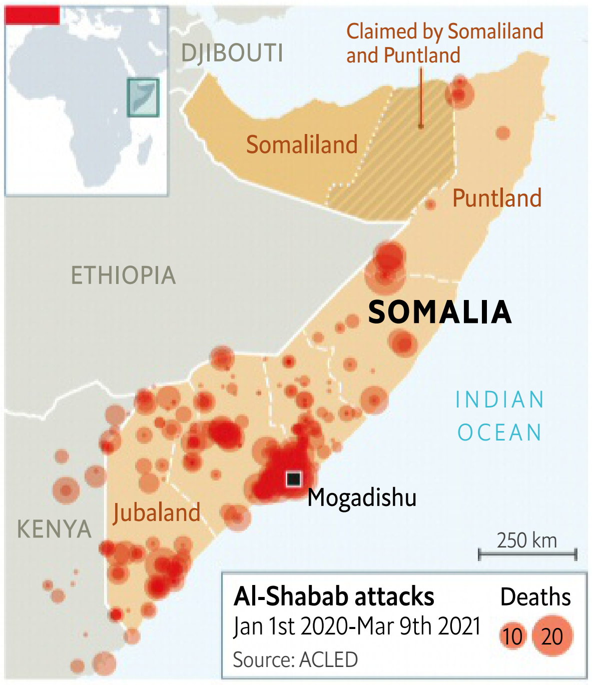
Protesters say it was fired at them by government forces. Tempers have been high since the indefinite postponement of presidential elections last month. This has left a question-mark over the legitimacy of Mohamed Abdullahi Mohamed, whose presidential term was meant to have ended in early February. His power grab has pulled Somalia into a crisis that threatens to set back its tentative state-building.

It has been 30 years since Somalia descended into something resembling anarchy. In 1991 Siad Barre, a Soviet-backed military dictator, was ousted. The central government collapsed, and a complex civil war broke out between shifting alliances of clans. There have been repeated failed attempts to rebuild a functioning state.

The first administration to restore a semblance of order to the capital was the Islamic Courts Union in the mid-2000s. But alarmed by its Islamism and amid allegations it was sheltering terrorists, Ethiopian troops backed by America toppled it and installed a friendly administration. From the remnants of the Islamist government emerged al-Shabab, an al-Qaeda affiliate that controls much of the countryside and frequently bombs the capital (see map on next page). It is held at bay largely thanks to 20,000 African peacekeepers.

Somalia's progress towards democracy has been faltering. The country has not had a direct election since 1969, more than three decades before most Somalis were born. Yet it seemed to be on the right track in 2017, when it held "indirect" elections, whereby members of parliament were elected by delegates chosen by about 14,000 clan elders. The MPs in turn picked the president, who had promised to hold proper elections in 2020. But last year election officials cancelled that plan, citing covid-19 and the insurgency of al-Shabab.

Instead they scheduled another indirect vote for February, the deadline set by the constitution for choosing a new president. But talks between the central govern- ▸▸



ment and regional leaders over how to conduct it collapsed. The opposition as well as leaders in Jubaland and Puntland, the two most powerful of Somalia's five states (excluding the breakaway region of Somaliland), accuse the president of sabotaging the process in order to cling to office. "He cannot continue to act as president," says Abdirahman Abdishakur, a former minister running against him for president.

The stand-off comes after years of worsening relations between President Mohamed, a former American citizen who spent much of his adult life in New York, and most of Somalia's political establishment. Since taking office the president has shown little interest in the patient consensus-building required by Somalia's fractious, clan-based politics. Instead he has sought to consolidate his power by sidelining rivals and using the security forces against opponents. He has also tried to weaken the regional states. On February 21st the leader of Puntland accused the president of acting like an autocrat.

Western governments, which pay for most of the government's budget, face a dilemma. On the one hand they are backing a president who has long seemed keener to hold on to power than to build democracy. In 2019 he expelled the UN's top envoy for questioning whether the arrest of the leading candidate in a regional election was legal. The president has also picked fights with neighbouring Kenya. And he has drawn closer to Eritrea and its ruthless dictator, Issaias Afwerki.

On the other hand, the government can point to some advances. Donors respect a former prime minister, Hassan Ali Khaire, who was ousted last year, as well as Abdirahman Dualeh Beileh, the finance minister. The two wooed the IMF and World Bank, and met the conditions for forgiveness of nearly all of Somalia's foreign debt of $5.3bn. State payrolls were purged of "ghost" employees, who are paid but do not exist. In 2018 Somalia began to get budget support from the EU. "Before, the money was given to agencies and NGOs to spend," says Mr Beileh. "Now they trust us."

But the crisis threatens to undo this. "All of the [economic reform] is encouraging," says James Swan, the UN's envoy to Somalia. "But this political impasse is blocking progress in many other areas." Since June the EU and the World Bank have halted direct payments to Somalia's budget over concerns about attempts to rig the election. "Security has probably worsened on whatever metric you look at," says Omar Mahmood of the International Crisis Group, a Brussels-based think-tank. Violence in Mogadishu is so common that when the boom of an attempted suicide-bombing resounded in the garden of your correspondent's hotel, his Somali companion barely took notice.

Talks between the federal government and regional leaders are expected to resume. Diplomats still hope they will agree to hold another election, even an indirect one. But with every passing day that Somalia's leaders squabble, a little more of the state's scant legitimacy leaks away. "We are at the bottom of a very high hill," sighs Mr Beileh. Time to start climbing again. ■

Working from the beach house

Keyboard surfers

DIANI

Remote working is a lifeline for Kenya's beach resorts

ON BEACH BEDS under palm trees in Kenya's Diani Beach, the usual throng of swimsuit-clad tourists dozing in the sun has been replaced by a more industrious crowd of laptop-bashers. Over the sound of the ocean comes the murmur of business jargon. Above the gurgling call of black-and-white colobus monkeys reverberates the cry of the anguished executive: "I'll circle back by COB."

When covid-19 struck, it dealt a grievous blow to Kenya's tourism industry, which generates about 9% of GDP. With airports shut and many travellers in the rich world locked in their homes, the number of foreign tourists visiting Kenya slumped by almost three-quarters. Najib Balala, Kenya's tourism minister, warned that the industry was on the verge of collapse.

Yet it has been thrown a lifeline from an unexpected source: urban Kenyans who were told to work from home, but instead chose to work from a beach house. Florin Iki, an artist and teacher, switched from teaching Italian and Spanish in person to doing so over the internet—from Lamu, an island on the north coast. "Nairobi is a very chaotic city," she says. "I could spend three hours in a *matatu* [minibus taxi] trying to get to work in time."

The new working patterns are changing many things. Aurelija Juchneviciute, who owns the Heavenly Garden, a rental villa in Diani Beach, says that before the pandemic 90% of bookings were for short stays. Now 90% are long-term. The clientele has changed, too. Previously Kenyans made up only a fifth of guests. Now they are about half. When the first covid-19 lockdown was lifted, "a lot of people just escaped from Nairobi...to breathe," she says. "Then they realise there's good internet."

Another change has been a jump in the number of visitors from other east African countries. These include Ugandans, who came to sit out violent presidential elections back home, as well as Ethiopians attracted by Kenya's fast internet.

Local business owners who previously made a living selling to large hotels, or to visitors coming down on weekends, are now scrambling to supply the region's new residents with fish, vegetables and even furniture. Local services are booming, too. Michael Wendo, a Diani-based yoga instructor, says he is now teaching regulars, rather than the occasional tourist. Telkom Kenya, a phone company, says internet subscriptions in the town have jumped by 50% since the lockdown was lifted. Not everyone is a winner. The region's big hotels—with their high overhead costs—have struggled to compete with cheaper cottages and villas.

After the pandemic many of these trends may reverse. But some may leave more enduring cultural changes. For many years Kenyans would oscillate, along with economic cycles, between living in expensive cities, where there are jobs, and moving back to their ancestral villages, where costs are lower. Now they have a third option. One that offers kitesurfing, but not too much time with mum and dad. ■

Putting his feet up at work

The Economist

SPECIAL REPORT:

The future of shopping

March 13th 2021

The retail renaissance

One-to-one commerce

Not since the Industrial Revolution has shopping been in such upheaval, writes Henry Tricks

IN 1966 JEFF JOHNSON, Nike's first-ever full-time employee, created the company's first store in Santa Monica, California. As Phil Knight, Nike's co-founder, recounts in his memoir, "Shoe Dog", it became a "holy of holies" for runners. Mr Johnson was a bookworm, so the shop had shelves of books that he felt runners should read. Pinned to the walls were photos of runners and of Nike's sneakers, then called Tigers. Mr Johnson kept card files of each customer, including their shoe sizes. He sent them Christmas cards and congratulatory notes if they won a big race. Many wrote back seeking Mr Johnson's support and advice, which he gave, especially when it came to injuries.

When your correspondent told this story to Heidi O'Neill, now head of Nike's consumer and marketplace division, she got "goosebumps". It recalled a time, she said, when Mr Knight and his colleagues, struggling to get the business off the ground, put shoes on the feet of one runner at a time. For decades afterwards, she says, Nike was unable to replicate the intimacy of this one-to-one customer relationship, as it relied on rapid expansion of its wholesale business. Yet since 2017 the firm has been cutting the cord with many of its wholesalers, including Amazon, the world's biggest online retailer, to focus on becoming a "direct-to-consumer" (DTC) company. DTC now accounts for 40% of Nike's revenues. Its shoppers' use of digital technology has enabled Nike to recreate that hallowed "one-to-one world", says Ms O'Neill.

One-to-one is shorthand for today's upheaval in the world of shopping. The consumer has never had so many things to buy, or ways to buy them. New forms of communication via social media, messaging services and apps have brought producers and consumers closer together. Using trillions of gigabytes of data, manufacturers know better than ever what customers want. Their products can be delivered direct to the doorstep. The traditional middleman, who for centuries piled hidden cost on hidden cost, is being squeezed out.

This has been especially visible during the covid-19 pandemic, as e-commerce penetration has in just a few months reached levels that had been expected to take years. Amid lockdowns and social-distancing measures, bricks-and-mortar retailers went bust in droves last year in America and Europe, continuing a long trend. Yet online platforms have thrived. Amazon exceeded $100bn in quarterly revenues for the first time in the fourth quarter of 2020. The share prices of some Chinese e-commerce giants doubled and even tripled.

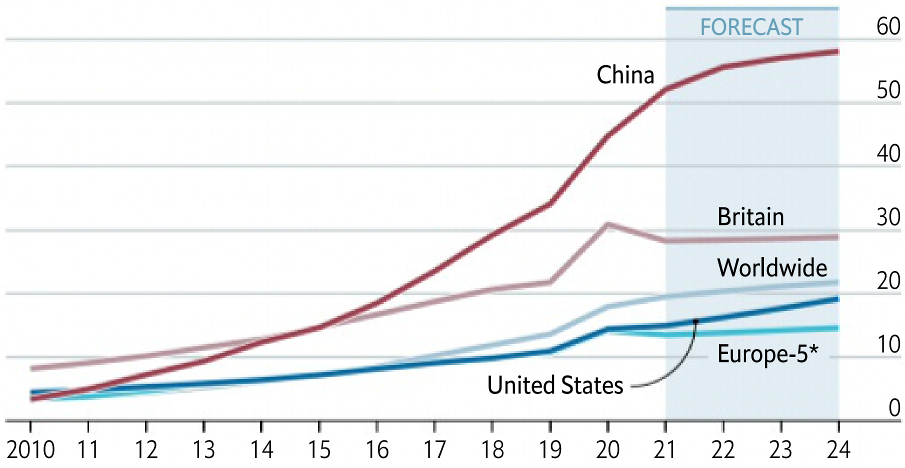
DTC businesses have flourished. Early on in lockdown, Nike hit a target, which was originally set for 2023, of selling 30% of its goods online. Over the past year 70m people have become "members", bringing the total to 250m. It connects to these loyal customers via apps offering everything from free running guidance to access to sneaker vending-machines.

Supermarkets, which had earlier hoped that a mass stampede online was still five years away, suddenly found that even grandparents were mastering the dark arts of ordering groceries and booking slots. Such was the surge in demand in the early days of lockdown that Ocado, a British online grocer, thought for a while that it was under cyber-attack.

The e-commerce explosion does not herald the death of the physical store, however. When lockdowns have been lifted, shop-

Spinning the web

Online retail sales as % of total



Source: eMarketer

*France, Germany, Italy, Spain and Britain

pers have flocked back to high streets and shopping malls. Even a digital evangelist like Nike inaugurated a flagship "interactive" store on Paris's Champs-Elysées last year, one of several new stores it has recently opened. After covid-19 is tamed, the pace of e-commerce growth will moderate. As Mark Shmulik of Bernstein, an investment firm, puts it, generations of shoppers' "muscle memories" will not vanish overnight.

Yet the data-driven shopping upheaval is unstoppable. It will change the nature of stores, so that physical and digital shopping seamlessly interact. It will disrupt marketing, because online ads target shoppers more accurately than any broadcast jingle or billboard. And it will lead to new forms of production. Nike offers an example. Thanks to its apps and interactive shops, it acquires reams of real-time data from its pavement-pounding customers. When it noticed that traffic on its apps was showing more people doing yoga, it swiftly produced new yoga gear, Ms O'Neill notes. Mr Johnson would have been delighted.

Revolutionary days

To understand the historic importance of such a shift, start in 16th-century England. As Dorothy Davis, a former *Economist* writer, explained in her book from the 1960s, "A History of Shopping", the first retail revolution occurred in the Elizabethan era when craftsmen, who until then had traded one-to-one with customers, set up the first shops to peddle other people's wares, earning mark-ups on what they sold.

Centuries later came the Industrial Revolution, which led to the second big retail transformation. This was a new system of factory-produced goods that a growing number of working-class shoppers could afford. Supported by a blitz of advertising, these goods were distributed by shops that grew in size to benefit from economies of scale. The set-up is familiar to many today: mass production supports mass consumption.

The third retail revolution, today's digital age, turns that model on its head, creating, in retailers' jargon, a consumers' "pull" system rather than a producers' "push" one. As Mark Cohen, director of retail studies at Columbia University Graduate School of Business in New York, says: "At the turn of the 20th century, the commander-in-chief of commerce was the retailer, with the manufacturer as equal partner. Today it's the customer who's in charge."

In the West, this upheaval causes trepidation. That is because the retail infrastructure was not built for the digital age. America has 24 square feet of retail space per person, according to Bernstein, three times as much as Britain and six times as much as China. In America more than 8,700 stores closed last year, says Coresight Research, a data firm. In Britain 16,000 stores shut and 183,000 retail jobs were lost, estimates the Centre for Retail Research. *Pace* Nike, one of the worst-hit sectors has been clothing and footwear. Those opening stores are mostly discounters.

In parts of Asia, however, this is a time of exuberance. China's embrace of e-commerce reflects the ubiquity of smartphones, the shortage of attractive shopping centres beyond the big cities, and high urban density, which cuts the cost of delivery. Yet China also stands out for a level of innovation, such as live-streaming by celebrity lipstick-sellers, that few saw coming. Like Nike, some Chinese tech firms are taking advantage of people's digital trail to change the way goods are produced—and even to produce high-tech ways to improve fruit and vegetable yields on farms.

Yet even in China, the ultimate goal is not to leapfrog the store. Alibaba, China's biggest e-commerce firm, has brought the latest digital razzmatazz, such as cashier-free shops and video promotions, to its supermarkets in the biggest cities. Along with JD.com and Pinduoduo, its closest rivals, it is working with grocery shops in the farthest-flung villages to make distribution of goods cheaper and more efficient. Daniel Zipser of McKinsey, a consultancy, says 374 large malls were opened in China last year. Prices for retail property in city centres have shown no meaningful fall.

In both East and West, such an amalgamation of the offline and online worlds is widely referred to as "omnichannel". This is perhaps the most tangible trend affecting the future of shopping. The future will be both online and offline.

For consumers the benefits are obvious. They will gain greater convenience from being able to shop either physically or virtually, depending on their mood and circumstances. But for retailers, the challenges are immense. They have to pay not only for the costs of their stores but also for a form of digital "rent" to display their goods high up on online search channels such as Facebook. They must not only pay for delivery but also allow customers to pick goods up in their shops. And they face a growing nightmare of processing returns that now cost retailers more than $1trn globally every year, says Shopify, a big online platform. The struggle will be to find ways to make omnichannel more profitable.

It may yet become more lucrative simply because of the sheer size of the market left to conquer. According to Benedict Evans, who writes a tech newsletter, e-commerce sales globally in 2019 amounted to some $4trn. That was less than a fifth of total retail sales, and a smaller fraction of overall consumer spending, which the World Bank estimates at $65trn. There are tens of trillions of dollars of extra spending left to battle over.

Yet concerns are already growing that a few behemoths, such as Amazon in America, Europe and parts of Asia, and Alibaba in China, will hog the bulk of that. Regulators in America, the European Union and China are keeping the industry leaders under scrutiny. To keep the future a renaissance not a digital autocracy, this report assesses how entrepreneurs can stand up to and even overcome the supremacy of the digital incumbents.

In the midst of the covid-19 pandemic, with shops shut and doorsteps under siege from the latest Amazon delivery, the world may seem to be on the edge of a digital dystopia, with shops losing their age-old role as a place of social interaction, banter and succour for the lonely. But that is too pessimistic. Even a time traveller from Elizabethan England would find a lot to recognise in the commerce of the future. As this report will argue, the itinerant peddlers, merchants, food stalls, crafts, salespeople and shoppers will all continue to exist—albeit in new forms. The biggest difference will be the marketplace, the digital architecture dominated by the tech giants that in future will underpin our urge to splurge. ■

The future will be both online and offline

The marketplace

Deplatforming

The Amazons and Alibabas are not as impregnable as trustbusters think

THE E-COMMERCE company that retailers talk about most these days is neither Amazon, the American juggernaut, nor Alibaba, China's biggest. It is Pinduoduo (PDD), a Chinese firm that started in 2015 as an online food supplier, but whose success has driven its market value above $200bn. Last year it was China's fastest-growing internet stock, rising by 330%.

PDD attracts attention for two reasons. One is its business model. David Liu, vice-president of strategy, explains that it has ridden the rise of smartphone penetration in China to create an e-commerce experience in which people club together to buy products from robot vacuum-cleaners to bananas. During the pandemic this has expanded into a fast-growing business across thousands of towns and villages, in which PDD's users gather to bid for shipments of local farm produce at bargain prices. Some term this "community group-buy". Mr Liu calls it "interactive commerce". It is one of the hottest parts of the Chinese internet.

The second is the way PDD has shattered the myth of an impregnable fortress surrounding the titans of online shopping. Until a few years ago, China's e-commerce market seemed a two-way contest between Alibaba and JD.com, a rival platform. No longer. Elinor Leung of CLSA, a brokerage, expects PDD's share of online retail in China to overtake that of JD in 2021. She expects the number of users to surpass Alibaba. And although PDD shells out huge subsidies to entice customers from poorer parts of China to its app, she thinks it may turn profitable this year.

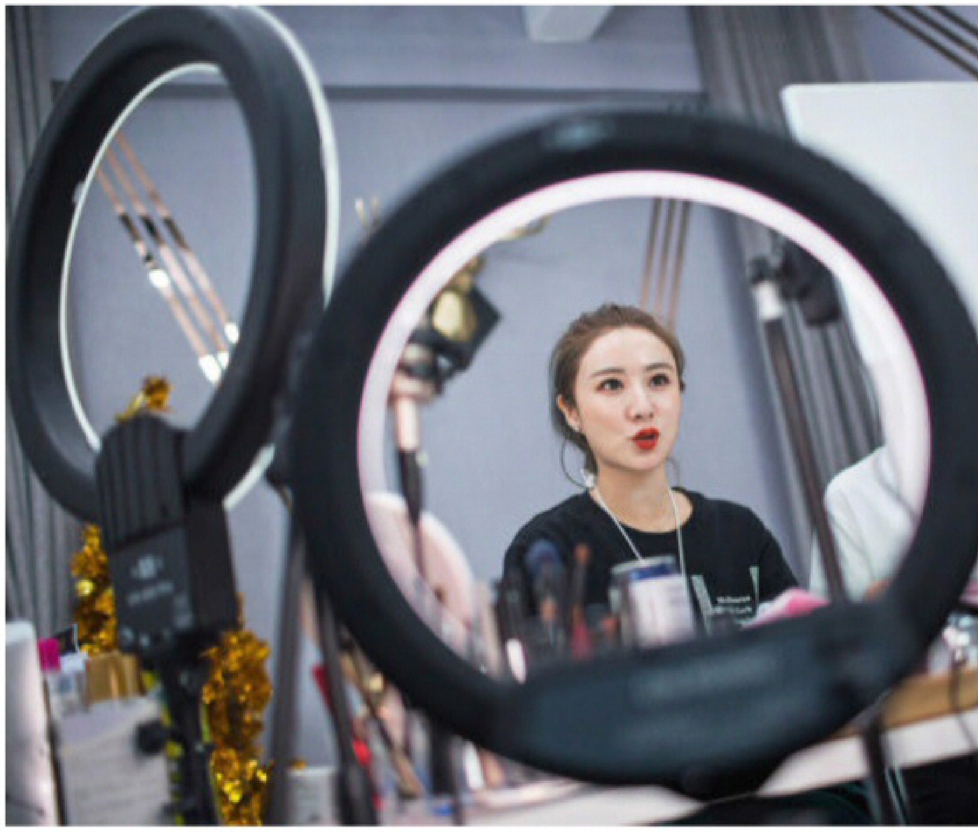
Remarkably, it has done this less by displacing its bigger rivals than by tapping parts of the market they have been unable to reach. Although online sales of groceries have rocketed during the pandemic, less than a tenth of the 8.1trn yuan ($1.25trn) farm-produce market is bought and sold digitally. "We are continuing to grow the pie," says Mr Liu. That lesson applies elsewhere too. However sewn up a market looks, there is opportunity for upstarts because e-commerce is at an early stage of development.

The issue of competition in China has convulsed share prices

Rising rivals

Share prices, July 27th 2018=100

Source: Bloomberg



Here's looking at you

because of the actions of antitrust authorities. In November 2020 the State Administration for Market Regulation published draft guidelines for platform companies aimed at maintaining orderly competition. In December enforcement of the 2008 antitrust law was strengthened, leading to new investigations and fines. These have included scrutiny of mergers and acquisitions, community group-buy schemes, price-discounting and discrimination against competitors. Ms Leung wrote in January that the chance of a forced break-up of Chinese internet platforms is remote, because of its impact on industry, the economy and consumers. But she expects more regulation, especially over customer data.

Robin Zhu of Bernstein says the crackdown means tech platforms may have to restrain aggressive sales practices such as selling goods at huge discounts. That may reduce growth, but jobs and innovation plus their support for consumer spending argue in their favour. Alibaba seems the biggest target, but PDD has also drawn fire. Alibaba is flying "closest to the sun", Mr Zhu suggests, partly because of heat on its sister company, Ant Group. But he says up to a fifth of China's retail sales flow through its doors. Chinese regulators stress their support for the platform economy, he notes, so a crackdown is unlikely to be devastating.

The rampant competition in China's retail market suggests no platform, however large, can expect fully to dominate it. Alongside PDD, Alibaba, JD and Meituan, a food-delivery firm, all target China's lower-tier cities with community group-buy and other schemes. Alibaba's Taobao Live platform has led the growth of live-streaming and video, in which influencers sell branded goods at huge discounts. But the explosive live-streaming market has attracted vigorous competitors, such as Douyin, sister to TikTok, a global social-media app. WeChat, part of a super-app owned by Alibaba's rival Tencent, allows brands to sell on its site, and gives customers instant access to digital payments. Everyone is jostling for a share of online advertising. This is especially true in live-streaming, where it is easy to measure the bang for an advertiser's buck through real-time data, says Michael Jais of Launchmetrics, a fashion-and-beauty analytics company.

In Europe and America, by contrast, the view is that the game has been won by Amazon. The gap between Amazon's e-commerce market share in America and that of Walmart, the next in line, is far bigger than Alibaba's lead over the number two in China. Though Bernstein's Mark Shmulik reckons Amazon earns little profit on its core retail business, its fast-growing cloud and online-advertising arms generate huge margins that it can plough back into retail expansion. It had $42bn of cash on its balance-sheet at the end of 2020. Marc-André Kamel of Bain, a consultancy, says Amazon may spend $100bn more on information technology over the next five years than each of the world's top ten traditional retailers. It will also continue to invest heavily in logistics, putting more pressure on the likes of UPS and FedEx.

Like Alibaba in China, Amazon has drawn regulatory heat. In October 2020 a congressional committee in America said it was looking at overhauling antitrust laws to counter the power of the big tech platforms. It drew attention to the dominance that Amazon has over third-party sellers on its marketplace, and its practice of selling its own goods in competition with them. In November the European Commission accused Amazon of violating competition laws by using non-public data from third-party sellers to benefit its own retail business.

Amazon says none of this is true. Although it stands tall online in America, by total sales Walmart is larger. Amazon dominates categories like books, but in groceries it is one of many. Trustbusters may have their eye on how it sells products on its website to compete with those sold by third parties, but this is little different from big retailers selling own-label products. Amazon also has political capital. Brian Nowak of Morgan Stanley says the jobs it provides, its support for small and medium-sized firms, and its technological prowess may all work in its favour.

The recent decision by Jeff Bezos, Amazon's founder, to hand the chief executive job to Andy Jassy will not end the regulatory fire. But if the pressure rises, it could spin out Amazon Web Services, the world's biggest cloud-computing company. As in China, as long as the pie is growing, new challengers may emerge. Some will come from big tech. Many online retailers pay Facebook and Google for their products to be found via search. Online advertising remains the strongest part of their businesses, but Facebook and Google are adding sales channels. Facebook has 160m small firms on its site. In 2020 it let them set up a single online store on its app and on Instagram, its sister platform. Last year Google scrapped commissions for retailers selling directly from its site.

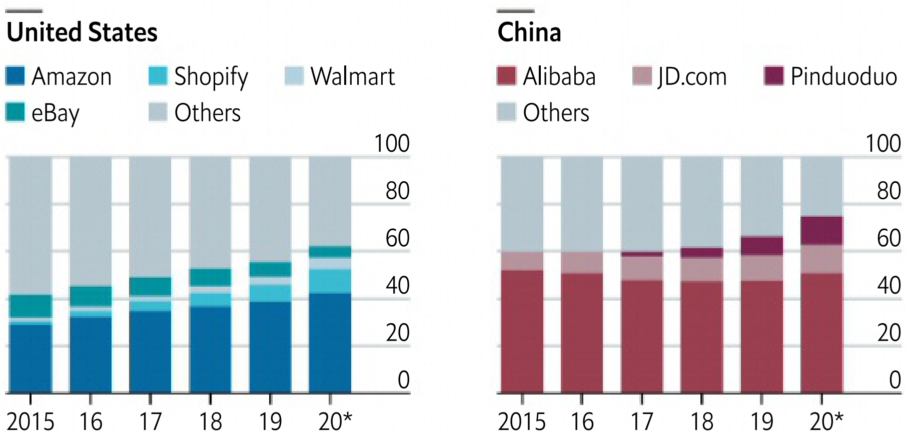
Another source of competition will come from changes in online shopping. Smartphones may overtake personal computers in America and Europe for e-commerce. That will boost the popularity of "social commerce", or commerce via social media and video. TikTok, a medium for promoting brand awareness, may let its most popular celebrities market products on its site, according to the *Financial Times*. The battle will extend to logistics and payment services. In America Amazon delivers more of its own parcels than the US Postal Service. But rivals like Walmart are developing subscription services like Amazon Prime that offer free delivery and other perks.

Tax is another threat. In both East and West, tax authorities have their eye on the digital giants. In 2020 Amazon saw a big increase in its tax liability, yet the administration of Joe Biden is considering imposing higher taxes on America's most profitable companies. European governments are levying digital-services taxes on tech firms in an effort to force them to pay more where their consumers are located. Some have drawn attention to the low business rates that e-commerce platforms pay on out-of-town warehouses, compared with those of retailers on the high street. Even China plans to raise taxes on its biggest tech firms.

Ultimately, higher taxes, greater regulatory scrutiny and rising competition may make profits in e-commerce harder to come by. But even if they end up regulated like utilities, few will shed a tear. The e-commerce giants have had a fabulous run so far. ■

Different giants

Online retail market share, %



Sources: Bloomberg; CLSA; *The Economist* *Estimate

The merchants

Rise of the rebels

For brands, turning their back on Amazon is hard but not impossible

TYPE THE brand Allbirds into Amazon and any number of woolly shoes are displayed. None, though, belongs to the San Francisco-based shoemaker whose Merino-wool sneakers began the trend. Joey Zwillinger, Allbirds' co-founder, grumbles about what he calls the "knock-off" shoes he sees on Amazon. But he says that, since the company first started selling online in 2016, it has avoided the online giant, as well as physical wholesalers like Shoe Locker. That strategy is revolutionary in the global shoe industry, with revenues of $80bn in America alone. The rationale is that by avoiding middlemen, whether online or offline, Allbirds can invest in more sustainable materials that go down well with its rich, techie clientele. It also helps it keep tabs on its customers.

Rather than selling on Amazon, it uses Shopify, an Ottawa-based platform operating in 175 countries that allows it to sell through its own online channels, as well as its physical stores. Yet despite Allbirds' thirst for independence, Mr Zwillinger is not starry-eyed about the ability of direct-to-consumer (DTC) retailers to resist the gravitational pull of Amazon and other tech platforms. He notes that more than half of all product searches start on Amazon, making it easy to be overlooked (or imitated). Digital advertising needed to start a brand and maintain its popularity is mostly in the hands of a powerful triumvirate of Google, Facebook and Amazon, and its costs are rising. "It's probably the easiest time in the history of the world to build a business of reasonable size," he says. Keeping it there is a different matter. "Will a bunch of [DTC] companies be able to overcome the headwinds? The answer is likely to be no," he says grimly.

For physical retailers, the Amazon effect has been brutal. Many have collapsed, leaving malls and high streets abandoned. In America and Britain, the closure of stores has far exceeded openings in recent years. During the pandemic in 2020, the big ones were particularly hard hit. Goldman Sachs, a bank, says that in Britain, which has a high share of online retail, existing stores have been cannibalised by e-commerce, driving down profit margins.

Not everyone is suffering equally. Big global brands such as Nike or Zara, owned by Inditex, a Spanish retailer, have reputations that encourage customers to find them without their having to fork out a fortune to win loyalty. They can preserve profit margins by keeping supply chains lean, adding RFID identifier tags to ensure clothes can be switched for in-store or online shopping, depending where the demand is, and using their stores as sales points, distribution centres or places to return items. Yet Inditex said last year it would close up to 1,200 stores around the world.

Discount stores, such as Dollar General in America, are thriving. Many continue to open shops. Primark, a low-cost European fashion chain that has eschewed online, is convinced that low prices are such a powerful draw that shoppers will flock back to its shops when lockdowns are lifted. As long as they have a strong brand, "the shop is a much more efficient, lower-cost, lower-carbon method of fulfilment than the little van driving up and down our streets during lockdown," insists George Weston, boss of Associated British Foods (ABF), Primark's owner.

Some online-fashion retailers are creating portfolios of brands out of failed physical retailers, on the assumption that, if brands are well-known, it is easy to attract customers. In America Authentic Brands, a New-York based firm, has acquired Brooks Brothers and Barneys. In Britain Boohoo has bought the Dorothy Perkins, Burton and Wallis brands from the failed chain Arcadia.

For digitally native retailers such as Allbirds, one way to expand the business is to open shops as well as selling online. Mr Zwillinger sees the irony that, although people lament the "retail apocalypse" caused by e-commerce, Allbirds is opening not closing shops. Other digital insurgents doing the same include Warby Parker, a firm of eyewear specialists, and Casper, a mattress-maker. Three Squirrels, a snack company that started as a digital darling in China, now has 300 shops.

The trick is to make the shops not just sales nodes but ways for shoppers to interact with the product. Allbirds finesses what Mr Zwillinger calls the "try-on experience". It stacks artfully presented shoeboxes in the store, not in a backroom, so fittings are available within seconds, not minutes. Casper offers "nap appointments" on its mattresses. Other swanky retailers talk of curating

Arming the rebels

Alternatives to big tech are flourishing around the world

Though American and Chinese tech platforms started the e-commerce gold rush, one Canadian company realised early on what money was to be made from selling shovels. That was Shopify, which supplies tools such as software, logistics and payments to allow firms to set up their own online stores rather than selling via giant platforms like Amazon. Its value, at $175bn, is only about a tenth that of Amazon. But in the past five years its share-price rise has outstripped that of "The Everything Store" more than tenfold.

Harley Finkelstein, president of Shopify, is an evangelist for small retailers. Shopify's more-than-1m merchants range from $1bn-plus brands like Allbirds to tiny startups that make their first sale on its platform every 52 seconds. Yet he believes that consumers will be the big winners from the transformation of retail, giving them more influence over how and what they buy. Not since John Wanamaker set up one of America's earliest department stores in 1876, he says, has there been such a shift in favour of the customer.

Shopify may be the biggest e-commerce firm that most people have never heard of. Mr Finkelstein says it is "arming the rebels" by enabling independent retailers to survive and thrive via multiple sales channels, from Amazon to social media to bricks-and-mortar stores. Yet it is not the only fifth columnist. Across the world, regional platforms are competing fiercely to avoid American and Chinese dominance.

In Japan Amazon and Rakuten, a local e-commerce veteran, are in a battle for market leadership, but Softbank also plans to merge Yahoo Japan, an online shopping site in which it has a big stake, with Line, a messaging app, to make it a three-horse race. Amazon also has designs on South Korea via a partnership with 11street, owned by a local telecoms giant. But the market, led by Coupang, an online platform, is highly competitive. The South Korean affiliate of eBay, a big American platform, may be up for sale soon,

Order out of chaos

making the contest fiercer still.

The Chinese tech giants Alibaba and Tencent have e-commerce stakes in South-East Asia via holdings in Lazada and Tokopedia, and Sea, respectively. In India, though the bulk of retailing still takes place in corner shops called *kirana*, e-commerce is a battle between Amazon, Flipkart (owned by Walmart) and JioMart, owned by Reliance, a conglomerate, with backing from Facebook, the American social-media giant. The Western firms are not just vying for a share of India's vast retail market. They also want to learn how best to entice new smartphone users in emerging markets to shop online. That means more voice search, because of the plethora of local languages, as well as more video, says Leigh Hopkins, Walmart's head of international strategy.

In Europe Amazon dominates, but marketplaces selling other people's goods such as Berlin-based Zalando and Manchester-based Boohoo are mounting challenges. In Latin America Alibaba is the model, not Amazon. Buenos Aires-based Mercado Libre, the market leader in the region, does not sell its own products, unlike Amazon. Like Alibaba, it has a strong digital-payments arm. Yet Amazon is strong in Mexico, where it goes head to head with Mercado Libre, and competition between the two is growing in Brazil. Amazon is named after the country's longest river. So far its business in Brazil does not live up to the name. But that is a rare exception.

stores like art galleries. This approach may not work for all income brackets. "Bond Street is lovely, but that's not how most people shop," quips ABF's Mr Weston. Nonetheless, the more impersonally goods are sold online, the more urgent it is that shops stand out for customer service.

One drawback in avoiding Amazon is that it is tiresome for shoppers to toggle between apps belonging to different marques. Mr Zwillinger hopes Shopify may provide an answer by building a virtual storefront where brands can display their wares, as Alibaba's TMall does in China. Not everyone believes independent brands are fighting an uphill battle against the tech giants. Harley Finkelstein, Shopify's boss, disputes the idea. "I vehemently disagree that it's only the big folks that are going to get bigger and I have proof of that," he insists. He points to brands from Beyond Yoga, a clothing company, to Beyond Meat, a vegan one, that have grown rapidly via Shopify. He says their desire to keep close to their customers, to champion sustainability, and to offer inspiring examples of entrepreneurship all support them.

That view is shared by Sebastian Siemiatkowski, founder of Klarna, an online-payments platform that works with many DTC brands. He disdains what he calls the "scrolling" nature of much online shopping. He thinks the infrastructure of e-commerce, including online marketplaces, delivery and payments, will become commoditised. But as digitalisation removes friction between buyers and sellers it will create "a more perfect economy" with almost limitless scope for growth. "People totally underestimate how large the internet economy is," he says. Even Netflix movies could be a sales channel for shoppers keen to buy what they see on screen. Customer-centric innovations (he includes Klarna's buy-now, pay-later schemes) will be essential for survival.

Strangely, the pandemic has given part of the retail industry least known for innovation, grocery selling, a crash course in reinvention. As one of the fastest-growing online categories around the world in 2020, it has become the next frontier of e-commerce. But do not get your hopes up. The weekly trip to the supermarket will not become a thing of the past. ■

The food stall

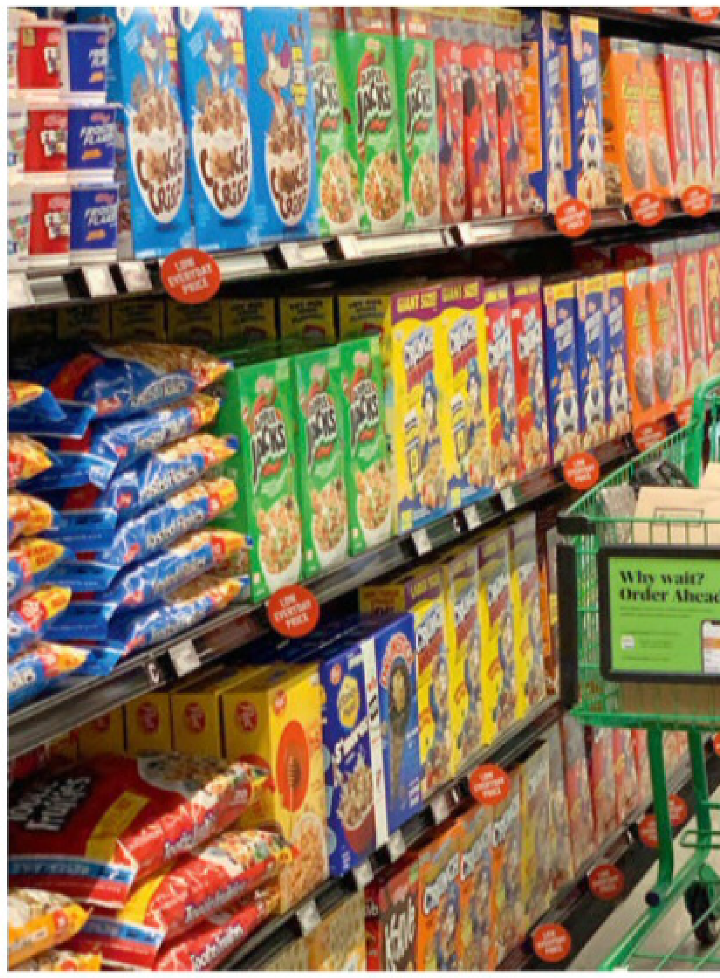
Omnivores

Widespread reports of the death of the supermarket have been exaggerated

EARLY THIS year Marc Lore, an entrepreneur who led Walmart's digital counter-attack against Amazon, announced that he was stepping down from the world's biggest physical retailer. Many of his responsibilities have been picked up by Casey Carl, recently appointed Chief Omni Strategy Officer at Walmart. It's an unusual title. "They ran out of characters," Mr Carl quips. Omni stands for omnichannel, and though not a pretty word, it signifies a lot.

Walmart bought Mr Lore's company, Jet.com, in 2016, the year before Amazon acquired Whole Foods, a chain of grocery stores, putting the wind up the entire industry. Mr Lore was asked to lead the Walmart counter-attack. Under his stewardship, Walmart.com overtook eBay to become America's second-biggest online retailer. Yet five years on it is well behind Amazon. The digital push bled red ink, and money was also splurged on trendy dotcom darlings like Bonobos, a menswear firm, that did not fit with "The Beast of Bentonville". Reportedly, there were rumblings of discontent among executives overseeing physical stores. The new focus on

Few retailers, even Amazon, can make money from selling groceries online



Rolling in the aisles

"omni", joining physical and digital strategies together, suggests that Walmart has no plan to prioritise e-commerce over its 4,000-store network in America. Instead it sees both as part of the same customer-focused "ecosystem," Mr Carl says.

Walmart is far more than a grocery chain, but its omnichannel strategy shows how purveyors of food and other essentials are being transformed by the pandemic, which in a few months has pushed online grocery shopping from low-single-digit penetration rates to near double digits. Walmart swiftly expanded services to help facilitate the online and offline experience, such as pick-up in store, kerbside delivery and delivery from its shops—in some cases direct to the customer's fridge. It also introduced Walmart +, a subscription service similar to Amazon Prime that gives members express delivery, discounted petrol and other perks.

Amazon has also gone omni. In America, besides Whole Foods, it is experimenting with a full-sized cashierless supermarket, with Amazon Fresh stores offering same-day pick-up and delivery, and with apps that enable shoppers to jump the checkout queue. So, remarkably, have China's biggest tech platforms, such as Alibaba and JD.com. Both are building vast supermarket chains. "In China offline assets are becoming hot again," says Leigh Hopkins, head of Walmart's international strategy.

The biggest question is whether these omnichannel ventures can make money. Globally the supermarket and superstore sector has had a profitable pandemic, benefiting both from the fact that grocery stores remained open during lockdowns, and from the biggest surge in online activity of any retail category—rising by almost 50% in America in 2020, according to Forrester, a data firm. Its "share of stomach" has increased, as homebound consumers switched from restaurants to their own kitchens. And from Asia to America, online grocery shopping has continued to grow even when lockdowns have eased, suggesting that the trend will outlast the pandemic.

Nonetheless it is widely assumed that few retailers, even Amazon, can make money from selling groceries online, because of

the high cost of delivering bulky fruit and vegetables rather than having customers pick them, pack them and take them home, as is common in supermarkets. In a business such as food retailing that already had margins as low as 2-4% before going online, only the best capitalised and most efficient are guaranteed to survive the online onslaught.

Even before the pandemic, several structural factors weighed on supermarkets' bottom lines. In Europe and America, pressure from low-cost operators such as Aldi and Lidl was increasing. So were labour costs, as some big retailers felt compelled to increase minimum wages. Moreover, food delivery and convenience stores were leaching customers away from bigger supermarket aisles. The industry's only consolation was that online penetration was glacial, and it thought it had time to spare before making the necessary jump in digital investment.

That has quickly changed during the pandemic, as shoppers have been given a crash course in online grocery. Now that they have overcome their phobia of delivery slots and repeat orders, demand for faster and better service is only likely to increase, putting further pressure on retailers' profits. Unless grocers start charging more for online services, say analysts at Bain, operating losses from sending goods out from stores or warehouses could range from 5-15%. Even click-and-collect, or kerbside pick-up, barely breaks even in the best of cases. Supermarkets must invest in better technology and up their online game to stop margins continuing to erode over the next decade, says Bain. And even then, grocers are likely to be outgunned by tech giants such as Amazon and Alibaba. To compete, many will have to consolidate or find other sources of revenue such as in-app advertising. In all cases, using physical stores to complement their digital efforts may be vital.

Even in East Asia, where virtual grocery shopping took off earlier than in the West, the blend of online and offline worlds is increasingly the norm. Walmart's Mr Hopkins describes several ways in which omnichannel is flourishing in China. Online grocers, such as JD, are focusing on rapid pick-up of products from stores and inner-city warehouses, known as "dark stores", for express delivery, sometimes within 30 minutes. He says shops are increasingly seen as "nodes" close to the customer that add to the convenience of online shopping.

Eastern approaches

Given China's urban density, it can even be profitable. Elinor Leung of CLSA says Alibaba and JD.com are best placed to make money online, and PDD is advancing fast via team purchases and community group-buy. They are pouring money into upgrading supermarkets. Alibaba owns a state-of-the-art supermarket chain called Freshippo (Hema in Chinese) with more than 200 stores that enable shoppers to use apps to learn what they are buying, to eat in store, and to have their groceries carried home. Smaller players are expected to join forces or be acquired to compete. Suning, a Chinese online retailer, recently bought the hypermarket operations in China of Carrefour, a French retailer. Alibaba has taken control of China's largest big-box retailer, Sun Art Retail Group, a big rival to Walmart's hyperstores in China.

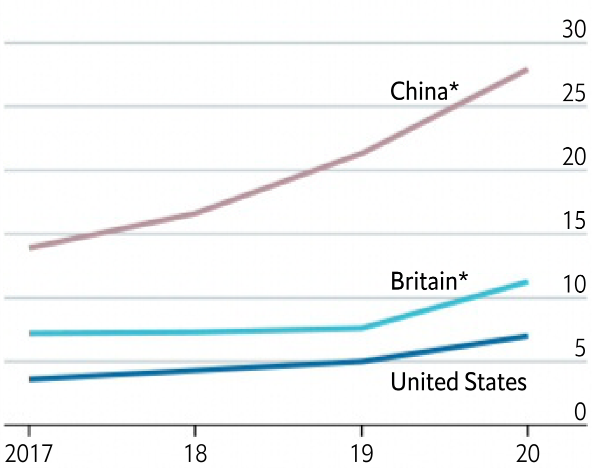
Consolidation is also expected in North America and Europe, as supermarkets strive for scale to confront the likes of Amazon and Walmart, as well as fighting off the discounters. The transatlantic merger in 2016 that created Ahold Delhaize, a supermarket giant, is thought to have helped it develop an omnichannel business that served its customers well during the pandemic. Tesco, Britain's largest retailer, and Carrefour, one of the biggest in continental Europe, have forged a strategic partnership.

Yet smaller supermarket chains can also find digital white knights—for a fee. In America and Canada, one of the biggest hopes lies with Instacart, a fast-growing grocery platform that may launch an initial public offering this year valuing it at $30bn. It offers shoppers a delivery or pick-up service, provided by 500,000 gig-economy workers serving about 45,000 stores. It also supplies technology for supermarkets to offer an omnichannel service themselves. Nilam Ganenthiran, president of Instacart, expects online grocery sales in the region almost to double over the next few years to above 20% of the total. He says that the bigger Instacart gets, the more easily it can scale up its technology (what he calls the digital "plumbing") to more supermarkets, providing input from its own engineers to help reduce costs and drive further growth for its retail clients.

In selling technology to retailers, Instacart aspires to be like Shopify. Just as the Canadian firm talks of "arming the rebels", Mr Ganenthiran claims that he wants to "arm the grocers". But he does not think the future will be digital only. Customers will want choice, he believes. Sometimes they will want their groceries to be delivered. Sometimes they will want to drive to the supermarket to pick them up themselves. And sometimes they will simply want to do their own shopping. Yet even this level of choice is groundbreaking. "The last big innovation in groceries was the advent of supermarkets," he says. "That was a full generation ago." ■

Remote food

Online grocery sales as % of total



Sources: eMarketer; Kantar

*Annual average

Mass craftsmanship

Made to measure


A pampered pet

Personalised products are reshaping manufacturing

TO SEE HOW consumers have turned the shopping experience on its head, look not to humans but to pets, who hold the world to the highest standards of customer care. If any group has thrived during covid-19, it is the fur-coated crowd. According to Bernard Meunier of Purina PetCare, a brand with $15.4bn annual sales owned by Nestlé, the world's largest food company, pet ownership has soared during the pandemic. So has the coddling of pets with expensive treats and all manner of pet-related googling, ranging from how to buy the perfect puppy to how to find CBD oil for arthritic retrievers (this correspondent's fruitless quest in Britain).

Purina exemplifies three ways in which the selling and manufacturing of products for pets is being transformed by digital engagement. The first is wholesale e-commerce; it sells pet food through sites such as Amazon or Chewy. In China more than half of pet food is sold online, compared with about a tenth elsewhere, Mr Meunier says. The second is selling direct to the consumer (or at least its owner), via subscriptions and other services. In 2018 Purina acquired a majority stake in Tails.com, a British firm that sells tailor-made dog food online. The close relationship between company and pet owner allows it to "personalise" the brand, as Mr Meunier puts it. And third, as its engagement with pet owners increases, Purina is exploring "the blurring of lines" between products and services. It has bought control of Wamiz, a pet-lovers' website, and in 2019 took a minority stake in IVC Group, a European firm of vets.

Don't expect Nestlé to personalise everything. Grocery shoppers remain mass consumers. The bulk of its products will fill supermarket shelves or online baskets for the foreseeable future, says Jordi Bosch, global head of sales at Nestlé. But the more options consumers have for where to shop, and the more information they have at their fingertips about what to buy, the more manufacturers need to adapt their products, whether they are Nespresso coffee pods or varied pack sizes of Nescafé.

Bacardi, a global spirits giant, shows how deeper connection with customers can bring new razzle-dazzle to brands, according to Mike Birch, its head of digital commerce. During lockdown, it hosted live-streamed whisky-tasting on Amazon, introduced espresso martini cocktail kits for at-home "mixologists", and sought to tickle single-malt whisky influencers with an Aberfeldy Scotch dubbed "The Loch Down".

As yet, few manufacturers in the West are milking their customer data for more than clever sales and marketing campaigns. But in China a new approach to production is emerging: "consumer-to-manufacturer (C2M)." There are several versions, but in essence, C2M makes use of big data and artificial intelligence (AI) gathered by tech platforms to identify the latest shopping trends. Influenced by this, manufacturers then make specialised products directly for consumers, cutting out intermediaries. With more direct insights about customer demands, there is less need to create excess-inventory buffers, improving margins and reducing waste.

Pinduoduo (PDD) is one of the platforms that has pioneered the trend. David Liu, its vice-president of strategy, says that since it began C2M in 2018, it has worked with 1,500 manufacturers, making about 4,000 types of product and generating 460m accumulated orders from its 730m customers. One example is robot vacuum-cleaners. High-end versions sell for 3,000 yuan (about $500) making them affordable for many in China's richest cities, but less so in poorer ones. So PDD worked with a manufacturer to produce a much cheaper version, proving via its data that demand existed, and allowing the manufacturer to use after-sales data to improve the product. Anecdotally, it reckons some fast-fashion firms and factories can shorten the time from conception to market to a few weeks.

PDD is also using agritech to help 12m farmers in its network cultivate products that customers want. For instance, it has launched what Mr Liu calls an "AI versus human strawberry-planting competition," pitting teams of veteran strawberry farmers against teams backed by digital technology. The former produced slightly sweeter strawberries, but the latter did it more efficiently, Mr Liu says. A fringe benefit is that regulators look kindly on the digitalisation of agriculture, he adds.

Alibaba, China's biggest e-commerce platform, also has a thriving C2M unit. Early in the pandemic, it noticed a sharp rise in demand for alcohol-based car-cleaning supplies to stop the spread of infections. It approached Odis, a company making car-cleaning products whose sales were cratering, and suggested it bring out portable sanitising sprays instead. It did so within three days, not the three months normally needed to create a new product. Customers were able to pre-order the spray even before manufacturing started. More than 200,000 were sold within 24 hours. ■

A new approach to production: "consumer-to-manufacturer"

People

Servants and masters

The retail transformation will leave its mark on society

BAD FOR shop assistants, good for shoppers. That is the obvious inference from the upheaval in retailing that is leaving shopping malls and high streets, and millions of low-income jobs, surplus to requirements, yet panders to the consumer's craving for convenience. It is, though, an oversimplification. Retail-related jobs will change but not disappear. And shoppers must make uncomfortable choices about privacy and the exploitation of data.

Start with jobs. In America and Europe, retailing is a huge employer, especially of women and young people. The National Retail Federation, an industry body, says retailers are the largest private-sector employers in America, engaging 32m. In the EU about one in six workers have retail or wholesale jobs. Even before covid-19, the rise of e-commerce, retail bankruptcies and shop closures were leading to job losses. Lockdowns during the pandemic exacerbated that. In America 2.4m retail jobs were shed in March and April 2020. By January just 2m had been recovered. Yet many lost jobs are offset by e-commerce-related employment as warehouse workers, couriers and grocery pickers. America's Bureau of Labour Statistics says jobs in transport and warehousing grew by more than 500,000 in the seven months to December. Amazon alone added that number last year. The Progressive Policy Institute, a think-tank, says industries related to e-commerce created 900,000 more jobs between the end of 2007 and the start of 2020 than those lost at bricks-and-mortar stores.

The prospects of moving to sorting and packing jobs rather than shelf-stacking and folding ones will be little consolation for many. Warehouses may be stuck on the edge of cities, far from traditional shops and supermarkets. They offer less direct connection with the public. They may be more physically demanding and involve relentless, soul-sapping targets. Workers may need retraining. And worker organisations are rare. Amazon has resisted efforts by its American employees to unionise, though this month those at a warehouse in Bessemer, Alabama, are voting on whether to become the first in America to join a union.

At least wages have risen. In America Amazon and others have pushed minimum pay to at least $15 an hour. Yet higher labour costs may tempt companies to replace workers with robots. A digitised retail industry raises demand for higher-skilled labour, but lowers it for entry-level workers. Jobs like delivery and grocery-picking may be outsourced to gig-economy workers, whose livelihoods depend precariously on customer ratings and reviews.

For the lucky minority still working in shops, the job may become more stimulating. That is because more tasks, from ringing up the till to showing the way to the nappy aisle, will be automated, leaving employees to offer more valuable services aimed at winning repeat customers. As Nilam Ganenthiran of Instacart says, workers whose jobs used to involve showing people where the pasta sauces are now advise on what types of pasta to make. Mark Pilkington, a former lingerie retailer whose book "Retail Recovery" will soon be published, says retail workers will need the skills of a stylist or an actor to advise shoppers what to wear and how to look fabulous, so that they return to the store. "A good stylist is cheaper than a good therapist," he quips.

As automation increases, retailers will have to fight for tech talent. Eric Shea of Accenture, a consultancy, says the industry has had a "bad rap" and struggles to compete for employees with big-tech firms. So it needs to create "hubs" of digital experimentation away from the mothership. Instacart's army of software engineers create tools to sell to supermarkets to automate their operations, so they do not have to build their own. The bifurcation between fast-paced warehousing jobs and creative customer-service ones is essential to make online shopping more efficient and in-store shopping more fun. Both aim at making customers feel they are truly king. No doubt the richer they are, the more regally they will be treated. Yet there is a bargain involved that shoppers are only just understanding. They pay by sharing data with retailers.

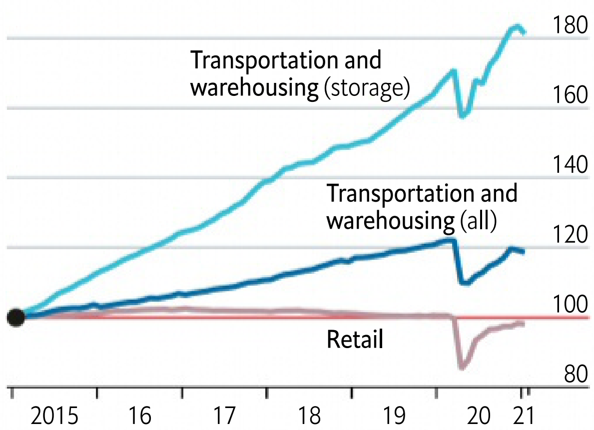
Data junkies

Data are the building-blocks of the retail renaissance. By one estimate, the volume of retail data globally is expected to rise from 33trn gigabytes in 2018 to 175trn by 2025. Until recently, stores made a hash of assimilating it. Even when they had an online presence, rivalry between physical and digital sides of the business meant information was not shared. Manufacturers had little information about customers, so no incentive to personalise. And retailers kept few tabs on what people did in their stores. As Mr Pilkington says, the irony is they would pay Facebook and Google to recruit customers online, yet let them walk free through their shops without collecting data on them.

Loyalty cards were a step forward. Retail apps are the new way for retailers to connect with shoppers. These provide information on shoppers' habits, either online or in-store. They inform decisions on what stock to carry. In some cases, they may alert manufacturers what goods to produce. Yet if shoppers feel their privacy is violated, they may react with outrage. Tools that can destroy trust if handled badly include location-tracking, facial and voice recognition, and voice-activated assistants who recommend products to buy in a biased way. Schemes common in China, such as community group-buy, may prove offputting in the West if shoppers are encouraged to persuade friends to join them in making purchases by social media. Data theft is a big problem.

A paper in the *Journal of Retailing*, an academic journal, by Kelly Martin of Colorado State University and others, suggests ways to enhance data privacy. It highlights the importance of Europe's General Data Protection Regulation and California's Consumer Privacy Act, as well as China's new privacy standard, the personal information security specification (though it says Chinese shoppers worry about the government keeping their data safe). It also says firms should guarantee privacy protection as a sales strategy.

Leaving the shopfloor
United States, employment by sector
January 1st 2015=100



Source: Bureau of Labour Statistics

Retailers fret that, as Facebook and Google deepen their involvement in commerce, questions about the use of personal data will grow. But it is hard to put the genie back in the bottle. This is a data-driven economy, and for the retail renaissance to flourish, shoppers must feel confident that personal information is in good hands. As Mr Shea of Accenture puts it, customers once pledged loyalty to the retailer. Now it is the other way round. ■

The future

Land left to conquer

Shopping will be dominated by a few but enriched by many

For a glimpse of the future, go to Showfields, which has a four-storey department store in the Lower East Side of Manhattan. These being plague years, you can take a virtual tour via its app, which directs you to "the most interesting store in the world". Amir Zwickel, Showfields' co-founder, says the mission is to make it as easy to open a physical as a digital store. During the pandemic, retailers from Europe, Asia and Latin America have opened boutiques without setting foot in America. They can because Showfields provides the architecture to do it remotely, including providing human "storytellers" who act as stand-in brand ambassadors. It tracks customers via its app and with cameras, providing retailers with digital feedback. It also attracts shoppers with art exhibitions and live events. "I want to be for physical retail what Shopify is to e-commerce," says Mr Zwickel.

Showfields is a landlord, not a retailer. It represents a niche solution to what Melina Cordero of CBRE, a property specialist, says is a dilemma in the retail-property industry: "credit versus cool". Landlords used to insist that malls and shopping centres recruited tenants with strong brands and creditworthiness. But some venerable names have gone bust. Instead landlords need "cool", youthful brands to attract shoppers. Showfields offers that. Property barons as arbiters of what is cool or not? That is one of many incongruities in a renaissance that is blurring boundaries between customers and retailers. Mr Zwickel calls it "c-commerce" for its customer-centricity. Retailers, landlords, brands, advertisers and manufacturers are in the service of consumers, whom they know better than ever because of their data trail.

If Showfields is any guide, the physical store will not only survive the rush to e-commerce but even thrive as a place of interaction between retail "stylists" and consumers. Freed from giant stores with their arrays of goods, shops can become more intimate, turning into pillars of the community and places in which to gather. They may be less concentrated in city centres, especially if working from home persists, reducing demand from office workers. Yet soulless shopping centres in suburbia offering only tatty goods and little service may also be on the way out.

The obvious presence in this new landscape will be giant online marketplaces, such as Amazon and Alibaba's Taobao and TMall. Both are so strong that their dominance is likely to persist, even if it attracts regulatory scrutiny. The antitrust crusade is not an insurmountable worry. If experience in China is a guide, the retail industry does not need breakups for competition and innovation to flourish. Even with the recent surge in e-commerce, 85% of global retail is offline. That is a lot of territory still to conquer. The ubiquity of smartphones in emerging markets means shopping will develop in more interactive and fun ways. New e-commerce channels via live-streaming and short videos will attract entrants.

The opportunity for brands to reach customers direct, without paying huge mark-ups, may democratise retailing in a way not seen since the Industrial Revolution. Before e-commerce came along, retailers were cosy oligopolies. Only through consolidation could they create economies of scale to hold their own against consumer-goods companies. Under the retail renaissance, that will change. Some say it will create a more frictionless economy, with smoother pricing, fewer barriers to entry and more innovation. It will also allow brands to plug more consumer data into their manufacturing models, so that they produce goods closer to what customers want, with less surplus inventory (ie, waste).

This is the optimist's view. Pessimists will see instead dead malls, abandoned high streets, millions of unemployed shop assistants, dwindling retail tax revenues and piles of Amazon-delivered clutter, and wring their hands. Inevitably the transition will incorporate bits of both. It will lose popularity if societies find no good way to upgrade the skills of retail workers who fall victim to the disruption. It will also be a poor substitute for the shopping experience of old if only a well-off minority have access to the innovative brands and trendy stores depicted in this report.

Whatever the variety of distribution channels, the retail industry must also respond to climate change and worries about "peak stuff" (will consumers' urge to binge-buy ever be sated?). Shoppers now put sustainability high up in their priorities when deciding where and what to buy. From Amazon to Zalando, a European online marketplace, many retailers have zero-carbon targets. Yet the manufacture of goods, from farm produce to plastic toys, is a big contributor to global warming. And at the other end are exhaust fumes when packages are delivered or customers drive to stores.

It seems fair to assume that digitisation will produce a cleaner economy than one built around mass production and mass consumption. It also seems realistic that with the world at the foothills of a transformation of retail, innovation is just starting—and some will be aimed at making shopping genuinely more sustainable. For now, celebrate the overhaul of a model of shopping that after 150 years was oligopolistic, stuck in its ways and a byword for poor service. It takes years for technological breakthroughs to reshape society. E-commerce is in only its third decade. It may turn the next one into a time of vibrant upheaval. ■

ACKNOWLEDGMENTS A list of acknowledgments and sources is included in the online version of this special report

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Covid-19

Jab-seekers

PARIS

A protracted swell of cases highlights Europe's vaccine problems

THE WORLD is split into three types of covid-19 countries. The first consists of those with lots of recent cases countered by vigorous vaccination campaigns: America and Britain, for example. The second includes the likes of Australia, Japan and China, with few vaccines but few cases to worry about. The last is made up of places with lots of new cases but little vaccination. Continental Europe is the only big, rich region in that unfortunate ward. (Much of Latin America is in a similar spot, and data are patchy in many poor countries.) It is an unexpected outcome for a continent that thought it had managed the first phase of the pandemic rather well.

About a quarter of all cases and deaths from covid-19 since the start of the year have been in EU countries, whose citizens make up just 6% of the global population, according to Our World in Data, which collates national statistics. A spate of infections that started six months ago has proved stubbornly enduring—more of a swell than a wave. This week Italy became the sixth (and smallest) country to record over 100,000 deaths.

Resurgent covid prompted other countries, such as Israel and Britain, to turbocharge their vaccination programmes. But the European Commission fumbled the ordering of doses for the bloc last summer, and has secured few early jabs. Worse, in some countries many of the vaccines delivered are lying unused in fridges and freezers—the fault of national authorities. As a result, just ten doses for every 100 Europeans have been administered, against 28 in America and 35 in Britain.

→ Also in this section

Paired with a surge in "variant" cases that are more infectious—and now dominate from Poland to Portugal—the upshot is a pandemic that is likely to endure for months to come. The impact will be felt beyond hospital wards, which are filling up in some countries: health authorities in Paris are cutting non-covid procedures by 40% to help manage rising cases.

One impact will be on the economy. On March 9th the OECD, a policy-advisory shop, downgraded growth prospects in Italy and France even as it upgraded America's. In view of low vaccination rates, its chief economist warned that it is too soon to think about more fiscal stimulus in Europe. Across much of the EU, swathes of the economy look likely to remain throttled—and state-supported—for months.

Politically, leaders are having to balance the need for lockdowns with perceived public fatigue. Italy is considering new confinement measures. France has stuck to a curfew, and kept schools open, even as scientific advisers warn that variant strains could soon send cases spiking. Germany loosened restrictions just as cases were rising, putting its faith in more vaccinations and tests. The sense of a coherent plan being in place there was not helped when two MPs resigned as it emerged that last spring they had moonlighted as brokers of masks and other protective equipment. Spain is faring better, but others, such as Estonia, are facing acute spikes. ▸▸

Unity among the EU's members is being tested. A year ago national borders that had supposedly been abolished sprang up again, and governments beggared their neighbours out of whatever masks and other equipment they could snatch before they could be exported. A pan-European recovery programme funded by joint borrowing and the centralised procurement of vaccines was supposed to be a symbol of renewed unity.

That sentiment looks frailer than ever. National borders have started to reappear, erected by the likes of Germany and Belgium to isolate pestilent neighbours. Vaccine nationalism has made an appearance, blocking shipments out of the bloc. On March 4th Italy, under the new leadership of Mario Draghi, was the first to make use of an EU export-control mechanism agreed in January after AstraZeneca, a drug firm, abruptly pushed back deliveries to later in the year. So 250,000 doses of its vaccine will stay in Europe instead.

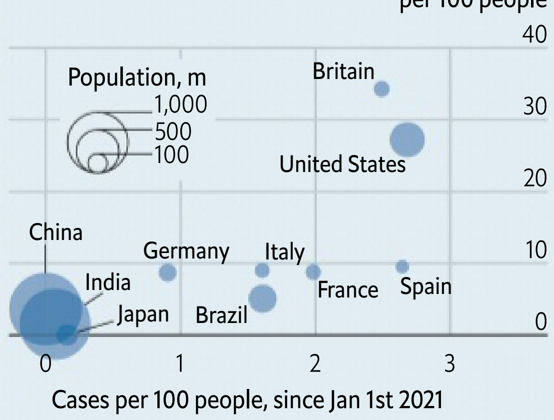
The biggest challenge, and source of much political tension, is the dearth of vaccines. National governments are quietly fuming at the commission for its procurement blunder, while Brussels blames the pharmaceutical companies. Some countries are now sourcing their jabs from outside the vaunted EU framework. Hungary has started using the Sputnik V vaccine and the Chinese Sinopharm one, with which its prime minister, Viktor Orban, was pricked on February 28th. Many of its central European neighbours are tempted to follow suit, though neither vaccine has received the green light from the European Medicines Agency. An Italian lab is to start making Sputnik V.

The EU is keen to show that the situation will improve soon. The European commissioner now liaising with the vaccine suppliers, Thierry Breton, has let it be known that he starts his day with a 5am call to the chief executive of AstraZeneca; other bosses get badgered later in the day. Around 100m monthly doses are expected from April onwards, double the figure for March and enough to get 70% of adult Europeans inoculated by the end of July.

Asleep on the jab

Covid-19, selected countries

To March 8th 2021



Source: Our World in Data

That still means shortages in the coming weeks. But many European countries have not helped themselves. After the AstraZeneca debacle, several national authorities barred its use on older patients, even as the EU regulator declared it safe and effective for everyone. President Emmanuel Macron of France denigrated it as "quasi-ineffective" for over-65s. Now that age restrictions are being lifted in France and Germany among others, its take-up should increase—if patients sign up. Around a quarter of people in Italy, France and Germany say they would rather wait for another vaccine. The result has been stocks of unused AstraZeneca doses. Whereas 89% of Pfizer-BioNTech doses delivered to member states have been used, the figure is under half for AstraZeneca.

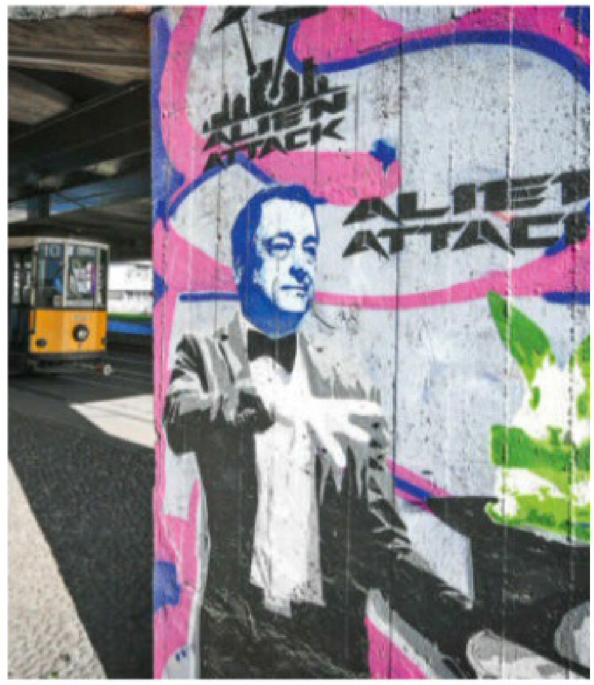
The procurement mess has at least meant that Europe has focused its few doses on those people who need them most urgently, notably the elderly. That should start to reduce the number of deaths, for example in care homes. National authorities are looking feverishly for signs that vaccination programmes are having such an impact, as they are in America and Britain. Until they do, Europe will remain stuck in a pandemic that others are starting to put behind them. ■

Italy

Demolition Draghi

ROME

The new prime minister upends the country's political parties



Unlikely wrecker

IN THE DAYS when Italy's former prime minister, Matteo Renzi, saw himself as an instrument of creative destruction, he revelled in the nickname *il rottamatore*, the Demolition Man. Today, that title is more applicable to Mario Draghi, the technocrat Mr Renzi boasts of manoeuvring into the premiership. Restrained and courteous, Mr Draghi is an unlikely wrecker. Yet his arrival has so far split the biggest party in parliament, the Five Star Movement (M5S), and pitched the centre-left Democratic Party (PD) into leaderless disarray.

The trouble began as soon as Mr Draghi sought parliament's endorsement of his broad coalition. Though the Five Stars' leaders had opted to back him and secured the approval of party members, some of its lawmakers saw this as an unacceptable capitulation. The M5S was founded to bring down the establishment, yet here it was supporting a man who embodied it. Fifteen M5S senators and 16 deputies voted "no" and were expelled. They have applied to form a new group in parliament.

The revolt highlighted an anomaly: the movement's rulebook is at odds with the Italian constitution, which gives parliamentarians the freedom to vote as they see fit. The party rules say Five Star legislators must implement the wishes of the party's members as expressed in online votes staged on a platform managed by Davide Casaleggio. The son of Gianroberto Casaleggio, the internet guru who inspired the movement's foundation, Mr Casaleggio now champions the Five Stars' early idealism. On March 10th he presented a document ostensibly intended to define the role of the platform. Many suspect it marks his first step towards taking control of a rival movement.

Forebodings of division also hang over the PD—part of the governing coalition, like the Five Stars. On March 4th Nicola Zingaretti, its affable leader, astonished followers by abruptly resigning, saying he could not any longer put up with the infighting, particularly over government jobs. The PD is arguably as ill-sorted as the M5S, the result of a marriage of convenience in 2007 between old enemies: former Christian Democrats and ex-Communists. Their differences have never really gone away. Mr Zingaretti's merit was to be broadly acceptable to a majority of PD activists. The same is true of Enrico Letta, a former prime minister, who as *The Economist* went to press was considering appeals to head the party.

This is more than just a crisis of leadership. The PD was meant to be the party of reform. Yet the structural problems Italy faces today, which Mr Draghi and his fellow-technocrats have been enlisted to tackle and which the new prime minister has enumerated to parliament, are exactly the same as in 2007: an obstructive bureaucracy, a sluggish judiciary, a tax system that discourages productive economic ▸▸

activity, and low female employment. "If the resort to Draghi represents a failure of Italian politics, then it represents all the more so a failure of the PD," argues Franco Pavoncello, professor of political science at John Cabot university in Rome.

Polls indicate that support for the PD has fallen sharply since Mr Zingaretti's resignation. But they hold out hope for the M5S, which has lost about half its following since the 2018 election. On February 28th the party's leaders entrusted Mr Draghi's predecessor, Giuseppe Conte, with a relaunch of the movement, in what was widely seen as a first step to his becoming leader. Polls suggest support for a Five Star Movement led by the popular Mr Conte could soar. As for Mr Draghi, the more his sponsors bicker and split, the less time they will have to snipe at him. For now. ■

Rent controls in Berlin

A disaster foretold

BERLIN

The German capital's year-old rent-cap policy is a failure

"I WORRY ABOUT Berlin," says Rolf Buch, a born and bred Rhinelander. The chief executive of Vonovia, Europe's biggest residential-property firm, thinks that the city's policy of capping rents has achieved little good, but caused severe collateral damage. Even if the federal Constitutional Court declares the rent cap unconstitutional in the next few months, as many expect it to do, Berlin will not go back to the *status quo ante*. Protests are here to stay, Mr Buch reckons.

Faced with increasing unrest over rents deemed unaffordable by Berliners, the city's Senate, run by a coalition of Social Democrats (SPD), Greens and Die Linke, Germany's hard-left party, introduced a five-year rent cap for all apartments built before 2014 that came into force a year ago. In stage one of the scheme, which went into effect on February 23rd 2020, the rents for around 1.5m flats were frozen at their level of June 2019. When stage two kicked in on November 23rd, landlords were obliged to reduce any rents that exceeded by more than 20% a list of newly defined caps, set at anywhere between €3.92 and €9.80 ($4.66-11.66) per square metre, depending on the quality of the flat and the fittings it came with. Any future contracts would have to stick within the caps.

Sebastian Scheel, Berlin's housing minister and a member of Die Linke, considers the scheme a success because rents have gone down in the capital. The SPD has duly copied the idea; earlier this month it put a plan for the introduction of rent caps across the country into its manifesto for a general election due in September. And indeed a recent study by the German Institute for Economic Research found that rents in the newly regulated market of flats built before 2014 have declined by 11% compared with the still-unregulated market for newer buildings.

But the problem, entirely foreseeable and foreseen, is that the caps have made the city's housing shortage much worse: the number of classified ads for rentals has fallen by more than half. Tenants, naturally enough, stick to their rent-capped apartments like glue. Landlords use flats for themselves, sell them or simply keep them empty in the hope that the court will nix the new regulation. Meanwhile, rents and sale prices in the still-unregulated part of the market, and in cities close to Berlin, such as Potsdam, have risen far faster than in other big German cities.

Thanks to its former status as a subsidised island in East Germany, Berlin's property market has undergone extreme price fluctuations. For many years after reunification rents in Berlin were much lower than those in other big German cities. The supply of beautiful old apartments with high ceilings, tall windows and big drawing rooms (known as the *Berliner Zimmer*), was plentiful. Berlin's population fell in the mid-1990s, and urban planners as-

German state elections

A green light for "traffic-light" coalitions

BERLIN

How the country could submit to red-yellow-green alliances

ASSEMBLING COALITIONS in Germany was once a simple affair. Power alternated between the centre-right Christian Democratic Union (CDU, with its Bavarian ally, the CSU) and the Social Democrats (SPD), with the liberal Free Democrats (FDP) or Greens in support. Colourful names occasionally emerged for other governing arrangements: "Jamaica" for coalitions uniting the CDU, Greens and FDP—the parties' colours match the island's flag—or "traffic light" for the SPD, FDP and Greens. For years these exotic amalgams mainly fuelled the fever dreams of political scientists. More recently, political fragmentation and Germany's federal system, in which 16 states churn through their own governments, have made them flesh.

Half the states now have unwieldy three-party coalitions. Some, like the "Kenya" groupings in three east German states, are dysfunctional marriages of convenience. But the traffic lights in Rhineland-Palatinate, in Germany's south-west, have been "very successful", beams Daniel Stich, secretary-general of the SPD there. They may well abide after an election on March 14th. Next door in Baden-Württemberg, which also votes that day, many in the ruling Greens want to dump the CDU, their coalition partner.

If that were to happen, a national traffic-light coalition would no doubt become more likely after Germany's election in September, says Hans-Ulrich Rülke, the FDP's lead candidate in Baden-Württemberg. True, the three parties are currently short of a majority (see table). For now a CDU/CSU-Green tie-up remains the best bet to take over from today's unloved "grand coalition". But the covid bonus long enjoyed by the CDU/CSU in the polls has evaporated, and the FDP is staging a modest recovery. A lot can happen between now and September, notes Alexander Schweitzer, leader of the SPD's deputies in Rhineland-Palatinate.

A traffic-light coalition would be an uneasy fit for those Greens and Social Democrats who dismiss the FDP as heartless neoliberals. But it has its attractions. The Greens would have a shot at leading the government; the SPD a realistic way to stay in office (Olaf Scholz, its chancellor-candidate, is a fan). And it offers the FDP, which propped up the CDU/CSU in a miserable coalition in 2009-13, a road back to relevance. Do not count it out.

Tutti frutti unruly

Germany, coalitions

CDU/CSU SPD Green FDP Left

Coalition	Parties	States, coloured by lead party	Parties' combined national polling*
Grand		Lower Saxony, Mecklenburg-West Pomerania, Saarland	49
Kenya		Brandenburg, Saxony, Saxony-Anhalt	67
Left-wing		Berlin, Bremen, Thuringia	42
Black-Green		Baden-Württemberg, Hesse	51
Black-Yellow		N. Rhine-Westphalia	42
Red-Green		Hamburg	34
Jamaica		Schleswig-Holstein	60
Traffic-light		Rhineland-Palatinate	43
Germany		*na*	58

Sources: Politico: *The Economist* *At March 8th 2021 sumed that would continue. But then came waves of immigrants and young Germans attracted by low rents, a trendy art scene, all-night clubbing and a thriving job market. On average, 30,000-40,000 people have moved to Berlin annually in recent years, stretching social services, such as nursery schools and health clinics, to their limits. Rents have exploded. According to Mr Scheel they have more than doubled in the past ten years. Incomes have not been able to keep up.

Berlin could face a tricky autumn if Germany's Constitutional Court kills the cap. Landlords may get the right to demand repayment for the rent they have missed out on, just as unemployment and insolvencies are forecast to shoot up because of the devastation wrought by the covid-19 pandemic. And an expropriation campaign, launched in 2019, is still gathering signatures to force a citywide vote on whether to oblige companies that own 3,000 properties or more, such as Vonovia, to sell them to the debt-laden city government.

Mr Buch says he is discussing dropping demands for repayments. About 10% of his company's apartments are in Berlin. Deutsche Wohnen, another property behemoth that owns 110,000 flats in Berlin, says its fiduciary duty to its shareholders would oblige it to demand repayment from tenants, as Berlin is by far its most important market. But the company promises to find solutions for tenants who cannot pay any forthcoming arrears of rent. One thing is certain. The rent cap has managed to make Berlin's housing shortage even worse—and poisoned relations between tenants and their landlords. ■

European censuses

Gotta find 'em all

People-counting is being disrupted across the continent

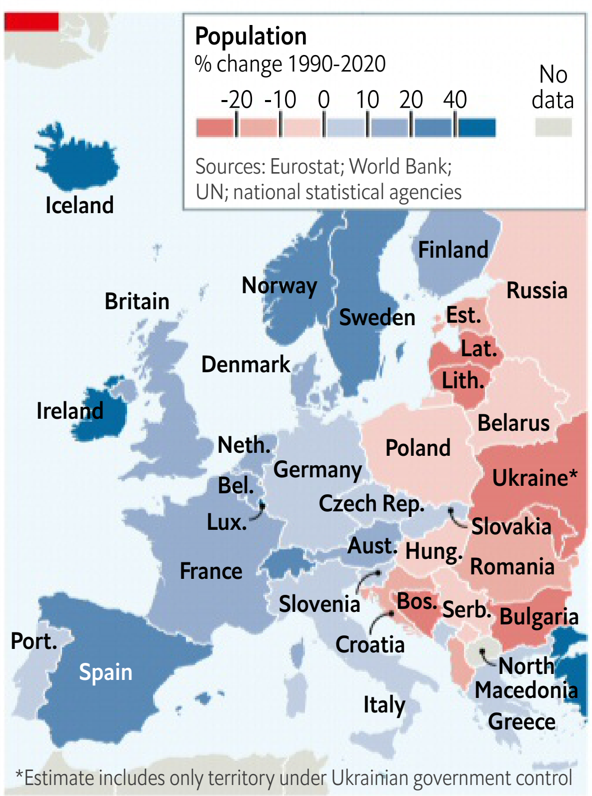
It is time for Europeans to stand up and be counted. Every ten years most European countries hold a census, generally in years ending with a "1". Britain seems to have started the tradition, back in 1801, and its own decennial stock-take will take place (except in Scotland) next weekend. Before covid-19, there were not many surprises. This year, thanks to the pandemic, there will be shocks and problems galore.

Everywhere more people than expected have died in the past year. Fewer babies are being conceived. Many migrant workers and foreign students have gone home. It is harder for census-takers to count people, because of social distancing. And it will be harder for anyone to make sense of the numbers they collect, because the past year has been so anomalous.

Some countries, such as the Netherlands, no longer conduct a formal count, relying instead on various data-banks to serve up national statistics. Most do still conduct one, but the amount of actual door-knocking varies. Information stored in databases and collected by census declarations online often needs enumerators to go out and check things, but sending them to ply the streets while covid-19 is still raging is not on. So Germany, France, Ireland and Scotland, among others, have postponed their censuses until next year.

Until the pandemic, demographic trends in most European countries were fairly similar. Europeans were ageing and having ever fewer babies. Without immigration the population of most European countries was set either to shrink soon or had already started to do so. Since 2012 deaths in the European Union's 27 members have exceeded births. That has been the pattern in Germany since 1972 and in Italy in every year bar two since 1993. The fertility rate in the EU is now 1.53 children per woman—well below 2.1, the rate at which a population remains roughly stable. It is lowest in Malta, at just 1.14, and highest in France, at 1.83.

The biggest disparity between countries has been migration. Richer European countries attract migrants from poorer ones. So the population of those richer countries has increased over the past quarter of a century, despite low birth rates, whereas the population of the poorer ones has plummeted (see map). Bulgaria's has shrunk by 21% since 1990; Romania's by 17%. So worried is the EU that since 2019 it has had a commissioner for demography.



*Estimate includes only territory under Ukrainian government control

The pandemic has disrupted all of these trends. Around 547,000 people have so far died of covid-19 in the EU. Many east Europeans have gone home. The pandemic-induced recession has left many couples feeling financially insecure, so birth rates are expected to tumble even lower. For the first time since 2011 Germany's population has not grown.

Unlike births and deaths, data on migration are hard to capture. Whereas Germany's population has merely stopped growing, Britain's may have shrunk dramatically. According to the Economic Statistics Centre of Excellence, a research body in London, covid-19 may have driven away more migrants than Brexit. Many had jobs that have disappeared, such as waiting tables and pulling pints. Thanks to an exodus of central and east Europeans, the United Kingdom's population may have fallen by a whopping 1.3m.

Data on the number of migrants who have gone back home are sketchy. Ognyan Georgiev of the European Council on Foreign Relations, a think-tank, found that more than 558,000 Bulgarians returned from across Europe during the first lockdowns, between last March and May. The prime ministers of Serbia and Romania reported that 317,000 and 200,000 respectively of their citizens returned in the first few weeks of the pandemic.

Some of those who have gone back east are professionals who can work remotely, and may stay after the pandemic recedes, collecting British and German salaries while enjoying a lower cost of living in their homelands. But that could swiftly end if their employers ask them to come back to the office.

The pace of economic recovery will dictate Europe's future migration patterns. Kresimir Ivanda, a demographer at Zagreb University in Croatia, says that if northern and western European countries recover faster than southern and eastern ones he will expect a new wave of Bulgarians, Croats, Italians and Spaniards to migrate once more for work. "In the short term," says Mr Ivanda, "we will see huge disruption." Mortality rates will rise and women, especially those in less secure jobs, will delay having children—and may never have as many as they had hoped. As covid-19 passes into history, he expects "the trends we have been witnessing in the last two decades to continue." ■

Charlemagne | If you can't beat them, join them

Why leave the EU, when you can shape it instead?

In 2017, any voters who wanted to follow Britain out of the EU had options. In the run-up to elections that spring, Geert Wilders, a bizarrely coiffured advocate of "Nexit", was level at the top of polls in the Netherlands. A few months later Marine Le Pen reached the second round of the French presidential election on a policy of taking the country out of the euro and the EU itself. In Italy, Matteo Salvini, the leader of the Northern League, attacked Mario Draghi, then the boss of Europe's central bank, as an "accomplice" to the "massacre" of Italy's economy. The party dangled the prospect of Italy's departure from the euro and even the EU itself.

Skip forward four years and the picture is different. Ahead of Dutch elections next week, there has been so little discussion of the EU that academics there have started begging politicians to pay some attention to the "EU *olifant* [elephant]" in the room. After flopping last time, Mr Wilders is now bashing Islam rather than Brussels. It will do him little good. Polls give a large lead to the party of Mark Rutte, the Dutch prime minister, who has learned to stop worrying and (almost, but not quite) love the EU. After a comprehensive defeat at the hands of Emmanuel Macron in 2017, Ms Le Pen and advisers have dropped their calls for Frexit and abandoning the euro ahead of elections next year. In Italy, Mr Salvini now supports a technocratic government run by Mr Draghi, his former nemesis, who is now prime minister. "I am a very pragmatic person," said Mr Salvini, when discussing the shift.

Euroscepticism in its hardest form has gone out of fashion for a few reasons. Brexit torpedoed the idea of an easy departure. Anyway, leaving the EU was never a particularly popular idea outside Britain. Continental surveys such as Eurobarometer can generate Panglossian results, but they all point to big majorities supporting EU membership in almost every country. In both France and the Netherlands 69% would vote to stay, while only 31% would back leaving, according to eupinions, a pollster. Attracting these would-be quitters is a reasonable strategy in the Netherlands, where politics is so fragmented that anything over 10% is a good result. But it is a weak foundation to rely on for those hoping to win more than half the vote, such as Ms Le Pen.

Even in countries where leaving is ostensibly popular, the idea of ever actually doing it is beyond the pale. Italian voters are among the most fed up when it comes to the EU. During the nadir of the covid-19 crisis last year, nearly half of Italians said they would vote to leave the bloc, given the choice. At the same time, the main complaint about the EU is that there is not enough of it: Italians are among the biggest advocates of deeper integration, demanding everything from common debt to sharing out the asylum-seekers who turn up on Italian beaches. When it comes to the EU, Italian voters resemble Woody Allen's joke about two people moaning in a restaurant: the food here is terrible, and such small portions. Over the past year, however, the portions have increased. As part of the EU's €750bn recovery fund, Italy will receive around €200bn in grants and loans, paid for with common EU debt. Mr Salvini's change in tune comes after a change in circumstances.

Equivocal Eurosceptics like Mr Salvini increasingly make a different calculation: why try to smash the EU when you can help reshape it? The Northern League and Ms Le Pen's National Rally have shifted from pariahs to potential parties of government, says Duncan McDonnell of Griffith University. Mr Salvini has a shot at becoming prime minister, polls suggest. A Le Pen presidency is also possible, if still improbable. But the chance of a seat at the table is there. "It would be ridiculous to leave," said Philippe Olivier, one of Ms Le Pen's advisers (who is also her brother-in-law), when summing up the French politician's shift in strategy. This strategy has worked well in Poland and Hungary, whose governments enthusiastically attack the EU yet have no intention of quitting.

An enemy within

After all, the EU is a tool. Changing who wields it changes what it does. The politics of austerity dominated the past decade because the centre-right politicians who controlled its levers of powers wanted it. Tight rules on spending were agreed by European leaders and can be dismissed in the same way. Leaders such as Mr Rutte tend to grow more comfortable with the EU once they learn how much control they have. National governments run the show.

There is no constitutional reason for the EU to shift towards the liberalism that so offends its Eurosceptic critics. Its treaties were not passed down on tablets of stone. If all governments agree, they can be changed, as indeed they may soon be if a planned Conference on the Future of Europe set to run until 2022 proves to be more than a talking-shop.

In any case, political orders trump whatever institutional biases may exist. Before the migration crisis of 2015, officials in the European Commission had a humanitarian bent on the topic, lecturing governments about the perils of building fences as people wandered across borders. But when a bunch of hard-nosed immigration ministers demanded a far tougher policy from the EU, they got what they wanted.

Yet Euroscepticism is dormant rather than dead. Politics is a results business, and increasingly those results are dictated by the EU. By taking on the responsibility for supplying vaccines, the commission also agreed to take the blame if things went wrong. If EU citizens find themselves still confined to their homes while Americans and Israelis hit the beach, Europe's band of Eurosceptics may stir anew. Likewise, if the EU's underpowered fiscal stimulus results in European economies falling further behind America, as seems likely, then the likes of Ms Le Pen and Mr Salvini will be first in the queue to try to exploit the anger. The EU is responsible, for the first time, for people's health and more than ever for their wealth. Get either wrong, never mind both, and voters will not be forgiving. ■

Also in this section

That interview

Taking on the firm

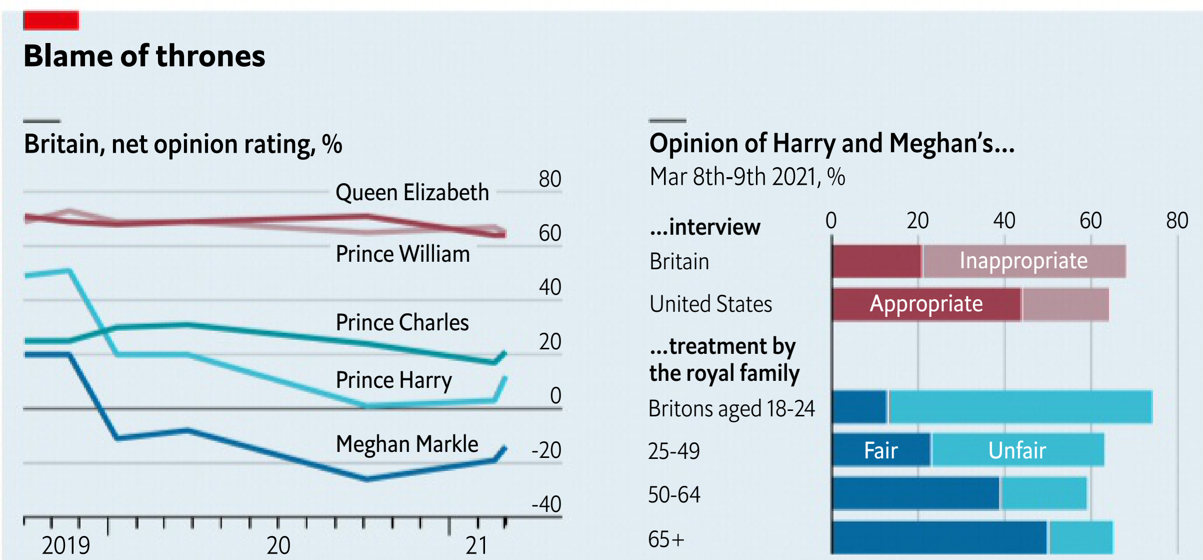
The monarchy's job is to unify the country. That interview is dividing it

THE BRITISH monarchy's record of absorbing outsiders is patchy. In recent times, it has had one outstanding success (Kate Middleton, Prince William's wife), several modest successes (including Sophie Rhys-Jones, Prince Edward's wife), a few questionable results (among them Sarah Ferguson, Prince Andrew's ex-wife) and two stunning failures (Diana Spencer, the late Princess of Wales, and Meghan Markle, Prince Harry's wife). On March 7th the world was treated to dramatic evidence of the latest disaster, in the form of an interview which Prince Harry and Ms Markle—the Duke and Duchess of Sussex—gave to Oprah Winfrey, America's most famous talk-show host.

The revelations in the interview were in part familiar. The loneliness of which the duchess spoke, and the lack of support from within the "firm", echoed Princess Diana's experience. "This was very, very clear," the duchess responded to a question about whether she was having suicidal thoughts. "Very clear and very scary. I didn't know who to turn to in that." A new factor, and a particularly explosive one, was race. The duchess, herself mixed-race, said that when she was pregnant with her son Archie, her husband had told her there were "conversations about how dark his skin might be", and she implied that the issue was connected to decisions about her son's title and security for the family. Both declined to say who had raised the issue, though Ms Winfrey later said Prince Harry had told her it was neither the queen nor Prince Philip.

The couple's evident closeness during the interview underlined another big difference between their situation and Princess Diana's. They are together, having left the country—rather as Wallis Simpson, the last American to marry a senior member of the royal family, and Edward VIII did, when they went to live in Paris. The painful consequences of Prince Harry's decision to move to America for his relationship with his family also came out in the interview: for a while, the prince said, his father stopped taking his calls.

These revelations indicate what is presumably part of the purpose of the interview. There has been plenty of criticism in Britain of the couple's decision to leave the country for California, and of their attempt to retain some of the privileges of royalty while doing so. A prime-time slot with the world's most famous interviewer—who is also a friend, and attended their wedding—is a good way of putting their side of the ▶▶



Source: YouGov

story. Such exposure should also enhance their celebrity and popularity, on which their income depends now that they have been financially cut off by the royal family. But it also represents a burning of bridges. For the duchess at least, there will be no going back.

Two days after the interview, the palace issued a neutral, conciliatory response: "the issues raised, particularly of race, are concerning...they will be addressed by the family privately." But it included a carefully worded phrase casting doubt on the notion that the couple's account was the objective truth: "some recollections," it said, "may vary." And somebody, whether inside or outside the royal household, had launched what looked like a pre-emptive strike. After the interview was recorded, but before it went out, a complaint made against the duchess in 2018 by a senior member of staff was leaked to the *Times*. Jason Knauf, at the time press secretary to both princes, wrote to Simon Case, then Prince William's private secretary and now head of the civil service, saying that she had "bullied two PAs out of the household", and was bullying a third. The timing of the leak of a complaint from two and a half years ago suggests that a point was being made: when a relationship breaks down, there tends to be fault on both sides.

Beyond the sniping, the fundamental problem, with which Princess Diana struggled, is clear. Being a royal is about serving an institution. It does not work for those who crave individual attention. The job requires self-effacement, at which the queen, who has not said a single interesting thing in public in her 70 years on the throne, has excelled. That's not because she is a boring person, but because she understands the demands of the job. The Duchess of Cambridge, aka Ms Middleton, is, similarly, brilliantly bland. The Duchess of Sussex is not; and her complaint in her interview that while she was a royal she was not allowed to talk to Ms Winfrey without other people in the room demonstrated her failure to grasp the need to subsume individual needs in those of the institution. Given the potential impact of such an interview on the monarchy, it would have been bizarre for the household's communications chiefs to allow her to negotiate with the world's most powerful interviewer by herself.

As it is, the duchess has done the interview on her own terms, and its consequences are exactly those that the palace dreaded. It has exposed the royal family to criticism to which it cannot properly respond publicly without getting into a shouting match that would damage the monarchy further, and it has sharply divided opinion (see chart on previous page), thus undermining the institution's unifying role. Younger Britons—along with Americans—are more likely to take the view that the monarchy and the British press are institutionally racist, that the duchess should have been given more support and that she is justified in airing her grievances in public. Older Britons are more likely to be of the opinion that she is an adult who should have thought harder about the job before signing up to it, that if she was depressed, her husband, who founded a mental-health charity, could have got help for her, and that the couple have wilfully and selfishly damaged an institution to which Prince Harry's grandmother and father have devoted their lives. Britain's reputation as a socially liberal, racially tolerant country has taken a hit, too.

Yet the interview may do the monarchy less damage than the current furore suggests. Earlier, similar troubles did not much dent its popularity. Even during the split with Princess Diana, it barely budged. That may, of course, have a lot to do with the queen. Ironically, given her determination to obscure her personality, she is personally very popular. When she dies, things may look different. ■

How racist is Britain?

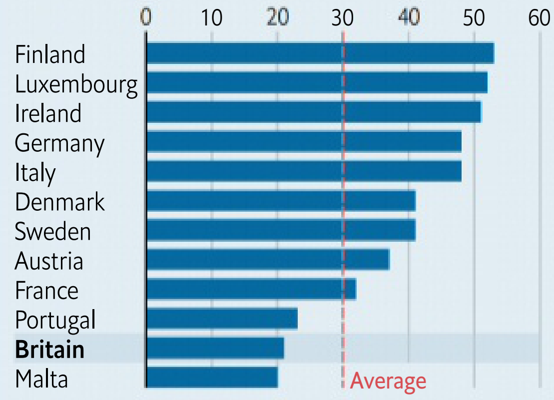
By royal disappointment

The contentious interview puts race back in the spotlight

NOT LONG ago, any report on the state of race relations in Britain would have featured a large photograph of the Duke and Duchess of Sussex. According to a long line of commentators, their marriage in 2018 symbolised a country at ease with itself. "A reverend quoting Martin Luther King, a swaying black gospel choir, and a mixed-race duchess," ran a typical headline, on *Mail Online*: "the day the monarchy embraced multicultural Britain's future".

Continental fault

Experienced racist harassment in past five years*, 2016, % 3



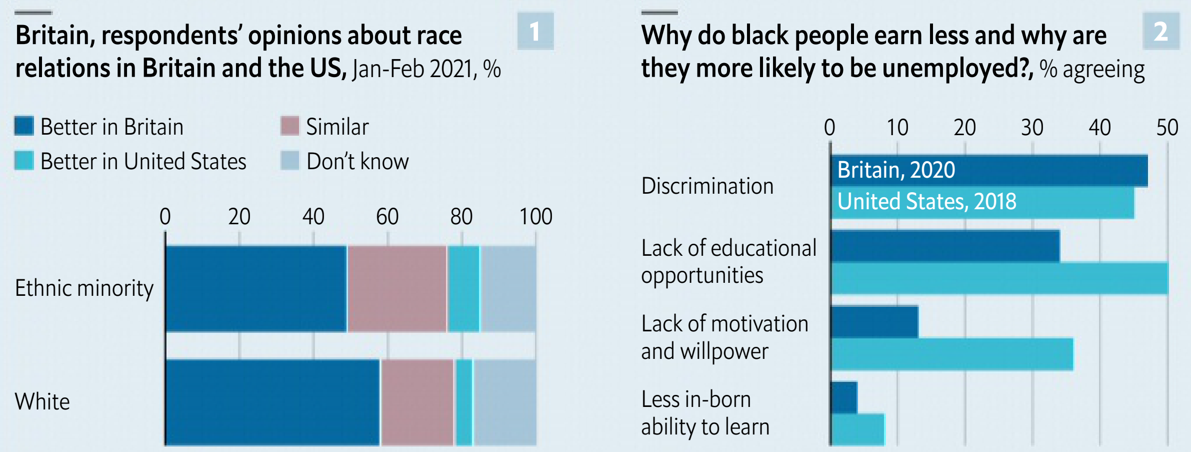
Source: EU-MIDIs II *5,803 respondents of African descent

In their interview with Oprah Winfrey, the couple offer a rather different commentary on race. They attributed their decision to quit Britain for America partly to the "bigoted" tabloid press and said that a member of the royal family had queried how dark their baby's skin would be.

Britons think theirs a less racist society than America's. That is truer of white than non-white Britons, but holds for a plurality of ethnic minority voters (see chart 1). Britons are less likely than Americans to cite racist explanations for disparities in income and unemployment rates (see chart 2) and about as likely to approve of their country's increasing diversity. Both are more relaxed about mixed marriages than in the past, but particularly Britons. Mixed-race Britons are more likely to marry a white partner than are their American counterparts, according to analysis by British Future, a think-tank. Black Britons also report less racist harassment than their peers elsewhere in Europe (see chart 3).

But white and black Britons see things differently. A poll for *The Economist* last year found 31% of white Britons reckon Britain "a racist country" and 46% of ethnic minorities do. There is a similar gulf in attitudes towards the behaviour of the police. Britain may not be America, but it is not a model of harmony. ■

The devil you know



Sources: Number Cruncher Politics for British Future; YouGov; General Social Survey

Brexit

A new orbit

Ministers are casting around for ways in which Britain can benefit from Brexit

In January 2017 the Conservative Party's civil war over how to leave the European Union was just beginning. Many Tory MPs had only a fuzzy idea of what quitting the single market and customs union would mean; some entertained themselves with a campaign to relaunch the Royal Yacht. Sir Michael Rawlins, then the head of the Medicines and Healthcare products Regulatory Agency, (MHRA) Britain's drugs regulator, saw the road ahead clearly.

Leaving the EU's pharmaceutical regime, Sir Michael told a House of Lords committee, could mean that Britain was at the "back of the queue" for new treatments as drugmakers neglected Britain's small market. The European Medicines Agency (EMA) would move from London, and the foreign companies that liked to be close to it would probably follow. But Britain could compensate, he said, by liberalising the rules on clinical trials and gene treatments, and speeding up the MHRA's approvals process. "We have to get our skates on," he said.

Escaping what Boris Johnson calls the "regulatory orbit" of Brussels was at the heart of the Vote Leave campaign. Eurosceptic backbenchers subscribed to a simplistic Thatcherite axiom: that "red tape" invariably stifles enterprise, and cutting it unleashes growth. They found a sympathiser in David Frost, Britain's chief Brexit negotiator, who thought autonomy "the whole point of the project", and sacrificed market access to get it. The damage that decision has done is already being felt (see box on next page).

Years that might have been devoted to developing a post-Brexit strategy were lost to Tory infighting, but the government is now looking for benefits that might mitigate the damage. Rishi Sunak, the chancellor, chairs a committee on better regulation. Civil servants are reviewing every piece of preserved EU law to find bits to whittle and trim. Lord Frost is now a cabinet minister in charge of "the opportunities of Brexit". A committee of Tory lawmakers known by the acronym TIGRR, led by Sir Iain Duncan Smith, a former party leader, is bouncing around looking for ideas. Mr Johnson has asked the bosses of big companies to chip in.

In theory, the opportunity is huge, for rarely does an advanced economy get to review its regulation from first principles. European law serves to bind a continent into a single marketplace, and is a dish prepared by many chefs, with their own industries and priorities. Mr Johnson has a big majority in Parliament, which has voted to give ministers wide powers to alter regulations.

But rapid divergence is unlikely. One reason is that Britain shaped European law. British civil servants in Brussels were skilled at killing bad ideas and tweaking good ones, and many businesses are happy to leave things as they are. Mr Johnson once lamented Britain's powerlessness to set its own rules on truck cabs. But divergence would duplicate the cost of testing new models, says Mike Hawes of the SMMT, a carmakers' lobby, because the so-called "Brussels effect" means EU rules have become de facto global standards on emissions and data. "The fundamental ambition of an industry is to reduce divergence and to reduce complexity," he adds.

Lord Frost's exit deal also limits divergence. Britain isn't bound to the letter of EU law, but it has committed not to liberalise its environmental, labour and tax-avoidance policies aggressively. It may be subject to tariffs if it does. Data flows can be severed if Britain strays too far from the European privacy laws that Vote Leave's head, Dominic Cummings, called "horrific".

Northern Ireland, too, will anchor Britain to Europe. In order to reduce friction at the border with Ireland, the province continues to follow EU law on goods, so the further apart Britain and the EU grow, the harder it will become to ship goods across the Irish Sea. Unionists are outraged by the new barriers (see next story).

Most fundamentally, Mr Johnson does not wish to jettison the European way of life. He knows British voters are fussy about food and fond of holidays. Vote Leave criticised EU working-time rules; Kwasi Kwarteng, the business secretary, dismisses arguments for labour deregulation as 1970s thinking. Within the EU, Britain could argue for the liberalising position and rely on others to make the counter-argument. Now, says George Eustice, the environment secretary, "we will not be able to hide behind EU law when there are difficult decisions to make or indeed blame the EU when things don't work."

Britain has paid a "fantastically high" price for an autonomy it won't use, says Philip Hammond, a former Conservative chancellor. "Any economic case for Brexit has always been based on the illusion that Britain can radically diverge from the broad western-European socio-economic model. The truth is, British voters are never going to go for that."

Not shredding, but polishing

Within these constraints, the government still has substantial leeway to rethink how Britain regulates itself. Red tape will not be slashed, but ministers can trim away reporting obligations, such as having new railway signals approved by the regulator in Lille—a measure intended to smooth travel over land borders, and which is less useful for an island nation. Mr Eustice's department thinks the EU's pesticides regime can be simplified without weakening ▸▸

it. The Civil Aviation Authority thought leaving the European regime senseless, but now says the rulebook could be rationalised. No voter will notice such changes, but they may produce incremental dividends.

The government is planning to change the way it gives money to the private sector. It wants to invest in scientific research and poor regions. EU state aid and procurement laws are strict, to prevent rich governments favouring their producers. Now that Britain is out, that is less of an issue. Procurement rules will be simplified. Britain's state-aid regime will be more permissive, with public authorities given greater leeway to make awards so long as they are proportionate and don't prop up dying firms. That should result in more innovative policies from local government, and help universities commercialise research, says James Webber of Shearman & Sterling, a law firm. Critics warn of waste and creeping corporatism.

The Competition and Markets Authority, keen to stand tall alongside its peers in Australia and Japan, has ideas on boosting competition, which it thinks fell in the two decades to 2018. "Many regulations create barriers to entry from which incumbents derive huge benefits," says Andrew Tyrie, the CMA's former chair. The agency has proposed scrapping the EU's regime on allocating airport runway slots, which favours incumbent airlines. It has taken on the biggest antitrust probes previously reserved for Brussels, and plans an innovative regime for tech giants.

The greatest scope for divergence lies in sectors where Britain has a critical mass of activity, notes Thomas Reilly of Covington & Burling, a law firm. Mr Eustice's department is consulting on loosening EU rules on gene editing, which can produce more disease-resistant crops, bringing Britain into line with Japan and Australia. As Sir Michael forecast, the MHRA has created a fast-track approvals process to get innovative treatments to market faster, which enabled it to approve covid-19 vaccines far faster than the EMA.

Then there's the City. The EU is weighing whether to deem Britain's regulatory regimes "equivalent", which would grant asset managers and insurers market access, but financiers are not sure that the prize is worth the price of accepting EU rules. Andrew Bailey, the governor of the Bank of England, has said Britain should not become a rule-taker. There is little clamour for deregulation, but there is room for improvement. Insurance firms think regulation could work better for them than the EU's Solvency II rules, which reflect the way continental firms are structured. Challenger banks want prudential capital rules to be tweaked to make the banking business more competitive, and Mr Bailey thinks rules can be simplified for small banks that serve only the domestic market. Lord Hill, a former EU commissioner charged with thinking how London can attract more tech-firm listings, has recommended a "complete rethink" of European prospectus rules.

But the big difference will lie in how Britain's regulators wield the new powers that Brexit has given them. Those that are badly organised or badly resourced may struggle to enforce their new rulebooks. The Office for Environmental Protection, Britain's new watchdog, for instance, will not be fully established until the autumn. Regulatory weakness could lead to divergence by neglect. The alternative, exemplified by the MHRA, is that they make better decisions faster than their European counterparts, thus enabling Britain to keep its edge. Competition, privacy and financial-services watchdogs could work together better on the challenges of the digital economy. Regulators will have greater freedom to respond to the unknown.

Mr Johnson boasted that the trade deal broke Europe's "lunar pull". But rather than heading into deep space, Britain will shift to a not-too-distant elliptical orbit of Europe; sometimes tracking closer, sometimes more distant, but never fully slipping its surly bonds. And just as the moon tugs at the Earth's oceans, Britain will exert its own pull. Within Europe, it was a fount of good ideas. If it does things differently, and better, outside, the bloc may sometimes follow. ■

Brexit

A deep hole

Filling the GDP gap that Brexit has created will be hard

THE COSTS of Brexit are adding up. Customs data suggest that British exports to France fell by 20% in January, compared with six months earlier. Since exports to France rose in 2020 compared with 2019, that effect seems likely to be the consequence of Brexit, not of covid-19. Overall, the Office for Budget Responsibility (OBR), a fiscal watchdog, estimates the hit will be around 0.5% of GDP in the first quarter of 2021.

Although Britain avoided the imposition of tariffs by signing a trade deal with the EU, there is new friction at the border. Sanitary and phytosanitary checks have not just imposed new costs but also created delays—a particular problem for perishable goods such as shellfish. Re-exporters of goods manufactured outside Britain have fallen foul of rules-of-origin regulations. Trading in billions of euros of continental shares has migrated across the Channel because the EU has, so far, declined to decree Britain's financial regulation equivalent to its own.

Problems piling up

The government argues that even if Brexit has caused headaches for some industries, the speedier roll-out of vaccines will allow Britain's economy to recover faster than the EU's, more than making up lost ground. A faster cyclical recovery, though, will not undo the structural damage of Brexit. Exporters will face more barriers and domestically focused firms will face less competition from abroad. More trade friction will mean less trade, which will hit productivity in the long run. Britain's new trading relationship with the EU will lead to the economy being around 4% smaller than it otherwise would have been, according to the OBR, a view widely shared by other forecasters. According to the OBR's most recent forecasts, the hit from covid-19 will be only 3%.

Brexit will also bring some economic upsides, although they are smaller. Britain can, for example, now strike a trade deal with America, if the domestic political hurdles can be overcome, but that would probably add less than 0.2% to GDP in the long term. The government is hopeful that its new freedom to diverge from EU regulations will pay dividends, but a paper in 2018 put the likely impact at 0.1% of GDP. Open Europe, a think-tank, managed to find measures worth some 1.3% of GDP, but only by assuming the public would tolerate an extremely liberal regulatory system. Filling the long-term Brexit-shaped hole in growth will be hard.

Economist Events held its first World Ocean Summit in 2012 with the ambition of galvanising a global conversation on the greatest challenges facing the seas. "If anything ought to be too big to fail," *The Economist* argued in a recent clarion call, "it is the ocean."

Yet, of course, the health of the ocean continues to deteriorate. Almost 90% of marine stocks are being fished at or beyond sustainable limits. Global warming is raising sea temperatures and sea levels, and carbon dioxide absorbed by the ocean is altering its very chemistry. Pollution of all sorts, visible and invisible, is seeping down to the deepest ocean trenches. Accelerating industrialisation and coastal urbanisation add further stresses still.

Damaged, but essential

Human well-being is inextricably linked to the good health of the ocean, earth's largest single ecosystem. Half the oxygen that sustains life on land is a by-product of photosynthesis in the seas. Fish is a vital source of protein for 3bn or more of the world's population, and aquaculture, shipping, tourism and offshore renewables help drive a large (if underappreciated) ocean economy. The ocean not only drives our weather patterns but also acts as a global climate control system, not least due to its prodigious (but finite) capacity to soak up carbon emissions.

The ocean is increasingly being recognised as a global commons that requires rational planning and better management of human activities, particularly those on land that may harm coastal and oceanic ecosystems. Recent commitments made by the 14 heads of state that comprise the High Level Panel for a Sustainable Ocean Economy are an indication of how the tide may be turning. Yet even as the benefits of investing in a sustainable ocean economy are becoming more apparent, this is only the start of a long and challenging transition.

"We hope Back to Blue can contribute vital new knowledge and perspectives on contaminants in the ocean, as well as insights as to how global action on pollution can be more effective. The urgency is very real."

Charles Goddard
Editorial director
The Economist Group

Getting Back to Blue

The Economist Group and The Nippon Foundation have been exploring, evaluating, mapping and promoting the transition to ocean sustainability. The two organisations share a common understanding of the need for evidence-based approaches and solutions to the pressing issues faced by the ocean.

The Nippon Foundation is Japan's most prominent philanthropic organisation. Alongside its education, public health and welfare programmes, the foundation has a special interest in the promotion of ocean protection.

Currently, the Nippon Foundation-GEBCO Seabed 2030 project aims to map the entire seafloor by the end of this decade,

83%

of respondents among the general public are concerned about issues affecting the ocean*

#1 **#2**

Plastic and chemical pollution seen as top priorities for restoring ocean health*

*According to a Back to Blue survey (Jan 2021)

THE OCEAN IS VITAL TO LIFE AND TO HUMAN WELL-BEING

TODAY THE OCEAN IS UNDER SERIOUS THREAT

TOGETHER WE CAN RESTORE ITS HEALTH

OUR OCEAN IS CRYING

Yohei Sasakawa
Chairman
The Nippon Foundation

The mother ocean that covers 70% of the Earth's surface is silently crying out.

Aided by large amounts of available information, great efforts are being made towards solving the ocean's problems. But our understanding is still limited.

I am delighted to announce that The Nippon Foundation, a long-time contributor to working towards a sustainable ocean, and The Economist Group, a trusted media company with a vast global network, unique perspectives and analytical expertise, are launching the Back to Blue initiative.

Now is the time for us to collaborate in both thought and action to overcome this global challenge. Together, let's bring back a truly "blue" ocean—not only for ourselves but for generations to come.

drawing in part on the foundation's successful efforts in building the world's largest network of ocean scientists and research institutes. Designed as an open source platform, Seabed 2030 will help transform scientific understanding of the ocean and provide essential insight into how human activities and ocean health might be better balanced.

The Economist Group is in its element when it applies the tools of economics to pressing public policy issues. The ocean itself is a prime example of the tragedy of the commons. Reimagining an ocean in robust health, and with a vital economy, has been the primary focus of the Group's World Ocean Summit and World Ocean Initiative.

Back to Blue, a joint initiative from The Economist Group and The Nippon Foundation, brings these shared interests and intentions together in a multi-year programme. Initially, the project will be focused on the urgent and complex issue of ocean pollution.

While efforts are already being made to reduce or even eliminate plastic pollution in the ocean, important gaps remain. Most countries still lack a coherent plan to reduce plastic pollution. In mid-2021, the Back to Blue initiative will be releasing the first of a set of tools to address such gaps—an index measuring countries' capacity to manage the plastic lifecycle.

By contrast, the issue of chemical pollution is widely underserved. There is no comprehensive knowledge of the distribution, abundance and diversity of contaminants in the sea, nor of their impact. This less visible pollution is correspondingly less visible in the global ocean agenda. The term "ocean pollution" has largely become synonymous with plastics. Building an informed dialogue and broader awareness around chemical pollution and its impact on ocean ecosystems, biodiversity and human health is long overdue.

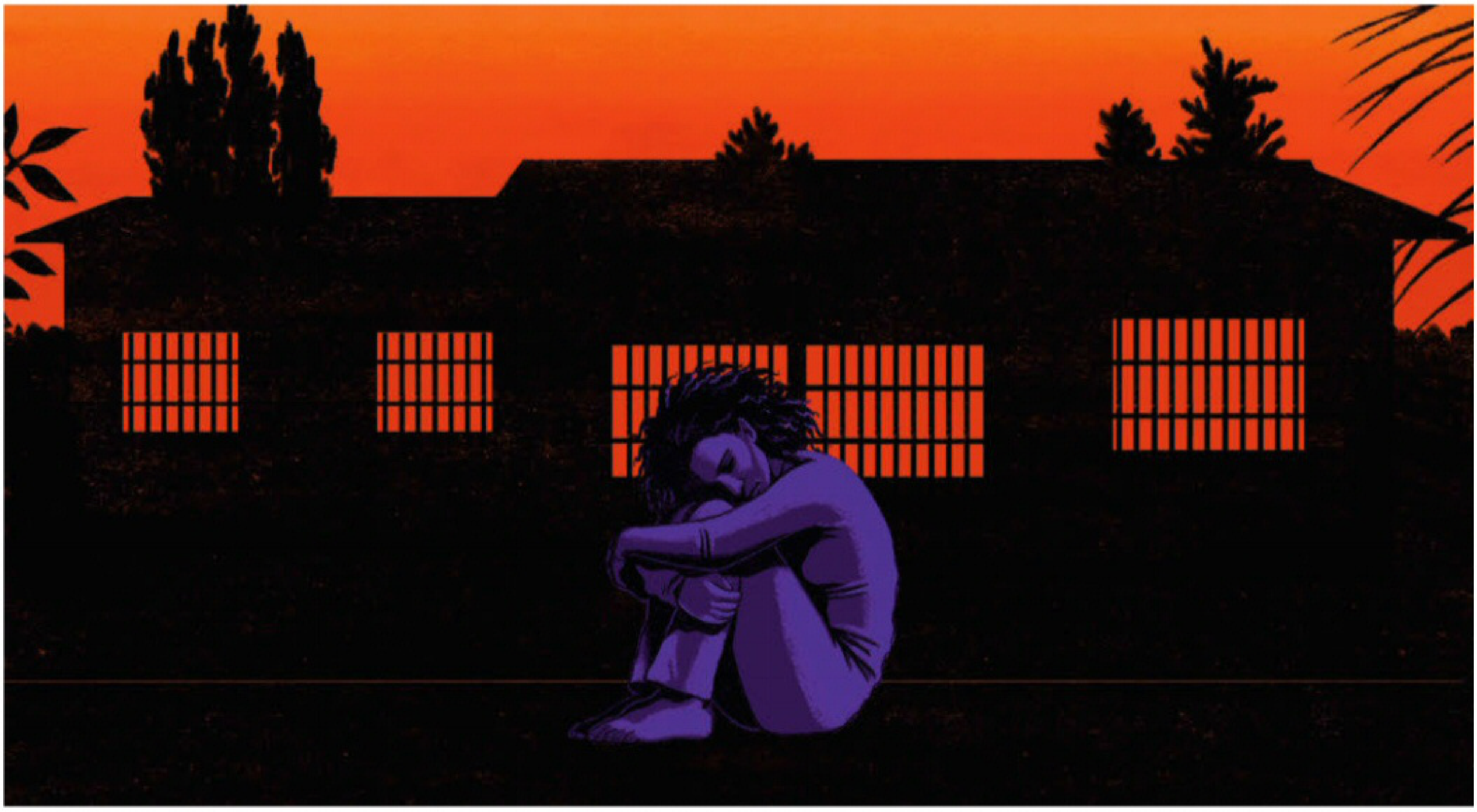
Working together for ocean health

Through the joint Back to Blue initiative, The Economist Group and The Nippon Foundation aim to assemble a more complete picture of the scope, extent and management of pollution in the ocean and explore how efforts to reduce pollution might be accelerated or improved upon. None of this can be done, of course, without close co-ordination and consultation with businesses, governments, academia and the many extraordinary organisations who share the vision of an ocean in robust health and with a vital economy.

The Economist Group

日本財団 THE NIPPON FOUNDATION

backtoblueinitiative.com



Violence against women

A terrible toll

DAKAR, LUWERO, MOMBASA AND MWESO

Violence against women is far more common in poor countries than in rich ones. But campaigners are finding ways to curb it

"I DID NOT get pregnant by choice," says Annunciata, a mother of eight in Mweso, eastern Congo. Her husband often raped her. "Husbands do that," she says matter-of-factly. He hit her, too. One night, drunk, he slashed her legs with a knife.

Last September, near Lahore in Pakistan, a woman driving on the motorway late at night ran out of fuel. While she waited for a relative to come and help, two men emerged from the darkness. They dragged her from the vehicle and, with her children watching, raped her.

Maria moved into her uncle's house in Uganda after her mother died. One night he raped her, covering her mouth to stop her screaming. He said he would kill her if she told anyone. After the fourth time, she ran away. She was 16.

Men attack each other, too. But violence against women, which is almost always perpetrated by men, can be uniquely horrific. Women are often trapped with a violent partner and are usually less able to defend themselves. Violence starts young and is often sexual.

Violence against women is a global scourge, unevenly spread. Those in poor places are most at risk. Women in Africa are more than four times as likely as those in Europe to be killed by their partner or family. Nearly 20,000 African women are believed to be killed this way each year—about two-fifths of the global total, according to the UN. Women in poor countries are also far more likely to be hit or raped by their partner.

Finding reliable data on this subject is extremely hard. In many countries, women are too scared to report assaults, or know that doing so is futile. Surveys are typically more accurate than crime reports. In sub-Saharan Africa and South Asia about one in five women who have ever been in a relationship say they have been beaten or attacked sexually by their partners in the past year, according to new data from the World Health Organisation. In countries such as Afghanistan and the Democratic Republic of Congo, more than one in three say they have been assaulted by their husbands in the past year.

Even these numbers are probably too rosy. Surveys can miss a lot. A study by Claire Cullen of the World Bank found that asking women in a way that ensured anonymity revealed twice as much abuse in Rwanda as when they were asked directly, as they normally are.

Why are men so violent towards women? For much of history, the answer has been: to dominate women. Violence helps them do this; men are on average much stronger than women. Husbands have long hit their wives, or threatened to do so, to force them to do what they want. Fathers have done the same to daughters. Many societies have assumed this to be the natural order of things: injunctions for wives to obey their husbands are common in old laws, customs and religious texts.

What has changed in modern times is that many have come to see this as profoundly wrong. The notion that women should obey men or put up with violence is derided in rich liberal democracies, but it is easy to forget how recent that change is. A century ago, most societies took it for granted that men would "discipline" their wives. Marital rape was criminalised in Germany only in 1997.

Social progress has moved hand in hand with the material sort. In rich countries, laws against domestic abuse are enforced imperfectly, but they are enforced. Wife-beaters are socially stigmatised. And, just as important, women who leave violent husbands know that neither they nor their children will starve. In poor coun- ▸▸

tries, they may not be so sure. So in rich countries women find it easier to walk away (though often still very hard). And knowing that their wives can leave gives men an incentive to treat them better.

One reason domestic violence is more common in poor countries is that money worries are stressful, and men are more likely to lash out when stressed. But there are more fundamental reasons. There is seldom much of a welfare state to fall back on if women leave their husbands and cannot find work. Family and neighbours may judge them. In Africa the difference between the share of women who have been attacked in their lifetime and those who have been attacked in the past year is relatively small, suggesting many are trapped.

Hard-up societies are also far more tolerant of wife-beating (see chart). In sub-Saharan African countries about 45% of women on average say it is sometimes justified (for such things as neglecting the children). In India about the same share of women concur. That is far higher than in much of Latin America or, where data are available, most of the Middle East. In most poor countries women are more likely to express approval of wife-beating than men are, though some are no doubt afraid to say what they really think.

Several studies suggest that covid-19 has made matters worse. Lockdowns have made it harder for some women to escape abusive husbands even briefly. And the economic devastation wrought by the pandemic has increased domestic stress.

Nonetheless, there is hope. In the long run, as countries get richer, attitudes are likely to change. But many women, understandably, do not want to wait that long. So activists are eager to figure out how to change attitudes more quickly.

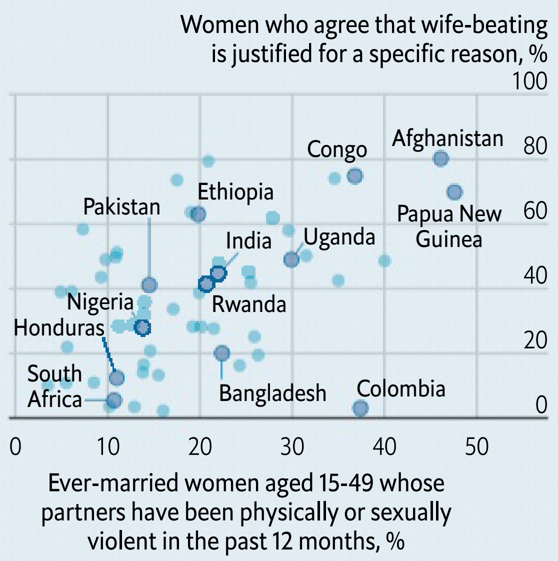
Education seems a promising avenue. In the long run, it empowers women and makes them less vulnerable to abuse. But in the short run, it does not always help. In sub-Saharan Africa women who attended primary or secondary school are more likely to be abused by their partners than those with no schooling. Only university-level education correlates with a lower likelihood of abuse. It may be that in countries where universal education is relatively new, a little schooling emboldens wives to challenge their husbands, without giving them the means to walk away. Work follows a similar pattern. Women in Africa who work are more likely to be abused by their partners than those who do not. Again, this may be because as women gain a little more independence, their husbands try extra hard to keep them down.

Religion matters. Women in poor Muslim countries suffer less domestic violence than otherwise-similar ones in poor Christian countries. That may be because few Muslim men booze, and men who drink are more likely to hit their wives.

In South Asia more girls than ever attend school and more women work. But in some ways attitudes have regressed "as women have become less dependent on men", says Shireen Huq, the founder of Naripokkho, a Bangladeshi women's-rights group; and the backlash "often manifests in more violence". The authorities sometimes make things worse. The chief justice of India's Supreme Court recently suggest-

A horrible pattern

Selected poor countries, 2018 or latest



Source: The DHS Programme

Nicaragua's success

Hope for tomorrow

LEÓN

Nicaragua shows how poor countries can reduce domestic violence

TO SHOW HOW her husband would hit her, Ana (not her real name) makes a fist with her slender fingers and swings. He began soon after their marriage when she was 16: he was bullied at work but brutish at home. One night he drunkenly told Ana to leave their house in León, Nicaragua's second city. When she tried to, he put his machete against her neck while she clutched their baby daughter. Five years ago the beatings abated. Threats to call the police quietened him, says Ana. He may not respect her, but he respects the authorities.

Now 53, Ana may never leave the relationship. But her bravery in managing it, and discussing it in a café over hibiscus tea, attests to surprising changes that have come to Nicaragua. In 1995 and again in 2016, foreign researchers asked women in León if they had suffered physical violence from their partner in the past year. In 1995 some 28% said yes. In 2016 just 8% did. The number who said they had never been beaten by a partner rose from 45% to 72%. Surveys over the same period show a similar shift across the country.

Such population-wide success stories are rare. Mary Ellsberg, who conducted both studies, reckons only America, after the passage in 1994 of the Violence Against Women Act, can boast of such a steep drop in domestic violence over so short a period. America's government spent billions to achieve that. Nicaragua, the second-poorest country in the Americas, did it on the cheap. Its example suggests how other cash-strapped countries can tackle the scourge.

The revolution of 1979, led by Daniel Ortega, bequeathed to Nicaragua a strong women's movement. The presidents who followed Mr Ortega after his ousting in 1990 were hardly feminist, but they let women's groups organise and listened to them. Their efforts helped pass laws which made domestic violence a crime, and prompted various governments to issue five-year plans with policies to curb it. Shelters proliferated across the country, as did women's police stations with counsellors, medics and privacy.

Women also toiled to change attitudes. Campaigners knocked on doors and went into classrooms. An NGO helped launch "Sexto Sentido" ("Sixth Sense"), a slick telenovela full of messages about domestic violence, safe sex and other taboos. It helped women understand their rights and their worth, says Johana Ocon, an activist in Malpaisillo, a town outside León. She describes women's private chats as *hormigas* ("ants"): one will achieve little, but thousands will create a support network to help women avoid and flee violence.

Progress faltered after Mr Ortega returned to power in 2007. He distrusts women's groups, perhaps because they believed his stepdaughter, Zoilamérica, when she accused him in 1998 of sexually abusing her as a child. His government has abolished women's police stations and halved the number of shelters. Foreign donations dried up as Mr Ortega turned Nicaragua into a dictatorship. Ms Ocon has been unable to visit schools for half a decade. Domestic violence seems to be worsening with the pandemic.

That does not mean the recent advances will be reversed. Ana sees a new generation, with strength and self-esteem that cannot easily be taken away. Her daughter, now 30 years old, has never been beaten.

ed that a man accused of raping a 16-year-old girl should marry her. If he did, said the judge, "we can help you."

Home remains the most dangerous place for women. But they are also attacked outside. Most victims never report such assaults, and if they do, they are often blamed. After the motorway attack in Pakistan, Omar Sheikh, Lahore's police chief, asked in a televised interview why the woman was on a motorway after dark, why had she not gone a "safer" route and whether she had her husband's permission to drive alone at night.

Mr Sheikh echoed a common logic for sexual attacks in South Asia: that women should be punished for straying outside their traditional roles. "Women's mobility has always been an issue," says Syeda Samara Mortada, a Bangladeshi activist. "That hasn't changed as women have gone out to work." Caste dynamics further sharpen male entitlement. Men from upper castes often sexually assault Dalit women, the lowest in India's caste hierarchy.

Women in countries beset by violence in general, such as El Salvador and Honduras, are more likely to be murdered than women almost anywhere else (Nicaragua has made some progress—see box). In South Africa wives are at less risk from their husbands than in much of the continent, but attacks by strangers are a greater danger than in many other places.

In some countries women are assaulted for political reasons. It is an especially vicious way to intimidate dissidents. Dembe (not her real name) is a Ugandan student. In 2019 she planned a protest against higher university fees. She was detained by police for a day. After her release, she was followed and bundled into a van by thugs, who beat and assaulted her. "I wasn't treated right in that van," she says. Later she woke up in hospital. The nurses told her she had been there for a week. Political violence targeting women is increasing in Africa, parts of Asia and the Middle East, says ACLED, a non-profit organisation.

Stemming the vast and often hidden tide of violence is a colossal task. Some favour harsher punishments. South Asians have roared for governments to hang rapists. Some forms of rape are already punishable by death in India, Bangladesh and Pakistan. The Nigerian state of Kaduna recently introduced chemical castration and the death penalty for rape. But the death penalty does not work, says Ravina Shamdasani of the UN human-rights office. Even the harshest punishment is not much of a deterrent if perpetrators are rarely caught.

Courage calls to courage

Many women in poor countries are working to reduce violence in smarter ways. They are campaigning for stronger laws against abusing women—and for attackers to face trial. In Pakistan and Bangladesh protesters took to the streets after a spate of gang-rapes last year, calling for the definition of rape to be expanded, for marital rape to be criminalised, and for survivor- and witness-protection programmes. "We want not to be harassed, raped, abused," says Ms Mortada, who works with Feminists Across Generations, a coalition that organised a big protest in Bangladesh. "We don't want to be told what to do to avoid it."

But getting a good law through parliament is just the first step. In Nigeria a 14-year campaign led to a law in 2015 that expanded the definition of rape and offered victims medical care and legal assistance. Nigeria's federal system requires every state to adopt the law. Yet barely half have done so. And even if laws are adopted, they are often not enforced.

Nigerian campaigners are undeterred. In June, after the death of Vera Uwaila Omozuwa, a 22-year-old student who was found in a pool of blood at her church, a group of NGOs got all 36 governors of states in Nigeria to declare a "state of emergency" (a political rather than legal move) over rapes and violence against women.

Of the 15,000 men held in Ugandan prisons for violence against women, nearly 7,000 are awaiting trial. As campaigns have put the spotlight on abuse, the Ugandan judiciary has been holding special court sessions to clear the backlog of sexual-violence cases. It is not easy. "You cannot take your husband to court," say relatives of victims, reports Samuel Munobe, the chief magistrate in Luwero. "Why do you want to embarrass the whole clan?"

Covid-19 has made keeping an eye on corruptible courts harder. Before the pandemic Sautiya Wanawake Women's Movement in Kenya would organise groups of women to watch court proceedings, to put pressure on judges. Now only the victim's parents, if anyone, are let in.

Campaigners are trying to ensure survivors get immediate help and can report crimes. Rwanda has set up one-stop centres with police, doctors, social workers and legal help. Survivors are helping each other, too. A Congolese organisation, Synergy of Women, helps victims of sexual assault get medical care, counselling and advice on how to press charges. One counsellor, Mammy Kahumbu, was raped by rebels 11 years ago. "The women are encouraged when they see me looking healthy and strong," she says. "I am no longer a victim, I am an actor for change."

The biggest challenge is stopping violence in the first place. Those who witness or experience domestic violence as children are far more likely to perpetrate it or suffer it as adults. Dorcas Coker-Appiah of Gender Centre Ghana, an NGO, has trained teams in rural areas to raise awareness, counsel couples, and link victims with support since 2001. She reckons the scheme has covered a tenth of Ghana. A recent study found that it reduced sexual violence in homes by 55%.

Cash transfers can also help by reducing the stress of poverty, which can trigger violence. If it goes to women, that can anger men. Yet if it is combined with training for women, for example in traditionally female areas like children's health, this can both empower women and soothe male worries about loss of financial control.

Changing minds is crucial, and needs to start early. A study in Bihar, a north-eastern state of India, found that teenage boys who were taught about non-sexist attitudes during sports coaching were less likely to approve of violence against women. And five years later, they were less likely to abuse their wives physically or sexually.

Campaigners' efforts are bearing fruit. In about three-quarters of poor countries where surveys have been repeated over a number of years, the share of women reporting physical or sexual abuse from their husbands has fallen. That is progress. But hundreds of millions are still attacked every year. Immeasurably more is needed. ■

Rupert Murdoch at 90

Next up

As the last great media mogul prepares to hand over his empire, investors and offspring get ready for a battle over its future

BIRTHDAY PARTIES in pandemics are dreary, even for billionaires. But Rupert Murdoch's 90th, which he celebrated on March 11th, should at least have been less stressful than his 80th. Back then British detectives were burrowing into a subsidiary of his firm, News Corporation, then the world's fourth-largest media company, for evidence that its journalists had hacked phones and bribed police. Several convictions later, and after the closure of the 168-year-old *News of the World*, Mr Murdoch was hauled before a British parliamentary inquiry on what he called "the most humble day of my life".

A decade on from the near-collapse of his empire, things are going rather better for the Australian-born tycoon. The phone-hacking scandal has receded. The choicest assets in his collection have been sold to Disney at the top of the market. Fox News is America's most popular (if also its most despised) cable channel. And in a coup last month, Mr Murdoch forced tech giants to pay for linking to his content. "He has the money. He has huge amounts of political power. He has it all," says Claire Enders, a veteran media-watcher.

As he prepares to pass it all on, the outlook is clouding over. Cable television is in hastening decline. A looming legal problem could prove even costlier than the phone-hacking affair. And the succession question—a decades-long saga which HBO, a rival network, cheekily dramatised—lingers on. Mr Murdoch is still the force that holds together a formidable commercial and political project. It may not stay intact without him.

→ Also in this section

The humbling experience of the phone-hacking affair turned out to be a blessing. It forced Mr Murdoch to split News Corporation in two, putting the lucrative TV and film assets into 21st Century Fox (which analysts nicknamed "Good Co"). The scandal-hit newspapers were quarantined in News Corp (dubbed "Crap Co"). As the firms were modernised and power devolved to Mr Murdoch's sons, Lachlan and James, investors returned. In his boldest move, in 2019, the great consolidator of the media business realised that it was time to become prey rather than predator, and sold most of the 21st Century film and TV business to Disney for $71bn. Ms Enders and colleagues calculate that since 2011 the holdings of the Murdoch family trust, which has nearly 40% of the voting shares in each company, have appreciated more than sixfold.

The next chapter will be trickier. Start with Fox, the larger company, with a market capitalisation of $24bn. The pandemic has speeded the decade-long decline of American cable TV. Last year cable subscriptions fell by 7.3%, to levels not seen in nearly 30 years. Fox, whose gross operating profit in the last financial year was $2.8bn, has been insulated from this trend by its focus on news and sport, which streaming companies have yet to snatch. But something has changed. Whereas Fox used to trade at a premium to ViacomCBS and Discovery, two cable rivals, it now trades at a nearly 30% discount (see chart 1).

One reason is that the streamers are coming for sport. Amazon already covers the National Football League and is said to be seeking exclusive rights to some American-football games. Leagues want to reach young fans, and cannot get them on cable TV, where two-thirds of viewers are over 50. So cable companies are moving sport onto their own streaming services. Disney has ESPN+; Comcast announced in January that it would shut down its NBC Sports Network and shift programming to its Peacock service. Michael Nathanson, a media analyst, notes that without a streaming platform for sports, Fox is "the odd man out".

Fox News, where Fox made about 80% of its money last year, has problems of a different sort. Its close relationship with Donald Trump's White House generated record ratings, but alienated advertisers and some investors. "Any company you hold, you want to see behave ethically," says one large shareholder. Fox is "in that grey area right now. It's defensible, but it's far less defensible than it was." Smartmatic, an election-software company, is suing the company for $2.7bn for airing ludicrous claims that it rigged the presidential election. (Fox says it will fight the "meritless" lawsuit.) That sum would exceed the phone-hacking payouts.

Fox has reined in its support for Mr Trump, only to see viewers depart for right-wing upstarts like Newsmax and One America News. Fox News remains the most-watched cable channel in prime-time. But viewership in February was down by 30%, year on year, even as that of its rivals, CNN and MSNBC, rose by 61% and 23%, respectively. One former Fox executive observes that, like Mr Trump's Republican Party, Fox News was trapped into "super-serving" an ultra-conservative minority of its audience. Now it risks losing it, without attracting less kooky viewers.

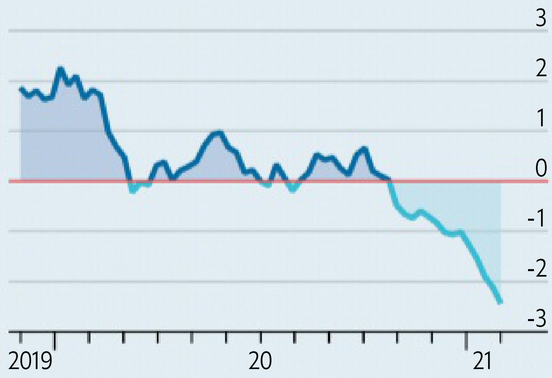
Ironically, "Crap Co" is having a better time. Newspapers in America, Britain and Australia provide the largest chunk of its revenue, followed by Australian pay-TV and HarperCollins publishing (see chart 2). But a big new contributor to profits is its majority stake in REA Group and in Move, two online property advertising companies. News Corp's share price has nearly trebled from its trough last April, thanks in large part to a surge in REA's shares.

Like Fox, the newspapers have had to deal with a global shift of advertising online. Ten years ago the Murdoch companies were collectively the world's third-largest seller of ads, says Brian Wieser of GroupM, the biggest media-buyer. Now they are outside the top ten. But the newspapers are further along the digital transition than Fox is. Online subscriptions account for three-quarters of the total at the *Wall Street Journal*; even the *New York Post*, a perennially loss-making tabloid, reported a modest profit in the last quarter of 2020. A recent deal with Google will see the tech colossus pay News Corp for content as a result of a law passed by the Australian government, which News Corp's papers have backed. "The terms of trade for content are changing fundamentally," Robert Thomson, News Corp's chief executive, said on March 4th.

Still, with a market capitalisation of less than $15bn, News Corp is worth less than the sum of its eclectic parts. Mr Thomson insists it is on a "course of simplification", having sold assets such as Amplify, an online education business, and Unruly, a video-ad platform. Many analysts think it should go further and separate the news businesses from the real-estate ones. At the moment, investors seeking growth are attracted by the property portfolio but put off by the legacy news brands, whereas investors looking for value like the newspapers but not the real estate.

Fox hole 1

Fox Corporation, premium or discount* to ViacomCBS and Discovery average



Source: Morgan Stanley

*Based on relative enterprise value to EBITDA multiples

Empire building 2

Murdoch holdings' financials, 2020, $bn

Source: Company reports

*Earnings before interest, tax, depreciation and amortisation

Some also see a case for breaking up Fox. Mr Nathanson has argued that the firm should sell its broadcast-TV assets and sports channels, which the market seems to undervalue. Perhaps even Fox News could be spun off, if a buyer could be found: the brand is so controversial that it is all but unsellable, Ms Enders believes. A full leveraged buy-out of Fox could generate an annualised return on investment of roughly 25% over five years, calculates Morgan Stanley, an investment bank.

The biggest impediment to restructuring either firm's portfolio may be Mr Murdoch himself. When power is eventually handed down, "a break-up story will gain momentum," believes Brian Han of Morningstar, a broker. Will the next generation be willing to carve the empire up? And which of them will call the shots?

The son wot won it

Lachlan is already installed as chief executive of Fox and co-chairman of News Corp. At Fox he has backed Tubi, an ad-supported streaming service, sports-betting ventures and Credible Labs, a credit-scoring agency. None is an obvious fit with the core news business. Insiders think he would be reluctant to trim the legacy assets. Particularly in Australia, "there is a lot of history that [Lachlan] feels very deeply part of", says a former News Corp executive. "It doesn't lend itself to clear-headedness." Lachlan has "stars in his eyes" and wants to build the family empire back up through acquisitions, believes one disapproving shareholder (who also fumes at Lachlan's recent purchase of the most expensive house in Los Angeles).

Whatever he wants, Lachlan may not get his way. On Rupert's death, control of the family trust will pass to his four eldest children. James, who resigned from the board of News Corp last year and now has little to do with his father and brother, has made clear his disapproval of the companies' right-wing editorial line and does not seem attached to the legacy businesses. Elisabeth has warned of the dangers of "profit without purpose" in the media. With their elder half-sister Prudence, who keeps a lower profile, they could alter the course of both businesses.

If the future of the firms is determined not just by commercial logic but by family politics, that would be fitting. The assets in play are political as much as they are economic. The purpose of the Murdoch empire has always been to wield power as well as to make money. "What is Fox News for?" asks a former executive. "Fomenting insurrection." Both Fox and News Corp may yet face one themselves. ■

Computer games

School's out

Roblox, shepherd of the gaming "metaverse", goes public

ONE PORTENT of a meme stock being born is when the company gets a pseudo-ticker on WallStreetBets, an online forum on Reddit. Roblox, an American video-game platform, has earned the tag $SEARS. But Redditors aren't mixing it up with a stodgy old department store. Roblox's digital currency, Robux, sounds like Roebuck, of Sears Roebuck fame. Get it?

Roblox ticks other meme-stock boxes, too. The kids are into it, just as they were into GameStop, an ailing bricks-and-mortar gaming retailer whose share price has soared this year. Unlike GameStop, however, Roblox is all the rage with venture capitalists, Wall Street bankers and other supposedly hard-headed types. The firm's private valuation soared from $4bn at the start of 2020 to $29.5bn in January, when it raised $520m. It is so flush with cash that it has decided to go public on the New York Stock Exchange via a direct listing, without drumming up fresh capital. Its shares ended their first trading day on March 10th 54% higher than the reference price, giving the firm a market capitalisation of $38bn.

Roblox provides sophisticated software tools to young, amateur developers. These creators—Roblox has 8m of them—produce multiplayer games and in-game merchandise for other youngsters. The company makes money by issuing Robux, which players buy with real dollars and spend on extras such as in-game experiences or avatar outfits and accessories. It keeps some of the revenue but forks as much as 70% over to developers in the hope of incentivising more and better content.

This, it hopes, will attract more players in need of more Robux. In 2020 Roblox's developers collectively earned $329m; 300 individuals made $100,000 or more. The approach has fostered loyalty among developers. Creators like Alex Balfanz, a student who made millions and paid his college fees with "Jailbreak", a hit game, plan to create for Roblox for a decade or more.

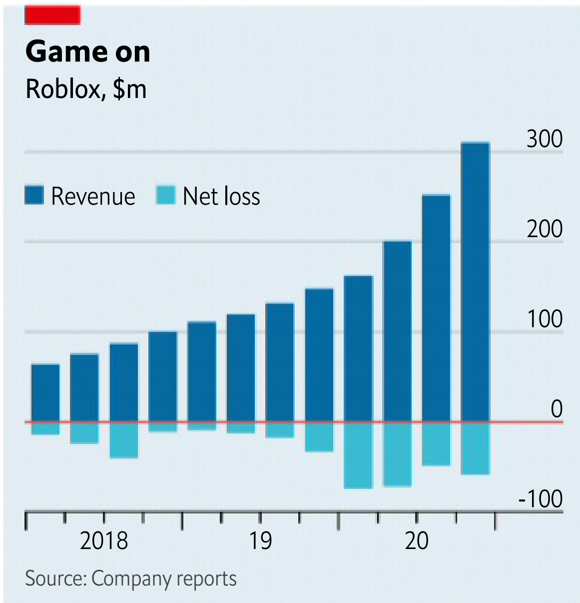
Use of Roblox soared after covid-19 cancelled school and real-world play dates everywhere. The site now boasts 20m gaming "experiences" that draw 37m daily active users globally. Three in four American children aged 9-12 are on the platform, as is one in two British ten-year-olds. In Roblox's last fiscal year users bought and spent $1.9bn-worth of the currency.

Once the school gates reopen its rate of growth is, as Roblox has warned, likely to slow. By how much is anyone's bet. Not that this will bother investors. Professionals like its growth story. Day-traders may like the meme-ness. Neither is much bothered about the firm's net losses, which swelled to $253m in 2020 as it invests in expansion (see chart). As a result, Bernstein, a broker, reckoned that Roblox shares could fetch anywhere between $30 and $120 apiece when they started trading (they opened at $64.50).

Long-term success will depend on attracting an older audience. Roblox has penetrated the 8-15 age range. "Ageing up" is a priority for its co-founder and boss, David Baszucki. So is lifting the quality of games. Roblox's exciting gameplay has pulled in a big audience but even ten-year-olds can see that the visual realism of many games is not up to the standard of professional studios. Still, Mr Balfanz argues that it will take just one big hit for Roblox to get traction with 20-somethings quickly.

Mr Baszucki touts other opportunities. One is China. Since 2019 Roblox has had a joint venture with Tencent. In December the Chinese gaming colossus received a licence to launch a local version of Roblox called Luobulesi. Another is advertising. Roblox largely eschews ads but in future wants the likes of Disney to build immersive, branded worlds on its platform.

Roblox holds interest for techies as well as investors. They want to see if the firm really is, as Mr Baszucki describes it, a shepherd for the "metaverse", the idea of a persistent virtual world in which people meet, experience things together, make money and more. Futurists have speculated about such a possibility for years. The Roblox economy and its virtual music concerts, like one with Lil Nas X, a rapper, in November, could be a start. The company may look like child's play, says Herman Narula, co-founder of Improbable, a virtual-worlds enterprise, but platforms like it may soon become "the primary way that many of us earn a living". Perhaps. For the time being, it is likely to make tidy sums for its financial backers. ■



Jet engines

Losing thrust

Recovering from the pandemic is a long-haul journey

THE ABSENCE of vapour trails in a clear sky is an obvious sign that commercial aviation has been hit hard by covid-19. The upshot for the makers of the jet engines that create those ephemeral streaks—fewer planes sold, fewer flying hours and older aircraft retiring early as fleets are pruned—is a triple blow for an industry that mostly profits by keeping them in the air for years after they are sold.

The immediate impact for the business, which is dominated by a handful of manufacturers, was on full display on March 11th. Rolls-Royce, a British company that competes with the aviation division of America's General Electric (GE) to power long-haul wide-body jets, published grim results for 2020. The hit to commercial aerospace, source of half its revenues in 2019, led to an operating loss of £2bn ($2.8bn). It sold just 264 large engines, down from 510 the year before.

Rolls-Royce is likely to recover most slowly, because it makes engines only for the hardest-hit long-haul market. But Pratt & Whitney, a division of Raytheon, an aerospace-and-defence group, which vies with a joint venture between GE and Safran of France to make engines for short-haul planes, has also revealed a drop in revenues in 2020, of 20%. GE Aviation's sales slipped by a third to $22bn and it is shedding 13,000 jobs, a quarter of the total.

The slump will have an impact for years. Engine-makers operate more like services firms than traditional manufac- ▸▸

A repair job

turers. They sell engines at cost (or even a loss) to build an "installed base". For GE, the mightiest of the three, this amounts to 37,700 units. In an engine's lifespan of 20 years or more, supplying spare parts and maintenance brings in three to five times the sale price, reckons Bernstein, a broker. Production cuts by Airbus and Boeing, which make the planes themselves, mean lower demand for engines. Capacity cuts by airlines are making matters worse. With early retirements and around a third of the fleet in storage, carriers can salvage planes for expensive spare parts or even swap entire engines due for a costly overhaul for those with fewer miles on the clock.

A merger between GECAS, GE's huge plane-leasing unit, and Ireland's AerCap, announced on March 10th, could also disrupt engine-makers. In recent years Airbus and Boeing have preferred to offer just one type of engine for new planes rather than a choice, which cuts their development costs. But it leaves airlines with less room to extract discounts from engine-makers by threatening to go with a rival. GECAS, with a fleet of over 1,000 planes, gave GE more power to insist that the two big planemakers opted for sole sourcing. Under new ownership its strategy may change.

Uncertainty over the next generation of aircraft is another headache. Last year Airbus said it is aiming for a net-zero-emissions plane by 2035, perhaps using hydrogen as a fuel. Boeing is looking into biofuels. Neither company has firm plans just yet. But such announcements worry Rolls-Royce, which has spent £500m on UltraFan, a more efficient engine but one that uses existing technology. If the planemakers are serious about going green, it could struggle to find customers. ■

Bartleby When common sense fails

Getting rid of pointless rules and regulations

A BANKER TAPED a picture, drawn by one of his small children, to his office wall. When he arrived at work the next morning, he found the picture was covered by a large notice, saying he was in violation of company policy which required personal items to be put away at night. Such a reaction was not just petty, it risked demotivating the banker completely. In short, it defied common sense.

Martin Lindstrom is a management consultant who spends his time battling the kind of corporate red tape that alienates customers, as well as employees. He has even persuaded some companies to establish special departments to fight this nonsense, sometimes dubbed "The Ministry of Common Sense", which is the title of his latest book.

As Mr Lindstrom says, successful companies are able to put themselves in their customers' shoes, and this leads to better service and sensible solutions. He once advised a credit-card issuer which had poor ratings for customer service. So he booked a restaurant for dinner with the executives, but got the fraud division to ensure their credit cards did not work. When one manager tried to pay for the taxi, he then watched their fury and embarrassment as they tried to get through to the call centre themselves.

The author came across another example of poor customer satisfaction at Maersk, a big shipping company. On investigating the matter, he found that call-centre employees were judged on the time spent per complaint. The firm changed the metric for judging success from time spent to other factors, such as issue resolution. Customer satisfaction nearly doubled. Later the company suffered a cyber-attack which meant that the headquarters lost contact with its ships. The chief executive issued a directive to staff to "do what you think is right to serve the customer". This flexibility helped the company to survive the crisis and improved employee engagement.

Often the problem stems from new regulations being introduced without thinking through the implications. The pandemic has provided plenty of examples of new rules that lack common sense. On a flight last year, Mr Lindstrom flew from Zurich to Frankfurt. The crew asked passengers to fill in a form detailing where they were from and where they were going, in order that they could be traced in case others became infected. But there were only two pens on board so the writing implements were passed from hand to germy hand. When they left the plane the passengers were asked to keep six feet apart as they filed down the steps before they reached the bottom, whereupon they were crammed onto a packed shuttle bus.

When it comes to dealing with employees, budgeting rules are often the cause of frustration. Many companies insist that workers travel on a certain set of airlines, even when cheaper options are available,

and insist they stay in certain chains of hotels, even though they may be many miles away from the site they are visiting. Mr Lindstrom recounts the story of a junior manager who had an executive shadow him for a day. To illustrate the problem, he decided to take the executive on a business trip. This required a 6.05am flight (the cheapest available); the executive agreed but took a business-class seat, which was against company policy. The executive then tried to read his emails on the plane—another breach of the rules, because the company required employees to access emails only when they were linked to a secure network. That regulation ensured they were out of reach for hours at a stretch.

Why can't companies escape all this nonsense? Part of the problem is that bureaucracy has an innate tendency to multiply. Successful companies have only three or four reporting levels. Every reporting layer adds 10% to an employee's workload, Mr Lindstrom estimates. And bureaucracy also means that employees' time gets consumed by endless meetings, as Bartleby has often complained. Such gatherings should last no more than half an hour, says the author, who should clearly be hired by *The Economist* immediately.

In many companies, meaningful change could be achieved if the management just asked the staff. Most employees will be able to cite rules or practices that make it harder for them to do their jobs and to serve customers properly. Creating a special unit to push through the changes is a sensible idea, provided it has the support of senior management. That, of course, requires executives to have the common sense to appreciate that change is needed. Employees and customers can only hope they do.

Film-making

Go small

The new economics of blockbusters

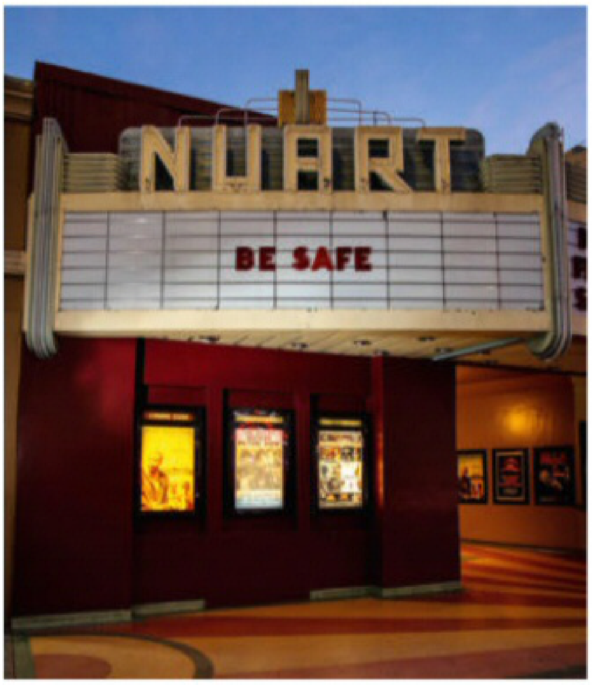
BEFORE COVID-19 Hollywood was alight with franchise fever. All ten of 2019's top-grossing films globally came from big studios and featured characters returning to the big screen. Directors such as Martin Scorsese fretted that Marvel's superheroes would be the death of cinema. Cinema-owners would beg to differ. On March 10th AMC, the world's biggest chain, which has recently become a darling of retail investors, reported a 77% fall in revenues last year, and a net loss of $4.6bn, in large part because Marvel and others have postponed releases until audiences come back.

The dearth of blockbusters is reshaping box-office economics. Six of last year's top-ten money-makers worldwide were not in English. Five were Chinese and one was Japanese. This reflects Asian countries' ability to contain outbreaks more successfully than most of the West. It also points to another twist. As big productions have retreated, smaller ones have stepped in.

At least five of the ten highest-grossing films of 2020 had budgets under $100m, compared with one in 2019. Many of those lower down the charts did much better than their producers had hoped. In December IFC Films, an independent American studio, predicted that last year would be its most profitable ever. Its films, including "The Rental", a horror flick, had longer theatrical runs in more cinemas than they would have had they been competing for screens with the Avengers. "After We Collided", a romance distributed by Open Road Films, another indie studio, made $5m in Britain, ten times its expected haul (and nearly $50m worldwide).

The economics are changing for big studios, too. The handful of blockbusters released in the pandemic busted few blocks. Warner Bros' "Wonder Woman 1984" had the best opening weekend in America last year, taking $17m, compared with the $103m that the earlier "Wonder Woman" earned in a comparable period four years ago. Warner's parent firm, WarnerMedia (part of the AT&T telecoms group) plugged some of the gap with revenues from streaming the superheroine's antics. According to Antenna, an analytics firm, WarnerMedia's newish HBO Max platform gained more subscribers in the film's first three days than any other streaming service gained in any three days of 2020.

Going straight to streaming could increase profits by cutting out cinema own-



Not coming soon

ers, who typically receive half the price of a ticket. It may also trim costs. With a quicker turnaround from big screen to small, studios save on marketing. Explosions and other special effects, a big reason why tent-pole films cost between $100m and $200m to produce these days, lose some appeal when viewed in the living room. Sadly for Mr Scorsese, franchises are here to stay. Disney is planning more spin-offs for its Marvel and Star Wars characters—even if many never grace the silver screen. ■

Corporate climate reporting

Telling all

Climate-risk disclosures are good news for investors. And for the planet?

AMERICA'S MAIN financial regulator is taking an interest in climate change—and wants everyone to know. The Securities and Exchange Commission (SEC) has created a task-force to examine environmental, social and governance (ESG) issues, appointed a climate tsar and said it will "enhance its focus" on climate-related disclosures for listed firms. It looks poised to introduce, among other things, rules forcing firms to reveal how climate change or efforts to fight it may affect their business. Since September regulators in Britain, New Zealand and Switzerland have said they plan to make such climate-related disclosures mandatory. So, too, have stock exchanges in Hong Kong, London and South Korea. The EU may follow suit.

The flurry of rulemaking stems from a concern that climate change poses a threat to financial stability. Whether this is true or not is hard to say. The data are shoddy and climate-risk reporting is largely voluntary. Firms tend to cherry-pick the most flattering numbers and methodologies. The reporting seldom reveals anything about a firm's risk in the future—which is where the financial threats from climate change mostly reside.

Many watchdogs are pinning their hopes on the Task Force on Climate-Related Financial Disclosures (TCFD), set up in 2015 by the Financial Stability Board (FSB), a global group of regulators. The TCFD has recommended a reporting standard made up of 11 broad categories, from carbon footprints to climate-risk management. Regulators like it because it focuses on material risks rather than environmental impacts, and because it asks for information about firms' future plans. That includes "scenario analysis", in which a company's strategy is tested against potential futures, such as a hotter world or higher carbon prices.

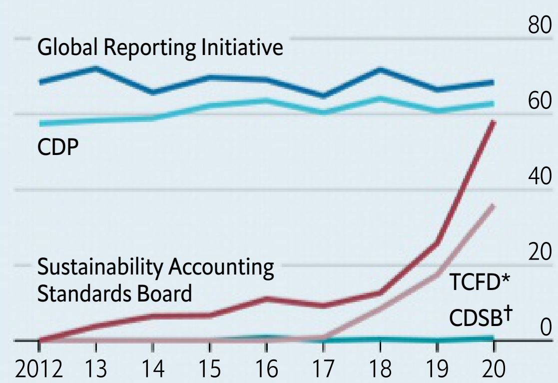
These qualities also appeal to financiers. Financial firms make up almost half of the 1,800 or so companies that back the TCFD's recommendations. Together they hold assets worth over $150trn and include the world's ten biggest asset managers and eight of its ten biggest banks. Their clients and regulators are egging them on to adopt the standard, so the financial firms in turn are prodding companies to do so, too, causing an uptick in its use (see chart).

Not all companies are happy about this. It means compliance with one more ESG measure, and a tricky one at that. Many bosses claim their firms lack the expertise to do climate-based scenario analysis (the TCFD's recent 133-page how-to guide may help). Only 7% of big firms disclose such exercises, according to a review of 1,700-odd companies by the TCFD. Those that do often use different scenarios, making their efforts hard to compare .

Another problem is that disclosures may scare off investors. This, of course, is the point. But until reporting is mandatory for everyone, firms risk being punished for being early adopters. That is the evidence from France, which made climate-risk disclosures obligatory for asset managers, in- ▸▸

Greener postures

S&P 500 companies, reporting standards mentioned in sustainability reports, %



Source: Datamaran

*Taskforce on Climate-related Financial Disclosures
†Climate Disclosures Standards Board

surers and pension funds in 2016. A study by its central bank compared those firms with French banks and non-French financial firms. It found that the firms which had to disclose climate risks held 40% fewer bonds, stocks and other securities in fossil-fuel firms by value than those that did not have to disclose risks.

Such a shift may drive up capital costs for polluting projects and lead to fewer emissions. But more climate disclosure will not by itself cut carbon, notes Remco Fischer of the UN Environment Programme. Regulatory climate risk can, in theory, be mitigated by moving carbon-heavy assets somewhere with laxer environmental rules. And sophisticated risk assessments do not always result in decarbonisation. Last year AGL Energy, an Australian utility, published an analysis of scenarios. The one it has chosen to follow involves keeping one of its coal-fired power stations open until 2048. ■

Japanese business

Japan Inc goes digital

TOKYO

About time

As a Buddhist priest performed last rites at a temple in Tokyo, Naganuma Fumihiro, an entrepreneur, beamed. It was in fact a celebration: he and two colleagues had gathered to send scores of *hanko*, the personal seals that epitomise Japan's analogue business practices, to the afterlife. "It's not quite the Meiji restoration, but it's a big turning-point, a paradigm shift for working culture," Mr Naganuma said.

Covid-19 has turbocharged digitisation around the world. But for all its technophile reputation, Japan has more ground to make up than other big economies in its embrace of information technology (IT). "Japan is a developing country in terms of IT," Mr Naganuma laments, exaggerating only slightly.

Business culture displays a stubborn attachment to face-to-face contact. Bosses put a premium on staff's presence at their desks. Firms invest little in IT compared with rivals in many countries, and only reluctantly adopt new technology to sell and promote products. Offices are stacked with paper and schedules packed with meetings. According to Morgan Stanley, an investment bank, "inefficiencies abound in numerous commercial practices."

The pandemic provoked a reckoning. In the race to lead the ruling Liberal Democratic Party last year the traditional economic battleground of monetary policy faded into the background, notes Yamaoka Hiromi, a former senior central banker who now sits on the board of Future Corporation, a technology consultancy. Instead, he says, "the conversation has shifted to enhancing the efficiency of business practices." All three candidates played up their digitisation plans. The winner, Suga Yoshihide, has made a priority of digitising government services to reduce the administrative burden on individuals and firms. "We need to develop a non-face-to-face model," explains Nishimura Yasutoshi, the minister in charge of economic revitalisation. This week parliament began debating a bill to create a new digital agency.

One pre-pandemic government study found that firms which allowed teleworking were 60% more productive than those that did not. The direction of causation is unclear. The result could be a sign that hyper-efficient firms on the cutting edge are simply more likely to adopt whizzy technology. But such findings help persuade more companies to test the hypothesis that digitisation boosts productivity.

Firms that sell computer programs for things like secure electronic signatures, transcribing paper documents into digital formats or setting up online stores have seen their share prices boom. Sansan, a database-software firm, has high hopes for its electronic business-card service, which digitises the ritual most emblematic of the face-to-face business culture. "Trading business cards is something that everyone does," says Kawamura Ryota, a product manager at Sansan. "Online business cards will gain traction as long as there are online meetings." Mizuho, a big financial group, has eliminated paper documents at its bank branches.

Digitisation is also infecting industries that peddle in bits and bobs, not bytes. A hulking excavator fills the lobby of the Tokyo headquarters of Komatsu, one of the world's biggest producers of construction equipment. But in the offices upstairs employees are digging through data to build the company's smart-construction business, which digitises workflows at building sites. Covid-19 brought "a rapid decline in resistance" to such innovations, reports Chikashi Shike, head of the smart-construction division. Japan's other champions of heavier industry are similarly keen. East Japan Railway Company wants to turn its popular digital transit cards into a payments platform.

A presence in the office is less vital, too. After having teleworking foisted on them, some of Japan's largest firms, including Fujitsu and Hitachi, two industrial conglomerates, have announced that they will make flexible schedules permanent. Nomura, Japan's biggest broker, recently announced a plan to allow employees to spend up to 60% of their time working remotely after the pandemic. Dentsu, Japan's advertising giant, is said to want to sell its Tokyo headquarters.

The sentiment is not universal. Whereas some bosses have embraced more flexible working arrangements, others still want employees to be back at their desks, fearing that the productivity improvements of remote work are uncertain at best. Small and medium-sized businesses are often technological laggards. They account for over 99% of all firms and around 70% of jobs, but just 5% of spending on research and development, compared with an average of 30% in the OECD, a club of mostly rich countries. "You have some of the best services in the world, but they are wildly inefficient," says Jordan Fisher, the American co-founder of Zehitomo, a Japanese startup that offers an online marketplace for offline household services from piano lessons to plumbing. At least, he adds, "because Japan is so far behind, it can actually leapfrog." ■

Stuck in the 1960s

Schumpeter | Jack Dorsey's split personality

Could his co-creations, Twitter and Square, be combined into a super-app?

For a man of creative genius, monkish calm and austere *wabi sabi* aesthetic, Jack Dorsey is remarkably good at making investors mad. Scott Galloway, a podcaster and business-school professor, has raged on air to have him sacked from Twitter, which Mr Dorsey co-founded and runs, and in which Mr Galloway owns shares. Wall Street showed similar apoplexy on March 4th when Square, his other co-creation, offered almost \$300m to buy a weak music-streaming service founded by Jay-Z, the rapper who is one of Mr Dorsey's buddies. In one day Square's value plunged by over \$7bn. As *Vox*, an online news site, put it: "WTF?"

And yet, like Elon Musk, another of his friends whom Wall Street loves to hate, Mr Dorsey has done rather well for his investors of late. A year ago, with activists such as Elliott Management (and Mr Galloway) baying for his blood at Twitter, the man dubbed a "part-time CEO" got stuck in. Since then the value of the social-media site has doubled to more than \$50bn. That of Square, a digital-payments firm, has tripled to more than \$100bn. (The chairman of *The Economist*'s parent company is a director of Square.) Moreover, the two companies have exemplified a powerful trend: that of Silicon Valley's second-tier firms (think, as well, of Snap, Pinterest and PayPal) winning momentum back from the tech giants. All in all, it has not been a bad 12 months for Mr Dorsey, considering he once planned to spend half the year on a tour of Africa.

Less-big tech's rocketing values have subsided in recent weeks amid rising bond yields and tech fatigue as the covid-19 pandemic ebbs. But these firms continue to show promise, few more so than Twitter and Square. That is partly because Mr Dorsey's feet are still being put to the fire. It is also because, individually, each of his two firms has plenty of room to grow. And whispers can be heard in the Twittersphere of an even more tantalising prospect: merging the two to create a WeChat-like super-app. It would not be a perfect fit, and Mr Dorsey might have to step aside if the combination is to be pulled off. Then again, imperfection and transience are two of the hallmarks of *wabi sabi*.

Twitter and Square have different attractions. With 192m users compared with Facebook's 1.8bn, Twitter punches below its weight in social media. It courts controversy; Mr Galloway chides it as an alliance between the elite and the mob. Its shares have serially underperformed those of tech rivals. Yet its name has global resonance. And it is at last building new services (such as Spaces, a digital venue for audio gabfests) and buying others (like Revue for long-form writing) that appeal to both users and investors.

Square started life as a cheap, white credit-card reader attached to mobile phones (one is exhibited in New York's Museum of Modern Art). It has brought millions of small merchants into the payments system. Its Cash App business, enabling person-to-person cash transfers, as well as share and bitcoin trading, did the same for individuals; it now has 36m users. Though not a household name, Square's share price has outperformed Twitter's by ten times since its initial public offering in 2015. If the challenge for Twitter is to transform low expectations, for Square it is, if anything, to live up to sky-high ones.

One way of doing that in a single stroke would be to use Square's highly valued shares to buy Twitter's cheaper ones. The aim would be to create a supermarket-style platform of digital services. Twitter offers global name recognition, entertainment and engagement, a direct-messaging service (albeit not the best out there) and a roster of big brands that advertise on it. Square has minimal international presence, but offers cash payments and financial services, a customer base of small and medium-sized firms, and skill at tapping the unbanked that could extend to billions of the world's poor.

Even Tidal, Jay-Z's music-streaming service, could fit—at a push. As @JohnStCapital, a mysterious but astute financial pundit who has called for Twitter and Square to merge since 2019, put it on March 4th, imagine a monthly subscription service that encapsulates music streaming, share and cryptocurrency trading, personal-finance tools, newsletters, podcasts and Twitter—all without ads. "If @Jack tucks in \$TWTR…it could be a real game changer," @JohnStCapital tweeted.

Investors in both Square and Twitter may well recoil at the idea. A similar marriage of convenience between Mr Musk's electric-car company, Tesla, and his energy company, SolarCity, did not inspire confidence, because it was seen as a bail-out of the latter. Square and Twitter do not necessarily need one another. Square is already morphing into a financial super-app, with or without Twitter. Twitter's immediate priority is to complete its transformation into a company that reliably increases revenues. Mr Dorsey's dedication to the boring minutiae of running companies has long been open to question. Investors might not be wholly confident in his ability to oversee such a transaction, even with so much of his own wealth at stake.

Still, do not count it out. Already both his companies are making complementary moves. If Twitter delves deeper into e-commerce, as it hopes to, a payments arm like Square would be useful. Furthermore, Twitter plans to launch an innovative service called Super Follows, in which users pay for premium content from members of the Twitterati with particularly large followings. Tidal could offer something similar to musicians via Square.

Squaring up for a fight

Whatever may be in the back of Mr Dorsey's mind, the prospect of mergers and acquisitions among Silicon Valley's challenger firms is worth considering anyway. So far they have done bolt-on takeovers. But if they really want to generate scale, they should do transformative ones. The heightened competition would be a big test for the tech giants. For Mr Dorsey it would be a big test of his naming skills: Squitter? Squatter? Twitcoin, anyone? ■

The world economy

The $3trn question

Consumers in the rich world, especially America, are sitting on piles of cash. How much of it will they spend?

THE ECONOMIC controls implemented during the second world war make today's restrictions on restaurants and football stadiums look lax. In America the government rationed everything from coffee to shoes and forbade the production of fridges and bicycles. In 1943 its entire automobile industry sold only 139 cars. Two years later the war ended, and a consumer-led boom ensued. Americans put to use the personal savings they had accumulated in wartime. By 1950 carmakers were producing more than 8m vehicles a year.

Governments today are slowly easing lockdowns, as vaccines reduce hospitalisations and deaths from covid-19. Attention is turning to the likely shape of the economic recovery. The big question is whether or not the rich world can repeat the post-war trick, with pent-up savings powering a rapid bounce-back.

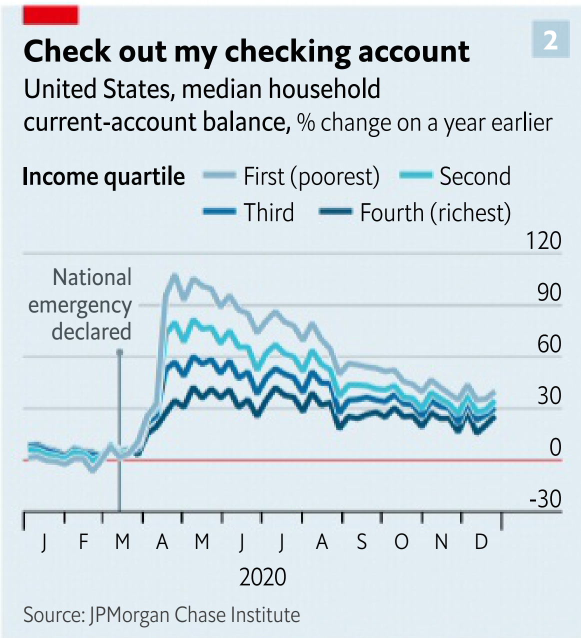
Households have certainly accumulated lots of cash. *The Economist* has gathered data on personal saving—the difference between post-tax income and consumer spending—for 21 rich countries. Had the pandemic not happened, households would probably have stashed away $3trn in the first nine months of 2020. In fact they saved $6trn. That implies "excess saving" of about $3trn—a tenth of annual consumer spending in those countries. Households in some places have built up bigger cash piles than those in others (see chart 1). In America excess savings may soon exceed 10% of GDP, in part because of President Joe Biden's $1.9trn stimulus plan, which was due to be signed into law after *The Economist* went to press.

*Savings in first nine months of 2020 compared with estimated savings in the absence of the pandemic
Sources: OECD; World Bank; *The Economist*

Households do not usually save on such a scale during recessions. For one thing, their incomes usually fall, as their pay is cut or they lose their jobs. But governments in the rich world have spent 5% of their combined GDP on furlough schemes, unemployment benefits and stimulus cheques during the pandemic. As a result, household incomes have actually risen in the past year. At the same time, lockdowns have reduced opportunities to spend.

What will consumers do with the cash? If they were to spend it all in one go, rich-world GDP growth would probably exceed 10% in 2021, a figure so heady it would put the post-war recovery to shame. (It would probably also generate a surge in inflation.) At the other extreme, households could spend none of their savings, perhaps if they anticipated that their tax payments would eventually have to rise in order to pay for the enormous stimulus packages.

The reality will be somewhere in between. Research by JPMorgan Chase, a bank, suggests that in many rich countries consumption will soon rebound to near its pre-pandemic level, powering a strong global recovery. Goldman Sachs, another bank, reckons that in America the spending of excess savings will add two percentage points to GDP growth in the year after full reopening. That points to a fairly rapid recovery in both output and employment. On March 9th the OECD, a rich-country think-tank, upgraded its forecast for GDP growth for the G20 group of countries to 6.2% in 2021, arguing that household sav- ▸▸



ings represented "pent-up demand".

Such calculations are highly uncertain, however, and not only because there are few precedents apart from the second world war. Two factors matter: how the accumulated pots of cash are distributed across households; and whether people treat those pots as income or as wealth.

Take distribution first. There seems little doubt that in all rich countries wealthier people have accumulated most of the excess savings. They have been the least likely to lose work. A big share of their spending is discretionary, say on holidays or meals out; and it is many of these services that have been shut down during the pandemic. A large chunk of savings in the hands of the rich limits the potential for a post-lockdown spending bonanza because, the evidence suggests, they have a lower propensity to spend what they earn.

Yet the pro-rich skew in savings varies across countries. In many, low-income folk will not have any excess savings to spend, even once lockdowns end. During the pandemic the poorest quarter of European households have been half as likely to increase their savings as the richest. In Britain the worst-off fifth say they have saved less during the pandemic than before. The poorest Canadians have failed to build any nest-eggs in that time.

America looks different. Its fiscal stimulus has been unusually generous. A third round of cheques, for $1,400, will soon be sent to most adults. Top-ups to unemployment benefits have ensured that many people who lost work have earned more from the state than they did in their jobs. The result is that low-income Americans may have saved even more than the rich, relative to their incomes. A new study by the JPMorgan Chase Institute found that in late December the poorest Americans' bank balances were some 40% higher than the year before, compared with about 25% higher for the richest (see chart 2). The poorest half have seen their liquid assets rise in value by 11% in the past year, nearly twice the increase for the richest 1%. Low- and moderate-income earners are more likely to spend their savings once the economy reopens, fuelling the recovery.

There is greater uncertainty around the second factor influencing the recovery: whether households perceive their cash piles as income or wealth. This is not merely a semantic distinction. Many studies find that households are more likely to boost spending in response to an increase in income (say, a pay rise) than they are for an increase in their wealth (say, a rise in the value of their house). Households have built up excess savings in different ways in different countries. Those in Britain and the euro zone have done so by spending less. People are unlikely to treat this as "additional income", argued Gertjan Vlieghe, a member of the Bank of England's monetary policy committee, in a recent speech. In America and Japan, by contrast, excess savings are a result of higher income because of stimulus payouts, not spending cutbacks. In that situation, Mr Vlieghe said, excess saving "can more reasonably be interpreted as 'additional income'", which consumers may be happier to spend.

And that points to a striking contrast with the post-war boom. America's recovery was impressive enough, but Europe's was even more so, with GDP growth running 50% faster throughout the 1950s. This time is different. As the pandemic wanes it is America, where more stimulus is in place and where consumers are likelier to spend it, that seems set to leave the rest of the rich world in its dust. ■

Oil prices

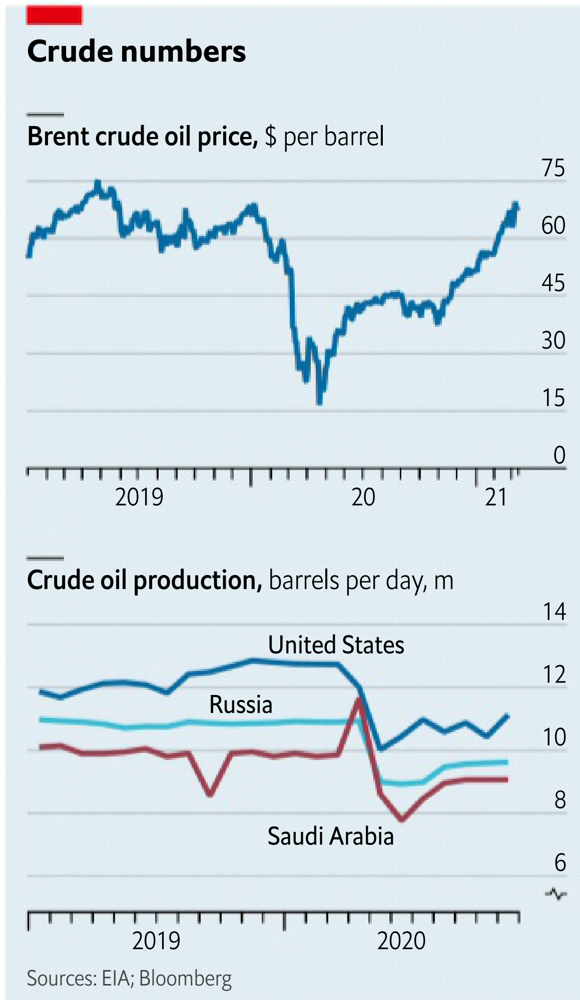
High and tight

NEW YORK

Oil markets prepare for lofty prices and restrained supply

WHAT A DIFFERENCE a year makes. On March 6th 2020 Saudi Arabia and Russia failed to agree on a deal to restrain production. A price war ensued, with the two giants unleashing millions of barrels of crude just as covid-19 prompted lockdowns and demand dried up. Now Saudi Arabia and other producers are curbing output as demand rises. The price of Brent crude, the international benchmark, briefly climbed above $70 a barrel on March 8th for the first time since May 2019. It dipped a little thereafter, to $68 on March 10th.

The surge comes amid a broader boom for commodities from copper to corn, as Chinese imports rise and supply remains constrained. But oil's climb has been particularly vertiginous. In April last year the price of Brent dipped below $20 a barrel and one American futures contract briefly became less than worthless. Since late October, however, Brent's value has risen by nearly 100%. By the third quarter, analysts at Goldman Sachs, a bank, reckon it could reach $80.



Three successive events have helped jolt oil prices upwards this month. On March 4th the Organisation of the Petroleum Exporting Countries (OPEC) and its allies surprised the market by agreeing to extend production cuts to April. Then, on March 6th, America's Senate passed a $1.9trn stimulus bill, which should boost economic activity in the country that remains the world's most voracious consumer of oil. Fears of supply disruption have raised prices further. On March 7th Houthis (Shia rebels fighting the Saudi-backed government in neighbouring Yemen) tried to attack Saudi Arabia's Ras Tanura, home to three giant oil-export terminals and a refinery that supplies a quarter of the kingdom's fuel.

There was no damage to Ras Tanura, but the attack was the most significant since September 2019, when strikes briefly knocked out half of Saudi production. The latest attempt has rattled markets already anxious about America's recent air strikes in Syria. In addition to the higher risk of disruptions to Saudi output, it looks less likely that America will quickly lift sanctions on Iran, a giant crude producer whose exports have been reduced to a trickle, smuggled out on ships with transponders switched off to evade detection.

After the attacks in 2019 oil prices ▸▸

climbed briefly, note analysts at the Royal Bank of Canada, before subsiding amid confidence in ample supply. The market now looks much tighter. "'Drill, baby, drill' is gone for ever," Abdulaziz bin Salman, Saudi Arabia's energy minister, declared this month, referring to America's shale industry. Texan oilmen may bristle at such a taunt, but investors will continue to rein in their capital spending. America may not reach its pre-pandemic levels of production until late 2023, reckons Rystad Energy, a research firm.

For now, OPEC and its allies look similarly restrained. Prince Abdulaziz remains particularly wary of raising production too soon. In addition to brokering the broader deal with OPEC and its allies, Saudi Arabia said it would extend its additional cut of 1m barrels a day through to April. Russia is slightly less cautious—it will increase output by a modest 130,000 barrels a day—but it has a new reason to keep prices up. Higher social spending means that the country now requires an oil price of $64 a barrel to balance its budget, up from an average of $51 in 2018 and 2019, estimates S&P Global Platts, a data firm.

For petrostates, there is a risk in keeping supply too tight. They want prices to remain high enough to balance their budgets, but not so high that they trip up the recovery in demand. The distribution of vaccines has hardly been smooth (though there are signs of progress: on March 4th more than 2.6m doses were administered in America). India's oil minister, Dharmendra Pradhan, has asked OPEC and its allies to boost supply to lower prices and support the country's economic recovery, a plea that has so far won little sympathy. The oil cartel meets again on April 1st. ■

Buttonwood Winter's tale

How America's blockbuster stimulus affects the dollar

HERE IS THE tale of the dollar so far in 2021. It came into the year on a declining trend. A lot of people were mildly chary of its prospects. The gist was that people had bought a lot of dollars last year. They might wish to sell some. There has since been a dramatic upward revision to forecasts for GDP growth in America. This has been mirrored in sharply rising Treasury yields. Growth upgrades; higher interest rates; both are good for currencies. The result has been a stronger dollar.

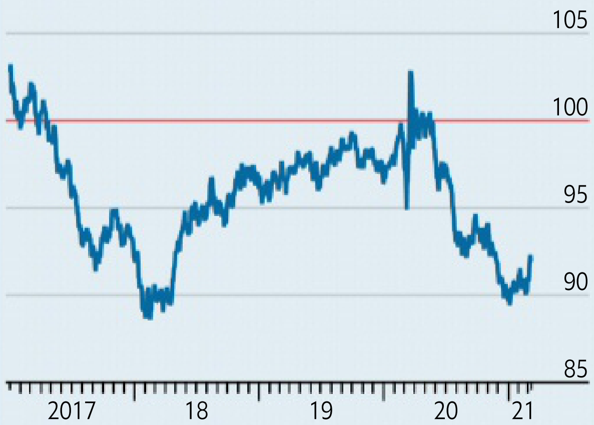
It is not sufficient for a strong dollar that America does well; others must also be doing badly. "If the US economy grows incredibly fast and nowhere else does, the dollar will go up," is how Kit Juckes of Société Générale, a bank, puts it. The question is: can it keep going up and for how long? The dollar usually provokes strong feelings in the currency fraternity. It is either loved or hated. That is not the case now, which is remarkable. There may be a strong-dollar story. But there is no really strong story about the dollar.

To understand why, consider first the important drivers of currency moves: trade flows, relative interest rates and risk appetite. Trade flows track the underlying demand for a currency. If domestic interest rates rise relative to foreign ones, that attracts speculative capital inwards, supporting a currency. Shifts in risk appetite can overwhelm these fundamentals. Indeed that was the story in 2020. Last March, when suddenly the priority was to have cash, the cash that people wanted was dollars. The DXY index, a weighted average of the dollar's exchange rate against six other widely traded currencies, rose sharply in mid-March, as covid-19 panicked markets. The Federal Reserve responded by opening swap lines with other central banks to ease the dollar shortage. Then, over the rest of the year, the dollar declined, as risk appetite revived.

The greenback's bounce-back this year is more about interest-rate differentials. Here the story gets a little frayed. The interest rates that you would normally think of as mattering for speculative currency flows are short-term rates. But central banks are not for moving those soon. So bond yields have become a signifier, since they in part reflect the as-yet-distant tremors of moves in future short-term rates. Bond yields in turn are responding to growth expectations. The dollar responds by moving higher.

After all, what currency would you swap it for—the euro? America's economy is roaring back, while much of euro-land remains closed, and the distribution of vaccines has been (how to put it charitably?) sluggish. You can make a case that the Federal Reserve will have to tighten monetary policy sooner than it thinks. But the European Central Bank looks set to keep interest rates near zero indefinitely. The same goes for the Bank of Japan.

Whistling DXY
US dollar trade-weighted exchange rate
Against a basket of major currencies, March 1973=100



Source: Bloomberg

Britain's vaccination programme has been a success, which helps explain the rising pound. But Britain remains locked down and its economy is still suffering. Rising crude prices have pushed up the currencies of big oil producers, such as Canada and Norway. But beyond these, there are few currencies you might prefer over the greenback.

The dollar seems likely to rise a bit further in the near term. "There are a lot of stale short-dollar positions," says George Papamarkakis of North Asset Management, a hedge fund. Speculators who have a bearish view of the dollar have already sold it short. If the currency keeps rising, they may be forced to buy it back. Another factor in the dollar's favour is that risk appetite is less ravenous than it was. Equity markets are choppy. The dollar might be the least-worst place to sit out the volatility. And if the financial markets suffer a full-scale tantrum, the greenback could benefit from a flight to safety.

Later in the year, though, there is a case for a mildly weaker dollar. A big part of that story is that a booming American economy will lead to a wider trade deficit: strong demand in America will spur activity elsewhere. Asia is already doing well. Europe is lagging but will enjoy an upswing once vaccination rates pick up. Risk-taking would then revive. "When the US is doing well, and also bringing the world with it, there are more interesting places for investors to put their money," says Mr Juckes.

As the days grow longer, 2021 might start to look less like early 2018, when a faster pace of interest-rate increases in America drove up the dollar, and more like 2017, a year of broad global growth and a falling dollar. The story of the greenback in 2021 could yet have a twist.

Trade

Shots fired

WASHINGTON, DC

The many guises of vaccine nationalism

HOW SHOULD vaccines be doled out? By need, or willingness to pay? Or by the terms of contracts agreed last summer, as interpreted by producers pumped with government funds? With jabs in short supply, some governments are taking matters into their own hands. On March 4th Italy and the European Union blocked a shipment of 250,000 vaccine doses produced by AstraZeneca bound for Australia (see Europe section). It is not the first curb on vaccine exports. Nor will it be the last.

Since January 29th, companies wanting to export vaccines from the EU have had to seek permission from both the country where production takes place and the European Commission. Trade is still flowing; by March 9th the EU had exported 34m vaccine doses to 31 countries. But the process now involves extra paperwork, missed flights and general uncertainty. In one case the checks delayed jabs meant for a trial in Latin America. They also disrupted a shipment that was going abroad and had been intended to validate the quality of a bigger batch meant for the EU. (Both were eventually approved.)

Precious cargo

Other restrictions have been more subtle. On February 20th Adar Poonawalla of India's Serum Institute, a large vaccine manufacturer, caught attention by tweeting that the firm had been directed "to prioritise the huge needs of India". Both the American and British governments signed deals with producers that locked up domestic output for their citizens. That has led to stockpiles of yet-to-be-approved AstraZeneca vaccines in America, which European officials have sought to get hold of (in vain, so far).

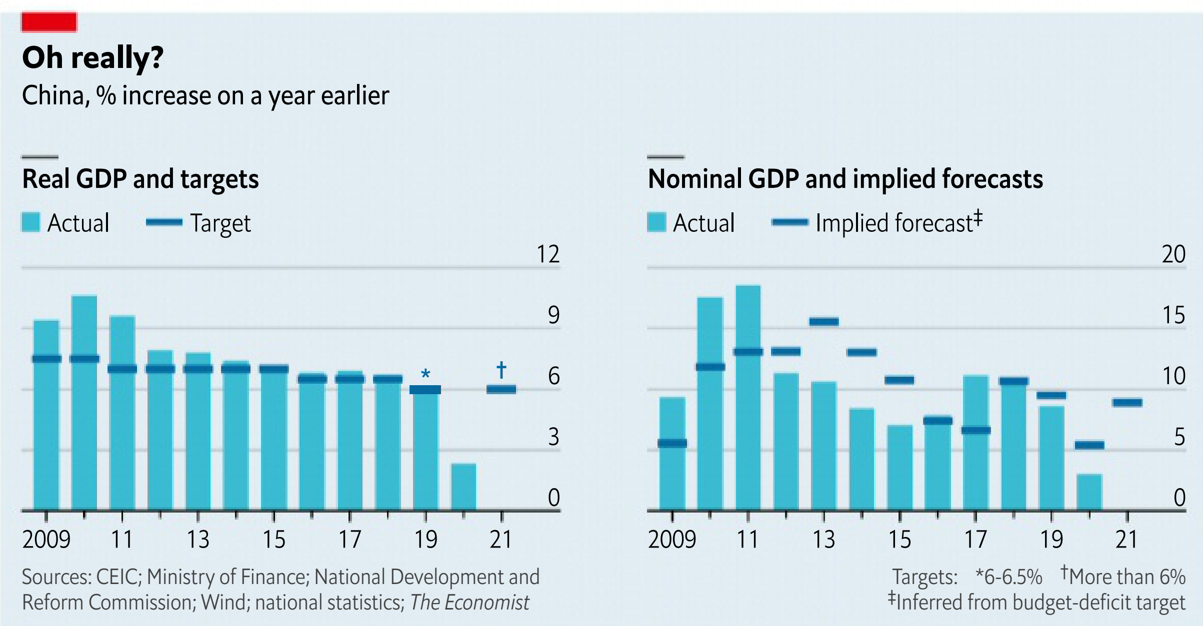
America's restrictions go further. Subsidies to suppliers of some vaccine inputs seem to have been made conditional on America getting first dibs. Exports of syringes and hypodermic needles need approval. And both the Trump and the Biden administrations have invoked the Defence Production Act to direct inputs towards vaccine-making. On March 4th Mr Poonawalla said that such curbs were creating shortages of inputs for vaccine-making, including bags and filters. Richard Hatchett of the Coalition for Epidemic Preparedness Innovations, a charity, has said that although he knew of no cases where the restrictions had halted production, they were leading to shortages outside America.

This is not the first time in the pandemic that governments have turned to trade restrictions. At their peak in April there were 137 export curbs on personal protective equipment (PPE) and other medical products applied in over 70 jurisdictions, reckons Global Trade Alert, a watchdog.

Many of these, which ranged from bans to authorisation schemes, have since been lifted. But both these and the restrictions on vaccines share common causes. Demand far exceeds supply, and governments want to prioritise their own voters. Perceptions of need have informed both. (In early March Italy recorded over 20,000 new covid-19 cases a day, compared with Australia's ten.) Curbs sometimes seem like a panic reaction to imperfect information. A year ago governments knew too little about the availability of face-masks. Now they neither know how exactly companies are allocating vaccines, nor which shots might work best, say, for children.

Yet there are also differences in the markets for PPE and vaccines—and these suggest more curbs on jabs are to come. Where PPE-makers were able to increase output fairly rapidly, it will take much longer for vaccine supplies to meet demand. New variants and the need for booster shots will keep demand high and prolong arguments over who should get what. Vaccine-making is highly concentrated, which makes it easier for a few large producing countries to cut others off. And a new study by Simon Evenett of the University of St Gallen, Bernard Hoekman of the European University Institute and Nadia Rocha and Michele Ruta of the World Bank warns that the murkiness of export curbs means that supply-chain hiccups could be misinterpreted as foul play, and lead to retaliation.

All this could have lasting effects. Prashant Yadav of the Centre for Global Development, a think-tank, warns that a reluctance to share vaccines could limit importers' willingness to share information about new diseases. When governments next negotiate contracts with companies, they will surely keep a much tighter grip on domestic production. Trade relies on trust. Export restrictions endanger both. ■



Lies, damned lies and implied lies

On March 5th China's government set an economic-growth target of "more than 6%" for this year, a bar it will clear with ease. More interesting is what can be inferred from its new budget. It says the fiscal deficit will be 3.57trn yuan, or 3.2% of GDP, in 2021. That suggests nominal GDP is expected to reach 111.6trn yuan (over $17trn) in 2021, ignoring any rounding—an annual growth rate of 8.9% before adjusting for inflation. From 2012 to 2019, China's real growth met its targets with suspicious precision. But nominal growth often fell short of the pace implied in the budget. Perhaps inflation was unexpectedly weak. But it is odd for inflation to undershoot when real growth does not. Another possibility is that statisticians understate the rise in prices so as to overstate the rise in output. If so, China's "real" growth is not as real as it claims to be.

Liquefied natural gas

The polar silk road

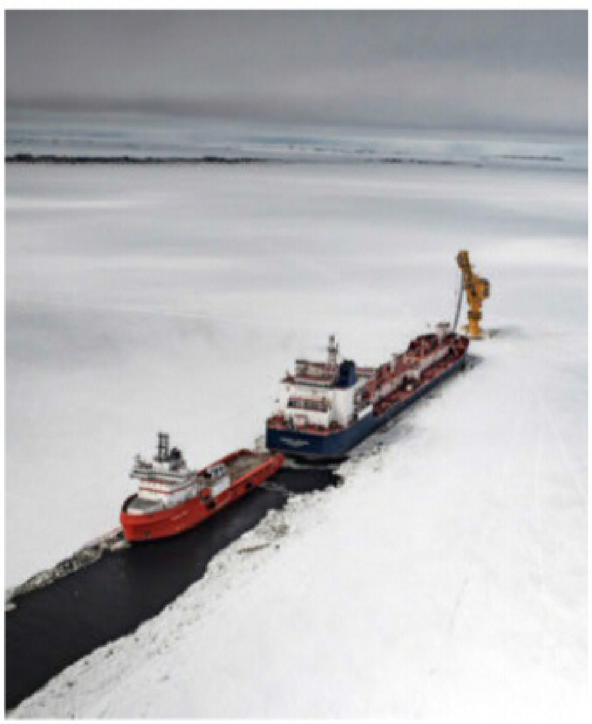
Warmer Arctic waters could turn the tides in LNG markets

EXPLORERS TRIED for centuries to find a viable route through the Arctic to link Europe and Asia. SS *Vega* was the first to transit the north-east passage connecting the two, in 1879, but it was only in 1932 that a ship—the icebreaker *A. Sibiryakov*—made the trip in one go, without having to stop for the winter. What little commercial shipping there was along the route all but vanished after the fall of the Soviet Union.

The discovery and extraction of vast liquefied natural gas (LNG) reserves on the Yamal peninsula in Siberia in the past decade has renewed interest in bulk transport on the waters of the high north. The warming of the Arctic, and the development of ice-strengthened tankers able to cleave their way through floes up to two metres thick, now make it possible to ship gas and other materials year-round, though especially cold winters may still hinder traffic.

In January this year, thanks to a rise in Asian economic activity and high consumer demand, it was profitable for three vessels carrying LNG to travel between the Sabetta terminal on the Yamal peninsula and north Asian ports. As hydrocarbons begin their decline, Novatek, the Russian company that commissioned these shipments, is gambling on sustained or even growing demand from Asian and European markets.

The three ships were new Arc-7 class tankers, with engines running on the same gas contained in their hulls. This makes them far less polluting than conventional ships powered by bunker diesel. Russia is especially nervous about maritime accidents after the 1989 *Exxon Valdez* disaster in Alaska, which was difficult to clean up and caused extensive environmental damage. Russian lawmakers raged against Nornickel, a miner of metals, after a diesel spillage last year, whacking it with a fine of 146bn roubles ($2bn)—the biggest environmental penalty ever imposed on a Russian company. If the Arc-7 ships did run aground or get crushed in the ice, there would be next to no slick and their cargo of LNG would evaporate.



Going with the floes

Non-ferrous metals constitute some of the traffic along the Northern Sea Route (NSR), which runs from the Kara Sea to the Bering strait, but gas is fuelling the revival. And Novatek, which owns the LNG exploitation rights and infrastructure on the Yamal peninsula, is behind it.

Vladimir Putin's government provided a leg-up to Novatek, including through generous tax breaks. These have accelerated Russia's LNG capabilities. Novatek used to rely on Japanese expertise to extract and compress gas in the extreme Arctic conditions. "Now Russia is fully self-sufficient in LNG technology," says Alexander Sergunin of St Petersburg State University.

Novatek's main advantage is a much shorter sail to market. The NSR makes a voyage between some Asian and European ports about 4,000 miles shorter than the Suez canal route, saving an average of ten days at sea. New shipment hubs near Murmansk in the west, and in Kamchatka in the east, will further speed up conveyance.

The idea is to use the Arc-7 tankers as ice shuttles between Sabetta and these new hubs. Standard tankers, which are cheaper to build and operate, will then move the gas to customers. The distance between Murmansk and the big north European ports, and Kamchatka and the big north Asian ones, is about a quarter of the distance between the Middle Eastern LNG export hubs and the Asian or European hubs. Arild Moe of the Fridtjof Nansen Institute, a think-tank in Lysaker, Norway, notes that the Yamal peninsula could supply at least 70m tonnes of LNG a year by the end of the decade—almost as much as Qatar, the world's biggest exporter, manages today.

If the overseas bet does not pay off, there are always domestic consumers. Only 70% of Russia is on the gas grid. LNG is generally accepted as the preferred short-term replacement for diesel fuel in deep-sea cargo vessels. And the plastics and composites sector is growing, too. Russia is also working on a hydrocarbon diversification plan. Last year Alexander Novak, a deputy prime minister, launched a committee with big producers, including Novatek and Gazprom, to set the strategy.

As for the route itself, container shipping currently attracts little interest. Because Russia imposes certain rules on transit through the NSR, ships must seek permission for passage. That annoys the Americans, who call for free movement in all waters. But the Panama and Suez canals are increasingly crowded; untenable tailbacks there, or a war in the Middle East, could perhaps tempt shipping companies north. By that time, Russia may have built a fleet of ice-strengthened behemoths. ■

Fintech in China

Mood swing

HONG KONG

Once relaxed about fintech, the state now wants to be at its heart

FINANCIAL TECHNOLOGIES "cause turmoil when loosed" yet "perish once regulated", a deputy governor of China's central bank observed last year. This is an apt description of the dilemma facing the country's regulators. Innovation has swept its financial markets over the past decade. It has produced some of the world's most valuable technology companies, such as Ant Group, and in some cases, such as peer-to-peer (P2P) lending, led to fraud and losses. Regulators have fintech in their sights. But what is it they hope to achieve?

The rise of fintech in China has been unmatched elsewhere. Cash has vanished from cities, replaced by mobile and QR-code payments. Tech groups processed 210trn yuan ($32trn) in payments in the first nine months of 2020, twice the amount in 2016. Consumers often manage wealth products or buy insurance on their ▸▸

phones; borrowing to shop on virtual malls has never been easier. Tech firms helped broker trillions of yuan in micro-loans last year.

That rapid growth far outstripped regulatory capacity. Much of the oversight fell to provincial watchdogs that were simply outgunned. A former mayor of Chongqing complained that Ant used the jurisdiction to securitise 3bn yuan in loans many times over to raise more than 300bn yuan. Beijing's vice-mayor said in November that its finance bureau had 70 staff policing 70,000 firms. The central-bank official wrangling with the dilemma admitted that regulation had "malfunctioned".

The state is rectifying that. Its efforts can have drastic results. Just look at P2P lending, where widespread fraud and billion-dollar scandals drew regulators' attention in 2016. The sector has been largely wiped out. Outstanding loans from nearly 7,000 platforms fell from about 1trn yuan in May 2018 to half that by 2019 (see chart). According to regulators, all platforms had closed down by November last year. Losses have devastated some households.

The campaign has gone on to target other forms of internet-enabled finance. Its culmination has been an attack on Ant. Regulators halted its $37bn initial public offering (IPO) two days before its launch in November 2020 and published draft rules targeting Ant's lucrative micro-lending business. An estimated $100bn has been wiped off the $310bn valuation it fetched ahead of its listing. Ant and its founder Jack Ma have been held up as bad actors. Gavekal Dragonomics, a consultancy, concluded after the death of the IPO that China's "frontier era for fintech is now over".

The final rules, published in February, take effect next year. In contrast with P2P, they do not seek to crush the fintech giants. Instead the state has three main aims for fintech's next phase. The first is to control tech-linked leverage. The revelation in its prospectus in July that Ant had facilitated some 1.73trn yuan in loans off its balance-sheet, but on banks', was a warning to regulators. The model, copied by other tech firms, incentivises the companies to broker micro-loans for a fee. Yet they face almost no risk if borrowers fail to repay.

The new rules will make Ant and other mobile lenders look more like banks by making them provide the funds for at least 30% of the loans they make. As of June Ant had put up only 2% of the capital in its micro-loans business, which had kept its cost of capital low and limited its exposure to bad debt. Banks will be allowed to write no more than 50% of their loans through fintech partners, and must limit such lending to 25% of their tier-1 capital. This will force tech firms to work with a few big banks.

Ant itself is transforming its freewheeling fintech operations into a financial holding company. The central bank has said it wants the firm to "return to its roots". That could mean Ant's businesses outside of payments, such as insurance, wealth management and consumer lending, will come under fire.

The state's second aim is to control data. Many of the tech groups operate vast networks of services—from shopping and ride-hailing to food delivery and health services—that collect dozens of data points from hundreds of millions of users every day. It is these data that help them derive rich credit appraisals for loans. The central bank is strong-arming tech firms into sharing this valuable information in the hope of building a central database.

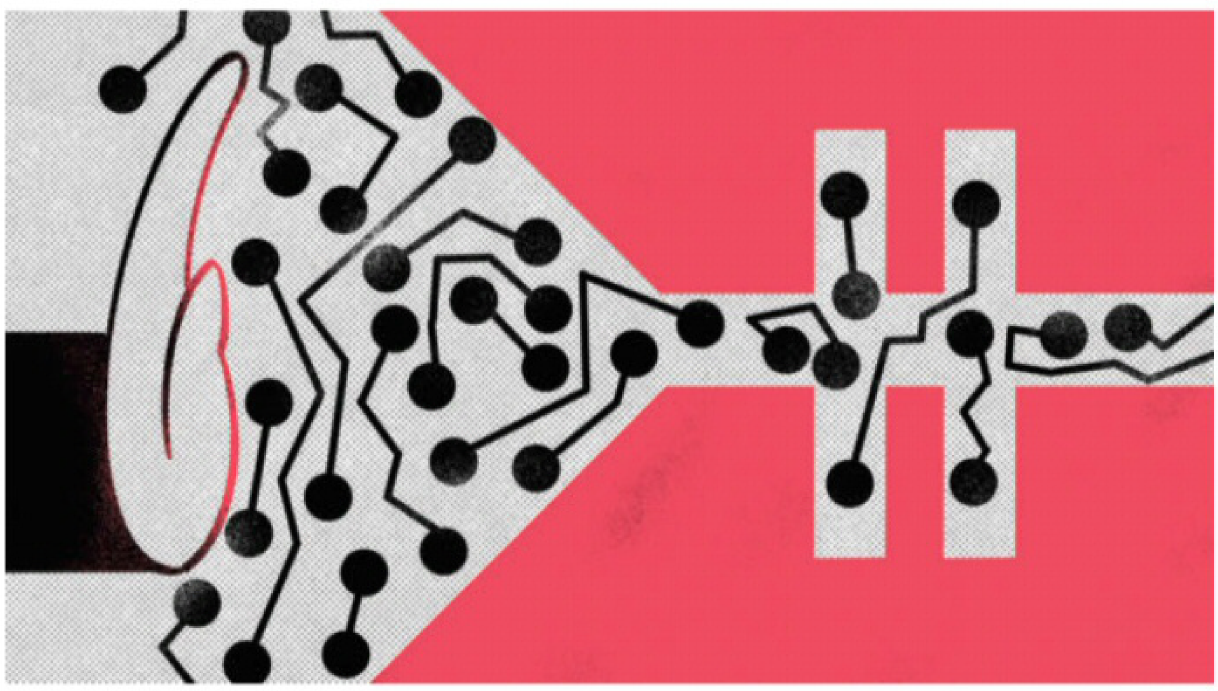
The attempt to rein in leverage and break up data monopolies has met with praise from several quarters. "There is indeed an urgent need for upgrading the regulatory framework," says Chi Lo of BNP Paribas Asset Management. Even a prominent tech investor says the tech giants had "abused their market power" and that it was time they faced scrutiny.

Ant's data-modelling largely held up even through the worst of China's economic contraction during the early outbreak of covid-19, says an adviser who has seen its loan-performance data. But the wider micro-lending boom has failed, says an executive of a large fintech firm in China. Credit-hungry borrowers have built up debts across platforms, often leaving lenders in the dark. A central scoring system will come at the expense of Ant and Tencent, which have the most user data. But for smaller tech groups it will be a boon.

The state's third objective, to play a more active role in fintech, is more controversial. Without help from tech companies, banks' consumer lending is bound to hover around 22% of their balance-sheets, the dismal industry average for the past decade, reckons BNP. Simply handing over data to the government is not enough to boost lending, says a consultant who works with the tech firms. The data lose their value when separated from the network of daily interactions hosted by the tech companies. The task for regulators is therefore to keep banks and tech firms connected. The interactions will be monitored more closely by regulators. Banks' reporting standards for tech-linked lending have already become stricter.

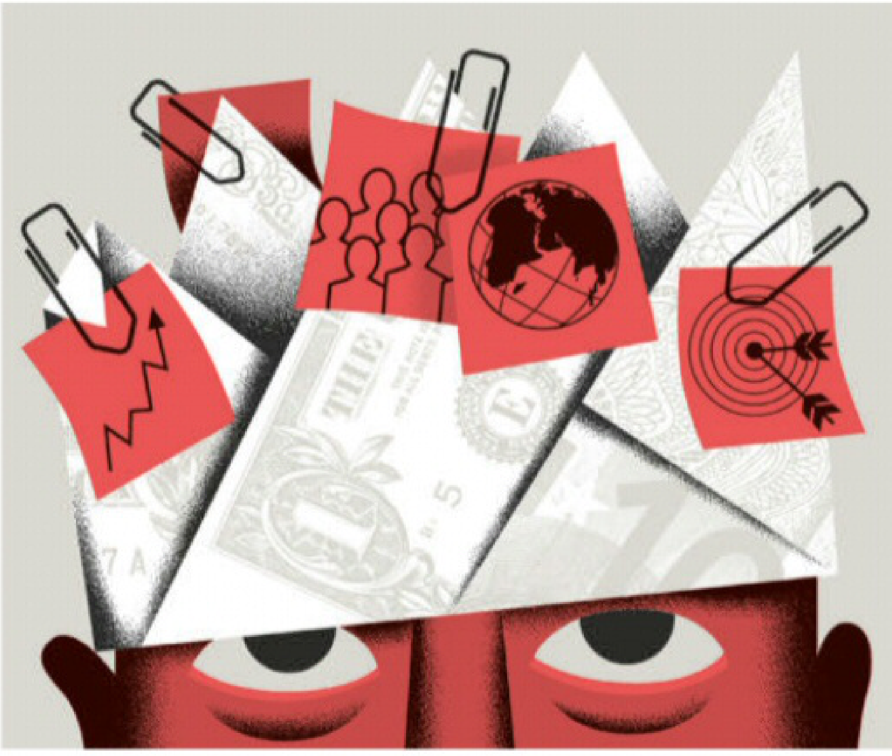
Several cities have launched regulatory "sandboxes" to test new technologies before they are deployed widely. The state looks set to dominate these. Banks have launched most of the 60 projects in the sandboxes, notes Plenum, a consultancy, with many large state lenders involved.

Moreover, the central bank is testing a digital currency. The so-called "eCNY" is expected to give the state more control over payments and a better view of cashflows throughout the economy. No internet platform could raise billions of yuan without alerting the authorities. The currency could disrupt mobile-payments operators such as Ant and Tencent—it is even being designed to be used offline, giving the government an edge over the fintech firms. The state hopes that designing its own financial technologies will cause less havoc. Private-sector firms may disagree. ■



Free exchange | Many hats

The perils of asking central banks to do too much



THE PARLIAMENTARY act that chartered the Bank of England in 1694 begins by describing the motivation of its authors, "to promote the publick Good and Benefit of our People". Ideas about how best the bank can serve the publick have changed a bit over the centuries, from managing the market for government debt, to maintaining the value of sterling against gold, to, in recent decades, keeping inflation in the region of 2%. On March 3rd its mandate received another tweak, when Rishi Sunak, the chancellor, declared that it should conduct policy with an eye towards environmental sustainability. The adjustment is just one example of a wider phenomenon, in which central banks are told to accept, or themselves take on, tasks beyond the standard monetary ambit. The mission creep is enabled by a sense that central banks can and should do more, given their firepower and competence compared with some other government officials. But tempting as it is to allow authority to flow to those who use it well, adding to central-bank mandates poses both economic and political risks.

Though central banks have been around for ages, the idea that they should operate at a remove from meddling politicians is a fairly recent one, stemming from the experience of high inflation in the 1960s and 1970s. Economists worried that governments could not commit themselves to keeping inflation low, since they would be tempted to use an unexpected burst of monetary expansion to deliver a short-run jobs boom—even though this would ultimately leave inflation higher, while employment fell back to a more sustainable level. By delegating control over the money supply to central banks, governments freed themselves from temptation, and opened the door to lower inflation and a less volatile business cycle. From the 1970s to the 1990s most rich-world central banks were told to focus on price stability (alongside full employment in some cases, as with the Federal Reserve) and were granted some measure of independence to do the job.

Lately, however, the relationship between central banks and governments has grown complicated. To manage the global financial crisis and the covid-19 pandemic, central banks intervened in a range of financial markets, in some cases buying corporate bonds and equities. To stimulate economies and keep markets functioning they hoovered up massive amounts of government bonds, an action that could be confused for the monetary financing of public debt. At the same time, their struggles to revive inflation have turned some monetary officials into vocal advocates for fiscal stimulus—quite a reversal from past practice. The boundary between the fiscal and monetary spheres, once so clear, has blurred. That central bankers like Christine Lagarde of the European Central Bank (ECB) and Jerome Powell of the Federal Reserve are more politically polished than some of their more bookish predecessors further muddies the picture.

As all this has occurred, both governments and central bankers have also taken a more expansive view of the latter's mission. Many central banks were handed new financial-stability responsibilities after the financial crisis. Now another rethink seems to be under way. Last month the Reserve Bank of New Zealand was instructed by the government to take account of house prices when setting monetary policy. Some monetary officials are paying more attention to inequality and the welfare of marginal workers. The Fed recently revised its policy framework, partly in recognition of the fact that premature tightening tends to impose disproportionate harm on black and Latino workers. Climate change has become a hot topic. In January Ms Lagarde said the ECB was assessing how it might contribute to European climate goals. Mark Carney, a former governor of the Bank of England, was also vocal on the matter of climate change. As a consequence of Mr Sunak's announcement, the bank will adjust its corporate-bond-purchase scheme so as not to subsidise firms with large climate footprints.

Some of this new expansion of horizons is defensible. Where climate change poses financial-stability risks (by threatening systemically important insurers, say) central banks are right to take note. Had the Fed worried more about joblessness early in the 2010s it might have been less eager to tighten monetary policy—and more likely to hit its inflation target. But, where they were once granted independence because governments could not help but inflate, central banks now plead for more government spending to help reflate depressed economies. Meanwhile, central banks' insulation from politics makes them a convenient place to delegate jobs that elected officials would rather not handle. Politicians seem as though they're ducking their responsibilities—and, in the process, make central banks seem like political actors. The ambiguous and occasionally conflicting nature of tacked-on goals encourages a view of central bankers as multi-tasking dilettantes, rather than stolid guardians of the currency.

You had one job

To shift state power beyond the scope of democratic accountability is no small thing. If runaway inflation is less inevitable than once feared, then the independent central bank may appear to have outlived its usefulness. But perhaps not. Should America's new willingness to pass fiscal stimulus prove a sign of things to come, then a credible promise to halt unacceptably high inflation by raising interest rates may still be essential. By keeping inflation expectations anchored, a central bank could limit the inflationary effects of stimulus, and perhaps also discourage fiscal excess.

Credibility depends, however, on the perception that central banks can indeed act independently. Expanding their remit to include policy issues like climate change or housing affordability not only places even more responsibility beyond the arena of democratic accountability. It also blurs the boundaries between governing and central banking. There are better ways to serve the publick Good. ■

Easing the lockdowns

Back to normality?

TEL AVIV

Vaccine passports offer a beguiling route back to freedom. But governments should beware their pitfalls

On March 7th, after six months of selling takeaways, the beer was once more flowing in the pizzeria at Bet Romano in Tel Aviv. The bar and restaurant upstairs were packed. Most patrons carried proof that they had received a double dose of the Pfizer/BioNTech vaccine, but no one asked to see it. At nearby establishments that were trying harder to verify vaccination status, people queued with pieces of paper and smartphones. These contained authorisations from health-care providers; immunisation certificates from the health ministry; and the "green pass", a government app that confirms vaccination and which is illustrated with a picture of a family frolicking across a verdant landscape.

Israel's covid-19 vaccination programme has been the world's fastest. Over half of adults have had at least one jab, and 90% of those over 50 have had both. Anyone aged 16 or over is now eligible for the vaccine. But rather than wait for herd immunity—in which resistance becomes widespread enough to curtail the spread of the virus—the government has, since February 21st, allowed the vaccinated to return to gyms, concert halls, theatres and other indoor venues.

The experiment is being watched around the world. Worried about stalled economies and restive citizens, governments have leapt on the idea of "vaccine passports" as a way to free at least some people from lockdowns. In January Joe Biden, America's president, ordered his government to assess the idea. On March 8th the country's guidelines about social mingling were updated to distinguish between the vaccinated and unvaccinated for the first time. The European Commission will put forward plans for a bloc-wide "digital green pass" on March 17th. Britain is considering a vaccine-passport scheme too. In some versions of the idea, the passports would include not just vaccination status, but results from infection tests, proof that the bearer had completed a period of quarantine, or exemptions from vaccination for health reasons.

Vaccine-related restrictions are not a new idea. Visitors to places where yellow fever is endemic have to prove vaccination with a "yellow card". Immigrants to America must be vaccinated for 15 diseases listed by that country's Department of Health before they can become permanent residents. So must children in all 50 states before attending public schools (though there are exemptions for the immunocompromised and religious objections). In many places, similar rules apply to some health-care workers and to soldiers.

But when it comes to covid-19, not everyone is so keen. Policy experts argue that, in many countries, vaccination is moving quickly enough that passports will be only briefly useful. Civil libertarians and security researchers worry that governments may be tempted to misuse the data, and exploit the control they grant over people's lives. Public-health experts say it is too early to know whether the idea is medically sound. Vaccines offer potent protection from SARS-COV-2, the virus that causes covid-19. Although it looks very much as if they also significantly cut transmission, that is not yet certain. Any policy must grapple with questions of fairness and coercion; private approaches to risk versus communal ones; trade-offs between infection and economic activity; and the question of what lockdowns have done to people's psyches.

Security is a good place to start, for if passports are to work they must be trustworthy. Researchers who examined Israel's app found several flaws. Problems with the first version of the app meant that clever fraudsters could sell fake certificates online. The moving image in the latest version was supposed to improve security, but can still be copied. "While Israel is an exporter of high-tech, it doesn't always adopt the same standards when it comes to its domestic needs," says Ran Bar-Zik, an Israeli cyber-security consultant. Enforcement matters, too. In Tel Aviv there seems to be little effort to ensure that venues check paperwork. "If I have to put someone at the door to go through the entire process of approving every client, I won't get any business," says one bar-owner.

Papers, please

Nosy governments are another risk. Last year Singapore pledged that data from its contact-tracing app would be used for no other purpose. In January it said that, in fact, the police had been granted access for crime-fighting. That was enough to annoy even Singapore's usually compliant citizens. Vivian Balakrishnan, a Singaporean minister, said he took "full responsibility" for what he called a "mistake".

In China compulsory health apps use location data from smartphones to produce QR codes that determine whether someone is free to enter many indoor spaces and to travel without restrictions. Tracking data appear to be shared with police. The risk calculations are a black box and the code seems glitchy. Even after a period of mandated quarantine is over, the apps may not update to reflect that fact for days. Even so, they look likely to become a permanent fixture.

Incompetence and snooping could taint the whole idea of vaccine passports and provide grist to covid-conspiracists' mill. But privacy worries are not insurmountable. David Chadwick, formerly a computer-science professor at Kent University, in England, is the boss of a spin-off company called Verifiable Credentials. Before the covid-19 pandemic, his firm was working on a privacy-focused scheme for workplace identity cards, parking permits, concert tickets and the like. "I wasn't thinking about health applications at all," he says. These days covid-19 is his priority.

The idea is to ensure there is no connection between the source of a person's vaccination data and the entity requesting it. Individual users are linked securely with their smartphones using biometrics and some form of government-issue identity document, a process similar to registering for mobile banking. A user seeking entrance to a "covid-secure" venue would have entry rules transmitted to their phone at the door. The app would check those rules against the user's data and spit out a simple "yes" or "no"—and nothing else. Specifics such as a person's name, age, address, the date of their vaccination and the like would not be reported, limiting the opportunity for mischief.

In April 2020 Verifiable Credentials demonstrated that its prototype would be able to verify vaccine status and covid-test results, as soon as those things existed. Its app is being tested with dummy data at a cinema that actors are using as a rehearsal space, and with real data at a British hospital, where it has replaced existing paper-based methods. The firm is also working on a physical version for use by those without smartphones.

Even if privacy worries can be assuaged, public-health bodies fret about the perceived fairness of what vaccine passports would enable. Most countries have put the elderly at the head of the queue for vaccination, since they are most likely to die from covid-19. Passports raise the prospect that vaccinated pensioners will be allowed to roam freely, while the young—who have been confined to quarters largely to protect their elders—remain under lockdown.

In some countries those worries may be heightened by racial implications. Black Americans are more dubious about vaccines than white ones, and some who want jabs find it harder to get them. They are also, on average, younger than their white compatriots, which means they are further back in the queue. When vaccine roll-outs are fast and free, and priorities are set justly and transparently, questions of equity will be transient. But in countries where politicians queue-jump or herd immunity is years away, they may cause resentment.

Vaccinating, fast and slow

Population receiving at least one dose of a covid-19 vaccine, % of total

To March 9th 2021

Source: Our World in Data

And then there is the question of what to do with those who cannot or will not be vaccinated. Governments will be under pressure to grant exemptions, especially for medical contra-indications. But each unvaccinated person allowed into supposedly covid-safe spaces would make them less so. Another worry is that the unvaccinated could become less employable. A global survey by Manpower, a recruitment agency, published on March 9th found that a fifth of employers planned to start mandating vaccination for at least some roles, and another 14% were undecided. As soon as herd immunity has been reached, it makes little sense for employers to care about such matters—but some may, especially if customers keep asking. That could make vaccines close to compulsory.

The most fundamental criticism is that it remains unclear whether vaccine passports will even do the job they are supposed to. On February 5th a paper from the World Health Organisation (WHO) argued that vaccinated people should not be exempt from lockdown and quarantine rules. It said that using vaccine passports for border crossings would be "premature" (though it is so sure this is imminent that it is nevertheless drawing up suggestions for how best to do it). On February 17th the Ada Lovelace Institute, a think-tank that is tracking proposals for vaccine passports globally, concluded that they are "not currently justified".

One reason is that, although existing vaccines seem very effective at preventing illness, it is not clear whether they completely prevent infection with the virus, or remove the ability to transmit it to others. (One paper published in June, before any vaccines were available, estimated that more than a third of those infected with covid-19 display no symptoms but can still infect others.) There are some encouraging signs. A leaked draft of a paper put together by Pfizer and Israel's health ministry suggests that receiving both doses of the Pfizer/BioNTech vaccine cuts asymptomatic cases of covid-19 by nearly 90%. Another paper, published by researchers at Cambridge University Hospitals NHS Foundation Trust, but not yet peer-reviewed, looked at asymptomatic health-care workers at a British hospital. It found that a single dose of the Pfizer/BioNTech vaccine cut asymptomatic cases by 75% after 12 days. But the evidence is not yet strong enough to convince wary public-health officials.

Another reason is that mutations in SARS-COV-2 mean that whatever conclusions are arrived at today might change in

A ticket to freedom

future. Scientists hope that existing vaccines should be able to deal with the variants of the virus that have arisen thus far. But a novel variant against which they are less effective could emerge at any time. New vaccines would almost certainly be developed swiftly. But until they were deployed—a much bigger job—passport systems would be useless.

A final point is that the usefulness of a vaccine-passport system is inversely related to how quickly a country can vaccinate its citizens. Early in a vaccination programme, few people would benefit. Towards the end, the passports would be of little help. In countries such as Israel, where vaccination is proceeding rapidly, the span of time during which passports are useful could prove quite short. In those countries where vaccine roll-outs are slow, it may be needed as a crutch for longer (see map on previous page).

But precisely because countries are vaccinating at drastically different rates, covid passports could come into their own for international travel. Even as America, Britain, Israel and a few other countries sprint towards herd immunity, only 7% of EU citizens have had their first jab. In some poor countries vaccination is likely to continue until 2023 or 2024. Without a way to speed the vaccinated through airports, the world will remain locked down even if some individual countries do not.

Many countries are therefore poised to incorporate vaccine passports into their entry rules, says Nick Careen of the International Air Transport Association (IATA), an airline-industry group. Ordinary people are desperate to see family and friends abroad, and to go on holiday. Within the EU, Greece is the strongest supporter of a bloc-wide vaccine passport. Before the pandemic, tourism accounted for a fifth of its GDP. Its hotel owners and restaurateurs hope that vaccinated tourists could help rescue their summer season.

Several nations have already cobbled together systems designed to allow at least a bit of travel to continue. They require a negative covid-19 test before setting off, and quarantine upon arrival. These work in only the narrowest sense. Quarantine deters all but the most desperate (or footloose) travellers. They can be hard to manage. After Britain tightened its rules in January, passengers arriving at Heathrow, its biggest airport, took many socially un-distanced hours to traverse the queues. If vaccine passports lack standardised verification procedures, Mr Careen says, the result could be "total chaos".

Quick release

IATA hopes its Travel Pass project will come to the rescue. Under development before the pandemic, it aimed to speed up airport transit by making use of biometric information and secure digital identifiers on passengers' phones. It relies on Timatic, IATA's database of visa and entry regulations, which is already used by travel agents, airlines and airports. On a normal pre-covid-19 day, the database needed updating a handful of times. At the height of the pandemic, as governments scrambled to keep out travellers from places with high infection rates and new variants, that spiked to above 200.

Travel Pass is being tested as a standalone app and as a chunk of code that airlines can use in their own apps. Several, including Emirates, Etihad Airways and Gulf Air, have signed up to test it. Other bits of the travel industry, such as cruise lines and resorts, could use it too, says Mr Careen. He hopes that one silver lining of the pandemic might be to speed the arrival of seamless, document-free travel. In ordinary times, he says, that would have required a battery of trials and tests with many different governments. Instead, the pandemic has persuaded countries of the virtues of co-ordinated standards, "practically overnight".

Making passports work internationally, though, will be even harder than making them work within countries. IATA says that testing laboratories and health-care providers will have to be certified, as travel agents currently are. Vaccination will take longest in poor countries, here such verification will also be hardest. Incentives to cheat will be high. Europol, the EU's police agency, says fake covid-test certificates have already started to turn up at borders.

And some of the trade-offs visible inside countries are even starker when considered between them. One is between lowering infection rates and raising economic activity. Vaccinated British holidaymakers visiting Greek beaches will need locals to pour their retsina. Unvaccinated hospitality workers brought out of furlough will catch the disease from each other, if not from visitors.

The world's poorest countries will have to choose between tourist cash and social mixing, on the one hand, and higher rates of infection, sickness and death, on the other—and not just this year, but for several years to come. "If you rely on tourism, you need to be really honest with your citizens about those additional health risks," says Elliot Jones of the Ada Lovelace Institute. "There is a case for modelling the trade-offs, and asking people which ones they're OK with."

Edgar Whitley, a researcher in digital identity and privacy at the London School of Economics, agrees. When big new policy problems arise, he says, governments are attracted by technical fixes that promise a speedy return to the status quo ante. He thinks they would do better to eschew such "techno-naivety" and instead focus on clearer communication regarding risks, and on measures that would enable gradual reopening for everyone as the number of infections falls.

Perhaps the biggest unknown of vaccine passports will be the psychological impact they have. After a year in which few people have crossed a border, and some have barely left home, many may have become more risk-averse. Would a scheme that liberates vaccinated people to mingle with each other provide valuable, though temporary, reassurance on the road to herd immunity? Or would it slow down the return to normality by suggesting to the newly fearful that their fellow citizens are a permanent threat? ■

Democracy in Turkey

The never-ending coup

ISTANBUL

A putsch of 60 years ago still casts a shadow over Turkish politics

ABOUT TEN kilometres from Istanbul's southern shore, beyond the better-known Princes' Islands that were home to exiled Byzantine royals, a cluster of concrete walls rises from the Marmara Sea. Yassiada was once a solemn and neglected place, with a handful of decaying, overgrown buildings. A few years ago Turkey's authorities chopped down most of the trees to make room for a convention centre, a mosque, a hotel—and a museum. Its highlights include a replica courtroom and mechanical wax figures of judges, prosecutors and the island's most famous prisoner, Adnan Menderes (pictured).

Over several months in 1960 and 1961, Yassiada played a role in one of the more shameful chapters in Turkey's modern history, when an army junta deposed and imprisoned Menderes, the country's premier, and executed him and two of his ministers. Few events of the past century have done as much to shape Turkey's contemporary politics. A testament to the fragility of democracy, the story of the coup has been obscured, rewritten and (most recently) wielded as a political weapon by Recep Tayyip Erdogan, the current president. Yet it has been largely untold in English. "A Coup in Turkey" by Jeremy Seal, a travel writer and Turkey enthusiast, fills that gap.

A Coup in Turkey. By Jeremy Seal. *Chatto & Windus; 352 pages; £16.99*

Menderes, a lawyer and landowner, made history in 1950 when his party, the Democrats, prevailed in Turkey's first free elections—unseating the Republican People's Party (CHP), from which Menderes and three of his colleagues had broken, and which had ruled the country since the collapse of the Ottoman Empire. As prime minister he introduced broad reforms. The economy boomed. Infrastructure projects multiplied. Restrictions on religious practice were loosened. Menderes reopened scores of mosques closed down by the Republicans and commissioned a massive new one in the heart of Ankara.

He lifted a ban on the Arabic call to prayer; Kemal Ataturk, post-imperial Turkey's founding father, had ordered it to be recited in Turkish. Yet Menderes did not want to reverse Ataturk's mission to modernise the country, nor to deviate from its pro-Western course. Two years into his premiership, Turkey joined NATO.

The devotion that Menderes inspired among pious, conservative Turks, uneasy about the extent of the secular revolution foisted on them by Ataturk and his disciples, may have gone to his head. During his second term as prime minister he developed an authoritarian streak. The economy foundered, weighed down by inflation and huge debts. The government bullied the opposition, packed the prisons with journalists and in 1955 incited a pogrom against Turkey's dwindling Greek minority. Menderes, in Mr Seal's words, oversaw "a drastic reduction of civil freedoms" that meant "the democratic process [was] limited to the ballot box".

This story of a charismatic Turkish leader who cannot stomach dissent or the prospect of losing power may sound familiar. With his privileged, secular upbringing, Menderes was hardly cut from the same cloth as Mr Erdogan, who sold sesame buns on Istanbul's streets to help his poor, devout family. But they share an ailment that often besets populist leaders in weak democracies—the deepening conviction that they are indispensable. Mr Seal recalls the pamphlets distributed by the Democrats ahead of an election in 1957, which warned of doom for their supporters, and for Islam in Turkey, should the CHP win. That is not a far cry from the rhetoric of today. After nearly two decades in power as prime minister or president, Mr Erdogan has persuaded many voters, and maybe himself, that they risk losing everything if the opposition ever takes over.

To highlight such parallels, Mr Seal peppers his narrative with contemporary scenes. He attends Mr Erdogan's rallies, speaks to friends who fret over Turkey's future and drinks with academics purged from their jobs. But his focus is on Menderes. He tracks down ageing witnesses to the ousted leader's final days, including an army officer who secretly snapped pictures of him on Yassiada, where he and almost 600 other officials were held and tried on trumped-up charges. One shows Menderes in what seems a peaceful slumber, but turns out to be a stupor brought on by a failed suicide attempt. Another image, taken by a different photographer, shows the deposed prime minister, broken by months of abuse, forcing a weak smile for his family as he waits to be hanged.

Send out the tanks

His downfall set a terrible precedent. Over the next four decades the armed forces toppled three more governments. Some 270 people died in 2016 when an army faction backed by an Islamic sect tried to seize power. The ensuing crackdown by Mr Erdogan's government was so ferocious that critics quipped a civilian coup had succeeded where an armed one had failed.

The coup of 1960 may seem remote, but the forces it unleashed are still at work—perhaps more than ever, which is what makes Mr Seal's book so timely. Memory of it lives on in streets named after Menderes, his mausoleum in Istanbul and perhaps most vividly in Mr Erdogan's head. The president has a much tighter grip on Turkey's political institutions, media and army than Menderes ever did. But he remains haunted by the dead man's fate. "Today they threaten us with the end they prepared for Adnan Menderes yesterday," he said a few years ago, referring to the CHP, now the main opposition party. The most recent coup attempt deepened his fears.

In a ceremony last spring Mr Erdogan declared Yassiada, these days known as Democracy and Freedom Island, reopened. (Critics immediately dubbed it "Betonada", or Concrete Island.) He revamped the desolate spot as both a commemoration and a warning. In truth, though, Turks do not need any more waxwork or concrete to understand the damage inflicted by the men who killed Menderes. As Mr Seal points out, Turkey has had its fill of coups. Mr Erdogan has done a great deal of harm to Turkish democracy—but even his fiercest critics want to see him evicted from office by the voters, not by tanks. ■

Russian fiction

The poisoner's tale

Untraceable. By Sergei Lebedev. Translated by Antonina Bouis. *New Vessel Press; 242 pages; $22.95. Apollo; £18.99*

Two Russian agents board a plane to the West under assumed identities. Hidden among the toiletries in their hand luggage is a deadly poison, developed in the Soviet Union and now used to eliminate enemies of the modern Russian state. Their mission does not go quite as planned.

The basic elements of "Untraceable", published in Russian last year and now translated vividly into English by Antonina Bouis, will be familiar to anyone who followed the botched poisoning of Sergei Skripal and his daughter Yulia in Salisbury in 2018. That stranger-than-fiction news story has already inspired a television drama; a "Novichok novel" may have been inevitable, especially in the wake of the attack last August on Alexei Navalny, the Russian opposition leader, which also involved a nerve agent from the same family.

But Sergei Lebedev's story transcends its factual source material. On the surface, "Untraceable" is a taut spy thriller with Gothic flourishes. In the present day, Russia sends two agents to Germany to hunt down Kalitin, the self-exiled, Frankenstein-like progenitor of a substance called Neophyte, in a bid to stop him revealing its lethal secrets to the West. As they prepare to dispatch the scientist with his own invention, flashbacks reveal how Kalitin developed the chemical weapon in a laboratory in a mysterious far-eastern settlement known as "the Island".

Woven into the cloak-and-dagger chase is a complex tale of memory. Failed relationships, missions and regimes haunt the novel's characters as they do John le Carré's. Neophyte—an obvious stand-in for Novichok, which means "beginner" in Russian—may kill without a trace, but everything else leaves a mark. Decades after he fled the Soviet Union, Kalitin finds that "memory—unwanted, rejected—had come to exact a penalty for its long incarceration". Through the scientist and the spooks sent to kill him, "Untraceable" explores the Soviet legacy, the toll of more recent depredations in the north Caucasus (where one of the agents has witnessed and committed atrocities), and contemporary Russia's unwillingness to reckon with its past.

These are themes that Mr Lebedev, a former geologist and journalist who now lives in Berlin, has examined in his previous novels, all of which have been translated into English. For instance, "Oblivion" (2011) dealt penetratingly with repressed memories of the gulag. New readers will be attracted by the topical scenario in "Untraceable", then find that it offers not only a compelling reworking of real-life events, but an insight into the psychological effects of poisoning, literal and metaphorical, in Russia and beyond. For his part, looking back on his life's work, Kalitin "liked the simple yet paradoxical idea that the best poison is fear. The best poisoning is when people poison themselves."

Ballroom dancing

The door to a hundred joys

SHANGHAI

A modern diva is overseeing the reboot of a faded glory

When it opened in 1933, the Paramount ballroom was the belle of Shanghai's decadent, war-scarred nightlife. Designed by Yang Xiliu, the illuminated Art Deco palace loomed over Bubbling Well Road, drawing starlets, businessmen, gangsters and officers for taxi dances and shows. Its sprung wooden dance floor—and a smaller, underlit crystal one upstairs—enticed clientele including Xu Zhimo (a poet), Zhang Xueliang (a warlord) and Charlie Chaplin. In 1940, while the city was occupied by the Japanese, Chen Manli, a dance star, was shot to death at the Paramount; some say she was an undercover Kuomintang agent and assassinated by the collaborationist regime.

Chen's ghost is said to haunt the building, where the parties went quiet after the Communist victory of 1949. From 1956 it was taken over by the government and subdivided into shops and a cinema showing propaganda films, before closing altogether during the Cultural Revolution. In the 1980s the cinema reopened and the worn dance floors were occasionally retrod; in the 2000s new managers gutted the interior to install a garish, short-lived discotheque. Now, after a restoration costing 130m yuan ($20m), the Paramount is poised for a revival, overseen by a modern-day dance diva who would make Chen proud.

In 2015 the Paramount's lease was taken over by Zheng Honghe, a businessman from Hong Kong. He remodelled the building, maintaining the spirit if not the details of the original decor—the dance floors are back, even if the Deco is more drippingly opulent than streamlined moderne. But Mr Zheng's relaunch was a damp squib. So last year he enlisted Jin Xing (pictured), a trailblazing celebrity, to help.

Now 53, Ms Jin began her career as a male military dancer; after a spell in New York she came home for gender-reassignment surgery, launching a pioneering contemporary-dance troupe in 1999. She has since become a superstar as a television host often compared to Oprah Winfrey.

The pandemic has disrupted but not slimmed Ms Jin's schedule, which normally involves shuttling between China and Italy, where her husband and children live. She is filming several TV shows, including a matchmaking series that begins airing next month. She is also directing and starring in a revival of "Sunrise", Cao Yu's play about lost souls in Shanghai in the 1930s.

Stairway to heaven

Now as then, Ms Jin says, some Chinese are "getting super rich" while others are "super poor". But they "don't give up, they are still waiting for the sun to continue rising, it is still a beautiful day."

Notwithstanding these commitments, her long-standing affection for the ballroom persuaded her to take on oversight of its programme. When she first moved to Shanghai in 2000, she remembers, the exterior of the Paramount—known as "Bailemen" in Chinese, or "the door to a hundred joys"—was a powerful symbol of the city's past. Back in the 1930s, "all the young girls were dreaming that their boyfriends would bring them to the Paramount to dance", though in those days it was for "the rich people, the famous people". The interior, however, disabused her of the romance: it had become a strobe-lit den frequented by teenagers playing dice. She recalls a visit in 2013 as "very depressing", the neglected building resembling a warehouse.

Yet, at dusk, the choreography on parks and pavements across the country confirms the enduring appeal of ballroom dancing, especially among older Chinese, notes Andrew Field of Duke Kunshan University near Shanghai. For the past two decades the city's swing and salsa scenes have attracted lots of locals and expats. So pent-up enthusiasm awaits the glamorous re-opening of the Paramount which, covid-permitting, Ms Jin plans for May.

Reached via a glitzy lobby and a spiral staircase, the first-floor grand hall will be a nightclub and music venue, "a place for young people chatting, dancing". The second floor will offer dinner theatre and ballroom dancing. The Paramount has been asleep for decades, Ms Jin laments, but now she sees it becoming the Moulin Rouge of Shanghai—an emblem, especially in dour times, of the city's "history, imagination and fantasy". ■

Women in New York

A room of their own

The Barbizon. By Paulina Bren. *Simon & Schuster; 336 pages; $27. John Murray; £20*

Young women with ambitions too big for their small towns have long set their sights on New York. For those who could afford it, their first port of call for much of the 20th century was the Barbizon, the city's most glamorous hotel for women. Rita Hayworth, Grace Kelly, Sylvia Plath, Joan Didion and countless others arrived on its doorstep on Manhattan's Upper East Side, often in a yellow Checker cab, seeking sanctuary and a taste of freedom in a place that felt both thrilling and safe.

Built in 1927, as women were flooding into cities in search of jobs and some control over their lives, the neo-Gothic, club-like Barbizon became "the go-to destination for young women from all over the country determined to give their New York dreams a shot", writes Paulina Bren of Vassar College in her colourful history of the place. Across decades in which women faced shifting, conflicting demands, the Barbizon was a smart, parent-sanctioned haven for female ambition and desire.

The story of the Barbizon is in many ways the story of American women in the 20th century. The hotel rose in a time of promise and prosperity, when women earned the right to vote, discarded their corsets and sought opportunities and entertainment outside the home. In the 1920s they attended college in numbers that rivalled men; many began earning salaries as secretaries in the city's new skyscrapers. A secretarial school for "upper-crust young ladies" offered dormitory-style living at the hotel, with curfews, house mothers and a dress code of hats, gloves and heels.

Female employment swiftly became unpatriotic during the Depression (the jobs were meant for men), then patriotic during the second world war, then unpatriotic again in the early years of the cold war, when women who avoided the kitchen "became suspect", Ms Bren writes. Through it all, the Barbizon offered a safe space for white, middle-class career women and a sorority-house atmosphere for ingénues in search of fame, fun and a husband. The front desk ensured they were presentable, with references attesting to their moral character. With advertising on the rise, many found work as models.

The post-war years were the hotel's heyday. The rooms didn't look like much, with their narrow beds and dainty desks, but for ▸▸

$12 a week ($15 for a suite with a bath) women had a place of their own with amenities including a swimming pool, library, afternoon tea (handy on a budget) and a coffee shop. Men were banned past the Italianate lobby, but many loitered "like vultures" there or nearby, including J.D. Salinger, who claimed he was a Canadian hockey player. On weekend nights the mezzanine lobby became a "lovers' lane" where couples embraced in the shadows.

The Barbizon is not flattered in "The Bell Jar", Plath's novel of 1963 about the nervous breakdown she suffered a decade earlier after staying at the hotel as part of *Mademoiselle* magazine's prestigious summer internship. Like the novel's protagonist, Plath felt more caged than free, and spent her last night at the Barbizon tossing her carefully curated summer wardrobe from the roof. As with many of her generation, she "was neither able to comply with the demands made on women nor bravely shirk them", Ms Bren says. She was one of scores of impressive interns who arrived at the Barbizon at the invitation of *Mademoiselle* from 1944 to 1979, and left changed.

By the late 1960s, the hotel began to seem fusty. The need for character references and the ban on trousers seemed outdated. Women were discovering that looking the "right" way and marrying the "right" man did not necessarily yield happiness; a women-only hotel came to seem cloistered and retro. By the 1970s the Barbizon had a desolate, Miss Havisham quality, and in 1981 the hotel began welcoming men. Finally, in 2007, after a renovation transformed it into a multimillion-dollar condominium building, the Barbizon was granted what its tenants always pined for: the possibility of reinvention. ■

Johnson Minty fresh

Making up new words is easy. Getting them used is far harder

If you want an obituary in the *New York Times*, there is one sure-fire way: coin a famous word. People have found their way into those pages under headlines that tout their minting of "workaholic", "burnout" and "homophobia", even over other big achievements. There is something immortal about adding to the lexicon.

"The Hidden History of Coined Words" by Ralph Keyes, an American author and former language columnist, is an engaging look at this endeavour. It turns out to be a lot harder than it sounds. You might think all that is needed is a catchy moniker for an important but as-yet-unlabelled phenomenon. Yet eager coiners fail far more often than they succeed. Why?

It helps to look at words that make it. Often they do so through happenstance—which sometimes confounds the coiners themselves. Take Fred Hoyle, an astronomer who rejected the theory that the universe had come about in a primordial cosmic explosion, which he derisively called a "big bang" in a radio interview in 1949. To his surprise, the name stuck, even surviving a concerted bid to replace it in 1993, when a contest was held to come up with something more creative. The 13,000 entries included "Buddha's Burp" and "the Hubble Bubble". Too clever by half, it would seem, as no winner was chosen. Carl Sagan, a celebrity cosmologist and judge of the contest, explained why: none of the entries bettered the "big bang"—words that featured in the headline of Hoyle's obituary in the *Los Angeles Times*.

The number of such coinages—meant disparagingly, but then adopted defiantly before becoming neutral—is surprisingly large. "Impressionism" was named by a hostile critic. "Suffragette" was intended to demean certain suffragists. "Guy" came from Guy Fawkes, then took on a positive spin in America. "Pollster" is modelled on "huckster"; "Quakers" were christened for their trembling devotion. These are cautionary tales for those who, like mad scientists on screen, think they can control their creations.

Clayton Christensen of Harvard Business School gave "disruption" a new meaning in business, only to see it applied so widely that he came to wish he had said "type 1 innovation" and "type 2 innovation", forcing people to read his works for an explanation. But, as Mr Keyes writes, nobody wants to have to read a book to use a word. Thomas Kuhn suffered a similar fate with "paradigm", an old word that he retooled and popularised as "paradigm shift" in "The Structure of Scientific Revolutions". He eventually considered it to have lost all meaning.

As with literal coins, neologisms almost always draw on existing material. Prolific minters like John Milton ("Satanic", "earthshaking", "pandemonium"), Charles Dickens ("penniless", "the creeps")

and Washington Irving ("doughnut") mostly shift words to a different part of speech, compound them or add prefixes and suffixes. Even Shakespeare, the most prodigiously successful English coiner, usually operated in this way. Indeed, in many cases even the best detective work cannot determine whether a given writer invented or merely popularised a word (often suspected to be unwritten slang).

Truly novel words often derive either from commerce (for trademark reasons, like "nylon" or "cellophane") or from literature. "Quark", which now refers to a type of subatomic particle, comes from James Joyce's "Finnegans Wake". "Nerd" was imagined by Dr Seuss (Theodor Geisel) in one of his children's rhymes. "Blurb" was the name given in 1905 by Gelett Burgess, a humourist from San Francisco, to the puffery put on book jackets. Such coinages tend to be guided by sound, not meaning; in some cases their authors mean nothing by them at all. A sense of fun is one reason why comic strips, in particular, have been a rich source of new words, from "doofus" and "heebie jeebies" to "goon" and "jeep".

By contrast, when serious people sit down to coin words for important phenomena, they often fail because, as Mr Keyes writes, "the effort shows". Thomas Friedman, a *New York Times* columnist, frequently aims to popularise new terms. Few have caught on. His catchiest invention was "the Pottery Barn rule" of foreign-policy adventures: "You break it, you own it." In a double irony, Pottery Barn (a housewares chain) was moved to clarify that it has no such rule; then the innovation somehow came to be attributed to Colin Powell, secretary of state when America invaded Iraq in 2003. It is tough out there for a neologist. There may be easier ways to earn an obituary.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	Gross domestic product % change on year ago latest		quarter*	2021†	Consumer prices % change on year ago latest		2021†	Unemployment rate %		Current-account balance % of GDP, 2021†	Budget balance % of GDP, 2021†	Interest rates 10-yr gov't bonds latest,%		change on year ago, bp	Currency units per $ Mar 10th	% change on year ago
United States	-2.4	Q4	4.1	4.5	1.7	Feb	1.9	6.2	Feb	-2.8	-10.0	1.5		77.0	-	
China	6.5	Q4	10.8	8.5	-0.2	Feb	1.6	5.2	Dec‡§	2.6	-4.8	3.1	§§	64.0	6.51	6.8
Japan	-1.4	Q4	11.7	2.5	-0.6	Jan	0.2	2.9	Jan	3.5	-9.0	nil		-8.0	109	-4.5
Britain	-7.8	Q4	4.0	4.4	0.7	Jan	1.2	5.1	Nov††	-4.5	-11.5	0.8		54.0	0.72	6.9
Canada	-3.2	Q4	9.6	4.0	1.0	Jan	1.6	9.4	Jan	-2.2	-8.5	1.4		74.0	1.26	9.5
Euro area	-4.9	Q4	-2.6	4.2	0.9	Feb	1.1	8.1	Jan	3.0	-5.9	-0.3		46.0	0.84	4.8
Austria	-5.7	Q4	-5.6	3.7	0.9	Jan	1.6	5.7	Jan	2.4	-6.0	-0.1		27.0	0.84	4.8
Belgium	-5.1	Q4	-0.6	4.0	0.5	Feb	1.0	5.6	Jan	-0.6	-6.3	-0.1		16.0	0.84	4.8
France	-4.9	Q4	-5.7	5.3	0.4	Feb	1.1	7.9	Jan	-1.7	-7.5	nil		32.0	0.84	4.8
Germany	-3.6	Q4	1.4	3.7	1.3	Feb	1.8	4.6	Jan	6.7	-4.0	-0.3		46.0	0.84	4.8
Greece	-5.9	Q4	11.1	3.2	-1.3	Feb	nil	16.2	Nov	-5.1	-5.0	0.8		-80.0	0.84	4.8
Italy	-6.6	Q4	-7.5	4.0	0.6	Feb	0.7	9.0	Dec	3.0	-8.0	0.7		-68.0	0.84	4.8
Netherlands	-2.9	Q4	-0.5	3.5	1.8	Feb	1.5	3.6	Jan	8.7	-2.8	-0.3		23.0	0.84	4.8
Spain	-9.1	Q4	1.6	5.7	nil	Feb	0.8	16.0	Jan	1.3	-8.5	0.3		11.0	0.84	4.8
Czech Republic	-4.7	Q4	2.4	4.5	2.1	Feb	2.2	3.3	Jan‡	1.9	-5.5	1.8		70.0	22.1	2.5
Denmark	-2.5	Q4	2.5	3.5	0.6	Feb	0.6	4.4	Jan	7.2	-1.5	-0.1		62.0	6.25	5.4
Norway	-0.6	Q4	2.6	2.6	3.3	Feb	1.6	5.0	Nov‡‡	2.4	-1.7	1.4		77.0	8.46	13.5
Poland	-2.8	Q4	-2.8	3.9	2.7	Jan	2.4	6.5	Jan§	2.3	-4.9	1.6		1.0	3.85	-1.3
Russia	-3.4	Q3	na	2.5	5.7	Feb	3.9	5.8	Jan§	2.8	-1.9	7.0		-15.0	73.7	-2.3
Sweden	-2.1	Q4	-1.0	2.3	1.6	Jan	1.4	9.3	Jan§	3.7	-2.3	0.4		93.0	8.51	11.6
Switzerland	-1.6	Q4	1.3	2.5	-0.5	Feb	0.3	3.6	Feb	8.6	-0.9	-0.3		61.0	0.93	nil
Turkey	5.9	Q4	na	4.0	15.6	Feb	11.1	13.4	Jan§	-1.9	-3.1	13.5		214	7.54	-18.4
Australia	-1.1	Q4	13.1	2.8	0.9	Q4	1.6	6.4	Jan	1.1	-5.9	1.7		89.0	1.30	18.5
Hong Kong	-3.0	Q4	0.7	3.1	1.9	Jan	1.0	7.0	Jan‡‡	2.3	-3.3	1.4		56.0	7.76	0.1
India	0.4	Q4	42.7	13.0	4.1	Jan	5.0	6.9	Feb	-0.8	-6.7	6.3		18.0	72.9	1.6
Indonesia	-2.2	Q4	na	3.3	1.4	Feb	2.6	7.1	Q3§	-2.4	-6.2	6.7		-19.0	14,405	-0.4
Malaysia	-3.4	Q4	na	4.4	-0.2	Jan	2.4	4.9	Jan§	3.6	-6.3	3.4		45.0	4.13	2.7
Pakistan	0.5	2020**	na	1.7	8.7	Feb	7.3	5.8	2018	-1.2	-6.9	10.3	†††	-38.0	157	0.6
Philippines	-8.3	Q4	24.4	6.8	4.7	Feb	3.7	8.7	Q1§	-0.8	-7.3	4.2		6.0	48.6	3.9
Singapore	-2.4	Q4	15.9	5.1	0.2	Jan	1.6	3.2	Q4	17.8	-6.5	1.6		38.0	1.35	3.0
South Korea	-1.2	Q4	5.0	3.1	1.1	Feb	1.5	5.7	Jan§	4.3	-4.9	2.0		69.0	1,143	4.4
Taiwan	5.1	Q4	5.8	4.5	1.4	Feb	1.5	3.8	Jan	15.1	-0.5	0.5		-2.0	28.3	6.0
Thailand	-4.2	Q4	5.4	3.6	-1.2	Feb	0.9	1.5	Dec§	4.8	-5.6	1.7		100	30.7	2.3
Argentina	-10.2	Q3	61.7	6.5	38.5	Jan‡	47.0	11.7	Q3§	0.6	-5.4	na		na	90.7	-31.0
Brazil	-1.1	Q4	13.3	3.2	4.6	Jan	5.4	13.9	Dec§‡‡	-1.3	-7.3	8.3		116	5.76	-18.9
Chile	-9.1	Q3	22.6	5.7	2.8	Feb	3.5	10.2	Jan§‡‡	-0.2	-6.6	3.1		-1.0	726	15.0
Colombia	-3.5	Q4	26.5	4.4	1.6	Feb	2.6	17.3	Jan§	-3.8	-5.9	5.7		-74.0	3,562	6.2
Mexico	-4.3	Q4	13.7	4.0	3.8	Feb	3.4	4.5	Jan	2.0	-2.8	5.9		-87.0	21.1	-0.1
Peru	-1.7	Q4	37.9	8.0	2.4	Feb	2.3	13.1	Jan§	-0.1	-6.9	4.9		121	3.70	-5.4
Egypt	0.7	Q3	na	3.1	4.5	Feb	6.0	7.2	Q4§	-3.5	-8.2	na		na	15.7	-0.1
Israel	-1.4	Q4	6.4	3.1	-0.4	Jan	0.9	4.5	Jan	3.1	-8.9	1.1		50.0	3.32	6.6
Saudi Arabia	-4.1	2020	na	2.9	5.7	Jan	2.5	8.5	Q3	-1.1	-5.7	na		na	3.75	nil
South Africa	-4.1	Q4	6.2	1.8	3.2	Jan	3.7	32.5	Q4§	-0.9	-9.4	9.5		29.0	15.2	6.1

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield. †††Dollar-denominated bonds.

Markets

In local currency	Index Mar 10th	% change on: one week	Dec 31st 2020
United States S&P 500	3,898.8	2.1	3.8
United States NAScomp	13,068.8	0.5	1.4
China Shanghai Comp	3,357.7	-6.1	-3.3
China Shenzhen Comp	2,165.4	-8.4	-7.0
Japan Nikkei 225	29,036.6	-1.8	5.8
Japan Topix	1,919.7	0.8	6.4
Britain FTSE 100	6,725.6	0.8	4.1
Canada S&P TSX	18,690.0	2.0	7.2
Euro area EURO STOXX 50	3,819.9	2.9	7.5
France CAC 40	5,990.6	2.8	7.9
Germany DAX*	14,540.3	3.3	6.0
Italy FTSE/MIB	23,926.0	3.8	7.6
Netherlands AEX	678.0	2.2	8.6
Spain IBEX 35	8,525.2	2.4	5.6
Poland WIG	59,291.7	2.4	4.0
Russia RTS, $ terms	1,479.6	1.8	6.6
Switzerland SMI	10,909.8	1.3	1.9
Turkey BIST	1,564.9	2.2	6.0
Australia All Ord.	6,947.2	-1.7	1.4
Hong Kong Hang Seng	28,907.5	-3.3	6.2
India BSE	51,279.5	-0.3	7.4
Indonesia IDX	6,264.7	-1.8	4.8
Malaysia KLSE	1,639.8	3.2	0.8

	index Mar 10th	% change on: one week	Dec 31st 2020
Pakistan KSE	43,691.7	-5.3	-0.1
Singapore STI	3,079.7	2.6	8.3
South Korea KOSPI	2,958.1	-4.1	2.9
Taiwan TWI	15,911.7	-1.9	8.0
Thailand SET	1,573.1	1.9	8.5
Argentina MERV	47,339.5	nil	-7.6
Brazil BVSP	112,776.5	1.4	-5.2
Mexico IPC	47,549.7	2.5	7.9
Egypt EGX 30	11,235.6	-1.4	3.6
Israel TA-125	1,634.7	1.2	4.2
Saudi Arabia Tadawul	9,595.5	3.1	10.4
South Africa JSE AS	68,517.0	0.3	15.3
World, dev'd MSCI	2,775.3	1.2	3.2
Emerging markets MSCI	1,324.9	-3.9	2.6

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2020
Investment grade	131	136
High-yield	380	429

Sources: Refinitiv Datastream; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

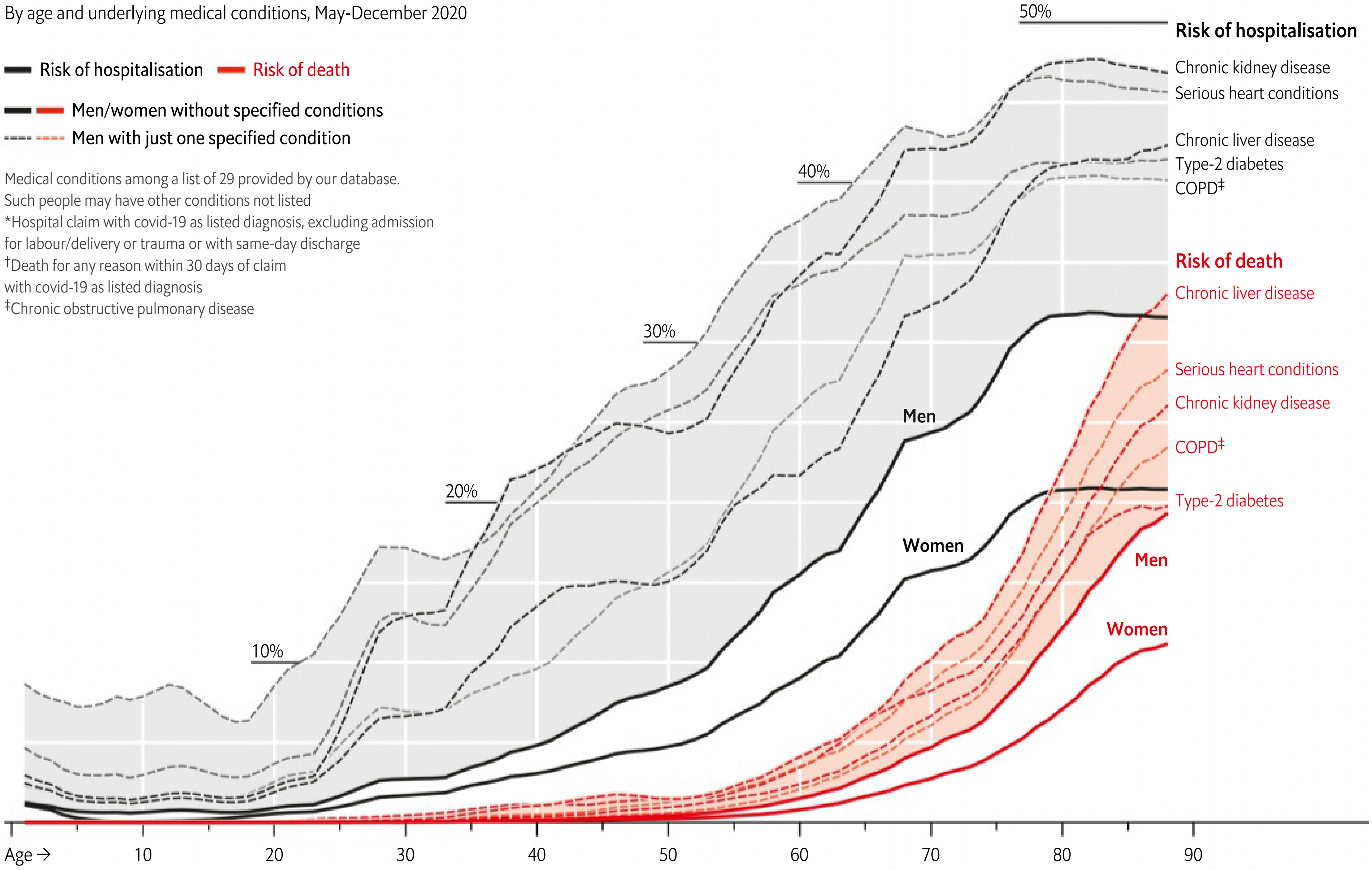
The Economist commodity-price index

2015=100	Mar 2nd	Mar 9th*	% change on month	year
Dollar Index				
All Items	168.5	164.3	1.5	50.6
Food	128.5	128.6	0.4	34.9
Industrials				
All	205.8	197.6	2.2	62.0
Non-food agriculturals	146.5	151.2	6.6	60.6
Metals	223.4	211.4	1.4	62.4
Sterling Index				
All items	184.3	180.5	0.8	40.3
Euro Index				
All items	154.9	162.9	9.8	52.8
Gold				
$ per oz	1,727.1	1,716.7	-6.6	3.8
Brent				
$ per barrel	62.9	67.6	10.5	84.0

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

For more countries and additional data, visit **Economist.com/indicators**

Risk of hospitalisation* or death† following a positive covid-19 test in the United States
By age and underlying medical conditions, May-December 2020



One size fits few

Our covid-19 risk estimator illustrates that death rates depend mostly on age, whereas comorbidities sharply raise young people's chances of hospitalisation

Ever since the covid-19 pandemic began, calibrating disease-related risk has become a fixture of everyday life. Few places are fully safe. Is it wise to go to the supermarket? What about taking a taxi with the windows down while wearing a mask?

The answers depend not just on how likely an activity is to cause transmission, but also on how bad a bout with covid-19 would be for the individual involved. In rich countries the case-fatality rate (CFR) for people who test positive is just under 2% (the true death rate, including undiagnosed cases, is lower). Yet covid-19's lethality varies so much that most people do not face a low-single-digit CFR. Few children show symptoms, whereas the elderly—especially those with other illnesses ("comorbidities")—die at alarming rates. Officials have emphasised universal recommendations like masks and social distancing, leaving individuals to choose risk tolerances within those guidelines.

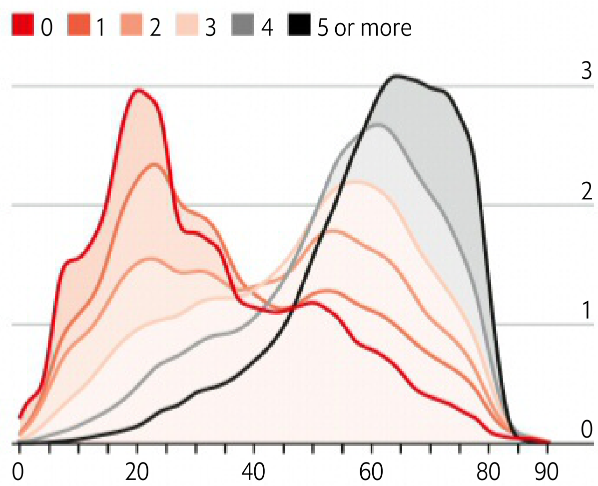
Such assessments can be complex. Although older people account for most deaths from covid-19, the mechanism behind this pattern is unclear. Are the elderly at risk purely because of their age? Or is it instead because they often have comorbidities that weaken defences against covid-19—and if so, which ones? There is no consensus about the relative importance of these factors. In America the list of comorbidities that enable younger people to get vaccines varies widely between states.

Making granular estimates of covid-19's risks requires lots of data. The sample needs to have plenty of rare examples, such as gravely ill teenagers and sprightly 90-year-olds. It also needs accurate proportions of specific demography-comorbidity pairings, such as men in their 30s with covid-19, pancreatitis *and* asthma.

Such a dataset now exists, though it has notable flaws. A group of American hospitals, doctors, insurers, pharmacies and data vendors have pooled data about their patients to create the Covid-19 Research Database, an archive of over 5bn medical records. In partnership with A3.AI, a research group that has spliced each patient's records together, the project's administrators have granted access to *The Economist*.

The archive records the age, sex and presence of 29 comorbidities among 104m people in America, of whom 466,000 were diagnosed with covid-19 in May-December 2020. It also lists which ones died in 2020, and, for people who tested positive, their date of diagnosis and whether they were hospitalised during their illness. Although the population in the dataset is sicker than average, this bias can be offset by adjusting ▸▸

Share of people* with given number of medical conditions represented by each exact age, %



*Limited to people whose exact age is listed in database the sample using official data on cases and deaths by age, sex and time period.

The data illuminate patterns that doctors have already seen in coronavirus wards, but are not yet conventional wisdom. Covid-19 spreads mostly through the air, and is often considered a respiratory ailment. However, complications in severe cases are often cardiovascular, including heart inflammation and irregular blood clotting. The archive bolsters growing evidence that covid-19 attacks the body broadly, and is most exacerbated by comorbidities that cause inflammation or that affect the circulatory system, such as kidney, liver or heart problems. In contrast, respiratory conditions like asthma matter less—though severe ones, such as lung cancer or pulmonary fibrosis, are big risk factors too.

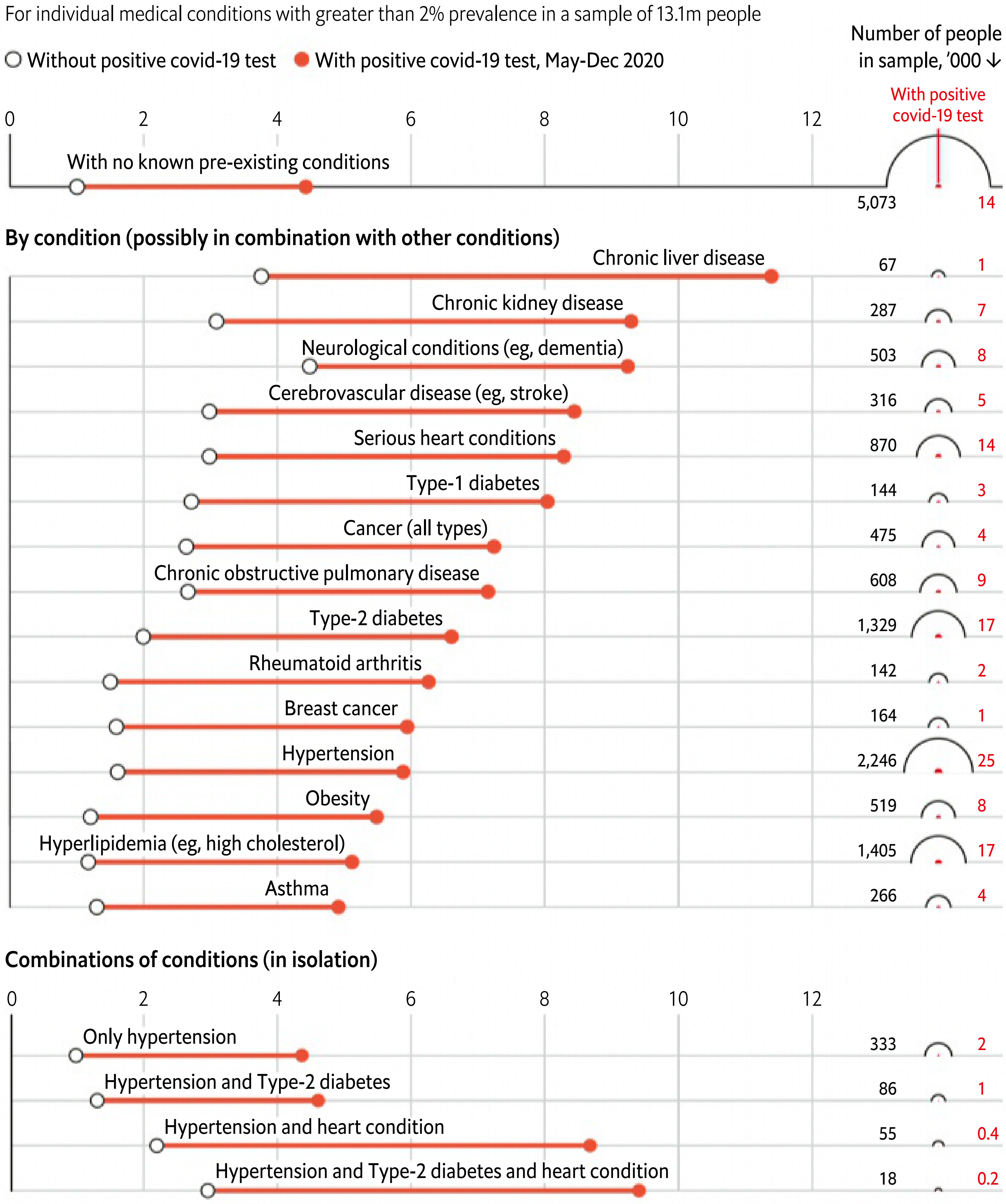
How much danger such conditions pose to covid-19 patients depends on the outcome you measure. Most risk analysis focuses on deaths. On this metric, raw age is a stronger predictor than listed comorbidities; sex is important as well. After correcting for biases in the data, 8.5% of men and 4.9% of women in their 70s with no known conditions besides covid-19 died. The figures for people aged 25-34 with covid-19, heart disease and hyperlipidemia (eg, high cholesterol) were 0.8% for men and 0.7% for women. This means that you might want to wait until your tennis-playing, adventure-travelling grandparents are vaccinated before visiting them. It also means that governments have been right to vaccinate older people first, even unusually fit ones—and that men might need lower age cut-offs than women do.

However, covid-19 can cause people great harm even if it does not kill them. And when it comes to predicting hospital stays, comorbidities play a greater role. Of the 25- to 34-year-olds with heart trouble, hyperlipidemia and covid-19, a quarter of men and a fifth of women were hospitalised—roughly the same shares as those of people in their 70s without other listed conditions. People aged 25-34 without known illnesses besides covid-19, in contrast, had just 1.6% (for men) and 1.0% (for women) chances of hospitalisation. Although most younger patients beat covid-19 eventually, those with relevant comorbidities often cannot do so at home.

Covid-19's interactions with demography and comorbidities are too complex for simple rules of thumb. To calculate risks for all possible combinations of these factors, we have built a statistical model using a machine-learning algorithm called "gradient-boosted trees". For any group of unvaccinated people of a given age, sex and mix of comorbidities, the model estimates the shares that, within 30 days of a positive test for covid-19 in America in late 2020, would have died or been hospitalised. You

Death rate for women at least 65 years old in the United States, 2020, %

For individual medical conditions with greater than 2% prevalence in a sample of 13.1m people



Sources: Covid-19 Research Database; AnalyticsIQ; A3.AI; CDC; *The Economist*

can explore its output on our website.

Our model cannot estimate risk reliably for individuals. The archive used to build it has several limitations. It only includes people with health insurance, and does not list patients' location, ethnicity or date of death. Most octogenarians' ages appear as "80+". Anyone who has filed a medical claim since 2014 citing a comorbidity is listed with that condition, regardless of its recency or severity—preventing distinctions between cancers in remission and malignant tumours. Not everyone without known illnesses is healthy: some have ailments not on the 29-condition menu. And our correction for the data's overrepresentation of sick people could yield an underestimate of the impact of comorbidities.

Moreover, the model's assumptions may not hold up beyond its training data. It assumes that people are infected with one of the strains of SARS-COV-2 common in America in late 2020; that their quality of treatment and odds of getting tested are similar to the American averages at that time; and that they demographically and immunologically resemble people in the data who share their listed attributes. In fact, new viral variants are spreading fast; most health care is either better or worse than the American average; treatments keep improving; and differences in genetics and past viral exposure can affect CFRS.

Yet despite these limitations, the model is probably more accurate than most publicly available alternatives. It accounts for interactions between comorbidities rather than taking each one in isolation, and estimates chances of both hospitalisation and death. Its output represents a group average, from which any given individual will differ. But by narrowing that group to people of the same age, sex and mix of comorbidities, it provides a more relevant starting point than a one-size-fits all average. ■

Explore our interactive covid-19 risk estimator at economist.com/covidrisk

The pain of displacement

Mourid Barghouti, a Palestinian poet, died on February 14th, aged 76

GAZING IN THE mirror, Mourid Barghouti had no problem with himself. He looked all right, and some girls might even find his grey hair attractive. His spectacles were well-made, his temperature precisely 37 degrees. His shirt was ironed, and his shoes did not hurt. There were no cuffs on his wrists, and he had not been fired. He kept his ID papers on him, even at the swimming pool. He had grown used to the presence in his land of the Khaki, the Israeli soldiers of occupation. If his dreams had taken the night train, and the train had crashed with none of them surviving, there was still life after death. But was there life before death?

His own was in fragments. Ever since the Arab-Israeli war of 1967 had caught him in Cairo, where he was at the university, he had been unable to go back to Ramallah, his home town. Ramallah was now in the occupied West Bank, and Palestine no longer existed. He belonged nowhere. Over the next 30 years, shuttling between Kuwait, Beirut, Jordan, Cairo again, and Budapest, deported or blacklisted as the politics of the region ebbed and flowed, he lived in 46 houses or furnished apartments. He did not own the coffee pots there, or the cups. The bed linen was someone else's choice. He chose the ceramic pots for his house plants, arranged them and washed their leaves carefully with beer; then he left. He started libraries, since words were his metier, but had to give the books away, keeping only his dictionaries. He became so wary of attachment to a place that when, from 1994, he spent a decent spell in Cairo his apartment was kept almost bare, ready to pack up.

It was not homesickness he felt, as he shifted his bags and wrote his poems, producing a dozen volumes by the end. Nostalgia was lazy, futile. What he felt was that his will had been broken and replaced by simple anger. And the question was how to express it, as a poet. He did not want to write in the classical Arab style; he had come to Cairo deliberately to keep off the mapped road. Nor did he want to shout for *intifada*; his ways were quieter. For a while, in Cairo and Beirut, he worked for Radio Palestine, but the bombast and sloganeering of politics repelled him. As a lover of freedom, he could not join a party or pledge allegiance to anyone: all you need to make a tyrant, he wrote, "is a single bend of the knee". He hated Israel, the occupier, who had taken what was his and covered it with smart white settlements; but he also loathed the Palestinian parties, Fatah, riddled with corruption, and Hamas, naively peddling myths of power. In 1999, working briefly for the Palestinian Authority in Ramallah, he tried to blow the whistle on the siphoning-away of funds for a World Bank project. He resigned when he made no impression.

His poems had to speak instead. He wrote them as a deliberate contrast to the frothing politicians, simple, concrete, cooled down. He kept his gaze on everyday things, ordinary pleasures and troubles: leading the reader to a window, leaving him to look out. He did not write about blood, rifles, the nation, the word "Palestine". That pain would appear, he felt, even when he described a forest or a flower—or a small tear in a shirt, which a jailer might have made. As for his own uprooting, "I rubbed the leaf of an orange in my hands/As I had been told to do/So that I could smell its scent/but before my hand could reach my nose/I had lost my home and become a refugee."

He agonised about returning. In a sense, displacement was not unusual for him; it was the natural condition of a poet, the outsider, critically observing the world and distanced from its norms. He could still work, travelling and lecturing as a mouthpiece for his unseen, unregarded people. Displacement just added another, arbitrary, layer. And whatever else he had lost, he had kept his Palestinian voice: "The fish/even in the fisherman's net/ Still carries/ The smell of the sea."

What would it mean, anyway, if he returned? Could he go back to who he was, where he was? Both he and the place would be irrevocably changed. He and his wife Radwa, an Egyptian novelist who also put his poems expertly into English, were separated by his exile for 17 years; when they reunited, the two households took a long time to readjust. Besides, as a poet, place was not essential. He could work in time instead, trying to dwell in the present and the future rather than the past. For it was patches of time—a day of gathering figs from the courtyard tree, an afternoon drinking milkshakes in Rukab's garden café, the morning ritual of overhearing his grandmother's whispered prayers—that he really wanted to retrieve, rather than place.

In 1996, after the Oslo peace accords (a compromise he detested) he returned at last to Ramallah. He tried to coax joy out of himself, as hens were coaxed with barley, but it was hard. Was he returning as a guest, a citizen, or a refugee? In the city, he got lost. On the drive north from the border checkpoints the land was bare and chalky; he had remembered it leafed with green "in twenty languages of beauty". Was his memory playing him false? At his birth-village, Deir Ghassanah, where he gave a reading, the villagers mobbed him, but they did not know him. In the main square, daubed with Hamas slogans, he seemed to see the past squatting in the sun, like a dog forgotten by its owners. He wanted to pick it up and urge it towards the future.

The last place he lived in was Amman, Jordan's capital, where he was buried. He was still angry, with a sort of numb despair, at the condition of Palestinians, the moral turpitude of the Palestinian Authority and Israel's boot on the neck, controlling everything. He accepted that he would always be in a state of uprootedness. But there was one sure place he belonged, where he could retreat from ugliness, or abuse, or tedious waiting at some checkpoint: his inner space. There he reassured himself that quiet simplicity could be eloquent. Even silence could.

> After the death of the horseman
> The homeward-bound horse
> Says everything
> Without saying anything ■