

The Economist

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How the stockmarket threatens investors

Trump v the judges

What's in a baby's name?

MARCH 22ND-28TH 2025

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to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

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The world this week Politics



Donald Trump held a two-hour telephone conversation with **Vladimir Putin** to discuss the war in **Ukraine**. Mr Putin rejected Mr Trump's call for a ceasefire but said he would refrain from attacking Ukrainian energy infrastructure for 30 days. Soon after making that promise Russia launched a big attack on civilian infrastructure, including hospitals, in Ukraine. Ukraine attacked Russian infrastructure. Mr Trump also spoke to **Volodymyr Zelensky**, offering to help source Patriot missiles from Europe and suggesting that America could run Ukrainian nuclear plants to protect them from Russian aggression.

The war against the judiciary

Mr Trump called for the impeachment of a judge who had ordered the suspension of a programme for **deporting** alleged Venezuelan gang members. The White House was accused of flouting the order by going ahead and deporting the Venezuelans to a prison in El Salvador. Mr Trump's press secretary denied this, saying the plane was already in the air. John Roberts, the chief justice of the Supreme Court, waded in and said that calls to impeach judges were an inappropriate response to a judicial disagreement.

Daniel Noboa, the president of **Ecuador**, said that Mr Trump should designate Ecuadorean criminal gangs as terrorists, similar to the designations that the Trump administration has given to gangs in Mexico and Venezuela. Mr Noboa also invited America, Brazil and Europe to send soldiers to join his crackdown on gangs.

Most of the world's cocaine passes through Ecuador.

The American Senate voted for a Republican spending measure that averted a **government shutdown** at the last minute. Chuck Schumer, the Democrats' leader in the chamber, incurred the wrath of his party by voting for the measure, having said he would oppose it. Mr Schumer's explanation that a shutdown would only empower Mr Trump did little to soothe the progressives in his party who now consider themselves to be "the resistance".

Colombia's finance minister quit after just three months in the job amid a quarrel with the country's first left-wing president, Gustavo Petro, over budget cuts. Mr Petro has recently replaced 12 of his 19 ministers.



Israel launched a series of air strikes on **Gaza**, breaking the ceasefire it signed with Hamas in January. Israel said it was targeting Hamas's surviving commanders, but over 400 people, including many civilians, were killed, according to the Hamas-run health ministry. Israel also began a new ground offensive and sent troops back into the Netzarim corridor, which splits Gaza down the middle. Binyamin Netanyahu, Israel's prime minister, said this was "just the beginning" and accused Hamas of rejecting proposals to free more hostages. He vowed that all future ceasefire negotiations would be "conducted only under fire".

Mr Netanyahu tried to sack Ronen Bar, the head of the **Shin Bet**, Israel's domestic security service. The Shin Bet

has been carrying out investigations against some of the prime minister's closest aides. The attorney-general, whom Mr Netanyahu is also trying to sack, said the process must be put on hold because of conflicts of interest. Opposition politicians want to take the issue to the Supreme Court.

American warplanes targeted the **Houthis**, a rebel group in Yemen that has attacked Israel and ships in the Red Sea. The Houthis are supported by Iran. The Pentagon said its strikes would be "unrelenting" until the rebels stop their attacks.

Nigeria's president, Bola Tinubu, declared a state of emergency in Rivers, an oil-rich state in the Niger delta. He also suspended the state's governor and all lawmakers, claiming the governor, who belongs to an opposition party, had not responded adequately to a pipeline explosion.

The presidents of **Congo** and **Rwanda** called for an immediate ceasefire in the conflict in eastern Congo, following a meeting in Qatar. It was the first time Felix Tshisekedi, of Congo, had met Paul Kagame, of Rwanda, since M23, a militia supported by Rwanda, accelerated its advance in the region earlier this year.

MPs in **Germany's** Bundestag voted to exempt most defence spending from legal restrictions on government debt and to create a €500bn (\$545bn) infrastructure fund. The vote marks a big shift away from the constraints on government spending under the constitutional "debt brake" and will strengthen Germany's armed forces, potentially reshaping European security policy. The upper house of parliament must also approve the change.

Turkish authorities stepped up their crackdown on the opposition and arrested Ekrem Imamoglu, the mayor of Istanbul, over a range of allegations. Mr Imamoglu is likely to be

named as the main opposition candidate to challenge Recep Tayyip Erdogan, **Turkey's** strongman president, in an election due in 2028 but which may be called earlier. After Mr Imamoglu's detention demonstrations were banned in Istanbul for four days.

Observers estimated that around 325,000 people took to the streets of Belgrade, **Serbia's** capital, to protest against government corruption and incompetence. It was the largest demonstration so far in a series of protests sparked by the collapse of a railway-station roof last November, which killed 15 people. The protesters' ire is directed towards the president, Aleksandar Vucic. The prime minister, Milos Vucevic, an ally of Mr Vucic, formally resigned this week.

America imposed visa restrictions on officials in **Thailand** who were involved in the recent forced deportation of 40 Uyghur Muslims to China's Xinjiang province, where Uyghurs face widespread repression. Marco Rubio, America's secretary of state and a fierce China hawk, has criticised the deportations.

Oh say, can you see

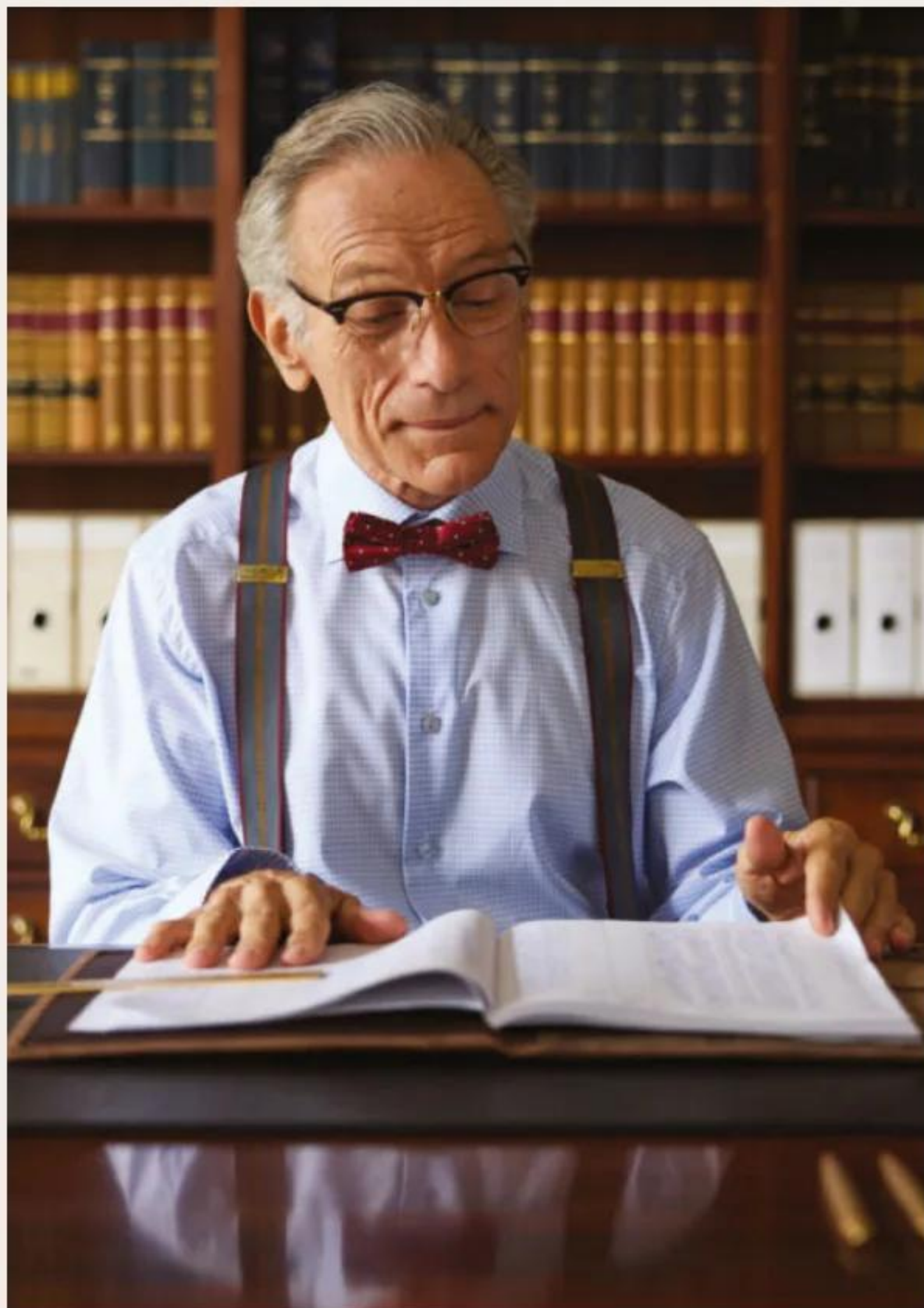
Donald Trump ordered funding to be cut for the agency that supports radio stations such as Voice of America and Radio Free Asia, which have upheld the promotion of **democracy** and reported extensively on human-rights abuses. The White House said they were outlets for "radical propaganda". China was delighted. Separately, a French politician suggested that America should return the **Statue of Liberty**, a gift from France. "Absolutely not," retorted Karoline Leavitt, the White House press secretary, it is only because of America that "the French are not speaking German right now."

Correction Last week we said that Turkey backs the Syrian Democratic Forces. The SDF is backed by the United States. Sorry.

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The world this week Business

The **Federal Reserve** left interest rates unchanged at its meeting. Markets were more interested in its latest projections for the American economy. The Fed now expects GDP to expand by 1.7% in 2025, down from a previous forecast of 2.1%, and inflation to average 2.7%, up from its projection of 2.5%. Meanwhile, Donald Trump nominated Michelle Bowman, one of the Fed's governors, to the job of overseeing **bank regulation** at the Fed. A critic of over-stringent rules, Ms Bowman is expected to take a lighter-touch approach to Wall Street than her predecessor, Michael Barr.

At its meeting the **Bank of Japan** kept interest rates on hold at 0.5%. Ueda Kazuo, the central bank's governor, gave no indication about when it might raise rates again to counter inflationary pressures in Japan, and said that "overseas uncertainty has heightened significantly", a reference to Mr Trump's trade wars.

Gold fever

The risk to the world economy from Mr Trump's tariffs and tensions in the Middle East spurred the **price of gold** to another record. The spot price for the precious metal rose above \$3,000 an ounce for the first time, as investors turned to their traditional haven during a stockmarket sell-off. The S&P 500 is down by 3% this year and the NASDAQ Composite by 8%.

The **Chinese** government unveiled its "special action plan" to get consumers spending more in order to boost the economy. The plan includes increases in locally set minimum wages, expanded workfare programmes and subsidised credit for thrifty consumers. But it provided little detail on the fiscal measures that will be needed to support the new stimulus.

Alphabet, **Google's** parent company, undertook its biggest acquisition to date by agreeing to buy **Wiz**, a cyber-

security startup, for \$32bn. Wiz works mainly in cloud computing and its customers include Amazon Web Services and Microsoft's Azure. **SoftBank**, meanwhile, agreed to buy **Ampere Computing** for \$6.5bn. Ampere makes processors based on technology from Arm, a chip designer in which SoftBank has a majority stake.

Around 25,000 developers, software engineers, academics and industry leaders attended **Nvidia's** annual showcase conference in San Jose. The chipmaker unveiled its new products, including Blackwell Ultra. The new chips are better at "reasoning", shorthand for the technique behind the latest generation of chatbots.

JX Advanced Metals, which makes advanced products for semiconductors from rare metals and copper, raised ¥439bn (\$2.9bn) from its flotation on the Tokyo Stock Exchange. It was Japan's biggest IPO since SoftBank sold off its telecoms arm in 2018.

In a complaint filed at a federal court in New York, **Ben & Jerry's** alleged that Unilever, its parent company, had sacked its

chief executive, David Stever, for continuing to uphold its "social mission". The ice-cream maker often strays from its business of producing tubs of Cookie Dough and Caramel Chew-Chew to call for a cease-fire in Gaza and support for Palestinian refugees. Unilever, which is in the process of spinning off its ice-cream business, didn't immediately comment.

Drowning in debt

The Court of Appeal in London dismissed a challenge to a £3bn (\$3.9bn) rescue plan for **Thames Water**, Britain's biggest provider of water and sewage services. A group of creditors are loaning Thames Water the money with a hefty interest rate of 9.75%. Some junior creditors, who stand to lose out because of the deal, took the matter to court. Many politicians think the debt-laden company should instead be nationalised.

BYD's share price hit a record high after the Chinese maker of electric vehicles said its new battery-charging system could provide a car with a range of 470km (292 miles) in five minutes, about the time it takes to fill a petrol engine. That depends on the voltage supplied

at charging stations among other things, but the new system could put BYD ahead of Tesla and Mercedes in the race for fast-charging EV solutions.

Meanwhile, **Xiaomi**, a Chinese company best known for smartphones but which has expanded into electric cars, raised its delivery target for EVs this year from 300,000 to 350,000. Xiaomi's EV business accounts for 9% of its revenues.



Two NASA **astronauts** who were stranded at the International Space Station splashed down to Earth in a SpaceX capsule, along with two other astronauts. Suni Williams and Butch Wilmore arrived at the ISS in June on board a test flight of Boeing's Starliner, but the spacecraft encountered technical problems and returned to Earth without its crew.



Rise of the superhuman

The idea of upgrading humans holds plenty of promise. Realising it will mean driving out the cranks

BRYAN JOHNSON wants to live for ever. The American businessman pops a hundred pills a day, never eats after 11am, and obsessively monitors dozens of his body's "biomarkers". The goal, as he will tell anyone who asks, is not merely to live a few years longer. It is to vanquish death entirely.

Eccentric? Undoubtedly. But as we report this week (see Briefing), Mr Johnson is not alone. He is part of a growing movement that sees the human body as just another piece of hardware to be hacked, optimised and upgraded. In the name of "human enhancement" Mr Johnson and his fellows, who include Peter Thiel and Elon Musk, are exploring life extension, brain implants and drugs that enhance mind and body.

It would be easy to recoil from a project that is filled with cranks and has uncomfortable echoes of the eugenics movement of the early 20th century. But it would be a mistake to dismiss all forms of human enhancement. The idea that medicine should seek to augment the body, not just restore it to health when it goes wrong, has plenty of merit. The key to maximising the benefits and minimising the risks will be to drive out the quacks and bring this rapidly growing project into the scientific mainstream.

A wannabe superhuman has a large menu of techniques to choose from. Some of the options are already to be found in medicine cabinets. The drug metformin, for instance, has been prescribed to diabetics for decades. In mice, at least, it seems to extend lifespans. Those results have not been confirmed in humans, but aspiring Methuselahs (including Mr Johnson) are taking it anyway.

Ritalin, prescribed to treat attention-deficit hyperactivity disorder, and testosterone, the chief male sex hormone and a powerful anabolic steroid, are claimed to be nootropics, drugs that boost cognitive performance. Other chemicals are less familiar. Nicotinamide adenine dinucleotide, better known as NAD⁺, is vital for cellular metabolism. Not only is it supposedly a nootropic; it allegedly has anti-ageing properties, too.

Adventurous biohackers can do more than pop pills. They might travel to Próspera, a lightly regulated place in Honduras founded with help from Mr Thiel. There they can have genes inserted into their cells to try to get their body to make more of a protein called follistatin. The clinic says that this will promote muscle growth and lengthen telomeres, chemical caps on the ends of chromosomes that shorten with age.

A still more drastic choice is the brain-computer interface (BCI), a device designed to pass signals directly between biological brains and silicon chips. Some can be worn externally. But others are implanted directly into the brain. Several disabled human patients have used such devices—including those made by Neuralink, a firm founded by Mr Musk—to control computers with impressive precision. But that is merely a proof of concept: Neuralink was founded because, in Mr Musk's view, only a human brain that can achieve "symbiosis with artificial intelligence" can hope to remain relevant in a world of intelligent machines.

Plenty of people seem to want to try out these ideas. Humans have always looked for ways to boost their powers, from mass education to the wristwatch. If taking a brain-boosting chemical sounds exotic or implausible, consider that the world produces around 11m tonnes of coffee annually, and not just because people like the taste. The market for supplements already shifts \$485bn-worth of pills every year, despite little evidence that many of them do much good.

The human-enhancement project suffers from two related problems. The first is that it is a baffling mix of cutting-edge science and old-fashioned snake oil. Some of its ideas look genuinely promising, some are honest long shots and many are designed to fleece gullible customers of their money. The second problem is that the poor reputation this quackery produces scares off the sort of large-scale investment that could help move enhancement forward more quickly and safely. The industry is at once dangerous and short of cash.

To fix that, governments should create an environment in which rigorous trials can more easily take place. That will mean rethinking the purpose of medical regulation. For decades, regulators have concentrated on treatments that are designed to restore ill people to a baseline of health. Attempts to improve those who are already healthy, or to fight natural processes, are therefore neglected.

Ageing, for instance, is not usually classified as a disease, which makes it harder to run trials designed to "treat" it. That is starting to change: American regulators recently approved a trial of metformin as an anti-ageing medicine. Reform needs to go further and faster.

Better rules would help patients sort the brass from the muck. They would be in the interest of honest researchers, too, since an official stamp of approval would be worth a lot of money. And the benefits could be huge. Most people enjoy being alive and dislike the effects of growing old. A drug that slowed the ageing of everyone in America enough to raise life expectancy by a year would bring benefits that one study values at \$38trn.

We can rebuild him

Thinking about human enhancement now will also help governments prepare to deal with the downsides. Technologies like BCIs may be voluntary in theory. But if they work half as well as some hope, they will leave those who refuse them at a big disadvantage. As with most technologies, from cars to antibiotics, the wealthy will gain access first. What would it be like to live in a society where the rich are not only better off, but much stronger, cleverer and longer-lived, to boot?

Serious human enhancement sounds like science fiction. But there is no reason to think it is impossible. If and when real advances turn up, the world could change very quickly. Think of GLP-1 weight-loss drugs, which were in development for years before demand exploded overnight. Better for governments to set some rules now than be caught on the hop if and when Mr Johnson and his fellow biohackers strike it big. ■



America, Russia and Ukraine

Grand bargain?

Vladimir Putin wants Donald Trump to think Ukraine is just a detail in a wider relationship. That is a trap

THEY TALKED by phone for over two hours, but Vladimir Putin left Donald Trump with almost nothing to show for it—a slap in the face that only a man possessed of unbounded chutzpah could pretend was a win. A week earlier, negotiators for America and Ukraine had agreed on a 30-day ceasefire in a conflict that has lasted for over three years. Mr Trump had said that if Russia did not sign up he might hit it with tough new sanctions. In the event, he rolled over. Even Boris Johnson, a former British prime minister who admires Mr Trump, declared that Putin is “laughing at us”.

Instead of an unconditional ceasefire, Mr Putin proposed only that both sides stop striking each other’s energy infrastructure, an area where Ukraine has been landing some weighty blows on the invader. For anything further to happen, says the Russian government, Ukraine must accept a freeze on foreign military aid and an end to conscription and training, although Russia proposes no such restrictions on itself. Mr Putin also wants a solution to the “root causes” of the conflict, by which he really means an end to the existence of Ukraine as an independent country. Those are not the words of a man who is eager to compromise.

Optimists can extract a little comfort. A pause on attacks on energy targets, agreed on in a call with Volodymyr Zelensky, Ukraine’s president, is a small advance. Mr Trump also suggested that nuclear power stations come under American ownership, for their protection, and said he would try to source some Patriot missiles from Europe. In public he has refrained from endorsing Mr Putin’s harsher demands for Ukraine.

The real danger lies ahead. Mr Putin wants the American president to believe that, as statesmen, they have bigger fish to fry than squabbling over a forlorn place like Ukraine. So long as it does not get in the way, Russia and America can accomplish almost anything together. Russia could help resolve cri-

ses in the Middle East and beyond, perhaps leaning on its friend Iran to forgo the bomb. American investment in Russian businesses, such as exploring for gas in the Arctic, could steam ahead. Sanctions would be lifted and Russia could rejoin the G7. Imagine if Russia were detached from its “no-limits partnership” with China. “World war three”, an abiding worry of Mr Trump’s, would have been averted.

All this is a fantasy designed to tempt Mr Trump into giving Mr Putin what he wants in Ukraine in return for empty promises. The reality is that Russia now depends more on China than it ever will on America, and will not be separated from it. Russia’s leverage over Iran is limited. Russia’s economy is smaller than Italy’s and subject to a despot’s whims, so business opportunities are slim.

On the contrary, if in pursuit of this chimera Mr Trump eases the pressure the West has imposed on Russia, America will lose. For a start, it will drive a further wedge between America and Europe, which will not follow Mr Trump. Ukraine will be destabilised, posing risks to all of Europe. The alliances and values that America has championed for decades will be degraded, and America itself will be weaker as a result. Mr Trump may care little about those things, but he will surely be troubled by the risk of looking weak, as his predecessor Joe Biden did when the Taliban overran Afghanistan.

The Putin-Trump call came as an American-brokered ceasefire in Gaza was breaking down amid Israeli attacks (see Middle East & Africa section). Mr Trump’s personal style of diplomacy can break logjams, but peacemaking seems too grueling and detailed for him to see through. The White House readout from the call with Russia talked of “enormous economic deals and geopolitical stability when peace has been achieved”. It is clear what Mr Putin wants. It is odd that Mr Trump seems so ready to give it to him. ■



Donald Trump and the courts

Gangster law

American judges should resist wild claims of presidential power

MEMBERS OF Tren de Aragua are, to use one of the president’s old phrases, bad hombres. The gang, which originated in Venezuela’s prisons just over a decade ago, has industrialised people-smuggling. It has sidelines in forced prostitution and drug-dealing and uses extreme violence to get its way. Who, then, could object to the deportation of gang members to El Salvador, where they are now in prison? To quibble about the legal power and processes under which they were removed from America seems beside the point. The gang’s victims did not enjoy due process.

Such is the emotional and political power of the Trump ad-

ministration’s highest-profile immigration enforcement yet. Mass deportation has proved harder and slower than expected, so the White House needed a quick win to signal toughness. As a legal question, though, it is more complicated. This newspaper has argued that, although Donald Trump may be pursuing policies we disagree with, so far he has acted within the bounds of the president’s constitutional powers. We have also said that the time to be really alarmed is when he ignores a court order. Did it just happen?

On March 15th the president publicly invoked the Alien Enemies Act, a law dating from the age of the Founding Fathers, ►►

▶ which was last invoked during the second world war. That same day two flights left Texas, deporting passengers under this authority. A federal judge gave an order to halt the flights. But the Department of Justice said the order was moot because the planes were already in international airspace, among other tendentious excuses.

The Alien Enemies Act is drafted broadly and is deferential to the president, as is true of most emergency powers. In case of an “invasion or predatory incursion...by any foreign nation or government”, the president can have the invaders detained and removed. Crucially, the president gets to decide when such an invasion has occurred. Tren de Aragua is obviously not a foreign nation, but the White House claims it is “closely aligned” with Venezuela’s corrupt and hostile government. On the surface, this sounds like an administration testing the bounds of presidential authority in the courts, which all administrations do from time to time.

However, both the known details of the case and the context are alarming. The courts have a role because the powers Mr Trump is claiming are unusual and their justification is flimsy. America is not at war with Venezuela, to the dismay of many Trump-supporting Venezuelan émigrés. It is a huge stretch to argue that a gang is akin to an arm of the state, even if it bribes a lot of officials. This was not a national-security emergency: the deportees were already in custody. The government has broad powers to deport foreigners convicted of crimes. What Mr Trump appears to be claiming is the right to designate people as gang members—on what evidence is unclear—and send them to be locked up in a country where

torture is common and gang suspects can be held indefinitely without trial. You don’t have to be a tattooed Venezuelan to be worried by the suspension of habeas corpus.

The context is the blizzard of challenges to the common understanding of the law, on topics such as birthright citizenship, the limits to free speech and whether a president can shut an agency created by Congress (see Lexington). Other presidents have clashed with the courts, but their arguments have been more modest, their tactics less bare-knuckle.

Faced with an adverse ruling, the lawful response is to appeal. This administration does that. It also fires up its supporters

with talk of judges thwarting the people’s will. And it issues threats. Mr Trump attacked the judge as a “Radical Left Lunatic”, implied he was crooked and called for his impeachment. Given the fury of MAGA diehards and the pardoning of the January 6th rioters, judges who cross the president may reasonably fear for their physical safety. Small wonder the chief justice issued a rare rebuke.

More details about the Tren de Aragua case may emerge, and the administration will no doubt adjust its tactics in response. Perhaps, if some of the deportees prove innocent, they may be released. However, when a president says things like “He who saves his Country does not violate any Law” and his minions declare they “don’t care what judges think”, the threat to America—a place where the law has long tempered executive impulses—is clear. Courts can seem maddeningly slow to a government in a hurry. But that is how checks and balances work. Judges should resist Mr Trump’s power grabs. Public servants, including Mr Trump, should obey the courts. ■



Housing Rent, killed

Foolish crusades against landlords are breaking rental markets

OVER THE past decade governments have meddled endlessly with rental markets in an attempt to improve life for tenants. It has not worked. Even as overall inflation has fallen, rents have continued to rise stubbornly, and at last count were up by about 5% in a year on average across the rich world (see Finance & economics section). In part, this reflects the delayed impact of inflation, because long-term leases can mean rents take a while to catch up with other prices. But it also shows that many policies aimed at easing pressure in rental markets have been treating the symptoms of the problem rather than the cause. They have thereby ended up making things worse for the people they were meant to help.

Interventions have been widespread. Since 2015 Germany’s “rent brake” has forced new landlords to consult a government index to determine what they can charge. Britain has hit landlords with additional taxes. In 2016 Ireland capped annual rent increases in “rent pressure zones”, meaning anywhere suffering a shortage; since 2021, the cap has been set at inflation or 2%, whichever is lower. Spain limited rent increases in 2023, with particularly strict rules for large landlords. Australia has tried to curb bank lending to property investors. And several American states, including California, New York and Oregon,

have tightened the regulation of rents and tenancies.

These policies are typically implemented in the belief that landlords’ greed is to blame for renters’ hardship. Bashing landlords is certainly popular. But the real cause of high rents and landlord power is the underlying shortages in many housing markets, caused by limits on construction. In too many places it has been impossible for the supply of homes to keep pace with demand, especially as immigration has surged.

The impact of governments’ interventions has been to make the shortages of rental properties worse, by encouraging landlords to leave the market. According to idealista, a Spanish property portal, 75% fewer permanent rental properties were listed for rent in Barcelona in 2024 than in 2019, with 63 families competing for each listing. In 2022 the number of tenancies registered in Ireland was 23% lower than it had been in 2016, even though Ireland’s population was 9% larger.

In theory landlords selling up should increase the supply of homes for sale, reducing prices and encouraging people to switch from renting to buying. Rachel Reeves, Britain’s chancellor, claimed in October that raising a tax on the purchase of second homes, which includes many transactions by landlords, would make life easier for aspiring homeowners. In reali- ▶▶

ty, though, buying property is bumpy and inconvenient compared with the flexibility of renting, because of legal processes, property taxes and long transaction chains. The result is that house prices take longer to adjust than rents.

In fact, markets for owner-occupied housing have seized up in recent years, as higher interest rates have encouraged owners with fixed-rate mortgages to stay put. The number of existing American homes sold in 2024 was 19% lower than in 2022. It has therefore been a bad time to disrupt the rental market. Higher rates immediately made mortgages more expensive, with the result that swapping renting for buying has become harder. At the same time, high inflation has meant that rent controls set in cash terms have pinched even more tightly.

As a result, the policies' pernicious effects have been all the greater. Although controls can keep rents down for a while, shortages create pressure which eventually tells, as today's ongoing rent inflation shows. Even if rent rises can be contained by fiat, landlords obtain more power in other ways—why

spend on maintaining a property, for example, if there is a long queue to replace your tenants? And renters are not the only people to suffer. A well-oiled rental market helps economic growth by offering flexible tenancies so that people—and especially young workers—can move easily to new jobs. Clogging it up hurts economic growth.

Build back better

Fortunately, some governments are realising that they have erred. Ireland is reconsidering its rent controls, for example. There are also ways to reduce landlords' profits that do not interfere with housing supply, such as taxing the value of land regardless of how it is used. But the only way to end foolish regulation is to build enough homes that nobody sees it as necessary. In Texas building rules are loose and housing is mostly abundant; landlords face few constraints and few call for them. Liberal construction policies beget liberal rental markets, to everyone's benefit. ■

Health benefits

Working it out

Britain at last takes aim at worklessness. But Labour's other economic policies risk undermining its efforts

THE NOBLEST traditions of modern British policymaking were followed. First came dithering: worklessness from ill health rose sharply after the pandemic, but it was 18 months before Rishi Sunak's government took a stab at tightening benefits in response. By then, around 1m people of working age had fallen out of the labour force since 2019, mostly because of supposed poor health. His changes ended up being blocked by the courts—the consultation was deemed insufficiently thorough—though not before a looming election gave an excuse for further delay. Labour won, and chose to procrastinate with a new long-term target: to get the working-age employment rate to 80%, a level Britain has never hit.

Eventually, two things concentrated minds: a genuine need to make room for higher defence spending, and an artificial crisis. Rachel Reeves, the chancellor, had left too little fiscal leeway in her budget in October. What was supposed to be a routine economic-forecast update on March 26th has turned into a scramble for cash. Because Ms Reeves was in danger of breaking her self-imposed fiscal rules, finding money from welfare cuts suddenly became urgent. At last Britain decided to take a proper look at worklessness and the welfare system.

Better late than never. On March 18th Liz Kendall, the welfare secretary, announced reforms to benefits that she says will save £5bn (\$6.5bn, 0.2% of GDP) annually by 2030 and get more Britons into work. That figure may gain a few caveats when the Office for Budget Responsibility, the fiscal watchdog, gives its own assessment later this month. Ms Kendall wants to reduce the generosity gap between health and non-health-related benefits, tighten eligibility and shift back towards the pre-pandemic norm of running assessments in person rather than over the phone. Alongside those cuts, Ms Kendall took pains to emphasise, would be £1bn extra to help pay for job-seeking sup-

port, and a formal “right to try”, to help reassure claimants that an unsuccessful go at working wouldn't punish them.

All that adds up to a sensible package, and one that goes further than the previous government's efforts. But though £5bn of savings is welcome, that is only a quarter of the £20bn rise in spending on those benefits that the government has forecast for the end of the decade. Such an increase is alarming, particularly since—with the exception of mental health—surveys disagree over whether Britons have actually grown sicker in the past few years. After the fierce and protracted battle within Labour to propose even these reforms, Ms Reeves and Ms Kendall are unlikely to want to revisit the issue.

Unfortunately, they may have to. To see why, look at the labour market. One troubling aspect is that the recent rise in worklessness happened during an exceptionally strong jobs market. Unemployment hit a half-century low in 2022 and vacancies were the highest on record. But jobs are now harder to come by, and the labour market is softening fast. A recession could easily exacerbate the problem, and land another cohort on the sick rolls for good.

To make matters worse, much of the rest of Labour's economic agenda is aimed at squeezing out the lower-paid jobs that are most likely to suit someone with a thin work history and health problems. From April the rise in employers' National Insurance and a higher minimum wage will lift the cost of hiring some of the lowest-paid workers by around 5%. That could encourage a shift to fewer but better-paid and more productive jobs. It is unlikely to help many of Britain's workless find an escape route out of benefits.

In foreign policy, defence, infrastructure and more, Britain's government has recently acquired an admirable sense of direction and clarity. But on worklessness, Labour's cross-cutting instincts have created a self-defeating muddle. ■



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Consequences of cutting aid

If the aim of foreign aid is to boost growth it is not working, you say ("The death of foreign aid", March 8th). Well it depends. When policy is good, aid contributes significantly to economic growth. And the aim of aid is not always to boost growth. Take the prevention and treatment of malnutrition, where aid has saved the lives of millions of children. My colleagues and I at the Standing Together for Nutrition consortium estimate that if the cutbacks in aid are not compensated for, several hundred thousand children will die every year.

Aid works. We can tell because so many fewer children's lives are dependent on aid than they were 20 years ago. I agree that the current model of aid is dead. But smaller flows are still needed to encourage the redirection of public and private resources to areas where they are most needed developmentally. In this world of wannabe monarchs, aid is dead, long live aid.

DR LAWRENCE HADDAD
Executive director
Global Alliance for
Improved Nutrition
Brighton

There is plenty of evidence to show that aid works well at the local if not the national level. For instance, aid has been used to create links between small-scale farmers and large-scale agribusinesses that are often funded by development-finance agencies, such as British International Investment and the International Finance Corporation. These success stories run in parallel with big increases to yields in food crops such as cassava and rice. Locally embedded R&D has delivered improved varieties of crops often with voluntary and governmental aid organisations working together. The withdrawal of USAID and the cuts to British and EU aid are acts of gross negligence that will harm Africa's future.

LAURENCE COCKCROFT
London

Germany's U-turn on debt

Senior politicians in Germany have woken up to the reality that the country's "debt brake", which puts severe limits on government borrowing, has been detrimental to Germany and Europe ("Fantastic, Friedrich", March 8th). However, the fact that the conservative Christian Democratic Union has made a complete U-turn on this issue since the recent election is not only bad politics, it will hurt all centrist parties. They now have little choice but to follow the CDU's lead in making a constitutionally defensible but politically grubby deal in creating a "special fund" for defence and infrastructure. In 2023 the CDU brought a legal case against the then governing coalition for creating another special fund, which redirected money from covid-19 to climate-related projects. The CDU lambasted other parties, notably the Greens, on the campaign trail for even suggesting a revision to the rules on the debt brake. Yet the CDU admitted in private that the rules need changing, and are only now committing to it publicly.

OLE JAKOB WEBER
Berlin

The Graphic detail column of February 28th looked at the growing popularity of hard-right parties in Europe. You did not analyse why it is that centrist parties seem unwilling to acknowledge why voters are turning away from them. European electorates have consistently expressed scepticism about expensive environmental policies and unchecked immigration, yet mainstream leaders continue to push these agendas with little regard for public sentiment.

If centrists truly wish to halt the advance of the far right they would do well to remember the pragmatism of post-war moderates in Europe. In the aftermath of the second world war centrist governments embraced large-scale social spending to undercut the appeal of communism. Today,

a similar recalibration is needed, one that prioritises economic stability and border security over ideological commitments that alienate voters. Ignoring these concerns will only drive more people into the arms of political extremists.

JONATHAN BROOKSHIRE
Reston, Virginia

Trump's cuts to science

It is not just academic science that is affected by the cuts to funding at the National Institutes of Health under the Trump administration ("Unscientific methods", February 22nd). The NIH also provides approximately \$1bn in small business grants. These competitive grants fund new drugs (such as for rare diseases), medical devices and technologies that are commercialised. Such products would not be developed without this support as they are deemed too risky for venture-capital and foundation investment. This funding system is a sizeable provider of scientific jobs and is now threatened with extinction.

DR SEAN EKINS
Chief executive
Collaborations Pharmaceuticals
Raleigh, North Carolina

When DEI works

I read with sadness that Accenture, a management consultancy, is bowing to a changing American political landscape and is "sunsetting" its diversity goals ("Change management", February 22nd). Accenture is a great example of how a well-run diversity, equity and inclusion (DEI) programme can improve a company.

I was with the firm for 30 years. When I started, the partnership was probably made up of 90% white men and there were almost no women or people of colour in senior leadership positions. DEI goals, even if we didn't always call it that back then, helped open up the partnership, broadening the skill base, fostering creativity through the introduction of new and different perspectives and improving overall employ-

ee engagement. This made Accenture a stronger, better and more successful company.

Maybe it is uncomfortable to admit, but without such policies it would be hard to imagine getting to a place where the current chief executive is a woman (and I say that with the utmost respect for what she has accomplished). Without DEI goals, I am sure the Accenture board would have followed precedent and chosen the safer, white male candidate with the stronger résumé on paper.

DEREK STEELBERG
Princeton, New Jersey

Manager's walkabout

Bartleby wrote about the importance of management by wandering or walking around, otherwise known as MBWA (February 22nd). Albert Mehrabian, a psychologist known for his work on verbal and non-verbal messaging, broke down the universal communication model into three elements: words (7%), tone of voice (38%) and facial language (55%). By this logic, MBWA is a far more effective way of managing as it engages all three elements. Compared with the approach of many chief executives, who communicate by simply firing off emails, shoe leather remains the ultimate divide between real leadership and just hitting "send".

AMEER ALMEDHYCHY
Boston

Nobody does it better?

The takeover of the James Bond franchise by Amazon exposes one of the main concerns for die-hard fans ("007's new handler", March 1st). When it comes to Bond films the beauty is in the subtlety. If Amazon builds a "cinematic universe" then it risks making a Marvel out of Bond. Indeed, the *New York Times* criticised the most recent Bond movie, "No Time to Die", as being "more superhero saga than espionage caper". Amazon should avoid the same mistake.

GABRIEL BOUTIER-DOWNEY
London

Grand dreams of improving the human race are no longer science fiction

Some may consider all this quixotic, but Mr Angermayer is far from the only believer. Human enhancement, from wearable

It is not just the vision of a future in which ageing is held at bay and Olympic feats of strength, speed or endurance are commonplace that is exciting investors. They are also energised by the sense that America's current leaders are open to this sort of techno-utopianism and may help foster it. Last month Donald Trump Jr, the eldest son and namesake of America's president, joined Messrs Angermayer and Thiel as an investor in the Enhanced

People have always sought to transcend the limits imposed by biology: clothes and glasses, not to mention pacemakers and plastic surgery, are all forms of enhancement. Yet the idea of making humanity better stirs memories of eugenics and fears of snake oil. Evangelists for the industry can sound a little mad. Elon Musk, who as well as better-known companies like Tesla has also founded a brain-implant firm called Neuralink, talks about giving people “superpowers”. Bryan Johnson, a 47-year-old tech billionaire, thinks his special

► health regime may allow him to live for ever. Such talk brushes aside umpteen scientific uncertainties, regulatory hurdles and moral quandaries. But gung-ho enhancers are nonetheless embracing three broad categories of treatments: supplements, gene therapies and neural implants.

Health supplements are an industry in themselves, with annual sales of \$485bn. In addition, enhancers also use some prescription medicines in ways their manufacturers do not recommend. Herbal extracts such as ginseng, ginkgo and lion's mane (a type of mushroom) are taken to sharpen the mind, as is Adderall, a hyperactivity drug containing amphetamines beloved by sleep-deprived students. Nicotinamide mononucleotide, spermidine, creatine phosphate and, for men, testosterone are all used in the hope of delaying ageing or improving mental or physical prowess.

Of mice, not men

There is usually some kind of scientific theory behind these sorts of treatments, but typically not the stringent evidence required to win approval for a prescription drug. The chemical concerned may have yielded positive results in research on animals (often mice), but may not have been tested on people. Or it may be intended to treat specific conditions in people, but has not been evaluated for the purpose to which enhancers are putting it.

Take, for instance, testosterone, which is routinely prescribed to boost energy and libido and lower anxiety in men whose bodies are not producing enough of it. Robert Kennedy, America's new health secretary, takes testosterone not to overcome a deficiency, but as part of an "anti-ageing protocol". The hormone has not been tested for this purpose in clinical trials, so it is hard to say whether it will have the effects Mr Kennedy is hoping for—or whether using it in this way might be risky or harmful.

The lack of data is no accident. Medical research has, to a very large extent, focused on treating debilitating afflictions, rather than on improving the capabilities of people who are already healthy. Regulators have developed systems to test whether drugs prevent or alleviate known ailments, but these are typically not well suited to assess whether a treatment has a positive effect on those who are already well. Since such enhancements might be considered less urgent, it is anyway less clear how risks and rewards should be balanced. What is more, naturally occurring substances cannot be patented, so there is little incentive for pharmaceutical firms to pour money into research on their effects.

That leaves people like Mr Johnson conducting research on themselves. He describes himself as a "rejuvenation athlete" and spends \$2m a year on a regimen that is supervised by a team of scientists.

Every day he gets up at about 5am, takes 100 pills (a mix of supplements and prescription medicine), exercises for an hour or more and follows a calorie-controlled vegan diet. He does not eat after 11am and goes to bed by 8.30pm. He sleeps alone, for better rest.

And that is the more conventional part of Mr Johnson's health experiments. He recently said he has replaced all his plasma (the liquid part of blood) with a solution of a protein called albumin. He has received a blood transfusion from his son after research in mice had suggested it may have a rejuvenating effect. His intention is to minimise the biological indications of ageing, although that is difficult, since there is no scientific consensus on what they are. He, for instance, seems to set great store by the quantity and duration of his nighttime erections, which is not a widely accepted metric.

Charles Brenner, a biochemist at the City of Hope, an American medical-research centre, has suggested that Mr Johnson's "polypharmacy" is likely to be harmful and dismissed his claimed immortality as "delusional". Without proper clinical trials of his various treatments, it is impossible to judge with any certainty. That is why the world of enhancement is excited about a study called TAME, which is the first clinical trial that targets ageing specifically to be approved by America's Food and Drug Administration (FDA).

TAME will test whether metformin, a drug to treat diabetes, can also prolong hu-

man lifespans. Since it would be impractical to run a trial over 80 or 90 years, TAME will measure the onset of age-related ailments such as cancer and dementia over a shorter period as a proxy for longevity. In time, the FDA may come to accept other indicators of ageing as the basis for further trials, although agreeing on the format of TAME took years.

Another type of treatment championed by enhancers is gene therapy, whereby new genetic material is introduced to the body to alter the way it functions. George Church, a geneticist at Harvard University, argues that humans are reaching the limits of improvements in physical and mental performance that can be achieved through diet and exercise. Further gains, he says, will require advanced technologies such as gene editing. At any rate, improvements in various Olympic records have slowed in recent years (see chart). Whether related to the body's limits or to more stringent anti-doping controls, the slowdown tends to support enhancers' arguments.

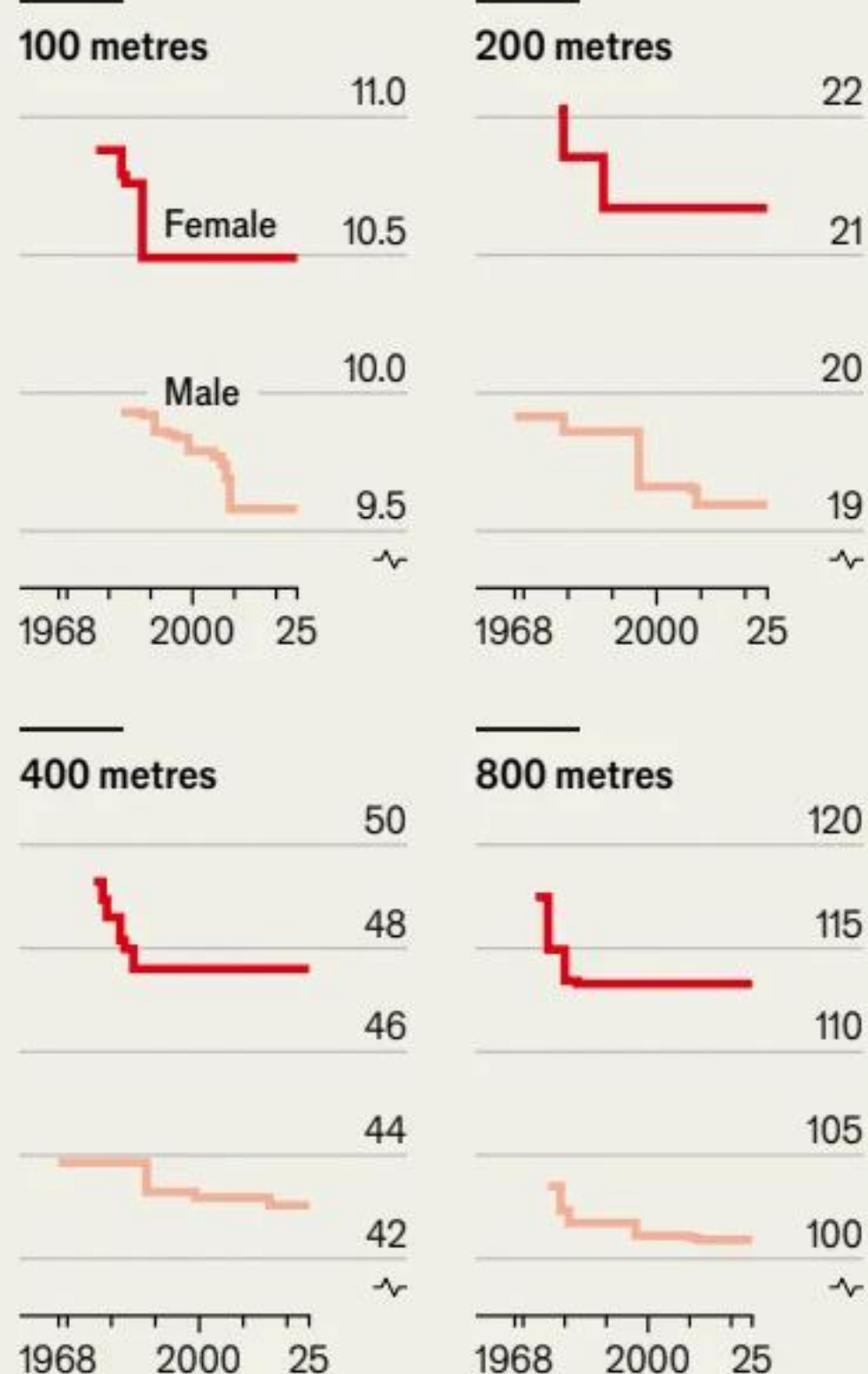
Existing gene therapies that achieve various medical ends, such as boosting the production of red blood cells for anaemics, or strengthening muscles for those with a wasting disease, are also of interest to enhancers. Doping agencies are worried that athletes will use such treatments, which are hard to detect, in competitive sport. As early as 2006 a German trainer reportedly tried to get hold of an experimental gene therapy called Repoxigen, although there is no evidence that he was successful.

Dr Church is a co-founder of a firm called Rejuvenate Bio, which is exploring gene therapy to tackle age-related diseases. In a paper last year in *Cellular Reprogramming*, a scientific journal, it reported introducing genes into mice to get them to produce proteins called Yamanaka factors that prompt cells to revert to a more youthful state. The animals lived far longer than normal and age-related changes in their DNA diminished. The firm aims to reproduce this effect in humans.

Only one genetic enhancement (as opposed to gene therapies for conventional medical purposes) is known to be publicly available. A firm called Minicircle has developed a method to introduce new genes into the body using loops of bacterial DNA called plasmids. It has harnessed this technique to induce the body to produce more follistatin, a hormone that, among other functions, stimulates muscle growth. As usual, most of the underlying research was conducted on mice. Mr Johnson, the immortal tech mogul, received Minicircle's follistatin therapy last year at a clinic on Roatán Island, off the coast of Honduras. The intention, as well as bulking up, was to delay the onset of ageing and even lengthen the ends of chromosomes, which may be an indicator of longevity.

As good as it gets

Athletics world records, seconds



Source: worldathletics.org



► The location of the clinic, in the semi-autonomous town of Próspera, was no accident. It is part of a special economic zone with less onerous regulation than the rest of Honduras. It has become known for allowing medical procedures that might not be permitted in other jurisdictions. The private firm that runs the city includes among its backers Mr Altman, Mr Thiel and Marc Andreessen, a celebrated venture capitalist. Mr Altman has also invested in Minicircle. The government of Honduras, however, is trying to rescind Próspera's special status.

A third form of treatment championed by enhancers is brain-computer interfaces (BCIs). These can collect and analyse signals from the brain or send signals to it. They can be headsets or invasive implants, inserted into the brain itself. Although a new technology, they have already been used to achieve surprisingly sophisticated results. Scientists have been able to decode activity in the area of the brain that processes visual information to work out what kind of images people are looking at, and even reconstruct those images in some cases. An implant developed by Mr Musk's firm, Neuralink, has allowed a paraplegic to operate a computer with his thoughts.

Mr Musk says that it should soon be possible for brain implants to allow disabled patients to move artificial limbs as well. Neuralink is also developing an implant to restore sight to the blind, although it has not yet started human trials. In the long run, however, Mr Musk wants not just to overcome disabilities, but to increase patients' mental powers. He hopes to use BCIs to connect human brains to artificial intelligence, massively augmenting reasoning capacity and knowledge.

Investors seem enthusiastic about this vision. Neuralink, which is privately held, has secured several rounds of funding, including one in 2023 led by Mr Thiel's in-

vestment fund. Messrs Angermayer and Thiel have also invested in another BCI firm, Blackrock Neurotech. A third, Synchron, counts Jeff Bezos, the founder of Amazon, and Bill Gates, the founder of Microsoft, among its backers.

Meanwhile, several wearable BCIs are already on the market. One, made by Flow Neuroscience, uses electrodes attached to the scalp to send a small electrical charge to specific areas of the brain. It is being tested by Britain's National Health Service to treat depression. Other startups hope to tackle different neurological or psychological disorders in a similar way.

But in addition to treating conventional ailments, wearable BCIs, too, are intended to enhance. Some devices promise to help users become calmer, more focused and remember more. Another claims to "elevate your performance" by increasing alertness. There are hopes that BCIs of this sort could detect distraction or fatigue and thus improve workers' performance.

The jurisdiction where BCIs are being developed most eagerly is China, where multiple trials are under way involving monkeys and humans. Chinese scientists recently claimed to have developed the world's first non-invasive two-way BCI, allowing a drone and human pilot to communicate with one another. The government has also issued various regulations to hasten the adoption of BCIs.

BCIs raise all manner of ethical and legal concerns. If the technology gets sophisticated enough, ensuring privacy and preventing subtle forms of mind control will become urgent and difficult. Regulators will naturally be cautious. But some entrepreneurs hope that the American authorities, at least, will soon be taking a more permissive approach to enhancement in general.

Mr Kennedy, after all, is happy to break with medical orthodoxy and has personal-

ly embraced some supposed forms of enhancement. He has complained in the past that the FDA is suppressing research into stem-cell therapies. President Trump has nominated Jim O'Neill, a long-term lieutenant of Mr Thiel and a longevity enthusiast, as one of Mr Kennedy's deputies. He, too, has criticised the FDA as unduly cautious in licensing experimental treatments.

Aron D'Souza, the head of the Enhanced Games, thinks America's new leadership will unleash "a technological revolution". "There's big moves in play," he says. "The FDA is a great organisation, but ultimately, there are many things and compounds outside of the purview of the current rules, because it's not designed for this rule set." He understands that Mr Trump's administration is already considering loosening regulations around the use of anabolic steroids, for instance, making life easier for bodybuilders. Mr Angermayer, too, insists that the American authorities understand the need to "change the framework" around the development of new medicines, particularly those targeting longevity, to allow greater scope for enhancement. That, in turn, would spur investment in research and thus hasten the development of new therapies.

As exciting as that prospect is to advocates of enhancement, the general public may not be so enthusiastic. A study conducted in 2018 found that the overwhelming majority of Americans approved of treatments that could restore normal physical functions to people who lacked or had lost them, such as the blind and paraplegics. But only a minority endorsed the idea of developing enhancements to human abilities beyond the typical range. Whether this reflects only a fear of the unknown, which will melt away as the potential of enhancement becomes clear, or a more deep-seated unease about tinkering with nature, is hard to say. Other intrusive technologies, such as mobile phones, have been greeted with scepticism at first only to be almost universally embraced as their benefits become apparent.

Flaws begone!

Proponents of enhancement, at any rate, are optimistic. Mr D'Souza was among the participants at a recent conference in Britain at which enhancement was heralded as both a right and a moral imperative. As he puts it, "We have the ability to overcome the weakness of our feeble biological forms and become something more." The Enhanced Games, he says, will "redefine what ageing is about". He wants them to be a popular spectacle and to receive lots of attention. That might help normalise and popularise the idea of enhancement. "I believe in superhumanity," he declares. The rest of us will soon have the chance to decide if we do, too. ■



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American conservatism

To Russia with love

WASHINGTON, DC

The American and Russian right are intrigued by each other

RUSSOPHILIA WAS once an affliction of the American left, of socialists who made excuses for Stalinism or Soviet totalitarianism. No longer. One month ago, Glenn Greenwald, a heterodox American journalist once lionised by the left and now admired by the conspiratorial right, dropped by Moscow to absorb the wisdom of Alexander Dugin, a prominent, anti-liberal Russian thinker sometimes likened to “Putin’s Rasputin”.

During his trip to Moscow a year ago to film a sympathetic interview with Vladimir Putin, Tucker Carlson, an influential MAGA media personality, visited Mr Dugin, too, and found him irresistible. “We were having a conversation that we were not going to film...but what you said was so interesting that we got a couple of cameras and put this together,” he gushed at the start of their interview, and nodded enthusiastically as Mr Dugin lambasted the failures of liberalism and the excesses of wokeness.

This is not just eccentric provocation by MAGA attention-seekers; it is a window into a serious, philosophical concordance that is emerging between parts of the American and Russian right.

The most obvious alignment is over geopolitics, especially the position of Ukraine. The hardline MAGA right objected to Joe Biden’s military aid not just out of partisan instinct but also because they believe Ukraine ought to have been more accom-

modating of its regional superpower. Just as America gets to dictate terms within its sphere of influence, to Canada over trade or to Panama over its canal, Russia has rights over Ukraine, this thinking goes. Adherents of America First are realists, not idealists like their neoconservative predecessors. They see foreign interventionism as futile adventurism. Their view of the world is multipolar, as is Mr Dugin’s.

But Mr Dugin’s contempt for Ukraine runs deeper. His most famous work published in 1997, “The Foundations of Geopolitics”, advocates for “Eurasianism”—the idea of a restored, great new Russia that straddles both Asia and Europe. He argued that Ukraine was a “huge danger” to this project. He elaborated: “Ukraine as a state has no geopolitical meaning. It has neither a special cultural message of universal significance, nor geographic uniqueness, nor ethnic exclusivity.” During Mr Putin’s invasion of Crimea in 2014, Mr Dugin’s enthusiasm for conquering Ukraine reached such excessive heights that he lost his appointment at the prestigious Moscow State University. His Rasputin-like reputation therefore seems overblown, though he still works as a kind of international ambassador to illiberal right-wing movements. An assassination attempt in 2022—via car bomb, believed to be planted by agents of Ukraine, which killed his daughter—has

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► amplified Mr Dugin's prominence.

The alignment with MAGA involves more than geopolitics. The ideas that have emerged to justify the governance of Mr Trump and Mr Putin—neither of whom are renowned philosophers—bear striking resemblances. Within the West, the international coalition of nationalist conservatives, stretching from Trumpism in America to *bolsonarismo* in Brazil to Orbánism in Hungary, rejects the basic precepts of enlightenment liberalism, like individualism and the universality of human rights.

This critique is shared by Russian justifiers of Mr Putin, who see an alliance against the decadence and depravity of liberalism. They disdain globalism and woke-ness, which they see as the logical endpoint of Western liberalism. To prevent global hegemony of any kind, national conservatives in America, France, Hungary and Italy argue that the sovereignty of the nation-state must be supreme. Whereas Mr Dugin once argued that Russia ought to create an axis with Germany and Japan (“dismembering” China in the process) to stand up to American hegemony, he now recognises that such efforts are unnecessary. “Each day it becomes more and more evident that USA and Russia are on the same wave, but EU-globalists are on the opposite one,” he wrote recently on X.

You might think there would be irreconcilable differences between the MAGA and Russian right, since Mr Dugin is straightforward in his advocacy for an authoritarian state unified with the Orthodox Church, even suggesting the restoration of the *oprichniki*, the tsarist secret police established by Ivan the Terrible. “Should we not recognise autocracy, patriarchy and the authoritarian system not only de facto, but also de jure? Shouldn't the Church and the institutions of traditional society regain their dominant position in society?” he wrote in 2022. The nationalist conservative movement in America and Europe, however, is couched in majoritarian populism—expressing the democratic will of people while imposing ever-fewer limits on the authority of their elected representatives. In America the goal is to smash the liberal state. “In the Russian case, the state is the embodiment of the nation. It's not the case in the US. Trump is dismantling the federal state; Putin's goal is to reinforce the state,” says Marlene Laruelle, a professor at George Washington University.

In this respect, the Russian political right does not represent the mainstream of the Trumpist intellectual right. Yet some of its ideas resonate with fringier figures. One strain of right-wing, post-liberal thought in America is integralism. Its adherents argue for the unification of the Catholic church with the state. Some, like Patrick Deneen, a critic of liberalism and professor at Notre Dame University, argue for “aristopopu-

lism”—replacement of rule of the current, decadent elite with a different elite with the right politics.

American thinkers affiliated with the so-called “Dark Enlightenment” or “neo-reactionary movement” are more straightforward in arguing against egalitarianism and democracy. Curtis Yarvin, one such thinker, has called for an American monarchy that would be run by a dictator-president, a figure sometimes referred to more politely as a “national CEO”. Vice-President J.D. Vance has approvingly cited Mr Yarvin's work, though not the monarchic aspects of his outlook. Recently Mr Vance greeted him at a party by saying, in jest, “Yarvin, you reactionary fascist!”

There are other discordances, too. Western national conservatives aim to defend the nation-state from globalism, whereas the sacred object for Mr Dugin (and Mr Putin) is the Russian civilisation-state, which transcends Westphalian borders. “They describe me as ultranationalist, but I am not nationalist at all!” Mr Dugin told Mr Greenwald in his interview.

Mr Dugin's works are suffused in the precepts of Traditionalism, an esoteric school that argues that religions are all aspects of one single Tradition. For that reason, he is partial to Sufism and often admiring of Iranian theocracy, which most on the Western right see as the enemy. Steve Bannon, a former adviser to Mr Trump, has also cited Traditionalist thinkers like Julius Evola; he and Mr Dugin spent eight hours speaking to each other in a hotel in Rome in 2018, writes Benjamin Teitelbaum in his book “War for Eternity”. Mr Bannon “has been arguing that the United States and Russia are both Christian and nationalist in their essence,” says Mr Teitelbaum. He argues this is a prelude to a new Republican conception of American identity based on rootedness and peoplehood rather than personal liberty and free markets. The alignment with Russian thinkers remains possible because, in Mr Dugin's words, “all that is anti-liberal is good.”

Democrats managed to convince themselves that Mr Trump was an asset of Russian intelligence and that Mr Putin's election interference secured him a presidential victory in 2016. There has been no convincing evidence presented for either contention. But that gave them an excuse to underestimate the potency of Trumpism—until it triumphed again in 2024, this time with a popular-vote victory. This experience may have brought Mr Trump and Russia closer: “Putin went through a hell of a lot with me. He went through a phony witch hunt,” Mr Trump said in passing during his dressing down of Volodymyr Zelenskyy in the Oval Office. Having falsely called Russification once before, liberals may be missing something more serious and under way in plain sight. ■

Schools

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WESTBROOK, MAINE

Learning loss has been worse in places run by Democrats

ON AN UNSEASONABLY balmy March afternoon in Westbrook, Maine—a suburb of Portland, the state's largest city—parents gather outside Congin elementary school to collect their children. Before the pandemic five years ago, when schools here and across America shut down, Congin was middling, ranked by test scores in the 50th percentile of primary schools in the state. Since then it has sunk to the 30th percentile.

Schools are like complex cellular organisms; when they sicken, there can be multiple causes that are hard to sort out. The parents at Congin say their children are back on track and thriving academically. The numbers tell a less optimistic story, and they align with the latest data from the National Assessment of Educational Progress (NAEP), a standardised test known as America's Report Card, which came out at the end of January. It updated grim findings about covid-19's ongoing costs, showing that across the country the pandemic has thus far wiped away about 20 years of educational progress.

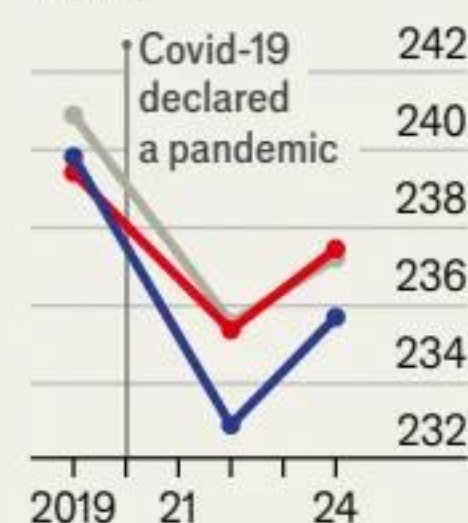
New research offers a culture-wars twist on this deficit: learning loss during the pandemic was measurably worse in America's Democrat-leaning states than in Republican ones. A recent analysis by Michael Hartney and Paul Peterson of the Hoover Institution, a think-tank attached to Stanford University, suggests that prolonged school closures during the pandemic bear much of the blame. They found that while NAEP scores declined consider- ►►

Learning divide

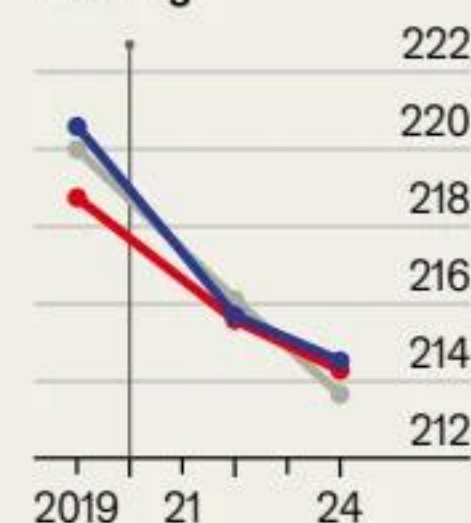
United States, average score on standardised fourth-grade test*

— In states Harris won decisively[†] in the 2024 presidential election — In contested states
— In states Trump won decisively[†]

Maths



Reading



*National Assessment of Educational Progress [†]By over 5% points
Sources: National Centre for Education Statistics; The Economist

ably in every state between 2019 and 2024, pupils in Democratic or evenly-divided states—where school closures lasted for longer—suffered greater declines than those in Republican states.

An analysis by *The Economist*, using a slightly different methodology, yields similar though less pronounced results (see chart 1). In our analysis, a state's partisan lean had no significant effect on changes in reading during the pandemic. But in maths the numbers are clear: pupils in Democratic states have fared worse than their Republican-state counterparts.

It is impossible to prove conclusively that school-closure policy affected specific learning results, but the analysis is based on solid evidence. Longer closures meant more remote teaching, which in turn is associated with higher rates of absenteeism. And absenteeism, unsurprisingly, is linked with poor academic performance.

Thomas Dee, a professor of education at Stanford, attributes rising absenteeism during the pandemic to “norm erosion” caused by clunky remote teaching and other factors. “Many students and parents simply began seeing less value in regular school attendance,” he says. His research shows that the districts that kept schools closed for longer (which were disproportionately likely to be poor) saw more chronic absenteeism once they reopened. That would help explain why more Democratic states, where strong teachers' unions were among those insisting that physical schools must stay closed, tended to see greater drops in pupil performance.

The overall state averages mask some variations. Virginia and Maine, which Kamala Harris won by six and seven points respectively, saw some of the steepest declines in NAEP scores. Yet some states Donald Trump won by more than 20 points—including Nebraska and Oklahoma—also witnessed dramatic declines.

Nor did a state's learning losses necessarily change the underlying strength or weakness of its school system. States with strong schools emerged upright from the crisis, despite their pandemic-related declines. Weak school systems in the deep South and elsewhere remained weak. This explains why wealthier, well-educated Democratic strongholds like Massachusetts and New Jersey have remained among the country's top-ranked states, despite the drop in scores their pupils have suffered (see chart 2).

If states' partisan and school-closure policies show a sometimes patchwork trend, poverty rates correlate clearly with poor performance. Post-pandemic learning loss has been greater in poorer schools, particularly those that had remote instruction for longer. As a practical matter, it was harder to keep teachers, parents and pupils safe from contagion in densely packed

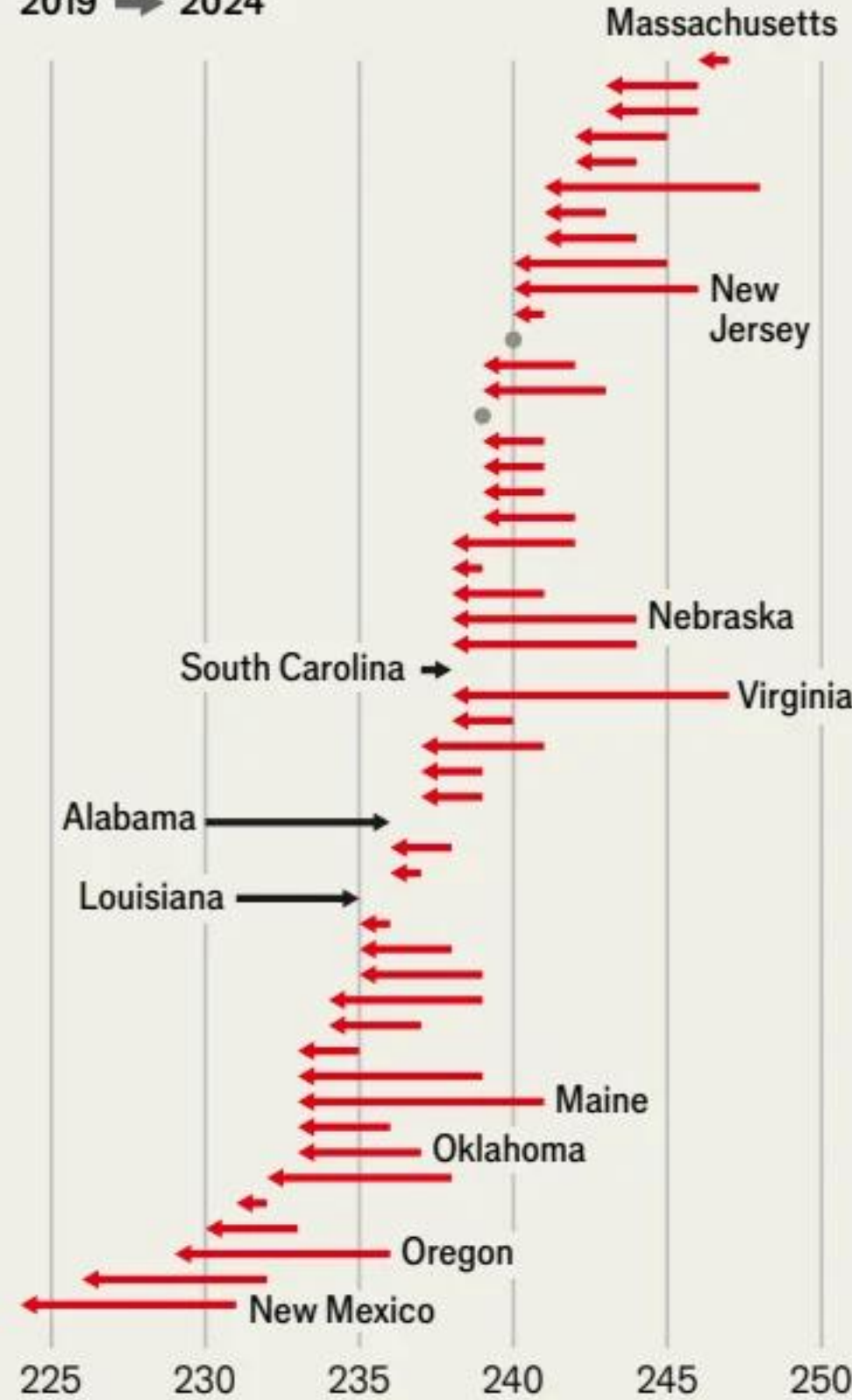
neighbourhoods of the Bronx than it was in rural Wyoming, with its small population and ample space.

Chronic absenteeism is now easing somewhat, but for most pupils who have spent prolonged periods away from the classroom, simply turning up again will not be enough. In the wake of the pandemic the federal government doled out some \$190bn to help pupils recover, giving school districts broad discretion over how to spend the funds. Districts that invested in academic catch-up—such as intensive tutoring in small groups—recovered better than those that funnelled relief money into capital improvements. Thomas Kane of Harvard University, who has led research on the issue, argues that schools that remained closed for longer “had more of an obligation to spend the federal money on academic catch-up...and they didn't”, choosing instead to improve buildings.

Federal covid-relief funds have now mostly dried up. Mr Kane argues that states should direct what funds they have to pupil services like tutoring. Yet this won't happen if officials do not acknowledge the problem. In Maine, the state's department of education cast doubt on the reliability of NAEP results. In Illinois, where eighth-grade maths scores fell by six points, the superintendent of education framed the outcome as a victory, declaring that the results give “students, educators, and families cause to celebrate”. ■

Backsliding

US states, average score on standardised fourth-grade maths test*
2019 → 2024



*National Assessment of Educational Progress
Source: National Centre for Education Statistics

Building stuff

In the zone

CAMBRIDGE, MASSACHUSETTS

The home of Harvard and MIT embraces yimby-ism

RESTORED QUEEN ANNE houses sell for more than \$10m in Cambridge, a small city across the Charles River from Boston. Victorians, brick rowhouses and triple-deckers (three-storey homes, with an apartment on each floor) are all very dear. Rent is high, too. Low-income residents are decently served by public and subsidised housing. But middle-income renters and buyers are mostly locked out of finding a home in Cambridge.

That looks set to change thanks to the city council passing a bold new ordinance last month. The measure ends century-old single-family zoning and represents a significant turn in urban land use policy. It will allow six-storey residential buildings citywide, including areas where only single-family homes were permitted. Accessory dwellings, a cottage or granny flat built on the same lot as a single-family home, will also be permitted.

“Yimbys”, activists who say “yes in my backyard” to development, are thrilled to see sensible planning in one of the most dense cities in America. They argue that housing shortages are caused by overregulating what can be built and where. These rules add to costs and can discourage development. The city council deleted scores of pages of requirements.

Burhan Azeem, a council member, calls Cambridge's reform the most comprehensive citywide zoning change in the country. The old rules were so restrictive that only 350 new units were expected to be built by 2040. Mr Azeem says the new, easier rules will encourage mid-size and smaller property developers.

The city was “becoming a barbell society,” says Mr Azeem. The poor got help and the wealthy lived well, but teachers cannot afford to live there. One former resident says he and his wife, both white-collar workers, were advised by their real-estate agent to move to the Midwest. Cambridge has one of America's lowest rates of children as a percentage of the population because young families leave for cheaper places. “One of the biggest signs that something was going wrong,” says Mr Azeem, is “when you can't create space for the next generation.”

Cambridge is not alone in embracing yimbyism. Christopher Elmendorf of the University of California, Davis, points to Minneapolis, America's first major city to end single-family zoning. New develop-

ment tended to be built where flats were already permitted. Mr Elmendorf thinks “in the right environment, it can totally work.” That means sound policy, good timing (tariffs on lumber and steel are bound to hurt construction) and the willingness of people to welcome change.

William Fischel, emeritus professor at Dartmouth College, is encouraged. “People are waking up to the fact that land use regulation has something to do with housing costs”. But he is worried about powerful historic conservationists. Even in the People’s Republic, Cambridge’s nickname, NIMBYS, or “not in my backyard”, locals who resist new development, may cause trouble. Many are progressive and understand there is a housing crisis, but they love the charm of their neighbourhoods.

“The minute someone tries to put a six-storey building in a residential zone that has historically been no higher than 35 feet, there’s going to be immediate negative pushback,” says David Clem, who kick-started biotech development in Cambridge’s Kendall Square (now an economic engine for the state). He predicts it will take a while before the bold move results in new housing. Mr Azeem says the historical commission can only delay projects until they do a historical study. As *The Economist* went to press the city council and the commission were in talks. ■

Burgernomics

Not so bullish

CHICAGO

Donald Trump’s tariff plans may drive up the price of beef

THE WEST LOOP in Chicago was once the city’s meatpacking district. That is long gone, but people still come to the neighbourhood from miles around to buy beef. At Au Cheval, a fancy burger joint where tourists queue up for hours, the signature dish is a double cheeseburger served with a fried egg. Chicagoans call it the best burger in the world. Yet the price of such a delight is rising. It is not only that eggs now sell for \$6 a dozen, thanks to bird flu. More quietly, beef has been rising in price for years now too. And thanks to Donald Trump’s proposed tariffs, it may be about to get much worse.

Since January 2020 the average price of a pound of beef mince has risen from \$3.90 to \$5.60, according to the Bureau of Labour Statistics. That is almost double the general rate of inflation. It is the result of high demand combined with tight supply, according to the National Cattlemen’s Beef Association, a lobby group. Because of un-



NAFTA and fries

derinvestment a decade ago America’s cattle herd has contracted, but Americans still love their burgers and steaks. There is now a national beef shortfall.

Thankfully, imports have saved the day. As recently as 2022 America was a net exporter of beef. That has now reversed. Last year imports totalled 2m head of live cattle and 4.6bn pounds (2.1bn kg) of beef—a record high. This has contained price rises. Yet Mr Trump seems more worried about importing foreign herds than he is about inflation. On March 3rd, on his social-media platform, Truth Social, the president said he will be imposing hefty new tariffs on agricultural imports on April 2nd. That will probably include beef. Farmers, he said, should “get ready” to grow food to sell to Americans, and “have fun”.

One might think cattlemen at least would be delighted. Unlike say, soyabean farmers, who largely export their crop and so will get hit by reciprocal tariffs, they are at a medium-rare advantage: Americans are already buyers, and a squeeze on imports will merely push up the price. “You could make the argument...it is actually going to help the domestic market,” says Steve Sunderman, a rancher in north-east Nebraska. The problem, he goes on to explain, is that ranching is more complicated than that. “We’re trying to be in a rebuilding phase for the herd,” he says. A sudden price spike would encourage farmers to sell down their stocks rather than invest. Meanwhile, consumers might learn to like alternatives to red meat. “So it’d be a great thing for price, but probably a horrible thing for the industry,” he says.

Even if the proposed agricultural tariffs do not go into effect, a now partially suspended separate 25% tariff on Canada and Mexico may be reimposed. Moreover, a cow may cross many borders before it is fi-

nally eaten. Of America’s imported cows, a large share are calves raised in Mexico and then brought to America to fatten. Once fattened, many then go to Canadian slaughterhouses, with the product subsequently reimported. That may all be disrupted too. Mr Trump famously likes to eat his steaks well done. With these tariffs he may be the one who gets burnt. ■

Methadone

Worth a shot

NEW YORK

Why Congress has failed to pass reforms to treat addiction better

METHADONE IS “the best tool we have” to fight opioid addiction, says Ashish Thakrar, a doctor at the University of Pennsylvania’s school of medicine. Yet many of his patients are unable to get it. At his hospital, Dr Thakrar can administer methadone for pain or for opioid addiction. But as soon as he steps across the street to his outpatient addiction clinic, he complains, he is barred from doing so by federal regulations. Methadone rules are “very, very silly right now”, he sighs.

Heroin or fentanyl addicts can take methadone, a weaker opioid that often comes as a liquid, to blunt their cravings and stave off withdrawal symptoms. Studies suggest this reduces the risk of a fatal overdose by 50-80%. But though safer than fentanyl, methadone is not without risk. Users can overdose, and the drug has a street value. So methadone is available only at a few specialised clinics and subject to intense oversight. »

Those who are prescribed it to treat addiction must often receive it every day, in person, for years. That can be hard: around 80% of counties don't have a methadone clinic. Only a fifth of American opioid addicts receive the medication that experts such as Dr Thakrar think they should have.

In recent years the federal government has tried to improve access to methadone. During the pandemic, it became easier for patients to take home up to a month's supply. In 2022 two senators, Ed Markey of Massachusetts and Kentucky's Rand Paul, a Democrat and a Republican, proposed another measure: allowing addiction doctors to prescribe methadone without having to go through a clinic.

This would hardly have been revolutionary. There are only a few thousand addiction doctors in America, and 6.1m opioid addicts. Nevertheless the bill died in late 2024. The explanations for this can be divided into the reasonable, the unreasonable and the cynical. Reasonably, many people feared it might have repeated the original sin of the opioid epidemic, allowing the wanton prescription of an addictive drug. Laxer methadone rules did indeed lead to overdoses. But under Markey-Paul, the addiction doctors would have been subject to the same safeguards that have since curbed the once-lavish prescription of opioids.

A less reasonable explanation is that while voters may support preventing overdoses in the abstract, they do not want to come into contact with addicts. The bill would have allowed local pharmacists to dispense methadone, so addicts might be glugging down their daily dose next to someone buying shampoo.

A final obstacle is lobbying. Two-thirds of methadone clinics are run by for-profit companies, and they are keen to protect their often-lucrative monopoly. "If you look up a cartel in the dictionary, it literally talks about what we are doing here," says Donald Norcross, a Democratic congressman from New Jersey, who introduced the bill in the House of Representatives. "One of the questions I get asked is, 'How come this [bill] didn't move?'" Mr Norcross says. "Well, they hired the lobbyists."

Mark Parrino, the president of the methadone clinic trade association, begs to differ. He says clinics support greater access to methadone, but "prefer that it's done in a way that increases safety" (namely, through more methadone clinics). Donald Trump has mentioned the need for better addiction treatment to reduce homelessness. Mr Norcross plans to reintroduce the bill. "Obviously," he has differences with Mr Trump, he says, but he "worked well" with the previous Trump administration on addiction treatment. And a bill to cut red tape and enhance competition might yet appeal to conservatives. ■

Anti-woke entertainment

Clap for nostalgia

BRANSON, MISSOURI

What a Christian theatre town can teach Trump's Kennedy Centre

DONALD TRUMP has probably not studied Antonio Gramsci but he doesn't need to. He intuitively understands the chief insight of that Marxist theorist, who said that power comes from commandeering not only the state, but also the culture. It is not enough to seize the federal bureaucracy; one has to get the tastemakers too. Cue Mr Trump's arrival this week at Washington's foremost cultural institution, the John F. Kennedy Centre for the Performing Arts.

The Kennedy Centre, says the president, has got too "wokey". He has remade its board and, in a recording leaked to news outlets, suggested that he headline its annual awards ceremony. The Gay Men's Chorus of Washington and the International Pride Orchestra have had performances cancelled. The creator of the hit musical "Hamilton", an exemplar of DEI in casting, has nixed a forthcoming run in protest.

This will not help the centre's finances: as it is, operating expenses far exceed ticket sales, with donors plugging the gap. Still there was a deficit of \$1.3m in 2023. Richard Grenell, the centre's new president, thinks the answer is "a big, huge celebration of the birth of Christ at Christmas". Mr Trump's press secretary expects shows that "embrace" rather than "disparage" America. Washington's cultural cognoscenti are aghast.

To consider what a programming slate built on faith and flag might look like, visit Branson, Missouri, which is about as far from the coasts as you can get. Branson is a show town in the Ozarks, the buckle of the Bible Belt, and a good place to evaluate the promise and pitfalls of Mr Trump's vision. The city—population 13,000—draws several million tourists a year and is a kind of Christian Las Vegas. Except on this Strip there are no casinos or showgirls. There are country-music revues and variety shows. There is a "Dixie Outfitters" selling Trump gear and a "Four Seasons" (not that kind: this is a discount town). Branson does not celebrate veterans day. It celebrates veterans week and that week, says the mayor, is eight days long.

This is the sort of place where men can wear skirts while playing the harp on stage and no one will question their morals. Such is the entertainment

dreamed up by Sight & Sound, a company which makes period-correct Bible musicals and rivals Broadway in production quality. Matt Neff, the boss, says it sells between 550,000 and 700,000 tickets a year at its reliably packed theatre in Branson. He would take a call from the Kennedy Centre ("great space, amazing property") if it came.

The other acts in Branson are less explicitly Biblical; they sell good clean nostalgia. In the 1980s second-tier country artists who had tired of touring realised fans would travel to them. Venues mushroomed. This newspaper marvelled at the showbiz boom, writing that "everyone is on the golden road together". But after the old guard died no big names took their place. The number of theatres has halved from its peak.

Those who hanker for the good old days see the demise of the starry residency as a supply problem. Less is said about demand for this sort of entertainment. What acts remain mostly perform covers. Several are Elvis tributes. (Mr Trump has a theory about this, which he shared with the Kennedy Centre board: "Elvis sells better as a dead man.")

Will that institution go the way of Branson? The centre will lose its traditional audience and donors, predicts Michael Kaiser, who used to run it. "In four years, who's going to pay the bills?"



Harping on the past

LEXINGTON

Judge dread

Donald Trump is testing America's character as well as its Constitution



THERE MAY not have been much of a common-sense argument left, let alone a legal one. Still, at least a pretence of respect for the courts clung on, in mid-March, as the Trump administration argued that it could ignore the order of a federal judge because he spoke it aloud rather than wrote it down. (Note to White House staff: do not try this excuse on the president himself.) Then on Truth Social on March 18th Donald Trump yanked the figleaf away, calling for the judge to “be IMPEACHED!!!”

With that demand Mr Trump crossed a new boundary in any president's testing of constitutional limits, as evidenced by the first five words of the extraordinary rebuke he drew from Chief Justice John Roberts: “For more than two centuries,” Mr Roberts said, “it has been established that impeachment is not an appropriate response to disagreement concerning a judicial decision.” That, he went on, is what appeals are for.

Mr Trump is angry at the judge, James Boasberg of the district court for Washington, DC, for temporarily blocking some deportations while he considers the administration's reliance upon the Alien Enemies Act of 1798. On March 15th Mr Boasberg ordered that planes carrying migrants to a prison in El Salvador turn around, but the planes continued on their way. The White House says more than 200 of the deportees were members of the Venezuelan gang Tren de Aragua. It has not disclosed their names or offences, and they were apparently deported without a hearing.

Besides trying to get Mr Boasberg impeached—a cause that has been taken up by some Republican congressmen—the Trump administration has appealed his order and sought to have him removed from the case. But it has not carried out further deportations under the Alien Enemies Act, sustaining the suspenseful will-Mr-Trump-or-won't-he drama that has Americans asking themselves daily whether they are in a constitutional crisis.

As Mr Trump has asserted powers that precedent and arguably the Constitution vested in Congress and the states, numerous judges have blocked him, at least temporarily, from steps that include: limiting the right of birthright citizenship; pausing the admission of refugees to America; withdrawing federal money from medical organisations that provide care to transgender youth; and

firing members of federal boards that consider workplace disputes. The administration is appealing in each instance but complying with the orders, as it has with a judge's directive to reinstate thousands of federal employees. Yet Mr Trump has continued to resist the spirit if not the letter of such restraints: on March 12th a federal judge blocked an executive order by Mr Trump to deny federal contracts to a law firm he saw as a political adversary, and to all clients of that law firm; two days later Mr Trump issued a similar order against another law firm. Those orders seem intended to hasten the administration's accumulation of powers by scaring firms away from litigating against them. The orders are having that effect, at any rate.

The call for Mr Boasberg's impeachment notwithstanding, Mr Trump has continued to say he will abide by judges' rulings. “It's not my decision—that'll be up to a court,” he told reporters after asserting another power no previous president had claimed, to ignore pardons issued by his predecessor. In a grudge-heavy speech at the Department of Justice on March 14th, Mr Trump said criticism of federal judges “should be illegal, and it probably is illegal in some form” (exempting, apparently, his own such criticism, even in the same speech). And yet his aides often send more troubling messages. White House spokespeople have repeatedly said that America is already in a constitutional crisis, one created by leftist judges trying to constrain Mr Trump. Tom Homan, Mr Trump's border tsar, told Fox News that the administration would carry on regardless of Mr Boasberg's orders. “I don't care what the judges think,” Mr Homan said.

Yet even Mr Homan must wonder what the Supreme Court might eventually think. The Alien Enemies Act has been invoked before only during the war of 1812 and the two world wars. When Congress passed it, America was duelling with France at sea in the “Quasi-War”, so called because it was never formally declared. At least partly for that reason, President John Adams believed the law did not apply. Perhaps that history will give the court's conservative, “originalist” justices pause. Or perhaps they will nod along with Mr Trump's contentions that Tren de Aragua is invading America to wage war on behalf of Venezuela. Justice Roberts has an expansive view of the executive branch's powers, and, when it comes to this or other cases that might reach him, he may hope to protect his own branch by avoiding conflict with this president.

About that saviour...

Justice Roberts may have the heaviest burden in Washington, but he is not the only American being tested by Mr Trump. As with the cuts to foreign aid, to federal staff and to transgender care, this administration is taking a kind of joy in aggression toward vulnerable people that has not been seen in American government for a very long time. Some illegal immigrants have committed horrible crimes, and all, definitionally, have broken the law. Maybe those realities alone would prompt most Americans to enjoy the slickly produced videos tweeted out by the White House showing men being chained by their hands and feet, then shuffling, heads bowed, aboard an aeroplane.

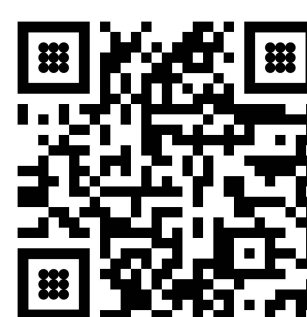
Yet already there are credible reports that some of the recent deportees were not in any gang. Maybe Americans will pause to imagine how these young men feel as they find themselves locked inside El Salvador's most notorious gang prison, with no way to contact their families. Mr Trump believes this is all good politics. The question confronting America is whether he is right. ■

The Americas



North American chemistry

Look at the results



MEXICO CITY

Will Donald Trump shape the Mexican president's domestic agenda?

DEALING WITH Donald Trump is a nightmare for many world leaders, not least Mexico's. Yet Claudia Sheinbaum has been doing unexpectedly well at it. The Mexican president has earned respect for her calm and level-headed handling of her northern neighbour, and has twice won her country a month-long reprieve from threatened tariffs of 25% across the board. Her team strikes a careful balance between toughness and flattery—witness a graphic they sent to the White House entitled “Look at the Results!”, implying that Mr Trump personally caused fentanyl flows at the American border to plummet.

This diplomatic success has allowed Ms Sheinbaum to step out of the shadow of her predecessor and mentor, Andrés Manuel López Obrador. By demonstrating style and success she has beefed up her standing at home. Her already high popularity has climbed further, reaching 85% in one recent poll, up from 70% when she

took office in October. She is winning over former sceptics, notably Mexico's business leaders, says Fernanda Caso, a political commentator. She has also strengthened her hand within Morena, her own party. Morena and its allies already control both chambers of Congress. Dissent among party members, who often seem more loyal to her predecessor, is now less acceptable.

But to what extent will Ms Sheinbaum, almost six months into her presidency, be able to use her new authority—and to what ends? Mr Trump would like to think he is shaping her domestic agenda, especially on security. He justified initial threats to impose tariffs on Mexico's failure to halt migrants and fentanyl from crossing the

border. He has threatened military strikes against Mexican criminal gangs if the country fails to act, designating six of them as foreign terrorist organisations. American tariffs on steel and aluminium exports, which came into force on March 12th, have had limited effect on Mexico. But broader ones expected on April 2nd, unless Ms Sheinbaum can win yet another reprieve, could devastate the economy.

It is hard to determine how much Mr Trump has affected Mexico's policy. It seems unlikely that Ms Sheinbaum would have sent 10,000 troops to the border in January were it not to placate him. And on February 27th she took the unprecedented step of extraditing 29 alleged Mexican drug-traffickers to the United States.

But even before Mr Trump's return to power, Ms Sheinbaum had toughened Mexico's stance on criminal gangs. Between October and January, Mexican seizures of fentanyl rose sharply. Her approach emphasises stronger investigative powers and better intelligence-gathering. Domestic outrage could reinforce this strategy: Mexicans were shaken by the discovery on March 8th of three cremation ovens at a ranch used by the Jalisco New Generation Cartel, underscoring the brutal horrors that plague the country.

Security policy is where Ms Sheinbaum differs most from Mr López Obrador, »

→ ALSO IN THIS SECTION

26 Migration in Central America

28 Cuban doctors in the Caribbean

► whose “hugs not bullets” approach let criminal groups flourish. There are signs that she wants to change direction in other areas, too. Mr Trump’s threats could provide convenient political cover for broader policy shifts—if she wants to pursue them.

Similarly, Mr Trump may pep up Ms Sheinbaum’s embrace of pragmatic economic strategies. Her recent suggestion that Mexico and the United States should deepen their economic integration is notable, given her and Mr López Obrador’s ideological opposition to “neoliberal” economic policies. Both were historically against the North American Free Trade Agreement, the deal originally signed in 1992. Her “Plan Mexico”, a national economic strategy, seeks to allay American concerns about Chinese involvement in North American supply chains. The plan also encourages private investment: it winks at the business community, says Javier Aparicio of CIDE, a university in Mexico. This is yet another departure from Mr López Obrador, who was often hostile to private business.

Some worry that dealing with Mr Trump may nudge Ms Sheinbaum to concentrate presidential power all the more. Mr López Obrador had already dismantled many checks and balances. A controversial judicial reform he pushed through means that by September half of Mexico’s judges will be elected rather than appointed. Mexico’s judiciary will be less experienced, more politically aligned with Morena and more vulnerable to undue influence.

Ms Sheinbaum does not seem so eager to tackle corruption within her own party or among officials—despite Mr Trump criticising the “intolerable alliance” between Mexican politicians and criminal gangs. Acting on persistent allegations against the Sinaloa state governor, Rubén Rocha, would be tricky. But it would be a clear sign that Ms Sheinbaum is serious about combating crime.

The problem with having so much power is that there are fewer excuses not to use it, says Mr Aparicio. Mexico’s precarious economic circumstances—recession looks imminent—mean Ms Sheinbaum is limited in her room for manoeuvre.

Though impressive, her diplomatic nous is unlikely to divert the looming universal tariffs. Mexican officials are working towards being slapped with more limited tariffs than other countries, says Pedro Casas of the American Chamber of Commerce in Mexico City.

Ms Sheinbaum’s presidency will be largely shaped by Mr Trump’s policies. Yet within that tricky context she has genuine opportunities to distance herself from the damaging parts of Mr López Obrador’s legacy, such as his ill-fated security policy, and to advance Mexico’s best interests. She would be wise to seize them. ■

Migration through Central America

A path that strivers will still risk taking

ESQUIPULAS, GUATEMALA CITY AND PANAMA CITY

Donald Trump is reshaping one of the world’s busiest illegal migration routes

IN HIS QUEST to chuck migrants out of the United States, Donald Trump has found an eager partner in Central America. On March 15th his administration deported more than 250 alleged members of a Venezuelan gang to El Salvador—some under the Alien Enemies Act, an 18th-century law. They will be held in a high-security prison built by Nayib Bukele, El Salvador’s authoritarian president, as part of his crackdown on gangs. But it was unclear if the Venezuelans were all criminals, and whether their deportation had violated an American federal judge’s order to halt their removal. “Oopsie...too late,” Mr Bukele wrote on X, a social-media platform.

No other Central American leader has embraced Mr Trump’s anti-immigration policy as eagerly as Mr Bukele, a MAGA icon. But he is not alone. Marco Rubio, Mr Trump’s secretary of state, secured agreements in February with Costa Rica, Guatemala, Honduras and Panama to serve as staging posts or destinations for people from other countries being deported. In February Costa Rica and Panama received flights deporting citizens of countries including Afghanistan, India and Iran.

Mr Trump has not yet matched Joe Biden’s pace of deportations: the huge numbers arriving at the border during Mr Biden’s term made it easier to capture and deport people. Mr Trump removed 37,660 people in his first month compared with

Mr Biden’s monthly average of 57,000—but Mr Trump has laid the groundwork. This includes pressing Central American countries to accept more deportation flights.

Since taking office Mr Trump has dismantled much of the American asylum system. He has shut down CBP One, an app that let asylum seekers request appointments, and has ended temporary-stay programmes for certain nationalities, including Cubans and Haitians. Images of desperate people holding up signs pleading for help at a hotel in Panama after being expelled have spread across the region.

This marks a big shift. Central American countries have long accepted back their own citizens, but the United States previously struggled to deport migrants from countries like Venezuela that did not accept deportees. (That has since changed.) During Mr Trump’s first term he signed “safe third country” agreements with El Salvador, Guatemala and Honduras, obliging asylum seekers to apply there instead of in the United States, but this was feebly enforced. Mr Biden scrapped these arrangements only to replace them with similar ones. He offered Panama’s government \$6m to accept deportees and beef up border patrols. Mr Biden deported roughly 4m people between 2021 and 2025, far exceeding the 1.9m removed during Mr Trump’s first term. Now Mr Trump is aiming much higher. ►►





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Anyone heading to the United States from south of Mexico must pass through at least one of the seven countries in the stretch of land that runs down to Colombia (see map). Arrivals at the southern border of the United States were already declining when Mr Trump took office again but many governments have previously turned a blind eye to people passing through their territory.

Mr Trump wants Central America to crack down on its own nationals as well as others transiting northwards. Costa Rica has provided buses to transport migrants directly from its southern border to the northern one. Honduras views migration as a human right. Meanwhile, Nicaragua has turned the airport at Managua, its capital, into an illegal migrants' gateway.

Though comprehensive data are lacking, Mr Trump's policies are already shaking up the pattern of migration. In Panama's Lajas Blancas camp, more than 90% of its 485 residents—mostly Venezuelans—are preparing to return to where they came from, often Colombia. In Esquipulas, a town in south-eastern Guatemala, Jon Carabo and his family, originally from Venezuela, are heading back: "What's the point of continuing if now there's no way in?"

Guatemala, Honduras and Mexico have launched programmes to deal with deported and returning citizens, with patriotic names such as "Brother, Sister, Come Home!". But beyond basic aid and small cash grants, they offer little support and cannot manage a surge in returns.

The enduring lure of Uncle Sam

Moreover Mr Trump's approach leaves more migrants stranded. Although the number arrested at the United States' southern border dropped by 35% between 2023 and 2024, and crossings through the Darién Gap fell 42%, huge volumes of people are still on the move. *The Economist's* data analysis suggests that many people are stuck not only in Mexico but elsewhere in Central America too.

Figures in Honduras suggest that many migrants who pass through the Darién Gap don't manage to get much farther north. In 2023 some 96,000 Venezuelans who passed through the Gap had not reached Honduras, meaning they were likely languishing in Costa Rica or Panama, or had turned back.

Mr Trump's policies are unlikely to stop migration entirely. In fact, his aggressive approach could push more people into trying to reach the United States by increasing economic instability, which, along with corruption, drives emigration. Countries struggling to provide jobs and services will be hard hit by any fall in remittances, which make up one in four dollars circulating in the region, says Manuel Orozco of the Inter-American Dialogue, a think-tank

in Washington DC. He estimates that if just 10% of those under orders to be removed and 65% of those detained are deported, the annual growth in remittances sent to Nicaragua would drop from 55% in 2023 to 6% this year.

Most Central American countries lack the resources or political will to secure their borders. And the economic allure of the United States remains potent. Getting off a flight from El Paso to Guatemala City, Ingrid, a deported 23-year-old teacher, is determined to try again; she wants to join her family. She says washing dishes with her sisters in a New York restaurant pays far better than teaching in Guatemala. ■

Cuba, the Caribbean and the United States

Define a doctor

MIAMI

The United States' muscular diplomacy is floundering

IN THE MIDDLE of the covid-19 pandemic one Cuban asset was in high demand from all corners of the world: its exported doctors. For decades Cuba has sent them abroad to burnish its international reputation and fill its coffers. Although the number of its medical professionals working abroad has fallen by more than half in the past decade, around 24,000 still work in more than 50 countries, including as many as 1,500 in the Caribbean.

Now Marco Rubio, the US secretary of state, says that the doctors work abroad as "forced labour" and that any officials complicit in such activity will have their visas to the United States revoked. Cuba blames

this attack on the "personal agenda" of Mr Rubio, the son of Cuban migrants. Yet this latest decision reflects Donald Trump's disdain for the small communist island. During his first presidency he imposed sanctions on Cuban officials involved in the medical programme.

But the latest policy goes even further, targeting not just foreign officials but also their family members. It ratchets up pressure on Caricom, the 15-strong group of Caribbean countries, which have long seen unity as their only means of international leverage. They are in a bind: they need Cuban doctors to prop up their fragile health-care systems but cannot afford to antagonise the United States.

Cuban and Caribbean leaders deny the accusation of forced labour and challenge the White House to prove it. Mia Mottley, the prime minister of Barbados, says Cuban doctors receive the same wages as local Barbadians. Official figures for Cuban doctors' salaries are not widely known; it is estimated Cuba's government pays its medical workers about 10-15% of what it receives from host governments, then pockets the difference. The doctors' take-home pay varies widely, from \$200 a month for those working in Guyana to \$1,000 a month in Qatar. Both sums are a fortune compared with the average pay of \$50-75 a month back home.

No Caribbean health-care system could survive without medical staff from Cuba, says Dominica's prime minister, Roosevelt Skerrit. The 1,500 or so Cuban medical professionals that work in the Caribbean are regarded as some of the islands' best staff. Some Caribbean leaders, including the prime ministers of Barbados and Trinidad & Tobago, have tried to call Mr Rubio's bluff by saying they would forgo their visas to the United States if need be. Ralph Gonsalves, prime minister of St Vincent & the Grenadines, says: "I would prefer to lose my visa than to have 60 poor and working people die."

Caricom and Cuba have long enjoyed close relations, much to the annoyance of Uncle Sam. Frank Mora, an ambassador to the Organisation of American States under Joe Biden, says Caribbean countries pushed back "very, very hard" in regional settings whenever Cuba came up.

Some Caribbean islands are more vulnerable to Trumpian pressure than others. In Guyana some 240 Cuban doctors and nurses paper over staff shortages. Cuban doctors go to remote rural areas, says Kadasi Ceres of the University of Guyana. "You can't put a price on that." But the small state needs American security backing to protect its oil and gas off the coast of Essequibo from Venezuelan claims to it. Caribbean countries are feeling the sticky heat of Mr Trump's policies. They hope things will cool down soon. ■



Someone call a doctor?

Asia



Cybercrime

Hermit hackers

SEOUL

North Korea's hackers are the world's most formidable crypto-thieves

FEBRUARY 21ST was a typical day, recalls Ben Zhou, the boss of ByBit, a Dubai-based cryptocurrency exchange. Before going to bed, he approved a fund transfer between the firm's accounts, a "typical manoeuvre" performed while servicing more than 60m users around the world. Half an hour later he got a phone call. "Ben, there's an issue," his chief financial officer said, voice shaking. "We might be hacked...all of the Ethereum is gone."

Independent investigators and America's Federal Bureau of Investigations (FBI) soon pointed the finger at a familiar culprit: North Korea. Hackers from the hermit kingdom have established themselves as one of the biggest threats to the crypto-industry—and as a crucial source of revenue for Kim Jong Un's regime, helping it to weather international sanctions, to pamper its elites and to fund its missile and nuclear-weapons programmes.

In 2023 North Korean hackers made

away with a total of \$661m, according to Chainalysis, a crypto-investigations firm; they doubled the sum in 2024, racking up \$1.34bn across 47 separate heists, an amount equivalent to more than 60% of the global total of stolen crypto. The ByBit operation indicates a growing degree of skill and ambition: in a single hack, North Korea swiped the equivalent of \$1.5bn from the exchange, the largest-ever heist in the history of cryptocurrency.

North Korea's plunder is the payoff

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from a decades-long effort. The country's first computer-science schools date back to at least the 1980s. The Gulf War helped the regime recognise the importance of networked technology for modern warfare. Talented maths students were put into special schools and given reprieves from mandatory annual countryside labour, says Thae Yong Ho, a senior North Korean diplomat who defected in 2016. Originally envisaged as a tool for espionage and sabotage, North Korea's cyber-forces began to focus on cybercrime in the mid-2010s. Mr Kim is said to call cyberwarfare "an all-purpose sword".

Stealing crypto involves two main phases. The first is breaching a target's systems—the digital equivalent of finding an underground passageway to a bank's vaults. Phishing emails can insert malicious code. North Korean operatives pose as recruiters and entice software developers to open infected files during fake job interviews. Another approach involves using fake identities to get hired at remote IT jobs with foreign companies (see next story), which can be a first step to accessing accounts. "They've become really good at finding vulnerabilities through social engineering," says Andrew Fierman of Chainalysis. In the ByBit case, hackers compromised the computer of a developer working for a provider of digital wallet software. ►►

Once stolen, the cryptocurrency has to be laundered. Dirty money is spread across multiple digital wallets, combined with clean funds and transferred between different cryptocurrencies, processes known in the industry as “mixing” and “chain hopping”. “They’re the most sophisticated crypto launderers we’ve ever come across,” says Tom Robinson of Elliptic, a blockchain-analytics firm. Finally, the stolen funds need to be cashed out.

A growing array of underground services, many linked to Chinese organised crime, can help with this. Fees and interdictions by law enforcement reduce the overall take, but North Korea can expect to receive “definitely 80%, maybe 90%” of the funds it steals, says Nick Carlsen, a former FBI analyst now with TRM Labs, a blockchain-intelligence firm.

North Korea has several strengths. One is talent. This could appear counterintuitive: the country is desperately poor and ordinary citizens have severely restricted access to the internet or even computers. But “North Korea can take the best minds and tell them what to do,” says Kim Seung-joo of the school of cybersecurity at Korea University in Seoul. “They don’t have to worry about them going to work at Samsung.” At the International Collegiate Programming Contest in 2019, a team from a North Korean university came eighth, beating those from Cambridge, Harvard, Oxford and Stanford.

Those talents are also exploited. North Korean hackers work around the clock. They are unusually brazen when they strike. Most state actors seek to avoid diplomatic blowback and “operate like they’re in Ocean’s 11: white gloves, get in without anyone noticing, steal the crown jewel, get out without being noticed,” says Jenny Jun of the Georgia Institute of Technology. North Korea does not “place a premium on secrecy—they’re not afraid to be loud.”

For the North Korean regime, stolen crypto has become a lifeline, especially as international sanctions and the covid-19 pandemic crimped their already limited trade. Crypto-thievery is a more efficient way to earn hard currency than traditional sources, such as overseas labourers or illegal drugs. The United Nations Panel of Experts (UNPE), a monitoring body, reported in 2023 that cyber-theft accounted for half of North Korea’s foreign-currency revenue. North Korea’s digital plunder last year was worth more than three times the value of its exports to China, its main trade partner. “You take what took millions of labourers, and you can replicate that with the work of a few dozen people,” says Mr Carlsen.

Those funds prop up the regime. Hard currency is used to purchase luxury goods to keep elites in line. It also probably funds weapons. The majority of North Korea’s stolen crypto is thought to flow into its

missile and nuclear-weapons programmes.

Cryptocurrency investigators are getting better at tracking stolen funds along the blockchain. Mainstream cryptocurrency exchanges and stable-coin issuers often co-operate with law enforcement to freeze stolen funds. In 2023 America, Japan and South Korea announced a joint effort aimed at countering North Korean cybercrime. America has sanctioned several “mixing” service providers that North Korea has used.

Yet authorities remain a step behind. After America sanctioned North Korea’s favoured mixers, the hackers switched to others offering similar services. Tackling the problem requires multilateral efforts across governments and the private sector, but such collaboration has been fraying. Russia used its UN veto to gut the UNPE last year. President Donald Trump’s cuts to American development aid have hit programmes aimed at building cyber-security

capacity in vulnerable countries.

By contrast, the North Korean regime is throwing ever more resources at cybercrime. South Korea’s intelligence services reckon its cybercrime force grew from 6,800 people in 2022 to 8,400 last year. As the crypto-industry expands in countries with weaker regulatory oversight, North Korea has an increasingly “rich target environment”, says Abhishek Sharma of the Observer Research Foundation, an Indian think-tank. Last year, Mr Sharma notes, North Korea attacked exchanges based in India and Indonesia.

North Korea is already known to be making use of artificial intelligence in its operations. AI tools can help make phishing emails more convincing and easier to produce at scale across many languages. They can also make it easier to infiltrate companies as remote tech workers. Bad days like Mr Zhou’s may become increasingly typical. ■

North Korea

Bait and switch

SEOUL

How the hermit kingdom remains part of global supply chains

WHAT DO SALMON fillets, fake eyelashes and animated children’s TV shows all have in common? All these familiar parts of Western daily lives have recently been touched by North Korean labour. In an online shopping world where many consumers hit the “sort by price” button, North Korea’s combination of low-cost and high-skilled labour is irresistible for contractors with a tight bottom line.

The problem goes beyond the uncom-

fortable ethics of forced labour. These exports directly support the North Korean regime, funding both the lavish lifestyles of party elites and the nuclear-missile programme of Kim Jong Un, the hermit kingdom’s autocratic leader. Because this income is so important, his regime continues to find ways to dodge sanctions and sneak into international supply chains.

Take seafood. North Korea profits off virtually every stage of production. The fish itself may be of North Korean origin. Smaller Chinese fishing companies often buy permits from North Korean companies, probably to escape overfishing rules in Chinese territorial waters. A study in 2020 by Global Fishing Watch, a watchdog, found that about a third of China’s distant-water fleets fished in North Korean waters. Much of the catch from along the North Korean coast is then shipped to Chinese hubs, such as Dandong, for processing. Thousands of North Korean women work long days inside cold storage rooms cleaning, gutting and packaging seafood to be sent all over the world. According to various investigations, clams and squid have found their way onto South Korean e-commerce platforms, while salmon fillets have reached the shelves of an American chain of grocery shops.

Such slipperiness is not unique to the fishing industry. Strictly speaking, wigs ►►



▶ and false eyelashes are among the few things North Korea can export legally under UN sanctions, mostly to China. They netted the regime an estimated \$167m in 2023. While these hair products are made by a mixture of freelancing housewives, factory workers and prison inmates, all of them are relabelled as “Made in China” with no way to distinguish whether the hands that made them did so voluntarily. DailyNK, an investigative website, estimates that 90% of North Korean hair products are made by prisoners.

Removing North Korean workers from the supply chain, however, is no easy task. When an investigation in 2024 by Outlaw Ocean Project, an outfit focused on marine crimes, revealed that Chinese companies selling seafood products were employing North Korean workers, South Korean giants Lotte and Coupang suspended sales of those products.

Yet it is not as simple as blacklisting offending companies, says Joanna Hosaniak, deputy director-general of the Citizens’ Alliance for North Korean Human Rights, an NGO in Seoul. Ms Hosaniak’s team has tracked North Korean labour across coal, wig-making, garment manufacturing and other industries. “Whatever you start tracking, they will move to another sector,” she says. With a workforce that has no say in what it produces and is eager for a chance at lucrative foreign work, it is easy for companies to pivot quickly in response to sanctions or boycotts.

Indeed North Korean companies are now casting their net wider. The pandemic and the switch to remote work opened up a whole new range of new ways for them to earn hard currency. Instead of hiding at the bottom of an opaque supply chain, IT workers started to use fabricated identities, AI-altered photos and accomplices in America to land remote-work positions across the tech world, including for a number of *Fortune* 500 companies, according to America’s Justice Department. The roughly \$300 a month that a seafood factory-worker in China earns for the regime (because of state quotas and taxes, the regime gets about 90% of all earnings) is small fry compared with the \$10,000 a month North Korean IT workers are said to be required to earn by the government.

Kim Seung-joo, from Korea University’s school of cybersecurity, worries that North Korea’s infiltration of the global tech sector positions the rogue state to pilfer corporate secrets or build back doors into trusted Western-based software that can be used for future cyber-attacks. Its hackers are already highly successful. In a global economy, an educated workforce willing to perform demanding work for 12 hours a day at half the cost of its rivals is appealing. North Korea may be isolated, but its workforce increasingly is not. ■

Indians in America

Beyond the bromance

Why the Indian diaspora has not yet embraced MAGA

ON MARCH 17TH Narendra Modi, India’s prime minister, sat down for a three-hour interview with Lex Fridman, a podcaster popular with MAGA types and tech bros. In the interview Mr Modi spoke warmly of Donald Trump, with whom he has a “strong bond”. Soon after the interview he signed up to Truth Social, Mr Trump’s social-media site. “Thank you my friend,” he wrote.

In many ways it seems a particularly big moment for America-India relations. The two countries have been getting closer for two decades. But now, for the first time, America’s intelligence chief, Tulsi Gabbard, is of Hindu faith, and the second lady, Usha Vance, is of Indian origin. And the strongmen leading the two countries clearly have a rapport. But one group remains unmoved by Mr Trump, for now at least: India’s diaspora.

In swing states such as Georgia and Pennsylvania, there are enough Indian-Americans to help shape local, state and federal elections. Republicans made some inroads with ethnic minorities in the 2024 presidential election. But so far, America First has a limited appeal to 5.2m Indian-Americans, who are increasingly influential: fully 80% have a university degree and as a cohort they earn twice the national average. Such success means some 75% of Indian-Americans believe they have achieved or are about

to achieve the American dream.

According to a survey last year by the Carnegie Endowment, a think-tank in Washington, the proportion who identify as Democrats is 47%, down from 56% in 2020. But the data show that, despite this, the group is not becoming more right-wing. The proportion of Republican voters has barely budged; instead, more members of this diaspora are declaring themselves to be independent.

This seems odd, not least as Mr Trump has gone out of his way to charm America’s Hindus. In a campaign message on Diwali, a religious festival, last October, he pledged to protect Hindu Americans from the left’s “anti-religion agenda” and accused Joe Biden of ignoring them. The president has also hired Indian-Americans for influential positions, including Kash Patel as FBI Director, Kush Desai as deputy press secretary and Harmeet Dhillon as assistant attorney-general for civil rights.

Even so, many Indian-Americans are concerned with issues that Mr Trump is unlikely to solve. Fully 82% want stricter gun laws and 77% think climate change is important. At the end of Mr Trump’s first term only 33% approved of his handling of the India-America relationship. Another Carnegie report revealed this month that Indian-Americans rate Mr Biden’s record as better than Mr Trump’s.



A model minority

Post-Aadhaar India

Identity crisis

MUMBAI

India is obsessed with giving its people “unique IDs”

THE PROMISE of Aadhaar, India’s biometrics-based national-identity system, was a glorious one. It was designed to provide a legal identity to those who possessed no papers and to eliminate the stacks of documents required for even minor administrative tasks. It has largely been a success. Fifteen years after the first 12-digit “unique ID” was issued under Aadhaar, nearly every Indian has been enrolled. What used to require bundles of photocopies is today achieved with a photograph or a fingerprint. Aadhaar has helped cut corruption and fraud in the provision of benefits. Opening a bank account or switching mobile operators now takes minutes instead of days. All kinds of services have been built on top of it.

But India’s government seems to have forgotten that the system was also meant to reduce duplication. Barely a month goes by without the announcement of another “unique ID” for yet another set of people. Separate digital IDs have been proposed or rolled out for doctors, nurses, patients, organ donors and the disabled. Teachers, pupils and foreign students are all in line to get their own unique IDs. There are unique IDs for athletes, judges, farmers, gig workers and septic-tank cleaners. That is in addition to the existing IDs, which include passports, voter cards, driving licences and an array of tax identifiers.

It does not stop at humans. Plots of land, rural buildings, mobile-phone accounts—nothing is safe from unique identification. “Yet another ID?! Yes, this time it is for a piece of land!!” reads a page on the website of the government’s IT-services department. The Department of Animal Husbandry and Dairying is allotting unique IDs to every cow and buffalo in India. The IT ministry has mooted what one newspaper dryly described as “One digital ID that links, can access other IDs”.

This epidemic of IDs is partly the result of the success of Aadhaar. Its biometric verification guarantees that someone is who they say they are. The principle can be applied to other schemes. Homes built under an affordable-housing programme are geotagged so that it is possible to see the structure on which funds have been spent. Digital oversight cannot eradicate corruption. But it does make it more difficult.

Yet many new IDs lack any such underpinnings. Much of it is branding. Any organisation that deals with people manages



Eye, spy

its relationships in databases, with each individual assigned a numerical identifier. But after Aadhaar made unique IDs sexy, bureaucrats at obscure departments started bandying the term about and building their own ID systems. “You have to have a unique ID for land parcels, for houses and soon may need a unique ID for a combination of both. The person who occupies the house anyway has a unique ID. It’s gone completely berserk,” says one expert on tech policy.

Even if many of the new IDs are light on substance, they are not cost-free. They require funding, occupy the energies of officials and techies, and test the patience of citizens. They create more avenues for domestic and foreign spooks to snoop on Indians, and for hackers to poke at for vulnerabilities. In 2023 data about people who had taken the covid-19 vaccine were leaked on Telegram, a messaging app. Though biometric data held by Aadhaar are not known to have been compromised, other data it holds have been leaked on several occasions. Meanwhile, constant demands from banks and mobile operators to comply with government-mandated “know your customer” regulations have been a boon for cyber fraudsters. Repeated requests for personal data to set up new IDs are similarly conditioning Indians to hand over information to anyone who asks.

Nandan Nilekani, Aadhaar’s architect, envisioned it as “an open identity-verification system that can be plugged into any application”. Officials have taken from it the opposite lesson: that their department must have its own Aadhaar. They are thereby recreating the very problems it was meant to solve: government wastage, duplicative demands for data and a baffling array of IDs to keep track of. In the guise of cutting bureaucracy, the Indian state is instead entrenching it. ■

Taiwan

The enemy within

TAIPEI

A crackdown on Chinese infiltration

TAIWAN’S PRESIDENT, Lai Ching-te, broke with tradition on March 13th when he declared China to be a “foreign hostile force” that had violated Taiwan’s anti-infiltration law. China had been recruiting members of Taiwan’s gangs, media, political parties, armed forces and police to “divide, destroy and subvert us from within,” he said. To deal with this threat Mr Lai proposed a series of measures including stricter inspection of would-be immigrants from China, restrictions on cross-strait exchanges and the revival of military trials to deal with soldiers and officers suspected of colluding with the enemy.

Though his speech was tough, Mr Lai’s terminology did at least contain a linguistic compromise in Chinese. *Jingwai*, the term translated as “foreign”, can be translated as “outside the borders”, an ambiguity in Chinese to avoid explicitly calling China a foreign country (*waiguo*). China also uses *jingwai* to refer to Taiwan. After his speech, Mr Lai said Taiwan’s anti-secession law defines “*jingwai* hostile forces” as any state, political entity or group that is at war, engaged in a military standoff or advocating non-peaceful ways to endanger the sovereignty of Taiwan. China clearly fits into this category, he said.

Linguistic issues aside, Taiwan has good reason to worry. As Mr Lai pointed out in his speech, 64 people were charged with spying for China last year, triple the number in 2021. Two-thirds of them were current or retired military personnel. Taiwan’s government is also investigating revelations that China is issuing ID cards with Chinese citizenship to Taiwanese applicants. China has also been paying Taiwanese influencers and celebrities to promote China and subsidising cross-strait trips to win over Taiwanese citizens. On March 15th Taiwan announced it was revoking the visa of a Chinese influencer. She had posted videos supporting the idea of China taking the island by force.

Mr Lai’s proposed crackdown is controversial. Military trials are a relic of Taiwan’s authoritarian past. They were shut down in 2013 after the death of Hung Chung-chiu, a soldier who was being punished for having brought a phone with a camera and MP3 flash drive into an army camp. Mr Hung died of heatstroke in solitary confinement, sparking mass protests. Wellington Koo, the defence minister, says that the new system will be fairer and follow due process. ►►

► But activists and lawyers are questioning why Taiwan should restore this system when it is not at war.

It is unlikely that Mr Lai will be able to implement all his proposed measures. Most would require legal changes that must be approved by parliament. The opposition parties, which hold a majority there, are calling Mr Lai a “troublemaker” who is endangering Taiwan. “This is the first time in over 30 years that a sitting leader of the Republic of China has offi-

cially classified the other side of the strait as a quasi-wartime adversary,” said Eric Chu, who chairs the opposition Kuomintang party, adding that Mr Lai’s restrictions on cross-strait exchange are a violation of free speech, thought and movement and a “major setback for democracy”.

Mr Lai gave his speech on the eve of the 20th anniversary of China’s anti-secession law, which authorises the use of military force to prevent Taiwan’s independence. Mr Lai was therefore being particularly au-

dacious by defining China as a foreign hostile force that day. China has taken note. On March 17th it launched larger-than-usual patrols around Taiwan, saying they were punishment for Mr Lai’s “separatism” and for “collusion” with America. Perhaps Mr Lai believes his rhetoric will rally Taiwanese society against Chinese pressure. In his speech he called for all citizens to come together in rejecting Chinese infiltration. “Only through solidarity can we resist being divided,” he said. ■

BANYAN

China’s cynicism offensive

Chinese diplomats won’t—or can’t—take full advantage of America’s mistakes

AT NEGOTIATIONS LAST month in Jakarta on a deal to ease tensions in the South China Sea, the leader of the Chinese delegation opened by quoting Henry Kissinger: “It may be dangerous to be America’s enemy,” he told his counterparts, “but it is fatal to be its friend.”

Kissinger’s words, at the height of the Vietnam war, were taken out of context—he was warning America against turning on its allies in Asia, lest it come to be seen as unreliable, rather than suggesting that it had a perfidious streak. But that will be little consolation to countries such as the Philippines, which depend upon America to defend them in the South China Sea.

Since Donald Trump returned to the White House, Chinese diplomats have been keen to highlight America’s missteps. There are two lines of attack. To America’s allies they argue that Mr Trump cannot be trusted. For countries of the global south they have a different message. “If every country emphasised its own interests and worshipped the status of its own power,” Wang Yi, China’s foreign minister, said on March 7th, “the world would regress to the law of the jungle, where small and weak countries would be the first to suffer.”

The irony of Mr Wang’s critique has not been lost on diplomats from small states in Asia, who remember his predecessor saying, in a discussion over the South China Sea, that “China is a big country and other countries are small countries and that’s just a fact.”

Facing new tariffs from Mr Trump and the risk of an America more hostile on issues such as Taiwan, you might expect China to be wooing Asian countries just now. A charm offensive like that which China launched more than 20 years ago under President Jiang Zemin

would seek to tidy up ties, not least by resolving several territorial disputes, and build up a reservoir of goodwill in anticipation of tensions with America.

Yet charm has been oddly absent from Chinese diplomacy in recent weeks. Instead, China seems to see this as a moment of vulnerability for many American allies and partners, during which it has adjusted its rhetoric to exploit distress at Mr Trump’s words and actions. It has resisted concessions or new diplomatic and development initiatives of the sort offered under previous charm offensives.

Consider China’s relations with India. These have improved following an agreement in October that resolved a four-year military stand-off over their disputed border in the Himalayas. But Indian officials note that this progress predated Mr Trump’s win. Moreover, since the border agreement, Chinese authorities have approved the construction of the world’s largest hydro-electric dam on a river in Tibet that flows into India, and are reported to have offered stealth fighter jets to Pakistan, India’s historic rival.



Likewise, consider relations between China and Australia, an American ally. These have slowly improved since the election of a Labor government in May 2022. Australian wine, one of the last goods subject to punitive Chinese tariffs, began flowing again in December. The two countries resumed their defence dialogue in February after a hiatus of six years. But the unexpected appearance, the same month, of a Chinese navy flotilla conducting live-fire exercises off Australia’s coast has triggered renewed doubts about Chinese intentions.

One exception may be Japan, whose business, military and party leaders have noticed a new warmth coming from their Chinese counterparts. On March 22nd the foreign ministers of Japan, China and South Korea will meet in Tokyo, a confab that China has often avoided in order to signal unhappiness with its neighbours. But so far the only sign of a tangible concession has been a hint that China may soon relax restrictions on Japanese seafood imports.

China’s failure to seize the initiative probably reflects a lack of flexibility and creativity in its diplomacy. That decades-old problem has grown more acute as Xi Jinping, its leader, has centralised decision-making, downgraded the foreign ministry and taken a more muscular approach to the world.

But the reluctance of Chinese diplomats to take advantage of the moment is also born out of pragmatism. China should “maintain continuity in its foreign policy and stability in its behaviour” to make the most of America’s disruptive diplomacy, wrote one scholar in a party journal. That is less Kissinger than Napoleon, who is credited with saying: “Never interrupt your adversary when he is making a mistake.”

China



China and America

Pass the port

Why China hates the Panama Canal deal, but may not block it

“WE DIDN’T GIVE it to China. We gave it to Panama, and we’re taking it back.” Thus spoke Donald Trump shortly after BlackRock, an American investment firm, announced on March 4th that it would buy two ports on the Panama Canal from CK Hutchison (CKH), their Hong Kong-based operator. China’s initial response was strikingly muted, given the genesis and scope of the deal, which covers a total of 43 ports in 23 countries.

A fortnight later, clearer signs of China’s disapproval are emerging. So, too, are suggestions of regulatory scrutiny by Chinese authorities. Neither is likely to deter Mr Trump: in the last few days he is reported to have asked the Pentagon for military options to ensure American access to Panama’s canal. The question now for many involved is how far China is willing to go to resist a \$23bn deal that would almost halve

its global port network and potentially reshape world maritime trade.

The first indication of stiffer dissent came on March 13th, when the website of a Chinese government office overseeing Hong Kong reposted a scathing critique of the deal. It was “spineless” and “sold out all Chinese people,” said the commentary, which was originally published in *Ta Kung Pao*, a pro-China newspaper in Hong Kong. Firms involved should “consider whose side they stand on”, it added, warning that the deal could hurt China’s maritime trade and its Belt and Road global infrastructure scheme.

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The Chinese government’s amplification suggested official endorsement. Hong Kong’s chief executive, John Lee, compounded the effect on March 18th, when he said public concern about the deal deserved “serious attention”. The *Wall Street Journal* then reported that Xi Jinping, China’s leader, was angered by the deal; and Bloomberg said mainland agencies were looking for potential security or antitrust breaches.

Yet none of China’s central propaganda outlets or government offices has directly condemned the deal. A Chinese delegation visiting Panama at the weekend kept a low profile, too, suggesting Mr Xi is still weighing his options. His officials are trying to deflect Chinese social-media outrage towards CKH and its owner, Li Ka-shing, who fell out of favour with China’s leadership when he started selling his properties on the mainland over a decade ago.

Chinese authorities do not appear to have formal regulatory authority to block the deal, which excludes CKH’s ten ports in Hong Kong and the mainland and is, the company says, “purely commercial”. Informally, China has more ways to put the heat on CKH’s board or other governments that may need to approve an American takeover of CKH ports on their territory. Some of

► them, such as Pakistan and Myanmar, are friendlier with China than America.

But trying to torpedo the deal is risky for China, too. It would heighten tensions with America just as they are planning reciprocal leaders' visits. It would also lend weight not just to Mr Trump's exaggerated claim that China "operates" the Panama canal but to broader international security concerns about Chinese ports, including CKH ones in Europe and Australia. And following controversies around firms such as Huawei and Bytedance (TikTok's owner), it could also intensify scrutiny of China's influence on its private companies.

Nor are the deal's strategic costs as great as they first appear for China. Take the military dimension. The global port network that Chinese companies began building two decades ago now includes 93 foreign ports in 50 countries, where they own or operate at least one terminal, according to Isaac Kardon of the Carnegie Endowment for International Peace, a think-tank. His research shows how China's navy uses these ports, concentrated around its main trade routes and global maritime chokepoints, to supplement its sole overseas military base in Djibouti.

Ruling the waves

In 2023, for instance, Chinese warships visited 27 overseas ports, several of them Chinese-controlled. Such stopovers, which have included CKH ports, help China to build defence ties and repair or replenish warships during peacetime operations, such as anti-piracy patrols in the Gulf of Aden. China could also secretly position security personnel and equipment to keep an eye on or impede other countries' civilian or military supply chains.

But, even in peacetime, naval visits usually need approval by the host government. In some countries, Sri Lanka for example, Chinese warships do not dock at Chinese-operated terminals. And in a war, getting that permission becomes harder as it risks making the host country a belligerent under international law and a military target. Most container ports also lack specialist naval facilities and China would have to pre-position military personnel and equipment to support combat operations.

So CKH's Panama ports do represent a limited potential threat to American security interests, even though Chinese warships have not actually used them. Others do, too, including one just south of the Suez Canal and another at an Egyptian naval base near its north end. Still, if China actually wanted to block American forces in either place, it could simply engineer an accident like the one that closed the Suez Canal in 2021. And since CKH is more transparent and commercially driven, it is less pliant than the two state-run firms that own or operate the other 50 ports in Chi-

Portfolio investment

China's overseas port network*

● CK Hutchison ● State-owned Chinese companies



na's network, many of which are also in strategic locations.

The commercial implications are more profound, say Mr Kardon and others studying the issue. The deal could allow America to use its influence, as China has, to shape global maritime trade through agreements guaranteeing cargo flows or preferential access to ports. Combined with other measures, such as proposed fees on Chinese-built ships using American ports, it could also help curb China's exports to America, including those via Mexico, where CKH owns four terminals.

But those efforts, which aim to revive American exports and shipbuilding, may not succeed, suggests Jacob Gunter of the Mercator Institute for China Studies, a Berlin-based think-tank. Even if the deal goes ahead, China will still have sway over maritime trade through its dominance of shipbuilding and shipping, and its remaining ports. Besides, a smaller port network might not be a bad thing if profits are hit by an expected slump in global trade.

The deal is also attractive for CKH, which has recently scaled back its port business. BlackRock's offer represented a large premium on CKH's market value: its share price rose by 22% on the day the deal was announced (and closed down by 6% after the first *Ta Kung Pao* diatribe).

That leaves the politics. Mr Xi's reported displeasure is understandable, given his image as a muscular leader capable of challenging America and defending China's global interests. Chinese officials thus worry about appearing weak or unresponsive, says Zongyuan Zoe Liu of the Council on Foreign Relations, a think-tank in New York. Mr Xi also wants private Chi-

nese companies to be more "patriotic" without government intervention.

Still, his current priority is to avert a full-scale trade war with America, since its impact on China could be more damaging for him. He may hope to reach an accommodation over Taiwan, too. Seeing Mr Trump's preoccupation with Panama, there could also be leeway to carve out some ports from the deal during the 145-day window for exclusive negotiations. Conceding will be painful for Mr Xi. But resistance, in this case, could be more so. ■

Age discrimination

The curse of 35

BEIJING

Never mind the middle-aged; millennials beware

ON MARCH 5TH China's prime minister, Li Qiang, in his annual speech at the National People's Congress (NPC), China's rubber-stamp parliament, promised to end "discrimination in the workplace". He gave no specifics but Communist Party leaders, always alert to discontent in the workforce, have in recent years allowed more laws to protect workers. Since 2005 local governments have removed bans on hiring those with HIV or hepatitis B. The first sex-discrimination lawsuit was filed in 2012, and since 2023 companies found guilty of discrimination against women can be fined up to 50,000 yuan (\$6,900). In 2020 the first transgender person won a discrimination case against an e-commerce firm in Beijing.

Yet Chinese labour law still says nothing about ageism. Many firms continue to stipulate in job ads that those over 35 need ►►

Chaguan, our China column, has been suspended. Our goal is to reinstate it when we have a new columnist resident in Beijing.

► not apply. It is known as the “curse of 35”. One delegate at this year’s NPC, Zheng Gongcheng, argued that age limits were “wasting talent” and should be illegal. He received a wave of support on social media. “To be 35 is to be in your prime!” said one commenter on Weibo, a microblog.

Many workers, especially women, complain of the difficulty of finding a job in their thirties. Ms Zhang is 35 and lives in the central city of Hefei. She says she was laid off from her job in advertising last year after a decade in the business and that it has been very hard to find a new one, largely because of her age, which one interviewer referred to as “awkward”. Companies seem to doubt her ability to learn new things, she adds. “If you’re a woman and you’re over 35 years old, you’re married, maybe you have a kid or two...basically there are no opportunities for you,” says Amanda Ge, who runs a recruitment agency in Shanghai.

The problem began in the 1990s when local governments started imposing age limits on recruits in an attempt to rejuvenate an ageing bureaucracy. Companies followed suit. In 2007, a researcher at Sichuan University examined 300,000 job openings and found that in the city of Chengdu 70% of jobs, and in Shanghai 80%, demanded applicants be under the age of 35. A survey conducted in 2023 by Zhaopin, a recruitment agency, found that 85% of respondents said companies were using 35 as a cut-off.

Younger workers can usually be paid less, and many employers believe that older workers cannot cope with the country’s tough “996” work culture, working from 9am to 9pm six days a week. The “curse of 35” hangs heaviest over technology firms, which are known for long hours.

This makes China’s labour market less efficient, argue Tianlei Huang and Yiwen Zhang of the Peterson Institute for International Economics, an American think-tank. Firms are arbitrarily excluding potentially valuable employees, even as China’s working-age population shrinks and the party raises retirement ages in response. “Unless the government takes concrete actions to address the widespread age-based discrimination at work, raising retirement ages will only have limited impact on keeping older workers in the labour force,” the authors write.

Mr Zheng’s suggestion to make ageism illegal has so far got nowhere. But the mood may be shifting. Editorials in official media have started to criticise ageism. Last year an official at China’s state-run labour union suggested firms should even be subsidised to employ middle-aged workers. In recent months some provincial governments have raised the age limit on applicants for the civil service by five years. Future rage may be at the “curse of 40”. ■

Military procurement

On the beach

China is developing some startling new kit in its quest to reclaim Taiwan

IS IT A barge? Is it a bridge? It is both. Last summer China began building several unusual vessels at its Guangzhou shipyard on the south coast. The barges had legs that could drop down to stabilise the craft in shallow water, and wielded a 100m-bridge that could extend from the bow and onto a beach. In recent weeks pictures have emerged of these mongrel ships (see photo) and of how they connect together into giant causeways. The fear is that they could one day be used to funnel troops and tanks onto the beaches of Taiwan.

Until recently, Chinese military planners had two options to support an invading force. They could use vehicle ferries to unload troops and tanks at a port. Or they could use “RORO” (roll-on, roll-off) ferries to unload amphibious vehicles into the sea. “There was a missing link,” says Tom Shugart, a retired American naval officer. “How are they going to allow these ferries to send non-amphibious vehicles and trucks onto the beach without a port?” A floating causeway, seen on satellite images of Chinese ports in 2021, was one option. But they are cumbersome.

China filed patents for the new barges in 2020, notes Mike Dahm, a former naval intelligence officer. They resemble the “Mulberry harbours” used for the Allied invasion of Normandy in 1944, but are more versatile. They can be joined to make one vast bridge allowing larger

vessels to disgorge troops and tanks onto the barges further offshore. “I was stunned when I saw these three things put together,” says Mr Shugart. “I had never guessed that’s what they were going to do.”

When connected, the barges would seem to allow four RORO ferries to dock at the same time. That would mean about 1,200 vehicles and 6,000 people, equivalent to a brigade. Moreover, the vessels unlock the carrying capacity of China’s 62-vehicle ferries, whose side-ramps could not be used on a causeway or beach. The contraptions are probably too big and vulnerable to mines and artillery to be used in the first stage of any invasion, says Sidharth Kaushal of RUSI, a think-tank in London, but would be used to deliver follow-up forces and supplies once China had a beachhead.

Mr Shugart thinks China probably has seven of the new barge-bridges. The good news, he says, is that seven is probably not enough to mount an invasion of Taiwan. The bad news is that China builds ships very fast. A paper published on March 11th by CSIS, another think-tank, found that a single Chinese state-owned shipbuilder produced a larger tonnage of commercial vessels in 2024 than America has built since the second world war. Mr Shugart does not think dozens of barges would be needed. “I’m confident that in about eight months, they could probably build enough.”



Pier to pier

Middle East & Africa



War in Gaza

It starts again

JERUSALEM

Politics mean Binyamin Netanyahu wants to keep open the possibility of a return to full-scale war

FOR TWO months a fragile ceasefire has held in Gaza. But on March 18th the truce ended abruptly as Israel launched air strikes against Hamas, the Islamists who still control much of the territory. Israel claimed it was targeting the group's military and political leaders. Some are confirmed to be dead. But the resumption of strikes has meant a return to harrowing footage of dead children and the wounded being rushed to Gaza's few remaining hospitals. Hamas officials say that over 430 people, including many civilians, have been killed. On March 19th Israel also sent ground troops back into the Netzarim corridor which bisects the strip.

Binyamin Netanyahu, Israel's prime minister, gave Hamas's "refusal to release our hostages" as the reason for breaking the ceasefire. Hamas had rejected proposals made in recent weeks by America's envoy to the Middle East, Steve Witkoff, to hand over some of the 59 hostages still in

Gaza (over half of whom are presumed dead), as part of an extension of the truce. But it is Israel that has breached the agreement it signed in January.

Under the original deal, after the first six weeks of the truce a second phase would come into effect. That would include a full Israeli withdrawal from Gaza, an official end to the war and the return of all remaining hostages still alive. Both sides fulfilled the first phase: 30 live hostages and the bodies of eight more were released from Gaza; 1,900 Palestinian prisoners were freed from Israeli jails; and Is-

raeli troops withdrew from most of the strip. But Israel's negotiators did not turn up for talks about the second stage.

Mr Netanyahu, under pressure from his hardline coalition partners, has refused to end the war while Hamas remains in power, despite this not being part of the original deal. Instead, when the first phase ended on March 1st Israel tried, through direct talks between America and Hamas, to put pressure on the Palestinian group to agree to another hostage release without having to fulfil the obligations it would face in the next stage of the ceasefire.

The Americans initially insisted that Israel must implement the second phase of the truce; but they have come round, for now, to the Israeli position. Donald Trump has threatened Hamas with "all hell" if it refuses to release the remaining hostages. A White House spokesperson confirmed that America had been "consulted" by the Israelis before these attacks, and reiterated Mr Trump's warnings that Hamas would have "a price to pay" if it did not capitulate.

Israel said its strikes were also co-ordinated with America to follow those of the United States on the Houthis in Yemen (see next story) on March 15th. With these strikes, on the Houthis and in Gaza, Israel and America say they want to prevent simultaneous attacks on Israel and ships. Israel is anxious to prove it has America's

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▶ backing to operate against its enemies.

What happens next depends to some extent on the response from Hamas. So far it has not retaliated, partly because most of its rocket-launchers have been destroyed by Israel. If Hamas will accept even an interim extension to the truce, the Americans may call time on Israel's offensive. But most of the Israeli cabinet and the new chief of staff of the Israel Defence Forces (IDF), Lieutenant General Eyal Zamir, favour a longer campaign involving entire armoured divisions on the ground inside Gaza, to root out Hamas fighters.

That would be devastating for the people there. They would be displaced once again to miserable "humanitarian zones", while what little is left of their homes and the civilian infrastructure is pulverised. It would also mean a bitter dispute within Israel, where many are accusing the government of endangering the remaining hostages with this new attack.

So far the Israeli ground manoeuvres have been limited. The IDF warned Gazans in areas near the border to evacuate. Deploying the divisions envisaged in General Zamir's war-plans, including tens of thousands of reserve troops who have yet to be mustered, will take weeks.

For Mr Netanyahu the timing of Israel's renewed attack on Gaza has been politically helpful. His coalition was in danger of losing its majority on the eve of a crucial budget vote. Failing to pass the budget would prompt early elections. But within hours of the strikes on Gaza, Itamar Ben-Gvir, leader of the far-right Jewish Power party, who had left the government when the original ceasefire was agreed in January, returned to the fold.

The prime minister is also anxious to rally his base because of his controversial attempt to fire the head of the Shin Bet, Israel's domestic security agency, and the attorney-general. They are overseeing investigations into close aides of Mr Netanyahu alleged to have leaked classified documents and received payments from Qatar.

The Supreme Court could block the efforts of Mr Netanyahu, who is on trial for bribery and fraud (charges he vehemently denies), on the grounds of conflict of interest. That would cause a constitutional crisis that has been building since he returned to office in 2022. His coalition wanted to pass sweeping legal reforms to weaken the powers of the Supreme Court. Protests stymied their efforts at the time. They put the reform on hold after the war in Gaza began but have returned to it now.

A renewed clash between Israel's government and judiciary seems all but inevitable. By law the Shin Bet's mandate includes protecting "Israel's democratic process and institutions". It may soon understand that to mean protecting Israel's democracy from its prime minister. ■

The resilient Houthis

Stirring things up

America's bombing of Yemen could whip up a regional tempest

AMERICA AND its allies have repeatedly gone after the Houthis, Yemeni rebels backed by Iran, since they started attacking ships in the Red Sea in October 2023. But the strikes launched by America on March 15th were the first under Donald Trump. The blasts killed over 50 people and targeted the group's leaders, including, according to an Arabic satellite network, some of Iran's operatives. After Israel's hobbling of Hizbullah, the Iran-backed militia in Lebanon, and the toppling of Bashar al-Assad in Syria, America's generals seemed confident another member of Iran's "axis of resistance" would be next.

America has three main aims with these attacks. First, it wants to stop the Houthis' strikes on ships in the Red Sea; they have hit more than 130 vessels in protest against Israel's war in and blockade of Gaza. They paused after a truce was signed in January. But when Israel recently blocked aid into Gaza and shut off its electricity, they threatened to start again. In response, Mr Trump ordered pre-emptive strikes.

Second, the president reckons he can maximise pressure on Iran's ayatollahs by weakening another of their satellites, forcing them to accept a deal to curb their nuclear programme. Third, his admirals want to show off their expensive aircraft carriers ahead of a defence-spending review. "The navy needs its pride restored," says David Des Roches, a military analyst in Washing-

ton "They can't be seen to be held to a draw by a gang of shoeless Houthis."

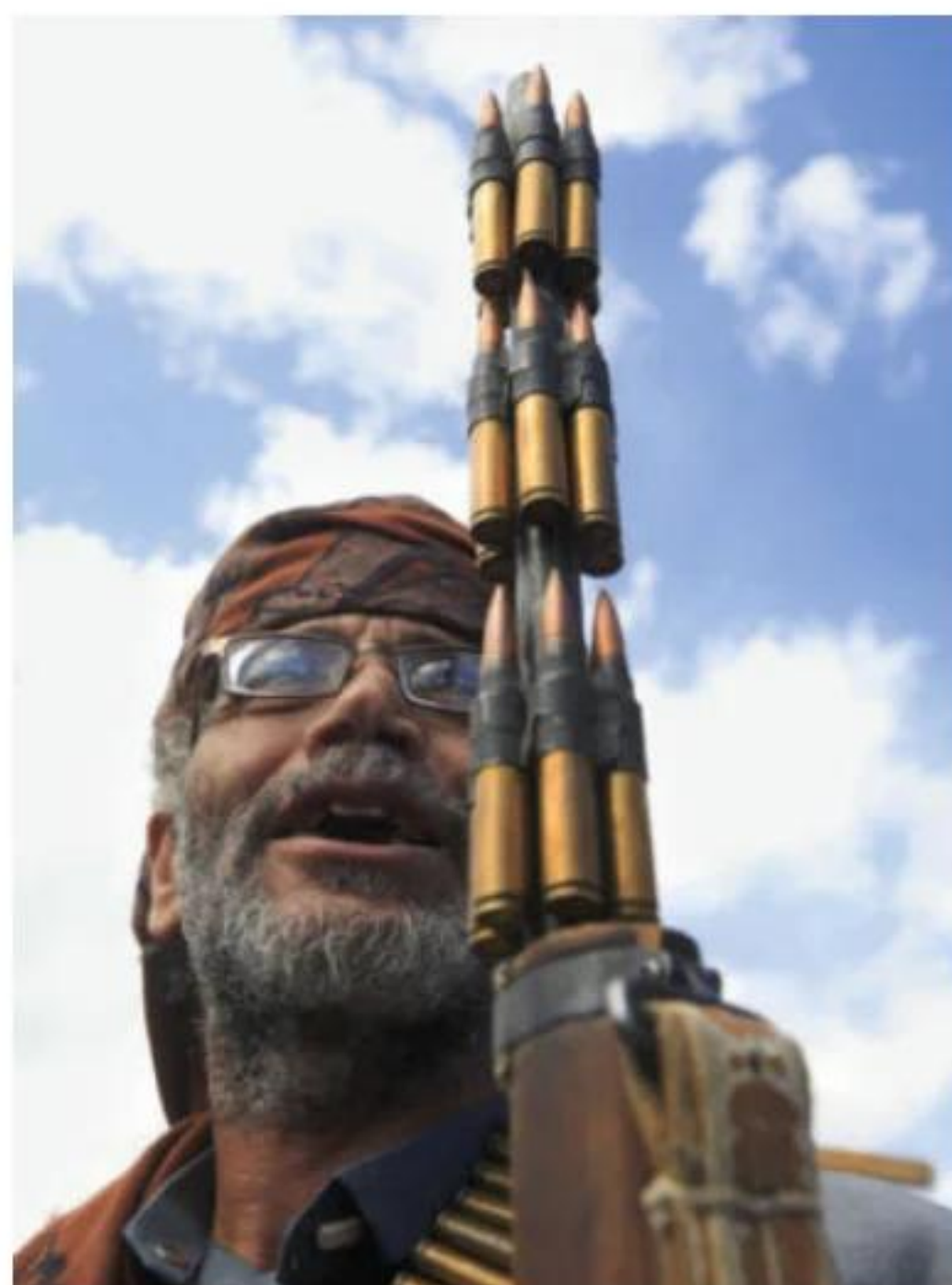
Yet the attacks on the Houthis by America and its allies in the past year have been strikingly ineffective. The Houthis still command a territory some 30 times larger than the one run by Hizbullah. They rule 25m people, a good 15 times as many as the Lebanese militia did, and their fans are far more numerous. Foreigners fighting against Yemenis have a history of coming unstuck. "Those who go do not come back," the Turks still sing, mourning four centuries of losses in Yemen.

Like Hizbullah, the Houthis are led by a cleric, Abdel-Malik al-Houthi. But unlike Hizbullah, they also run a de facto government that would endure even if Mr Houthi were killed. After a decade in power, many Yemenis have been re-educated in "culture camps" to see the world the Houthis' way. America's bombs seem to confirm what they are taught: the infidel is killing Muslims again. Supporters packed the streets to cheer Mr Houthi's defiance when, in a video-address after America's strikes, he promised to resume his attacks on ships.

That defiance is also raising the Houthis' regional stock. Their leader's castigation of Arab leaders as mercenaries for abandoning Palestinians to Israel's destruction resonates from Algeria to Afghanistan. In neighbouring Saudi Arabia, with its large Shia minority, he is gaining some solid support. Two decades of high-stakes fighting—first against Yemen's government, then the Saudis and Emiratis, and most recently America and Israel—have elevated them from ragtag militia into regional power. "The Houthis are the only member of Iran's axis to have seen their position strengthened over the last year," says Farea al-Muslimi, a Yemeni analyst at Chatham House, a British think-tank.

The tempest may worsen. The Houthis will continue to unleash their missiles and drones (on March 20th they fired a missile at Tel Aviv which was intercepted before it reached Israel). Some may yet dent an aircraft carrier—and America's reputation, Mr Des Roches cautions. The Biden administration looked for local proxies to co-operate with, but deemed the Houthis' many rivals in Yemen too corrupt and inept to risk arming. Some might still try to show willing, reigniting Yemen's civil war.

Mr Trump is expanding his threats, promising to hold Iran to account for the Houthis' attacks and warning them of "dire" consequences. Yet his approach is only hardening the mullahs' hearts. They may seize the chance to rally their embittered people against a common enemy and go for confrontation and a nuclear bomb. Israel might then join the fray. The Houthis would come to their patron's aid and fire again at Gulf cities and oil terminals. It is all too easy to imagine the worst. ■



Keep on survivin'

Ethiopia and Eritrea

Dangerous borders

NAIROBI

A coup attempt in Tigray raises tensions in the Horn of Africa

FOR WEEKS there had been troubling signs: homes raided by unknown assailants; activists beaten in the street. Then, on March 11th, armed men appeared in Adigrat, a town in Ethiopia's semi-autonomous Tigray region near the border with Eritrea. Their faces covered with black masks, they stormed government buildings and arrested the mayor. Elsewhere in Tigray similar scenes unfolded. By March 14th soldiers appeared to be in control of the regional capital, Mekele. Getachew Reda, Tigray's interim president, had left on a plane for Addis Ababa, Ethiopia's capital. Several of Mr Getachew's allies are said to have gone into hiding.

The masked soldiers belong to the Tigray Defence Forces (TDF), the region's army. By attempting what is, in effect, a coup, they may have triggered the most consequential crisis since the end of the civil war that devastated northern Ethiopia between 2020 and 2022. Depending on the actions of Abiy Ahmed, Ethiopia's prime minister, and Isaias Afwerki, Eritrea's president, it could spark a new regional war in a part of Africa already beset by multiple overlapping conflicts.

On the face of it, the coup attempt is a deepening of the schism in the Tigray People's Liberation Front (TPLF), the region's ruling party. The coup's leader, Tigray's former president Debretsion Gebremichael, sees Mr Getachew's interim administration, formed as part of the deal that ended the war between Mr Abiy and the TPLF in 2022, as Mr Abiy's puppet. His allies claim the aim of the coup is to ensure that deal is properly implemented. But Mr Debretsion may also be mourning his old job and the control over Tigray's resources that came with it.

The crisis matters because of its potential effect on Ethiopia's troubled relationship with Eritrea. A peace deal in 2018 ended hostilities between the two countries that had lasted nearly two decades, including an all-out war from 1998 to 2000. During the war in Tigray between 2020 and 2022 Mr Abiy and Mr Isaias made common cause against the TPLF, a mutual foe (it ruled Ethiopia before Mr Abiy came to power and helped defeat Eritrea in the border war in 2000).

They have since fallen out again. Mr Isaias is arming Ethiopian opposition forces and has struck an alliance with Egypt and Somalia, Ethiopia's adversaries. Mr

Abiy's supporters have stepped up talk about Ethiopia's need for a naval base on the Red Sea. Many Eritreans fear the prime minister covets their ports.

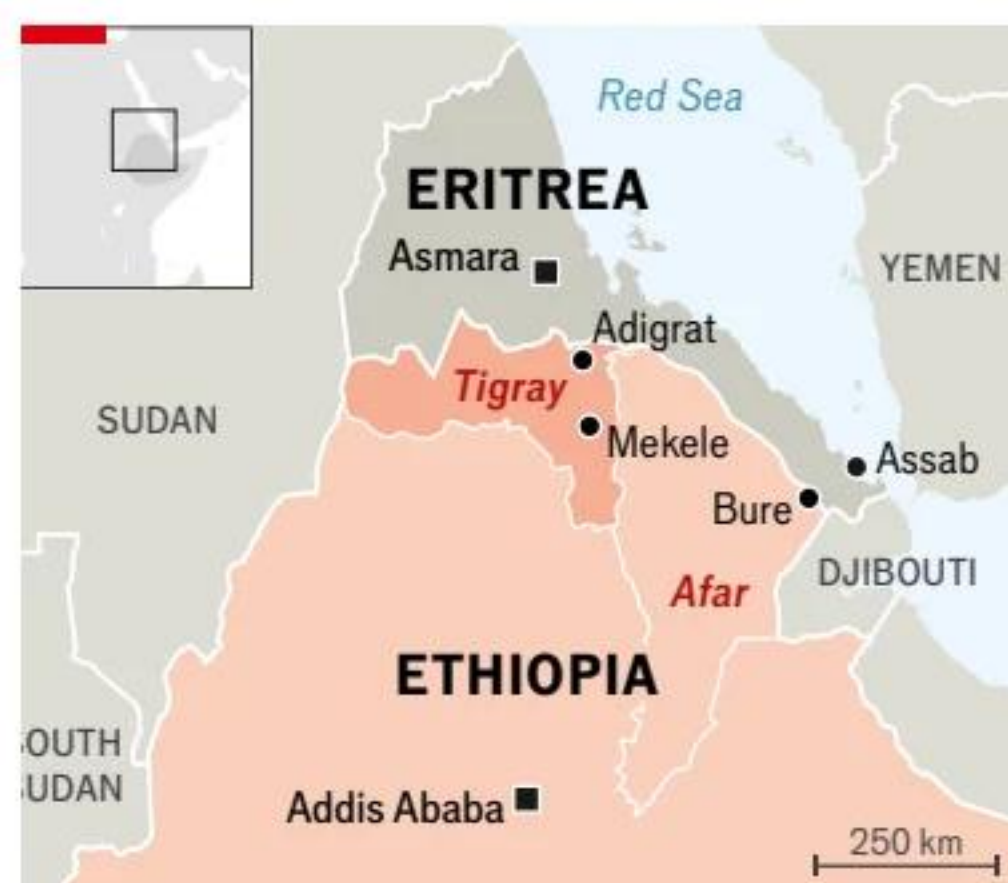
The crisis in Tigray, which sits on the border between the two countries, makes the volatile relationship more dangerous. The TDF, which staged last week's coup attempt, still has tens of thousands of fighters under arms. That could tip the scales in any conflict. Mr Abiy has courted the TDF in the past, asking it to join him in a war against Eritrea.

TDF leaders are understood to have declined the prime minister's overtures. Now, some appear to be trying to forge an alliance with Eritrea to overthrow Mr Abiy's government. Credible reports say that Eritrean military advisers and intelligence officers have arrived in Adigrat and Mekele in recent days.

Much will depend on whether Mr Abiy chooses to defuse or stoke tensions. De-escalation may be on the cards. The prime minister has held discreet talks in Addis Ababa with both Tigrayan factions and appears to have offered concessions to Mr Debretsion rather than send troops to try to restore Mr Getachew to his post. Such a move could trigger fighting with the TDF and perhaps draw in Eritrea.

But there are also signs that Mr Abiy is preparing for something bigger and more dangerous. In the past week large military convoys, including tanks, lorries and bulldozers, have been moving through Afar to the east of Tigray (see map). They are heading towards Bure, near the border with Eritrea and 70km west of the Eritrean port of Assab, which the prime minister has long had in his sights. For months Mr Isaias has told foreign interlocutors that Ethiopia is planning an assault on the harbour. In February he is said to have ordered nationwide military mobilisation.

Each side may be flexing its muscles in order to force the other to make concessions. The Ethiopian army, already bogged down fighting two local insurgencies, is in no state to fight another war. There is little discernible public appetite for one. Yet the chance of miscalculation on all sides remains uncomfortably high. ■



Women in Nigerian politics

Hostile environment

LAGOS

Lessons from a scandal in the Senate

WHEN SHE ran for governor of Nigeria's Kogi state in 2019 gunmen shot at Natasha Akpoti-Uduaghan's cars, her party's offices were burned down and her followers were beaten and killed. People called her a prostitute. She lost the election but, undeterred, ran for the Senate. The day before that vote, in 2023, main roads to her constituency were dug up. She was at last sworn in as a senator six months later, after winning an appeal to include rejected ballots in the count.

Political life has not become easier for Ms Akpoti-Uduaghan. Recently, she has been told to sit in a remote corner of the chamber, and has faced obstruction in her work. "For seven months I have not been able to raise my motions, contribute to debates or take second readings of my bills," she says. The reason, she claims, is retaliation by Godswill Akpabio, the Senate president, for her rejection of his advances. After she formally accused him of sexual harassment, Mr Akpabio suspended her for six months on March 6th. (Mr Akpabio denies the allegations, and says Ms Akpoti-Uduaghan's suspension is unrelated to her complaint against him.)

The saga reflects the harsh conditions women encounter in Nigerian politics. No Nigerian state has ever elected a female governor. No major party has put a woman on a presidential ticket. Of 360 members in the lower house, only 17 are women.

It is near-impossible for women without powerful backers to break into politics. Those who make it face prejudice and ridicule. Senators laughed when Ms Akpoti-Uduaghan presented her sexual-harassment petition. Some suggested her husband should apologise on her behalf for making a scene. During her suspension ruling a few days later, her microphone was turned off before she could defend herself.

Ms Akpoti-Uduaghan may soon return to her seat. A court hearing is slated for March 25th. Courts have quashed suspensions before, if only of powerful men. Her case is also riling up women beyond parliament. But whether their anger will make a difference is an open question.

Ivory Coast

A quiet renaissance

ABIDJAN

How a country devastated by civil war created west Africa's strongest economy

HIS PARENTS moved to Ivory Coast in the 1980s, towards the end of a period of exceptional economic growth that economists dubbed the "Ivorian miracle". They came to work, drawn by the country's openness and wealth. Bernard Ayitee, a 38-year-old hedge-fund manager who combines Nigerian, Beninois, Togolese and Ghanaian ancestry, grew up there, but later studied and worked in France. A decade ago he returned, along with others who sensed that the country was on the brink of a turnaround. "This country is blessed," he says. "Anything you try can work."

Where it is not racked by war, military coups or jihadism, much of Africa is battling economic stagnation and double-digit inflation rates. Ivory Coast, a country of 31m people in the continent's west, is a rare exception. Devastated by two civil wars, one from 2002 to 2007 and one in 2010-11, it has since undergone a remarkable renaissance. Attaining upper-middle-income status in the next five years, as the government hopes, now seems possible. As its citizens prepare to vote in presidential elections later this year, could a second Ivorian miracle be under way?

Economic indicators suggest it may be. The economy grew at a rate of 7% per year on average between 2012 and 2023, with estimates for 2024 and 2025 at around 6.5%, according to the IMF. Growth continued even during the covid-19 pandemic. At the

same time, the inflation rate has remained relatively low. It was 3.8% in 2024, against a west African average of 21.6%. The fiscal deficit, though high, is shrinking. Youth unemployment, entrenched across the rest of the continent, is just 5%. In the latest Africa Youth Survey, conducted by a South African charity in 2024, Ivory Coast was the only country where a majority said it was easy to find a job. At \$2,900 a year, GDP per person is the highest in west Africa except for tiny Cape Verde.

What is sparking the boom? It is too sustained to be explained solely by a post-war rebound. The answer is sensible economic policy. One factor is diversification. The first Ivorian miracle was driven by a surge in the production of cocoa, of which it remains the world's largest producer. But the share of agriculture has been declining. In 2022 services accounted for more than half of GDP and industrial activity for about a quarter, up from 16% in 2000, allowing the country to ride out fluctuations in cocoa production and prices.

Another spark is capital. Unlike many neighbours, Ivory Coast is attracting private investment, with inflows growing at an average annual rate of 8.6% over the past decade. It got more private-equity funding than any other francophone west African country between 2012 and 2024. Foreign firms are backing banks and fintechs, but also manufacturing and packaging compa-

nies. According to the African Development Bank (AfDB), Ivory Coast has the smallest "financing gap" on the continent, an assessment of how much money countries are missing to achieve what the bank calls "structural transformation".

Some of that has been thanks to the government of Alassane Ouattara, a former deputy director of the IMF who has been president since 2010. He has energetically promoted his country abroad. An investment code implemented in 2018 offers tax benefits and customs waivers to investors who spend big and hire locally, improving a previous one enacted in 2012. Mr Ayitee, the hedge-fund manager, says the policy has not only boosted growth but also made the country more fun, fuelling investment in tourism and hospitality.

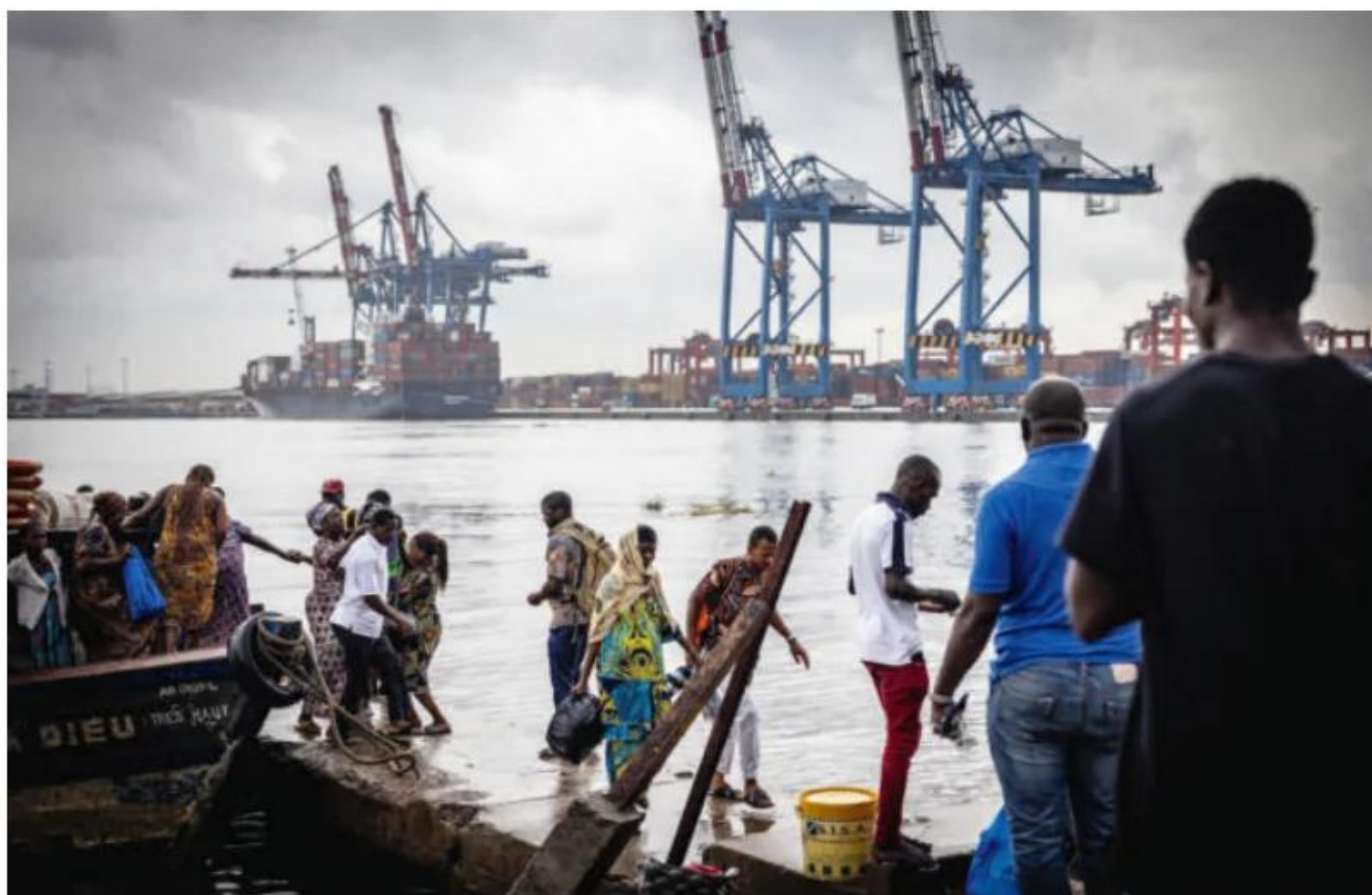
The government has also been spending its money on useful things like infrastructure. New roads and bridges are popping up everywhere (your correspondent drove across a bridge so new that Google Maps had yet to give it a name). The drive from Abidjan, the commercial capital, to the port city of Saint Pedro used to take eight hours. It now takes four. The government has also invested in improving electricity access. In 2013 only 34% of Ivorians were connected to the grid. Some counts put the latest figure at 94%.

The country hopes to keep the economy growing by expanding exploration of oil and gas. Eni, an Italian energy firm, is investing \$10bn in Baleine, a field off the coast. It started its second phase of production in December, producing 70m cubic feet of gas and 60,000 barrels of oil a day. Mr Ouattara has said oil production could rise to 200,000 barrels a day by 2027.

Ivory Coast's success is not unqualified. Entrepreneurs grouse about a lack of skills among the young, not surprising since civil war destroyed most schools. Given the impact of climate change, oil-and-gas exploration may not be the best way to keep up future growth.

The gravest threat to the country is its politics. Mr Ouattara, who is 83, won his third term in defiance of a constitutional two-term limit, in an election that was boycotted by the opposition. With no successor in sight, he may be planning to run for a fourth. The country's second civil war began after Laurent Gbagbo, Mr Ouattara's predecessor, refused to accept that he lost the election in 2010. Mr Gbagbo is trying to get on the candidates' list for this year's election, raising the spectre of violence following the vote.

Ivorians must hope that the election passes peacefully and that Mr Ouattara makes way for a successor. As one AfDB official puts it, unlike elsewhere in west Africa, "no one in Côte d'Ivoire is worse off than they were 15 years ago". But that also means they have something to lose. ■



On the move

Europe



Turkish democracy

Erdogan arrests his greatest rival

ISTANBUL

Ekrem Imamoglu, Istanbul's mayor, has consistently topped presidential polls

"HUNDREDS OF POLICE officers are in front of our doors," Ekrem Imamoglu said in a video message to his supporters on March 19th, speaking into his smartphone. "We are up against tyranny, but I will not be discouraged." The mayor of Istanbul, and the Turkish opposition's expected candidate in the next presidential elections, was about to leave his apartment. Moments later he was arrested. His party is calling it an attempted putsch by Turkey's president, Recep Tayyip Erdogan.

Arrest warrants were issued the same day for 105 others, including some of Mr Imamoglu's advisers, municipal officials from his Republican People's Party (CHP) and a top journalist. As news spread, roads to the police station where Mr Imamoglu had been taken were blocked. The authorities also restricted access to social-media platforms and closed metro stations. In the name of safeguarding "public order", Istanbul's governor announced a ban on

public gatherings for four days. Thousands of protesters defied the order the same evening by turning up at a rally in front of the mayor's office.

Turkish prosecutors seem to be following an old Soviet formula with Mr Imamoglu: "Show me the man and I will find you the crime." Over the past three years he has faced a slew of investigations and indictments, on charges ranging from corruption to insulting election officials who tried to strip him of victory in the 2019 mayoral

contest. The charges now levelled against him include leading a crime organisation, abetting a terrorist group, bribery and rigging tenders for government work.

The timing of Mr Imamoglu's arrest seems no coincidence, either. At a party primary scheduled for March 23rd, the CHP was expected to nominate him as its presidential candidate in the elections set for 2028 but widely expected to take place earlier. Mr Imamoglu helped lead the opposition to a shocking victory in last year's local elections, handing Mr Erdogan and his ruling Justice and Development (AK) party their first defeat in over two decades. He has since enjoyed a comfortable lead over Turkey's leader in the polls.

The government seemingly wanted to leave nothing to chance. A day before he was detained, the authorities had revoked Mr Imamoglu's university diploma. Candidates for the presidency in Turkey are required by law to be university graduates.

Mr Erdogan's officials sounded appalled by the notion that Turkey's leader was weaponising the courts. "To associate judicial investigations and cases with our president is audacious and irresponsible, to say the least," the country's justice minister, Yilmaz Tunc, announced shortly after the mayor's arrest. "The judiciary does not take orders from anyone."

Many Turks expected Mr Imamoglu to ►►

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► face more court cases, but few thought he would be packed off to jail. “Even by Erdogan’s standards, this is a huge step,” says Gonul Tol of the Middle East Institute, an American think-tank. Mr Erdogan may think Donald Trump’s presidency gives him impunity. “Trump has created such chaos,” says Ms Tol, “that foreign autocrats [sense] they can do whatever they want.”

The outlook for Turkey’s already hobbled democracy appears grim. Mansur Yavas, the opposition mayor of Ankara, also seen as a possible contender for the presidency, suggested he could meet the same fate as Mr Imamoglu. “Turkey is evolving towards a model where political competition is practically impossible,” says Ibrahim Uslu, an analyst.

The Istanbul mayor’s arrest is the biggest of its kind, but it is not the first and will probably not be the last. The past couple of months have seen detentions of a number of opposition mayors, Kurdish and human-rights activists and various journalists. When two senior members of Turkey’s top business association came out against the crackdown, they too were called in for questioning. They now face up to five years in prison.

By going after his biggest rival, Mr Erdogan may be out to destroy the alliance between the CHP and Turkey’s main Kurdish party, the Peoples’ Equality and Democracy Party, or DEM. Mr Imamoglu’s arrest puts DEM, which has seen scores of its own politicians jailed in the past decade, in a tough spot. The party expects Mr Erdogan to respond to a ceasefire call made by Abdullah Ocalan, the imprisoned leader of an armed Kurdish group, with concessions to the country’s Kurdish minority.

Turkey’s strongman may now make DEM an offer it cannot refuse, namely to keep quiet or see the peace process go up in flames. “DEM has a lot to lose while talks with Ocalan are ongoing,” says Sinem Adar of the German Institute for International and Security Affairs, “so its reaction is bound to be limited.”

The markets, one of the few checks on Mr Erdogan’s power, were less restrained. The Turkish lira, which had regained its footing over the past couple of years thanks to austerity and interest-rate hikes, plunged by more than 12% against the dollar within hours of Mr Imamoglu’s arrest, before paring its losses. Turkey’s central bank reportedly burned through \$10bn in foreign reserves to prop up the currency. The main stock index fell by 8.7% on the day, triggering breaks in trading.

In a gesture of defiance, the CHP announced it would go ahead with its primary on March 23rd. It invited all Turks—not just party members—to take part and elect Mr Imamoglu as its candidate. “What we are facing,” Ozgur Ozel, the CHP’s leader, told protesters, “is a coup attempt.” ■

Russia and America

Exploratory talks

A Trump-Putin call on Ukraine was a damp squib

IT WAS BILLED as a phone call of vast import: Donald Trump and Vladimir Putin would try to resolve the bloodiest war in Europe since 1945. The two sides hailed their talk as “epic” and “historic”. But the substance was less impressive. After two hours, the only concrete results were Mr Putin’s agreement to halt attacks on Ukraine’s energy infrastructure, and a promise of “technical negotiations” to ease navigation in the Black Sea.

The two countries’ descriptions of the call differed sharply. The Kremlin’s read-out said Mr Putin had stipulated that to achieve a full ceasefire, America would have to stop giving Ukraine weapons and intelligence; Ukraine must halt mobilisation and re-armament. Any more lasting peace agreement should “eliminate the root causes of the crisis” and preserve “Russia’s legitimate security interests”. That is Kremlin-speak for forcing neutrality on Ukraine and, ideally, pushing NATO out of eastern Europe. Russia welcomed the idea of “reaching a settlement in Ukraine bilaterally”, seemingly meaning one negotiated by America and Russia over the heads of Ukraine and Europe.

The White House’s version, however, did not mention Mr Putin’s demands. Mr Trump presented the halt to energy-infrastructure attacks as a first step, to be followed by a complete ceasefire and “ultimately, an END to this very horrible War”. In an interview on Fox News, Mr Trump

said “we did not talk about aid [to Ukraine] at all.” The gap between the two accounts prompted independent Russian journalists to joke that Mr Trump might have spoken to a prankster rather than Mr Putin.

As far as Mr Putin was concerned, a ceasefire was never the aim. He wanted to begin normalising relations with America and to lure Mr Trump with promises of a “big deal”—while pursuing his goal of crushing Ukraine and deepening the rift between America and Europe. Mr Putin is expert at “mirroring” his interlocutors’ desires. He played on two of Mr Trump’s traits: vanity, and his obsession with deals.

On the vanity side, Mr Putin flattered Mr Trump’s statesmanship and humanitarianism. In its summary the Kremlin lavished praise on “his striving to achieve the noble goal of ending the hostilities”, and presented an exchange of 175 POWs on each side as a concession. Mr Putin framed Ukraine’s leaders as tiresome subordinates hampering the efforts of two great powers to pursue global security, nuclear non-proliferation and peace in the Middle East. To Mr Putin’s ear, Mr Trump’s insistence on the immorality of war and its costs to the American taxpayer may echo the weakness of Mikhail Gorbachev, the Soviet leader who cut assistance to client states in pursuit of economic welfare.

Mr Putin played on Mr Trump’s wheeler-dealer self-image by hinting at what the White House called “enormous economic deals”. Outside the call, Russia dangled promises of rare-earth minerals and of collaboration in the Arctic, which contains vast oil and gas reserves. The entrepreneurial Mr Trump seems to have taken the bait. “They have some very valuable things for us, including rare earth. They have a big chunk of real estate, the biggest in the world,” Mr Trump told Fox News.

Speaking with Mr Trump on March ►►



Making a desert, calling it peace

► 19th, Volodymyr Zelensky, Ukraine's president, accepted Russia's offer to mutually pause attacks on energy infrastructure. (Mr Trump fancifully suggested America take over Ukraine's nuclear power plants to ensure their security.) Meanwhile, European countries are scrambling both to assist Ukraine and to defend themselves, now that American pledges of security seem untrustworthy. Germany's parliament this week voted to loosen constitutional debt restrictions for defence spending. Britain and France are leading efforts to create a "reassurance" force that would deploy to Ukraine if a lasting ceasefire takes effect. Poland and the three Baltic states gave notice on March 18th that they would withdraw from the Ottawa convention that bans anti-personnel landmines. In the 1980s, detente between Russia and America increased global feelings of security. Mr Trump's engagement with Mr Putin is having the opposite effect. ■

Kursk offensive

By the skin of their teeth

KYIV

Ukraine's forces escape a Russian trap

THE SIGNALS were coming fast and furious by early March. Ukrainian forces in the Kursk bridgehead, an area of Russia they had seized last August, were becoming trapped. Aided by North Korean forces, Russia had tightened a noose around the Ukrainians' flanks and was within firing range of their last supply route. The Russians had massed at least 50,000 troops, four times the Ukrainians' numbers. It is unclear how they pulled it off, and what role Donald Trump's decision (subsequently reversed) to limit intelligence sharing with Ukraine on March 5th played. "The Americans are lying if they say we had everything we needed," says a Ukrainian intelligence officer.

For those in the trenches, the American pressure coincided with waves of Russian terror from the skies: drones, bombers and glide bombs. Many junior officers decided to flee, with some retreating 15km on foot. Their decisions probably made the pull-back less damaging.

The partial withdrawal is a blow to Ukraine. But it is not quite the disaster claimed by Russian propaganda. The withdrawal was chaotic in parts, and Russia captured at least dozens of prisoners. But the Ukrainians retreated relatively intact and a sizeable force remains up to 10km inside Russia, having taken up more defensible positions on high ground.

There are no signs they intend to leave, regardless of Vladimir Putin's wishes. The man in the Kremlin was humiliated by the Ukrainian operation last summer. He has demanded captured Ukrainian soldiers be "treated like terrorists". Widespread video evidence suggests some Russian units in Kursk have a policy of executing prisoners.

On March 14th Volodymyr Zelensky, Ukraine's president, told journalists that the Kursk operation had "done its job": to protect Ukrainian cities such as Sumy. One reason for launching the Kursk operation was to disrupt Russian attempts to create buffer zones inside Ukraine. Ukraine has now fortified its border with new lines of defence and trenches. Still, Russian reconnaissance units of up to 30 men have been seen in some Ukrainian border villages. In Sumy the mood is tense. Military authorities have set up checkpoints blocking entry to non-locals.

A high-level source in Ukrainian intelligence says the Russian surge seemed timed to coincide with Mr Trump's push for a ceasefire. On March 10th, during talks in Saudi Arabia, Ukraine agreed to an American proposal; Mr Putin did not fully reciprocate. "The Russians will not agree to a ceasefire while we are still in their land," the source says. "They don't want us to have that bargaining chip when the fighting stops." Some in Ukraine think Mr Trump may have knowingly assisted the process. A government source says he thinks it was a coincidence. "What is clear is that Trump can't stand us," he says.

The incursion into Kursk continues to divide opinion. Some top officers opposed it from the start; the commander of one of the four elite units spearheading the August 2024 offensive resigned before it started. Others who were excluded from the decision by armed forces commander-in-chief, Oleksandr Syrsky, thought it a mistake. Some have since tempered their opposition, admitting it diverted or killed some of Russia's best troops.



The chaotic final weeks have left a sour note. But the operation was a boon for the nation's morale in an otherwise grim 2024. It demonstrated that Russia was struggling too. "For too long Russia was seen through a kaleidoscope of fakes...the supposedly second-best army in the world, a nuclear superpower," says a source in Ukraine's general staff. "We showed the emperor had no clothes." As Ukraine enters its most uncertain period since the war's start, the source said the army understood it has no choice but to dig in. ■

Europe's arms industry

Raising the boom

Europe's arms makers have ramped up, but await bigger orders

FOR YEARS European officials have talked a big game on defence. The European Union has made numerous proposals to boost the continent's puny production of arms. Three years after Russia's full-scale invasion of Ukraine, what do Europe's arms makers have to show for themselves? *The Economist* has compiled data for Europe's ten biggest defence firms, and looked across four lines of military output. There is more momentum than critics imagine, though gaps remain.

Take new factories and gear. Capital investment has surged by 64% since 2021, to \$5.5bn among the firms for which data was available (see chart on next page). Analysts expect it to reach \$6.4bn by 2027. Order backlogs at Europe's ten top firms have ballooned from \$222bn in 2021 to \$362bn in 2024, while their combined headcount increased by nearly a quarter.

For a more detailed picture, look at four key categories: ammunition, air defences, heavy armour and long-range strike munitions. Start with the clearest success, ammunition. In February 2023 Europe's production of 155mm shells, the mostly widely used calibre, was around 300,000 rounds a year. Today it is probably just shy of a million. Rheinmetall, a German company, churns out some 700,000 a year, up from just 70,000 in 2022, and expects to hit 1.1m by 2027. "We already produce more ammunition than the United States," Armin Papperger, Rheinmetall's boisterous CEO, crowed recently: US Army plants turned out perhaps 600,000 rounds last year.

Production is about to speed up even more. BAE Systems, Britain's biggest defence contractor, will soon complete an eight-fold increase in 155mm-round production. Europe's two main makers of gunpowder, Chemring Nobel and Eurenco, ►►

► have roughly doubled capacity since the start of the war. Artillery-piece production has improved too. The French half of KNDS, a Franco-German company that makes the CAESAR howitzer, reckons it will be able to make 144 units a year by 2025, compared with just 24 before the war.

Complex products such as missiles and air-defence systems take more time. An air-defence battery requires a launcher with missiles, a radar system and a command module. Europe has upped its output of shorter-range systems. Diehl Defence, a German company which builds the IRIS-T SLM that Ukraine uses, produced between 400 and 500 interceptors in 2024. Hensoldt, which builds its radar, went from only two units in 2021 to an expected 18 of them this year.

But the continent does less well with longer-range air-defence systems. Most European countries rely on the American-made Patriot. Lockheed Martin, its manufacturer, has ramped up to 650 interceptors a year. But the European-made alternative, the Franco-Italian SAMP/T, was “developed in an era where time was not important”, concedes Eric Béranger, the head of MBDA, a pan-European missile maker. It is cutting delivery time for an interceptor from 42 months to a still sluggish 18 by 2026.

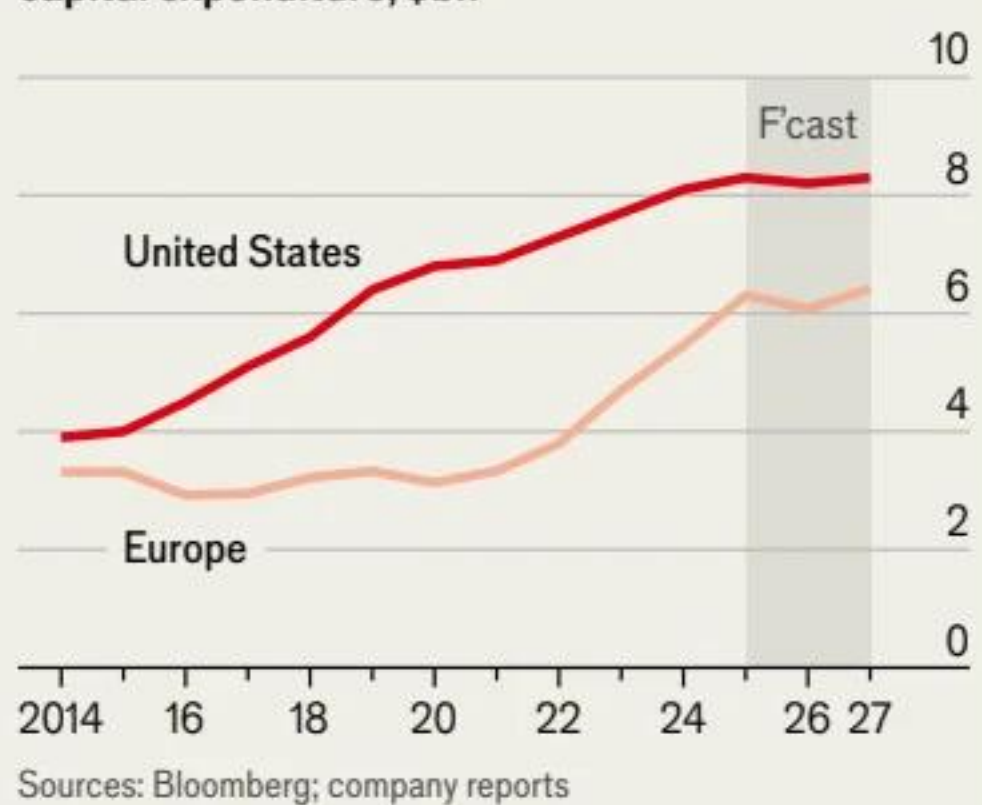
Making heavy armoured vehicles has also been slow. Europe has just one active production line for main battle tanks: the Leopard 2 line managed by the German half of KNDS. During the cold war it built 300 tanks a year. Today it does about 50. In February it took over a plant in Saxony from Alstom, a French train maker, to build tanks, but is yet to get big orders. The German government has dragged its feet, taking until July 2024 to order 105 new tanks for its brigade in Lithuania.

Europe’s most glaring deficiency lies in long-range strike weapons. Take Storm Shadow/SCALP and Taurus cruise missiles. France, Britain and Germany can make them, but only France has an active production line. Neither Britain nor Germany has placed new orders in over 20 years. Fabian Hoffmann of the University of Oslo estimates that France builds 50-100 of the missiles a year. By comparison, America’s Lockheed Martin makes 700 JASSM cruise missiles a year, and plans to go to 1,100. Russia builds an estimated 1,200 cruise missiles annually.

Industry insiders say the bottleneck is not so much manufacturing capacity as a dearth of big orders from governments. Some firms are “not challenged at all to [their] maximum capacity”, says Jan Pie of ASD, a Brussels-based trade association. The pan-European consortium behind the Eurofighter Typhoon made around 60 aircraft a year a decade ago. It builds just a dozen a year now, but could quickly surge: all the old manufacturing jigs remain in

Materiel capacity

Top ten defence companies, capital expenditure, \$bn



place, and countries like Portugal and Canada are souring on buying American F-35s.

“Ultimately this comes down to the political will to put through orders, rather than industrial problems,” argues Guntram Wolff of Bruegel, a think-tank in Brussels. He reckons Europe could massively ramp up production of critical systems in two years if enough orders were placed. An EU white paper presented to European leaders on March 19th encourages more joint purchases of arms to tap into economies of scale. Many countries still favour their own firms when buying kit. Consolidation would be a step in the right direction. ■

Germany’s fiscal expansion

Auf Wiedersehen, debt brake

BERLIN

Defence is worth borrowing for

WHEN A GERMAN party triggers a *Zählappell*, or parliamentary roll call, it is serious business. As a television commentator recently joked, “They will haul MPs out of bed—usually their own.” On March 18th the Christian Democrats (CDU), the Christian Social Union (CSU), the Social Democrats (SPD) and the Greens scheduled a *Zählappell* for an emergency session of the Bundestag, the lower house of parliament. At stake was the biggest fiscal expansion in Germany’s post-war history, meant to upgrade its creaking infrastructure and rearm its military to face the Russian threat.

After hours of debate, 512 MPs—well over the two-thirds majority needed to alter Germany’s constitution—voted for the reforms proposed by Friedrich Merz, the leader of the CDU and the expected next chancellor. Mr Merz wants defence spending over 1% of GDP to be exempted from the debt brake, a deficit limit enshrined in

the constitution. He also wants to create a €500bn (\$545bn) debt-financed off-budget fund for investments in infrastructure over the next 12 years. And he proposes to end the requirement that Germany’s 16 federal states must balance their budgets, and allow each state to take on debt of up to 0.35% of its GDP.

Will it be spent well? One danger is that the probable incoming government of CDU/CSU and SPD, nicknamed *Kleiko* (small coalition), might fritter away extra deficit-spending headroom on tax cuts. Another is that the infrastructure fund could be misused for spending previously covered by the regular budget, not new investment. The Greens have partly contained that danger, says Jens Südekum of Düsseldorf University, by insisting the off-budget fund must be used only for infrastructure spending beyond last year’s level.

Germany urgently needs infrastructure investment. “Crumbling roads, railways and bridges, inadequate educational infrastructure, outdated buildings, lack of infrastructure for electricity, hydrogen and heat,” was the devastating verdict of a study last year by the German Economic Institute (IW). It calculated that Germany needs to invest €600bn in the next ten years to become competitive.

Both Michael Hüther, the boss of IW, and Mr Südekum agree that the danger of misuse of funds is greater with new defence spending than with the infrastructure fund. The debt-brake exemption threshold of 1% of GDP corresponds to about €44bn in 2025. The draft defence budget for 2025 is €53bn. The new rule means at least €9bn of the planned expenditure can be financed with debt, and potentially diverted to “nonsense”, says Clemens Fuest, an economist who heads the IFO institute. Mr Fuest would have preferred to raise the threshold to 2% of GDP.

Another challenge is how to use rearmament funds wisely. “Germany has the opportunity to get the most advanced military kit,” says Moritz Schularick, head of the Kiel Institute, a research outfit. The country needs more armoured brigades, which require over 90 tanks each at €25m a pop. But investments, he argues in a recent paper, should focus on cybersecurity and AI-guided drones, which offer greater capability at lower cost than many traditional anti-tank missiles.

On March 21st the Bundesrat, parliament’s upper house, will vote on the package. Representatives of the 16 states will probably approve it. If it passes, Mr Merz will be on track to be Germany’s next chancellor. If not, all bets are off. The bill would return to the Bundestag, where it will soon lack a two-thirds majority: on March 25th a new parliament convenes, where the hard left and hard right have a blocking minority. ■

CHARLEMAGNE

*There's no such thing as a free tank**Europe needs to spend more on defence, not just pretend it is*

AS THE BRITISH government drew up its annual budget in 2015, the sums came out wrong in a troubling way. Cuts across departments meant that spending on defence would come out just shy of 2% of GDP for the first time since the 1930s. That wouldn't do: only a year earlier Britain had hosted NATO leaders as they formally agreed on the 2% figure, in response to Russia's first crack at invading Ukraine. A clever way was soon found to spare politicians' blushes. A few billion pounds of spending that had not in previous years been included in the defence budget was discreetly shuffled into it, in what was politely dubbed a "revised accounting strategy" (also known as "shifting the goalposts"). With the stroke of a pliable accountant's pen, Britain's defence budget now included pension payments to war widows and defence-ministry staff, as well as some intelligence spending and contributions to far-flung UN peacekeeping missions. The tactic helped nudge the all-important figure back above the desired threshold.

Given further Russian aggression and American isolationism, the 2% figure is no longer enough. At a summit of NATO leaders in June its 32 members will have to agree to spend well over 3% of GDP on defence (the latest betting is on 3.7%). No amount of accounting fudges will bridge such a gap. But this has not stopped some politicians from attempting a turbo-charged variant of the British trick. On March 13th Pedro Sánchez, prime minister of Spain, proposed a novel way to boost his country's defence spending, NATO's lowest at a feeble 1.28% of GDP. The wheeze is not *actually* to spend more on the armed forces, but to adopt a "360-degree" vision of security instead. For one thing, the real peril to Spain comes not from Russian tanks trundling over the Pyrenees—why worry about that? The threats posed by a changing climate in the Mediterranean basin mean that efforts to curb carbon emissions should be counted as akin to military expenditure, alongside cyber-security and combating terrorism. Several percentage points of GDP can thus be re-imagined as defence spending, and whatever target NATO sets easily met. *¡Dicho y hecho!*

Italy has its own defence-washing plans in mind, arguing that measures relating to economic competitiveness—itsself a nebulous concept—should also be thought of as somehow part of its

defence efforts. But why stop there? With a bit more creativity, even larger slices of government outlay could be re-imagined as part of this expanded security budget. Since a citizen in ill-health can hardly be expected to serve in the armed forces, surely public hospitals should be included as defence spending too? Soldiers need to be able to read, and travel to military bases; including the education and transport budgets as a subset of the military makes perfect sense. The list is just about endless.

For the 23 NATO members who are also in the European Union, the incentive for creative defence accounting has recently grown stronger still. As taxes in most EU member countries are already high and social spending seemingly sacrosanct, the easiest way for national governments to quickly pay for more defence is to borrow the money first. For some, notably in the south, adding to the national debt pile would mean they fall foul of the EU's fiscal rules, which normally limit annual budget deficits to 3% of GDP. Plans are afoot to loosen these strictures by allowing countries to run up additional deficits of 1.5 more percentage points without facing sanctions from Eurocrats, so long as the money is spent on defence. Anything that can be shoehorned into that category probably will be, to Mr Sánchez's delight.

Spain and Italy are not the only ones tempted by creative thinking. There are plenty in Europe, including in Paris and Berlin, who think setting up state-owned banks which defence contractors could borrow from will help ramp up production of drones and shells. This is appealing to politicians: a little seed money to start a bank can be "leveraged" into big amounts that look nice in press releases. But credit facilities merely help private arms-makers sort out the financial mechanics they need to operate. Ultimately governments will still have to find real cash to buy the lethal stuff once it is made. There's no such thing as a free tank.

Does sunscreen count as defence spending?

European diplomats are privately spluttering at the Spanish and Italian approach. They are right. Obfuscation on military funding represents a spectacular failure to rise to the occasion. For one, it is likely to prove self-defeating. "If you lump too much into defence spending that isn't really related to defence, you will just end up with a far higher target to hit," says Fenella McGerty of the International Institute for Strategic Studies in London. In other words, forget 3.7%; the NATO target might come out closer to 6%.

What is worse, Mr Sánchez's idea is premised on a fallacious notion: that NATO countries abutting Russia need to invest in tanks and infantry to be shot at, while those further away do their bit by running IT helpdesks. That is offensive to the very idea of an alliance. "A government can't say 'I'm doing this but I'm not going to do that': NATO cannot work that way," says Edward Hunter Christie, a former NATO official now at the Finnish Institute of International Affairs. Burden-sharing means everyone must have skin in the game, including a fair share of the dangerous bits.

Yes, convincing voters to trim public services or pay more tax is hard. That is what political leadership is for. Germany is showing the way by shelving its sacrosanct "debt brake" to fund its armed forces. The Baltics have raised all sorts of taxes, including on tobacco ("Smoke a Marlboro, stop the Russians!"). Denmark even nixed a public holiday. A lot more will be needed. For their part, southern Europeans should remember how much they have benefited from being part of both NATO and the EU. And that for alliances to work, solidarity must flow both ways. ■

Britain



The modernisation of James Bond's Q

Tinker tailor investor spy

Why British intelligence agencies are reaching out to the private sector

FOR MOST of its 87-year history, the men and women of His Majesty's Government Communications Centre (HMGCC), at Hanslope Park near Milton Keynes in central England, have toiled in obscurity to develop "operational technology", or OP-TECH, for British spies—gadgetry like covert radio sets and bugs, and, later, software. In recent years that obscurity has lightened a bit. Journalists have been invited in (though shown little). HMGCC has also begun sharing some of its problems.

"Several UK Government bodies", explained one document, avoiding any mention of MI5 or its ilk, "have a requirement to operate discreetly from unventilated, confined spaces." Would companies have portable and quiet dehumidifiers which could stop the windows of surveillance cars steaming up? That was one of 28 "co-creation challenges", in which HMGCC, working with intelligence agencies, invited firms to come up with solutions.

The tricky bit is describing classified problems in unclassified terms. Another challenge, co-sponsored with the British Antarctic Survey, a research institute, sought batteries that could operate at -40°C. Left unspoken was that the same technology was needed to power bugs and other sensors in remote places—imagine, say, a sniffer deposited outside an Iranian nuclear facility. A prototype was built in short order by a firm interested in batteries

for the frozen-food sector, a fortuitous journey from haddock to espionage.

The challenges are unclassified, sparing small firms the expense of certification to handle state secrets. The time frame from problem to proof of concept is typically six months, avoiding the problem where minnows lack the cashflow to survive years-long government procurement. And companies can keep the intellectual property. All that is a refreshing change. In the past, big national-security and defence contractors would simply have bought promising startups and then sold the product to the agencies at a steep mark-up.

These initiatives embody a larger shift for British spooks. Their best technology used to be developed and built in-house. Now, as in the military world of drones and AI, much of it comes from the private sector. It is not easy for organisations that are accustomed to extreme secrecy to leave their windowless sanctuaries, talk about their work and engage with the world of technology and entrepreneurship. But the walls are steadily being broken down.

Take the National Security Strategic Investment Fund (NSSIF), launched in 2018 to provide venture capital for technologies with both civilian and national-security applications. The fund was a response to two problems. One was that the UK intelligence community, UKIC to insiders, was

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► struggling to identify and access cutting-edge technology in the private sector. The other was that the private sector did not understand what the spies really needed. NSSIF was intended as a bridge.

It is largely a fund of funds, backing other investors, but it also takes direct stakes in six to eight companies each year. NSSIF looks at 10,000 firms a year, whittling those down to 1,000 that it meets. In at least one case it signed a contract within ten days. Last year one of NSSIF's companies, Foundries.io, was purchased by Qualcomm, a huge American chip firm—a rare example of a British government department producing a hefty profit.

Academics are also a target. The Heilbronn Institute for Mathematical Research, which has hubs in Bristol, London and Manchester, was set up in 2005 as a partnership between GCHQ, Britain's signals-intelligence agency, and academics, allowing mathematicians to spend part of their time on research that can be published, and half on classified problems in cryptography. That allows a small group of academics to serve as “translators” between the secret and open worlds.

Another sign that the walls are being broken down is the encouragement of clusters of innovation around the country, often on the fringes of secret places. HMGC now operates an office in Milton Keynes, enabling outsiders to collaborate without having to venture out to its heavily guarded campus miles outside the city. GCHQ is supporting the “Golden Valley” development, a tech campus right next to its headquarters in Cheltenham.

“Proximity still matters,” argues Phil Budden, an MIT lecturer and former British diplomat involved in such innovation ecosystems. He contrasts the closed nature of the “high side”, insider parlance for classified systems, with the openness of the “low side”, the unclassified world. “You need low-side places where people can gather.” That benefits both sides. Companies can reach the people who will use their products; the spies are in closer touch with the people doing the innovating. “One of the good reasons to have secret people in these ecosystems is that a bit of the ecosystem rubs off on them,” says Mr Budden.

There are still plenty of obstacles to all this. The Treasury remains wary of NSSIF and its ilk making bets on individual companies. The economics of venture capital in the military world and the intelligence world are also very different. Defence ministries and armed forces want mass-produced things. The intelligence agencies “need the most bespoke thing that will have the highest impact in quantities of one or ten,” says an insider. Many of the technologies the spies need most are not amenable to traditional venture capital.

Britain's failure to foster serious cyber

firms—Darktrace in Cambridge is perhaps the only real example—should be a cautionary tale, says an ex-intelligence official who now works in the private sector. Part of the problem, he says, is that Britain's efforts are spread thin. “On the spectrum of concentration of resources to scale, you've got Israel at one end and the United States on the other, and they both succeed for different reasons,” he says. “We're in that flabby middle bit—not sufficiently concentrated and not sufficiently big.”

Culture is also a challenge. Britain's spooks remain far more conservative in their approach to secrecy. Retired American spies proudly boast of their career in the CIA. British ones speak in euphemisms about their 30-year career as a “British diplomat” working in “national security”. Few serving officers are publicly avowed by name and role. That can be tricky when

you meet a tech executive in California, explaining why you need their whizzy product. Bringing in outsiders is difficult when vetting can take nine months. “It's really hard for the national-security community to change that lack of transparency, the caution around security clearances,” says Pia Hüscher of the Royal United Services Institute, a think-tank. “It doesn't make it the most interactive community.”

Ms Hüscher says that insiders often speak fondly of Dominic Cummings, who served a brief and fiery spell as an adviser in Downing Street under Boris Johnson. Mr Cummings was a controversial figure, but he was seen as a vocal champion for bringing technology and national security closer together, she says. As Sir Richard Moore, the chief of MI6, acknowledged in 2021: “Unlike Q in the Bond movies, we cannot do it all in-house.” ■

Disability and incapacity

Work to welfare—and back again?

The thinking behind Labour's benefits cuts

ONE WAY to judge the viciousness of the backroom fights over a policy is by how much its announcement gets dragged out. On March 18th Liz Kendall, the welfare secretary, set out reforms to health-related benefits, designed to save £5bn (\$6.5bn, 0.2% of GDP) a year and tackle a rise in worklessness. That was about as late as she could leave it, just a week before the Office for Budget Responsibility (OBR), the fiscal watchdog, updates its forecasts. Without those cuts, the government would have strayed close to the edge of its own fiscal rules.

Were the reforms worth the ruckus? Two changes were most consequential. First, Ms Kendall sharply cut the gener-

osity of incapacity benefits—paid to people deemed unable to work—while slightly padding conventional unemployment benefits (see chart). For decades, unemployment benefits have been kept near-flat in real terms whereas incapacity benefits have risen, giving a strong reason for claimants to try to register themselves as sick.

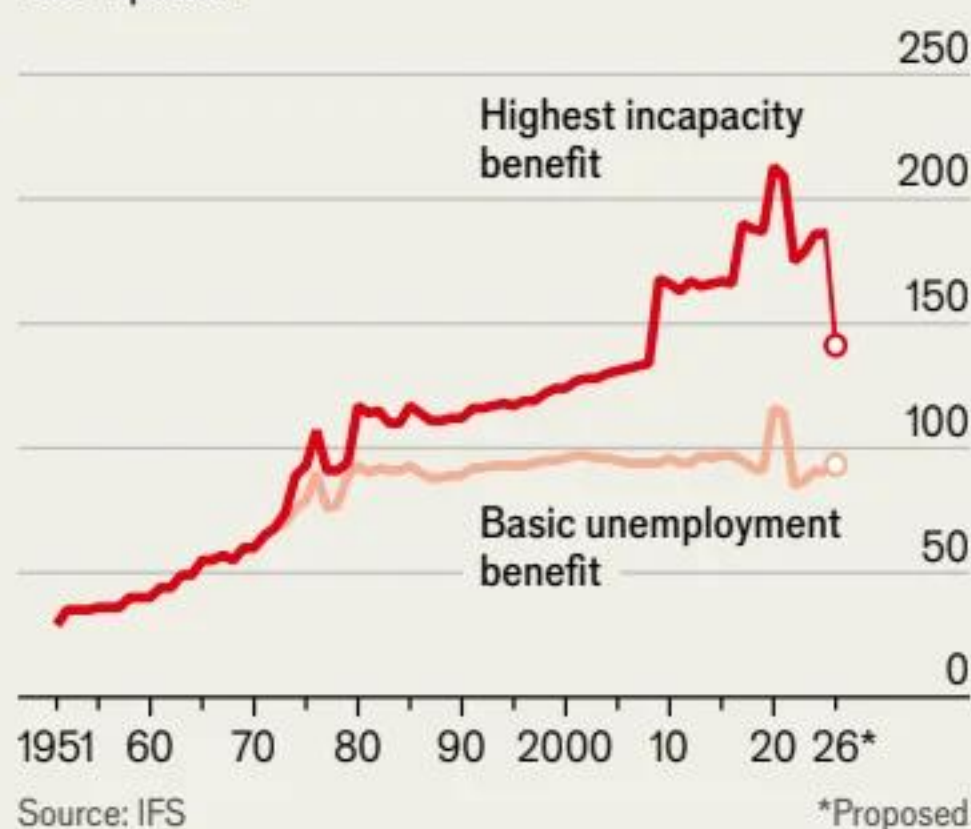
Second, she has tightened eligibility for Personal Independence Payments (PIP), disability benefits paid regardless of work status. Incapacity benefits, previously assessed separately, will now be based on the same test as PIP. Those screenings shifted from face-to-face to largely over-the-phone during the pandemic, and have stayed that way since. The government plans to reverse that shift and also pick up the pace of reassessments, which were switched off during covid and have hardly resumed.

Alongside the cuts, Ms Kendall was keen to emphasise, comes £1bn more to help support people back into work, and a legal “right to try”, as reassurance that unsuccessful attempts to start working won't result in benefits being removed.

For now, focus in Westminster is squarely on the OBR's verdict, due on March 26th. But the more important yardstick will be how Britain's jobs market evolves over the next few years, and whether more people start trickling back into work.

Sick incentives

Britain, weekly benefit levels, £
2024 prices



BAGEHOT

The long-covid state

Britons would rather forget the pandemic. The pandemic has not forgotten them



CORONAVIRUS IN BRITAIN is a story of individual grief and collective amnesia. The fifth-anniversary commemorations on March 9th, which had been designated a “Day of Reflection” by the government, were dignified but modest. In London relatives of the deceased threw carnations into the Thames, as a piper played a lament. Around them, joggers plodded, tourists gawped and drinkers toasted the first pint of the day in glorious spring sunshine. The television schedules—“Songs of Praise”, “Gladiators”—went undisturbed. This is a sentimental country, where Armistice commemorations seem to grow bigger each year and new statues are erected to local heroes. But mention the pandemic, the biggest calamity in living memory, and you will be met by a wince and a change of subject. The memory is less of the neighbourliness and Zoom yoga, more of bitterness and boredom.

Britons may choose to forget covid-19, but it has not forgotten them. The British state is suffering from a form of long covid. Pick a chart of public-service performance and, most likely, March 2020 will stand out as the point where middling turns dire. Coronavirus has produced a bigger state which provides a worse service. What appeared to be short-term backlogs have become an entrenched overload. It is the story of a machine that was turned off for two years and will not fully restart.

Britain hit covid hard. Its lockdown was longer than those of most of its peers, totalling 120 days of national “stay at home” orders. It had one of the bigger fiscal responses. Its health service cancelled drastically more hip, knee, cataract and mastectomy procedures. For all that, the death toll was among the highest in the rich world.

Whitehall misjudged how persistent the resulting queues would be. Some 7.4m cases are waiting for elective NHS treatment, a figure that has fallen glacially from its peak in September 2023. A target set in 2022 to eliminate year-long waits by this month looks certain to be missed. That year the Ministry of Justice boasted it had tamed its backlog of crown-court cases. But the backlog reached 73,000 last autumn. It “is almost out of control”, according to Shabana Mahmood, the justice secretary, and is expected to rise unstintingly without drastic reforms. The waiting time for

driving tests has grown from weeks to months; officials were slow to realise they were dealing with more than a passing blip.

Therein lies a productivity problem. Covid came at a time when the state was running hot. Capital budgets had been cut, leaving creaking IT systems, an NHS with fewer beds per patient than its peers and court buildings in disrepair. Strikes broke out as low morale combined with high inflation. And so as money was tipped into services after the pandemic, a growth in employees was not matched by rising output. Public-sector productivity was last year only nine-tenths of where it stood in 2019. In the NHS staff numbers were up by 19%, but patients by only 14%. Court sitting days have swelled, as has the proportion that are wasted because files are unprepared or prison vans don’t turn up; delays beget delays, because as cases get older evidence goes stale. Covid has left a bigger, more sluggish state.

Like the social-distancing signs that remain on town-hall floors, some pandemic measures have stuck. A protocol of keeping prisoners in their cells for most of the day has persisted in some jails; it makes inmates easier to manage, but it is ruinous for rehabilitation. Claims for sickness and disability benefits have grown rapidly. Ministers blame the cessation of in-person assessments, which were routine before covid, and have promised to reinstate them.

The state has become less effective in part because the public has become less compliant. Pupil-absence rates are up, and are liable to persist until the cohort that started secondary school in 2020 finish their studies. The Office for National Statistics reports that, as elsewhere, people are now much less inclined to answer surveys. Shoplifting has risen markedly. You can find different explanations, but overlay them and it suggests something has slipped in the contract between citizens and government.

The mismatch between the legacy of covid and Britons’ willingness to hear about it makes for invidious politics. Ask Rishi Sunak: at a general-election debate in Grimsby he blamed Britain’s high tax burden on the covid-era furlough scheme, which at £70bn (2.9% of GDP in 2021) was among the most generous in the world; he was met with groans. With heroic levels of productivity growth, the suppression of demand and considerable luck, Sir Keir Starmer might just meet his target of bringing NHS waiting times to where they stood in the mid-2010s. But even in the best-case scenario he will be able to tell the electorate only that their services have undergone one rather than two wasted decades.

When the clapping stops

In lockdown Sir Keir would often invoke the Labour government of 1945. This was a nostalgic story of how the collective trauma of the war was the crucible that produced the welfare state. Like Clement Attlee, he vowed to build from the rubble of covid “a country worthy of the sacrifices of the British people”.

A closer reading of history serves not so much as an inspiration but rather as a lesson of what happens when a crisis persists beyond the public’s patience. The euphoria which greeted victory in 1945 soon gave way to grumbling; food rationing got stricter and would drag on for years. In the general election of 1951 Attlee got the boot, and Winston Churchill returned to power with a promise to leave wartime privation behind with an era of “freedom and abundance”. Consider it a warning. Britons want to forget the pandemic; they will punish a government that fails to alleviate many of its consequences. ■

International



MAGA and espionage

Donald Trump v the spies of Five Eyes

Will America's president damage the world's most powerful intelligence pact?

ON MARCH 2ND Tulsi Gabbard, America's director of national intelligence, accused Volodymyr Zelensky, Ukraine's president, of seeking a third world war "or even a nuclear war". Ms Gabbard has a long history of conspiratorial and pro-Russian views. Her former aides say she routinely read and shared propaganda published by RT, a Kremlin mouthpiece.

Ms Gabbard's appointment has caused concern in American intelligence agencies and in those of its allies, yet she is not the only source of tension in America's network of intelligence alliances. Mr Trump recently stopped sharing intelligence with Ukraine for a week to press it to make concessions. He has threatened both to annex Canada and to eject it from the Five Eyes spy pact. For now, intelligence continues to flow, freely, between America and its allies. Might that change?

American spies are connected to their allies through a vast network of relation-

ships. The CIA, America's human-intelligence (HUMINT) service, maintains liaison officers with virtually every allied service. It co-operates with them on espionage and covert action. In one audacious operation from the 1970s to the 1990s, for example, the CIA and Germany's BND secretly co-owned a leading manufacturer of cipher machines, selling nobbled devices to unsuspecting states.

In signals intelligence (SIGINT) the entanglement is deeper still. After the second world war, America, Australia, Britain, Canada and New Zealand established the Five Eyes, a pact to jointly collect intercepted communications and data. It is the most ambitious collection and sharing ar-

range in history. Each side trusts the other to a remarkable degree. In his history of GCHQ, Britain's SIGINT service, John Ferris, a Canadian historian, describes a "legendary moment" when an American seconded to GCHQ and a Briton to the National Security Agency (NSA), its American counterpart, negotiated with one another "on behalf of their adopted services". A CIA officer sits on Britain's joint intelligence committee, which produces intelligence assessments for the prime minister.

Some fear that all this is now at risk. There are three possibilities. One is that America will disrupt these arrangements, perhaps acting on its threats to boot out Canada from the Five Eyes. Another is that allies, concerned that the Trump administration will be lax in protecting its secrets, might begin to hold back themselves or to seek other partners. In his first term, for instance, Mr Trump once divulged Israeli secrets to Russia's foreign minister. The most likely scenario, though, is a third: that Mr Trump's war on the federal bureaucracy and his politicisation of the intelligence community (IC), as it is known, will cause turmoil and paralysis among American spies that spill over onto allies.

The jitters over sharing differ depending on whether it has to do with HUMINT or SIGINT. The bond between agencies like the CIA and Britain's MI6 is deep. "We

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► share more with each other than we will do with anyone else,” Richard Moore, the head of MI6, said last year. The two agencies operate a “best athlete” model, deciding which is best placed to go after a particular target and jointly develop the technology that supports espionage.

The CIA’s “Russia House”, the unit that spies on the Kremlin, shares more with some European counterparts than each would do with their own service chiefs. But that intimacy has limits. Its general intelligence is shared, even with ministers and other senior officials, only in redacted form, the names and details of human sources disguised. When Britain recruited Oleg Gordievsky, a top KGB officer, in the 1980s, it initially concealed his identity from the CIA—to that agency’s considerable irritation.

Western officials tell *The Economist* that it is largely business as usual, for now. But in the HUMINT world, intelligence can be scaled up and down, or disguised, in response to political concerns over American leakiness and reliability. “The bottom line is: there is a sacred obligation that any intelligence organisation has to its assets,” says Marc Polymeropoulos of the Atlantic Council, a think-tank in Washington, who was previously the CIA’s chief of operations in Europe and Eurasia. Western intelligence services will “sanitise things that they had shared in the past”.

The Trump enigma

The SIGINT business is different. Five Eyes is not an ironclad legal arrangement; there is no written contract demanding that allies share every last scrap of material pinched from the Kremlin’s WhatsApp group or Xi Jinping’s smart-wok. But the joint system of collection and secure networks to distribute and process the take means that there is a far greater degree of automatic sharing than exists among HUMINT services. Bill Bonsall, a director of GCHQ in the 1970s, noted that the idea of withholding intelligence was dangerous: Five Eyes rested on a belief that “each partner’s contribution will not only not be withheld, but also will not even be delayed.” The result has been a torrent of intelligence that has far exceeded what any one country could achieve on its own.

In 1984, after New Zealand banned nuclear-armed or -powered vessels from its ports and waters, in effect barring the US Navy, the country was largely shut out of Five Eyes until 2006, according to Mr Ferris. That was a rare exception. During the Suez crisis, when America and Britain split acrimoniously over an Anglo-French invasion of Egypt, SIGINT co-operation continued untroubled.

In 1973 Henry Kissinger, then national security adviser, demanded that America should exclude Britain to punish it for a

spat over Middle East policy. “I’m cutting them off,” he said, privately. “We just have to show our teeth.” America’s NSA “rejected this order”, writes Mr Ferris, “which would have wrecked American SIGINT collection in Europe and the Middle East.” When America and Canada clashed over the Iraq war in 2003, Canada was “locked out of many military and military-intelligence relationships”, but not Five Eyes.

In practice, says one former British spy chief, and with the exception of New Zealand—which “doesn’t contribute very much”—it would be impossible to “slice out” any country from Five Eyes without disrupting the whole. Tremors in one country tend to affect others. When America has had domestic legal showdowns over FISA Section 702, a law which governs surveillance abroad, Britain’s SIGINT machinery has had to prepare for big adjustments to its systems if the American law were to expire.

The interdependence is lopsided, of course. “We don’t have a foreign intelligence service,” says Jody Thomas, who served as national security adviser to Justin Trudeau, Canada’s prime minister, until last year. But America would still lose something. Canada has led SIGINT in the Arctic, for instance, since the 1940s. Britain has invested heavily in cryptography. Australia’s location is vital for tracking Chinese activity in Asia.

Nonetheless, the fact that everyone would lose does not necessarily deter Mr Trump, who is happily tearing down a similarly interdependent economic order with his tariffs. “This is a unique situation,” argues Mr Ferris. In the past, crises within Five Eyes were resolved because American agencies understood the value of these partnerships. They “quietly picked up the pieces”, he says, if not in defiance of their political masters then at least at a safe bureaucratic distance. Today American spies are “frightened of the future, to an extraordinary degree, and unsure of where the chainsaw will go”.

It is already being wielded. In recent days the CIA has begun firing officers. The cull is limited, so far, but it has revived memories of mass firings in the 1970s. Ominously, on March 12th, Elon Musk visited the NSA to meet its head. Mr Musk’s cost-cutting agency, DOGE, already appears to have contributed to multiple security lapses, including the exposure of a CIA facility, and the insistence that the CIA email it a list of new employees with their first names and initials, which could help foreign intelligence services identify them.

The risk is not just that American spy agencies will struggle to resist, as they did in the past, against the use of intelligence as a weapon against allies. It is also that they will become distracted or diverted. Kash Patel, the director of the FBI, has

spent years endorsing wild conspiracy theories. His decision to shred the bureau’s leadership and focus on crime “bodes poorly for US counterintelligence”, notes Chris Taylor, an intelligence official at the Australian Strategic Policy Institute.

At present Western officials are concerned, but not panicked. “All the stuff flowing through the pipes is flowing as normal,” says one insider. “I would not rate this as a major crisis within the Five Eyes,” says Mr Ferris. Not yet, anyway. In 2021, amid concern over whether an independent Scottish state could join Five Eyes, Ciaran Martin, a former GCHQ official and the head of its defensive arm, the National Cyber Security Centre, offered a simple heuristic to understand the balance of power in the Western alliance. “Five Eyes...has almost no formal governance, and very little informal governance,” he wrote. “It has, in practice, just one unwritten rule—that America makes the rules.” ■

Shutting down VOA

Voicelessness of America

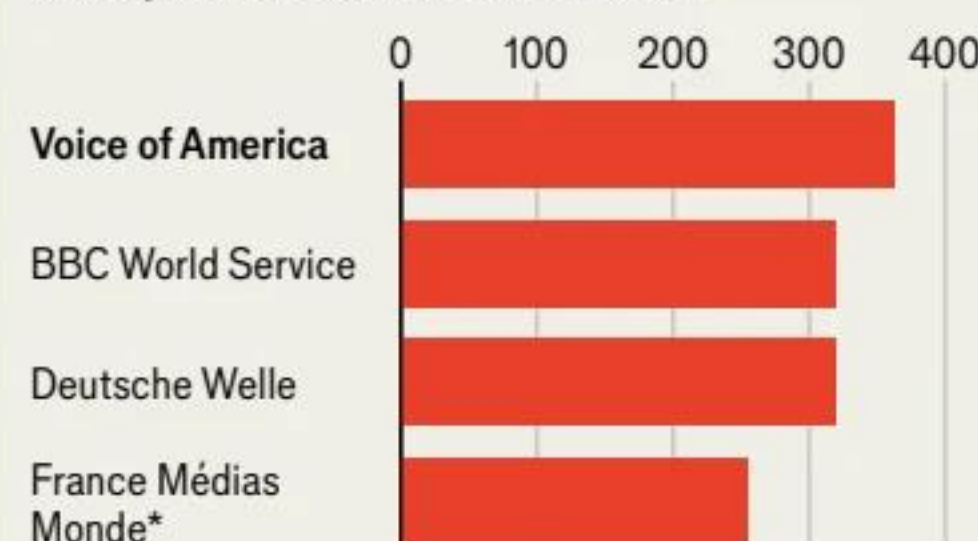
Donald Trump shoots his own global mouthpiece

MANY HAVE tried to stifle the Voice of America (VOA) in the eight decades since its hurried birth as a wartime broadcaster in 1942. These days China blocks its website and jams its signals. In 2017 Russia declared VOA to be a “foreign agent”. Yet it is President Donald Trump who may silence it for good.

His executive order on March 14th to “eliminate” the network as far as legally possible had an immediate effect. Its 1,300 staff members were placed on paid leave. Broadcasts in 48 languages soon stopped. Such is the demise of a network whose “jazz hour” famously beamed the “music of freedom” behind the Iron Curtain. A similar fate has befallen or awaits Radio Free ►►

Lend me your ears

Publicly funded media outlets, international weekly audiences, 2024 or latest, m



*France 24, Monte Carlo Doualiya & Radio France Internationale
Sources: BBC; DW; France Médias Monde; USAGM

► Europe/Radio Liberty (RFE/RL), Radio Free Asia, Middle East Broadcasting Networks' Arabic-language outlets and Radio and TV Martí, which broadcast to Cuba.

For Elon Musk, America's chief cost-cutter, the networks are just waste. "Nobody listens to them anymore" he posted on X, claiming they consisted of "radical left crazy people talking to themselves while torching \$1B/year of US taxpayer money". Mr Musk is wrong to say "nobody" listens. The US Agency for Global Media (USAGM), the government body that oversees all these outlets, claims they reach 427m people weekly in 63 languages and over 100 countries. VOA alone has a bigger audience than other publicly funded international broadcasters, such as the BBC World Service (see chart 1 on the previous page). Few people in America will have heard of them because they do not broadcast to the home audience. This may explain why the outlets have few powerful friends there.

Yet there are legitimate and longstanding questions to be asked about whether they spread democracy and enhance American power, and whether they provide value for their annual \$900m cost. These are even more salient in a world awash with blogs, newsletters and podcasts.

"Project 2025", a conservative blueprint for Mr Trump's second term, argued the USAGM was rife with left-wing bias, prone to repeating foes' propaganda, poorly run and, because of lax practices in security clearances, a target for foreign spies. Little of this has been proved. Nevertheless, Project 2025 recommended reform of the agency if possible, or its abolition if not. Kari Lake, a former TV presenter and devotee of Mr Trump, who has been nominated as VOA's director, for a time favoured reform and returning VOA to "its glory days". When Mr Trump announced his executive orders, though, she declared that "from top to bottom, this agency is a giant rot."

Controversy over VOA and its siblings dates back almost to their establishment. RFE and RL were set up in the early cold war, partly inspired by George Kennan, an American diplomat, to wage "organised political warfare" on the Kremlin. RFE transmitted to "captive nations" under Soviet occupation; RL beamed to the Soviet Union itself. After the collapse of the Hungarian revolution of 1956, RFE was accused of having crossed a legal line between reporting and incitement. Nearly two decades later the revelation that the CIA had been funnelling money to the stations led to efforts in the Senate to shut them down, using arguments that sound surprisingly contemporary: their high cost; that western European countries should pay; and the difficulty of knowing whether they were useful. Their defenders included Henry Kissinger and Richard Nixon.

Some ten years later the debate still

raged: "The worth of the broadcasts, in dollars and cents, is almost incapable of measurement," said a study published in 1982, concluding that "the benefits do seem substantial." Many credit the stations with helping to defeat Soviet communism. Lech Walesa, Poland's former president, said his country's freedom was won by RFE and the pope. Meanwhile, RL was the first to broadcast the full text of Alexander Solzhenitsyn's "Gulag Archipelago", a book that reputedly struck Soviet leaders "like an atom bomb". It is inevitably harder to assess the broadcasters' contribution in more recent times.

Radio killed the Soviet star

By some measures the outlets have reported considerable success. Over the past decade they have nearly doubled the size of their weekly audience, from 215m in 2014 to 427m in 2024, despite increased competition. One reason for this may be that listeners see them as trustworthy. The Lowy Institute, an Australian think-tank, found that VOA accounted for 55% of online searches in 26 countries in Asia for foreign-radio broadcasters, well ahead of the second-most popular outlet, Russia's Sputnik, with 27% (see chart 2).

The USAGM's most valuable units are probably those that most Americans have never heard of, such as Radio Free Asia, which can reach audiences living under the boot of authoritarian states that have few other reliable sources of news. It is one of the few independent media outlets that can winkle stories out of North Korea, or can generate scoops from Xinjiang and Tibet in China. The revelations of ethnic Uyghurs being corralled in massive Chinese "re-education" camps were largely its work. It is also one of the few independent news outlets that reaches Uyghurs, who try to evade state censorship of the internet by listening to its radio broadcasts.

Though Russians face nothing like the levels of censorship and oppression of Uyghurs, RFE/RL plays an important role in nurturing independent local journalism. The strength of these outfits lies in their history as surrogates for local media be-

hind the Iron Curtain, where they hired exiles to report on those countries in the local languages. This tradition continues today, with tailor-made programmes reaching the remotest regions that other outlets do not, from Dagestan to Siberia, and breaking stories about local corruption scandals and much more.

VOA is akin to a state broadcaster like the BBC, offering a mix of political (especially American) news and lifestyle features and has the largest audience. But it is harder to argue that it provides an irreplaceable service across much of the world. Never before have people had access to such a wide range of news sources. There are, however, exceptions, particularly in parts of Africa where VOA covers smaller countries and contested elections that are often ignored. Its publicity can play a role in protecting opposition politicians and activists. "In shining a spotlight on individual leaders, VOA helps to add a layer of security for them," says Jeffrey Smith of Vanguard Africa, a pro-democracy outfit based in Washington. "It lets leaders of [oppressive] governments know that the world—and that Washington in particular—is paying attention."

Staff at USAGM still hope that, faced with an outcry and lawsuits, the administration may relent. RFE/RL may be in a better position than their siblings as they may win a reprieve from European governments, ten of which said they would work together to find funding. The networks are trying to protect vulnerable staff from being sent home to repressive regimes. One reform option might be to merge overlapping functions and language services.

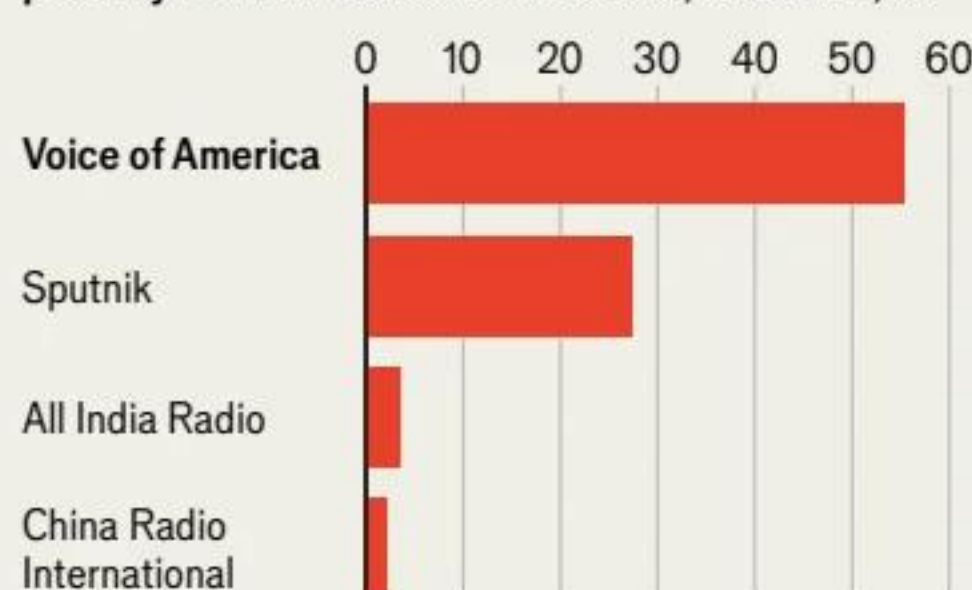
USAGM uses complex metrics to measure its impact, including its audience, its trustworthiness, influence, and whether it increases knowledge of international news, particularly in places targeted by state-sponsored disinformation. Yet are reach and trustworthiness enough?

Insiders argue that they produce invaluable journalism for less than Russia and China spend on their foreign-influence operations. They argue that they must be pricking a nerve, given the repression their journalists suffer: at least ten are currently in prison. Yet amid America's wider retreat from the network of alliances that have largely kept the peace for almost 80 years, and its gleeful destruction of a liberal economic order that made it richer, there is little hope that arguments around soft power or appeals to high-minded ideals will sway Mr Trump or Mr Musk.

Nor will the gloating of America's foes. "We couldn't shut them down, unfortunately," said Margarita Simonyan, the editor of Russia's RT network. "But America did so itself." As their broadcasts cease, candles of hope in some of the world's darkest places are being snuffed out. ■

Under the influence

Asia-Pacific, share of online searches for publicly funded radio broadcasters, 2022-23, %

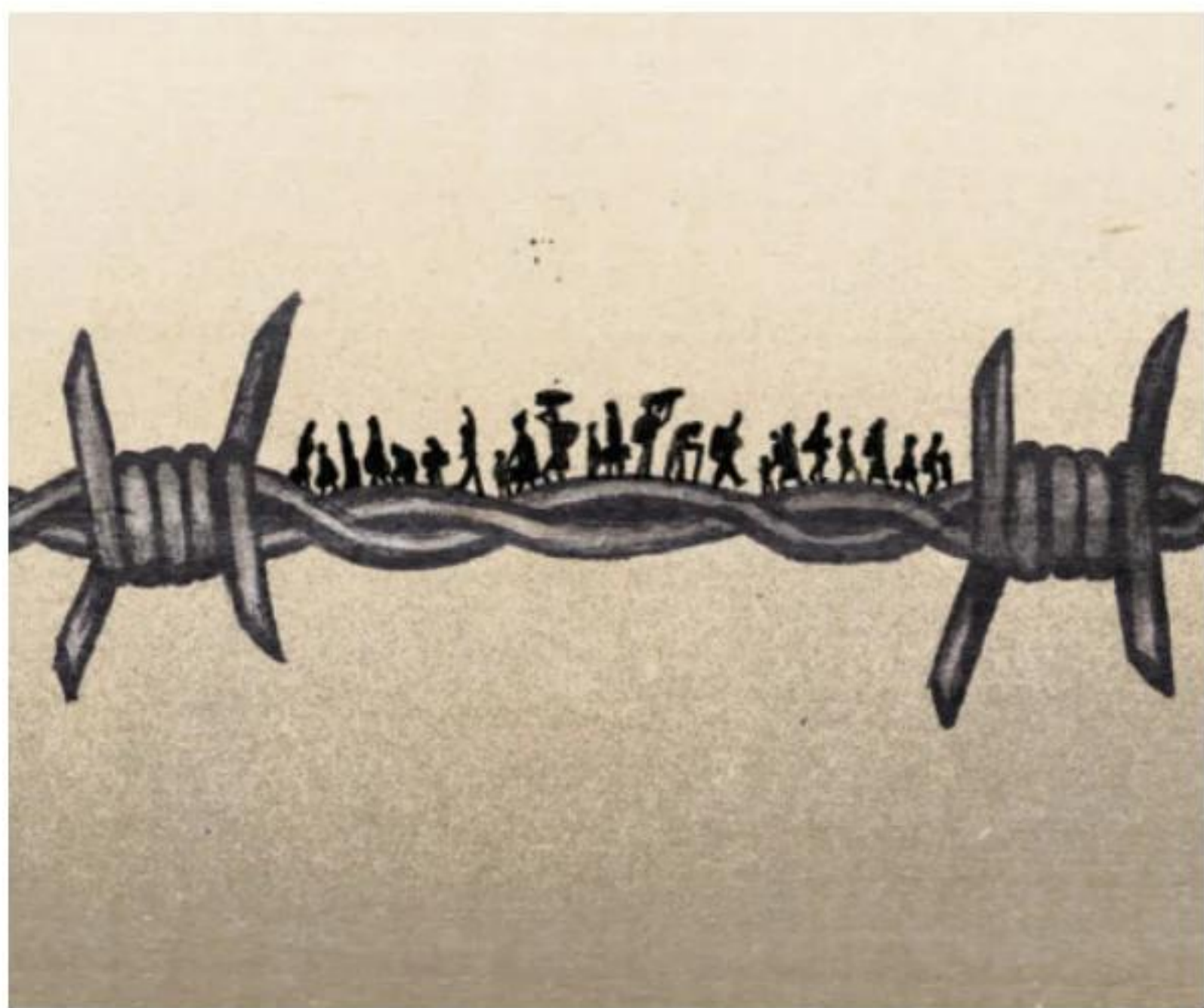


Source: Lowy Institute Asia Power Index

THE TELEGRAM

The right way to fight nativists

A revealing new history of the cold-war crisis that inspired modern refugee law



EIGHT DECADES after the event, Janis Cecins cannot know whether the Soviet train guard who transformed his family's destiny was being kind or dim. Either way, the soldier allowed Mr Cecins's parents—a young Latvian couple being forcibly transported to the Soviet zone in occupied post-war Germany—to leave his train one night, on a promise to return in the morning. Mr Cecins's parents skipped that appointment, and eventually found their way to an Allied-run camp for displaced persons (DPs). The pair were among a million or so civilians with no wish to return to their pre-war homes. The fate of those DPs led in time to the creation of the modern asylum system, including the Geneva convention of 1951, which bars states from returning refugees to a country where they face serious threats to their life or freedom.

As the world learned of the evils of the Holocaust, attention focused, understandably, on Jewish survivors in DP camps. But most DPs were non-Jewish Slavs and Balts resisting attempts to make them go to the Soviet Union. Many were from lands annexed by the Russians under a pact with Nazi Germany, including the Baltic republics of Latvia, Lithuania and Estonia, and formerly Polish regions of western Ukraine. Mr Cecins's parents, a book-keeper and a telephone technician from Riga, Latvia's pre-war capital, were among them.

A dynamic 74-year-old, Mr Cecins is a pillar of Sydney's Latvian community, helping to oversee folk dances, choirs, film screenings and Latvian-language classes for youngsters. His parents chose Australia, over offers of resettlement in America or Canada, "to get away as far as possible from the Russians", he says. For Sydney's Balts, the liberal world order felt personal. They were proud to be political refugees from tyranny, not just economic migrants. Many expressed sympathy for the "boat people" fleeing Vietnam in the 1970s, whom they saw as fellow victims of totalitarianism.

Today, that liberal order is crumbling worldwide. The notion that asylum-seekers enjoy absolute rights to protection as refugees, if they have "a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group, or political opinion", to cite the Geneva refugee convention, is one of the pillars closest to toppling.

In Australia—but not only there—ever-tougher questions are asked about the values and work ethics of putative refugees. For some years Australia has paid third countries, such as the Pacific island of Nauru, to receive and hold asylum-seekers for "offshore processing", an approach that other Western democracies have since tried to copy, though without success. A member of parliament from the conservative opposition, who noted that Australia resettles 20,000 refugees and humanitarian cases each year, says that the public wants the authorities to be "generous but also discerning". A government offer of visas to Palestinians from Gaza has proved "very controversial", he adds, amid concerns that some may have been inculcated with the extremist ideology of Hamas.

All over the world, abstract principles about the right to protection are losing ground to more subjective judgments about deserving and undeserving refugees. Idealists might yearn for a return of the moral certainties of 1945 that emerged in response to the horrors of the second world war. Actually, the birth of the post-war order was messier, more political and more influenced by public opinion than idealists might suppose. "Lost Souls: Soviet Displaced Persons and the Birth of the Cold War", by Sheila Fitzpatrick, offers a masterful account of how Allied governments wriggled and squabbled when they learned, to their shock, that more than a million DPs wanted to choose where they lived.

Politics quickly intruded. The public and rank-and-file Allied troops were appalled by forced repatriations of Soviet prisoners of war and labourers in 1945, some of whom went straight into Stalin's gulag, and the policy quietly changed. Later, international outrage left Britain badly isolated as it blocked Jewish refugees from reaching Palestine, then British-run. Non-Jewish DPs found the mood turning against them, notably in America, the biggest source of funding for the camps that housed them. Congress shut down the international agency supporting DPs, which was called a hotbed of liberal hand-wringers and communist sympathisers.

The refugees saved by the cold war

The luck of those fleeing communism in the Soviet Union turned after 1947, as cold-war tensions mounted. Baltic and Slavic DPs began to brand themselves as "victims of communism" yearning to breathe the free air of democracy, writes Ms Fitzpatrick. American funding for DP camps resumed, with a new mission: resettlement rather than repatriation. For refugees to spurn life in the USSR was a propaganda win for the West.

Resettlement was an economic boon, too. A British programme, named "Westward Ho!", recruited 77,000 workers for farming and the cotton and coal industries, most of them Latvians, Poles and Ukrainians. It excluded Russians, Jews and Armenians. Australia, its immigration minister said, wanted "horny-handed toilers" for farming and construction. Intellectuals were not wanted, so some professionals and academics posed as manual workers to gain passage Down Under. Baltic refugees had a good tale to tell, with Australia's immigration minister predicting that clean, polite "beautiful Balts" would win over the public.

In these less hospitable times, anti-immigrant hardliners tell stories about bad foreigners to play on public anxieties about a world more mobile than anyone imagined in 1945. Still, history shows that telling the right stories about refugees can be effective, too. Defenders of openness need to prepare emotional and economic counter-arguments, and not just talk of universal legal principles. Narratives are too important to leave to nativists. ■

Business



Doing business in America

Burning the boats

Will Trump's tariffs succeed in turbocharging foreign investment?

FOR GLOBAL companies there is no place quite like America. As growth in China and Europe has slowed, its economy has continued expanding at a decent clip. America remains by far the world's biggest consumer market, accounting for almost 30% of total spending, and is home to the largest stock of foreign direct investment (FDI), at around \$5trn.

Yet under Donald Trump, doing business in America has become tougher for foreign firms. His tariffs are making it more expensive to export their wares to the country. And his erratic way of announcing and imposing them sows uncertainty. In the days after a 25% tariff on Canada and Mexico was rolled out, one-month exemptions were made for cars and other goods covered by North America's free-trade pact. A new levy of 10% on Chinese goods was doubled within months of being imposed. On March 11th Mr Trump announced a 50% duty on Canadian steel

and aluminium, up from the 25% previously planned, only to backtrack hours later. He recently threatened a 200% tariff on wine and other booze from the EU.

All this creates a dilemma for foreign companies selling to the American market. Do they double down by relocating a share of their production to the country to avoid tariffs and placate Mr Trump? Or do they seek new customers elsewhere?

Foreign investment in America has soared in recent years. The annual flow of

greenfield FDI reached a record \$231bn in 2024, up from \$97bn five years earlier, according to fDi Markets, a data service (see chart 1 on next page). Huge subsidies offered by the Biden administration to build factories for chips, electric vehicles, solar panels and more contributed to that boom. Mr Trump's approach, however, is to use a stick, not a carrot. He hopes that tariffs will encourage even more investment in American manufacturing while filling, rather than draining, the government's coffers.

That is particularly worrying for foreign firms that generate a large share of their sales in America but have only limited operations there. To identify the companies most exposed, we analysed the world's 100 biggest non-American firms by market value, excluding businesses in services industries and those that publish insufficient data. We used public disclosures to gauge American revenues. To estimate costs we used reported assets, capital expenditures and employee counts, as well as data from LinkedIn, a social-media site for professionals, and a tally of firms' manufacturing operations from Dun & Bradstreet, an information provider.

Based on our panel, four groups of foreign firms look particularly vulnerable (see chart 2). The first is drugmakers, such as Novo Nordisk and Roche. America

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► accounts for more than two-fifths of their sales but less than a third of their costs. Manufacturers of electronics, including TSMC and Samsung, also seem exposed, as do European luxury giants like LVMH. Foreign carmakers are at risk, too, though to varying degrees. Some, such as Porsche, import all the cars they sell in America, according to Bernstein, a broker. Others, such as BMW and Mercedes, have American factories that produce SUVs, many of which are sold to locals.

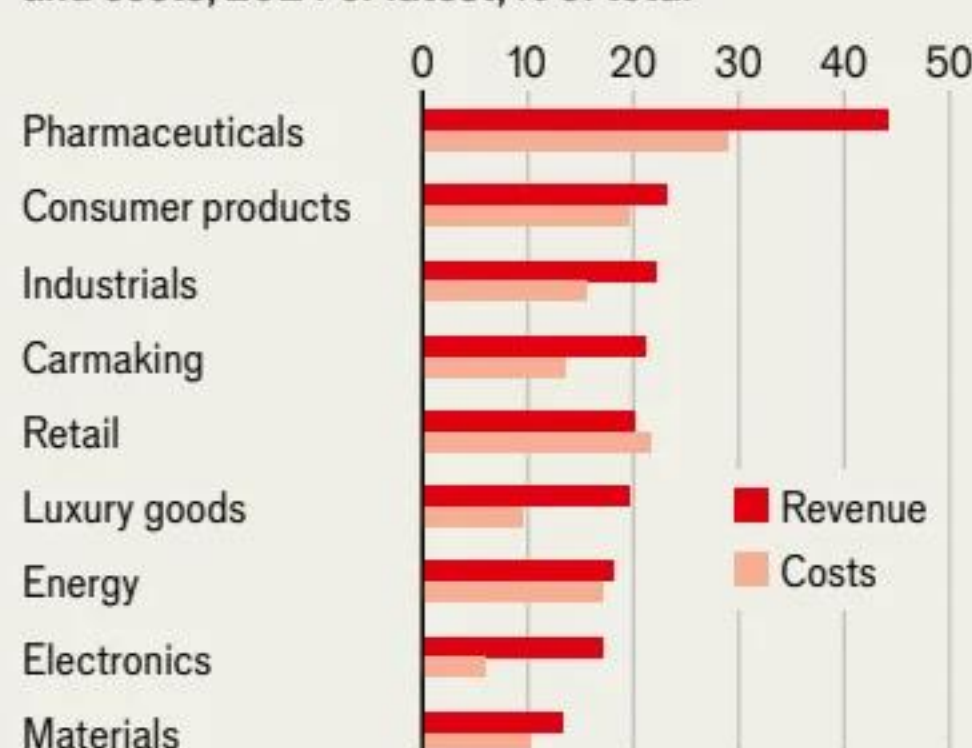
A number of foreign firms have already opted to shift more production to America. This month TSMC announced that it would increase its planned investment in the country from \$60bn to \$165bn between 2020 and 2030. It will build an additional three chipmaking plants, two packaging facilities and a research-and-development centre. Morgan Stanley, an investment bank, notes that a 100% levy on chips from Taiwan, which Mr Trump has talked about, would push the import price of TSMC's advanced processors above the cost of making them at its factory in Arizona.

TSMC is not alone. CMA CGM, a privately owned French logistics firm, recently announced a \$20bn investment in America over the next four years. Siemens, a German industrial giant, plans to build two plants in California and Texas costing \$285m. Asahi, a Japanese brewer, has said it will expand output at its Wisconsin plant. And some carmakers, including Honda, Mercedes-Benz, and Stellantis (whose largest shareholder, Exor, owns a stake in *The Economist's* parent company), have said that they plan to increase production in America.

Investors are having mixed reactions to the strategy. Of the six firms that have announced plans to invest in American facilities and are publicly traded, shares in half did better than industry benchmarks in the three days following their announcement, with the rest doing worse. As one consulting boss notes, factories are often depreciated over 20 years, which means companies will be stuck with them long

Spread alert

Foreign firms*, estimated US revenue and costs, 2024 or latest, % of total



*Based on a sample of 100 large companies which sell goods
Sources: Bloomberg; Dun & Bradstreet; LinkedIn; Morgan Stanley; *The Economist*

after Mr Trump leaves office, at which point the threat of tariffs could subside.

Moreover, shifting operations to America is not straightforward for many firms. During Mr Trump's first term Bernard Arnault, LVMH's boss, helped his industry avoid tariffs by expanding handbag production in America. But repeating the trick will be hard. Part of the allure of luxury goods is their European heritage. The complexity of supply chains adds to the challenge. Some drugs and cars, for example, cross borders many times during the manufacturing process.

Some firms may even intend to quietly pare back their investment plans. In 2017 Foxconn, a Taiwanese maker of electronics, vowed to spend \$10bn on a plant in Wisconsin that would employ 13,000 people. Mr Trump visited the proposed site, proclaiming it the "eighth wonder of the world". Yet after much watering down of plans, the company said last year that it had spent just \$1bn on the project, and created only 1,000 jobs.

Faced with American tariffs, some foreign companies could instead direct their attention elsewhere. That has been the case with Chinese firms, which bore the brunt of the duties imposed during Mr Trump's first term. The flow of greenfield FDI from China to America slid from \$8.2bn in 2016 to \$6.5bn last year. According to Morgan Stanley, listed Chinese firms generated around a quarter of their foreign sales in America in 2024, down from roughly a half in 2016. Instead, they have turned to the fast-growing economies of the global south.

If Mr Trump's objective is to encourage foreign businesses to build in America, there are more effective policies at his disposal than tariffs. On the campaign trail the president also promised to slash red tape. Tortuous planning processes have long held back American manufacturing. For foreign firms, fixing those would be far more motivating. ■

East Asia's defence industry

Boom time

Japanese and South Korean arms-makers are on the rise

THIS MONTH a group of South Korean defence-industry bosses and government officials visited Ottawa. Their pitch: howitzers, rocket-launchers and submarines for the Canadian armed forces. They are not the only East Asians taking advantage of the global rush to rearm, not least among America's suddenly nervous allies. Japanese firms are also finding plenty of eager buyers.

Japanese and South Korean arms-makers are now among the fastest-growing in the world. The combined annual revenues of the two countries' defence-focused firms have risen by 25% since 2022, to \$63bn, outpacing even Europe's resurgent arms-makers. Although America's defence giants, with total revenues exceeding \$200bn, remain dominant, their growth has been a more modest 15% since 2022.

One reason why Japanese and South Korean defence firms are doing so well is that their governments, which have long been net importers of arms, want more domestically made weapons with which to protect their territories, rather than relying on American military backing. That has been a "turning-point", says Kanehara Yoshinori, the chairman of Kawasaki Heavy Industries, Japan's second-largest aerospace-and-defence company.

In 2022, amid rising regional tension, Japan expanded its defence budget and began its biggest military build-up since ►►



Ready to roll

Making America make again

United States, inflows* of greenfield foreign direct investment, \$bn



Source: fDi Markets

*Excludes retail FDI

► the second world war. In 2023 defence-related domestic orders at Japan's biggest arms manufacturers were two to four times their level in the preceding year, according to the Stockholm International Peace Research Institute (SIPRI), a think-tank.

Orders have kept coming: at Mitsubishi Heavy Industries, Japan's biggest defence firm, they were up by a fifth, year on year, in the last quarter of 2024. Mr Kanehana says Kawasaki used to get orders for up to two military helicopters annually; this year it is "six to seven". This month the firm delivered an advanced submarine worth \$470m to Japan's ministry of defence.

South Korea has also been spurred by regional security concerns. As the defence industry has grown, the country's dependence on arms imports has fallen sharply. According to SIPRI, South Korea's imports dropped by about a quarter between 2015-19 and 2020-24, while cross-border trade in arms worldwide hardly changed.

East Asian arms-makers have also tapped into growing defence budgets elsewhere. Their short supply chains—most parts are sourced at home—have allowed them to scale up quickly. After taking in several large orders in the first nine months of 2023, Mitsubishi Heavy Industries reported a slight dip a year later. Yet speedy execution meant sales still rose sharply.

America remains the dominant exporter of such big-budget items as advanced long-range strike capabilities: according to SIPRI, it supplies 45% of all exports of land-attack missiles with a range over 250km. But Asian firms have been meeting new demand for such things as helicopters, artillery and precision munitions.

South Korea has thus become an exporter to Indonesia, New Zealand, the Philippines and Thailand. The revenues of Hanwha Aerospace, its largest arms firm, rose by about 60%, year on year, in the last quarter of 2024, boosted by deliveries of the Chunmoo, a rocket-launch system, and K9, a howitzer, to Poland and other countries. In December Korea Aerospace Industries signed an agreement to sell its KUH-1 Surion helicopter to Iraq.

Japan's pacifist constitution prevents the country's arms-makers from selling to states at war. Still, its defence firms, which usually sell via government-to-government deals, have been helped by an easing of limits on arms exports. Mr Kanehana reports growing interest from Australia and the Middle East. And in September Japan and Norway signed a deal to work together on defence equipment.

Demand for Japanese- and South Korean-made weaponry is likely to grow as America's allies act on the realisation that, with Donald Trump back in the White House, they will have to do more to defend themselves. Expect East Asia's defence boom to endure. ■

America's health system

For all they care

How hospitals inflate America's giant health-care bill

WHO IS TO blame for America's enormous health-care costs? The sector accounts for almost a fifth of the country's GDP, twice the average for wealthy countries, yet outcomes are no better. Americans under 70 are almost twice as likely as their counterparts in similarly affluent nations to die of cardiovascular diseases. Death rates due to other conditions like diabetes and kidney diseases are also much higher.

Most Americans point the finger at drugmakers, insurers or the middlemen between them. Luigi Mangione, whose trial for the alleged murder of the chief executive of UnitedHealthcare, America's biggest health insurer, began last month, has received donations totalling \$740,000. "He did what everyone else is just thinking," wrote one sympathiser on Mr Mangione's fundraising page recently.

More often overlooked are America's hospitals, which took in \$1.5trn in fees in 2023, according to the most recent government figures. That is triple the amount spent on medications, and accounts for a third of America's total health-care spending (see chart 1). Since 2000 hospital prices have soared by over 250%, growing at twice the overall rate for medical care and triple the rate of inflation. What is behind America's soaring hospital bills?

Skewed incentives are part of the explanation. American hospitals primarily operate a "fee-for-service" model, where insurers pay for each test or treatment, regardless of its necessity. That encourages them to boost their revenue by delivering as many services as possible. America's government has for years been seeking to shift these incentives, including by aiming to move all beneficiaries of Medicare, the federal health-care programme for the elderly, to "value-based care" arrangements that reward hospitals and clinics for meeting various targets. But as of 2023,

70% of payments to providers still followed the traditional approach.

The problem is compounded by the opacity of hospital pricing. The cost of procedures varies widely across hospitals: a study in 2023 by KFF, a health-policy think-tank, found that the sticker price of a colonoscopy in the Atlanta area ranged from \$435 to over \$7,000. But the complexity of medical billing and the nuances of reimbursement often make it difficult to compare services effectively.

Consolidation has made matters worse. Over 1,600 hospital mergers took place between 2000 and 2020. The share of total hospital beds controlled by chains rose from 58% to 81% over that period. One or two hospital providers now dominate the market in many American cities (see map on next page). HCA Healthcare, the country's largest chain, operates more than 180 hospitals in America with a total capacity of close to 50,000 beds.

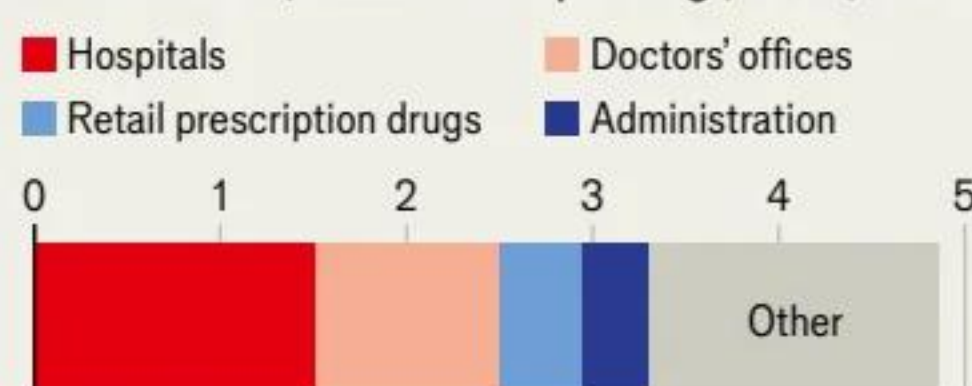
Mergers have brought the benefits of scale to the hospital industry, but little of that has been passed on to patients. HCA's return on capital, for example, rose from 10% in 2004 to 15% in 2024. Research shows that hospital mergers tend to raise prices for patients with private insurance, without providing better care. Larger hospital chains often use their market power to secure higher prices from insurers.

Consolidation has not only occurred through hospital mergers. Between 2012 and 2022, the share of doctors affiliated with hospitals rose from 29% to 41%. In theory, uniting different aspects of a patient's treatment in one system could improve care. In practice, though, prices frequently rise after hospitals acquire doctors' practices, while quality remains stagnant. What is more, Medicare and private insurers tend to pay extra for services provided in hospitals rather than in independent doctors' offices, motivating integrated health-care providers to encourage more costly inpatient care.

Growing ownership of hospitals by private-equity (PE) firms is also sometimes viewed as a nefarious influence. In a study published in 2023, Sneha Kannan of Harvard Medical School and her co-authors showed that patients are at greater risk of falls, new infections and other harm during hospital stays after the facility is acquired by a PE firm. In May last year Steward Health Care, a chain previously owned by a ►►

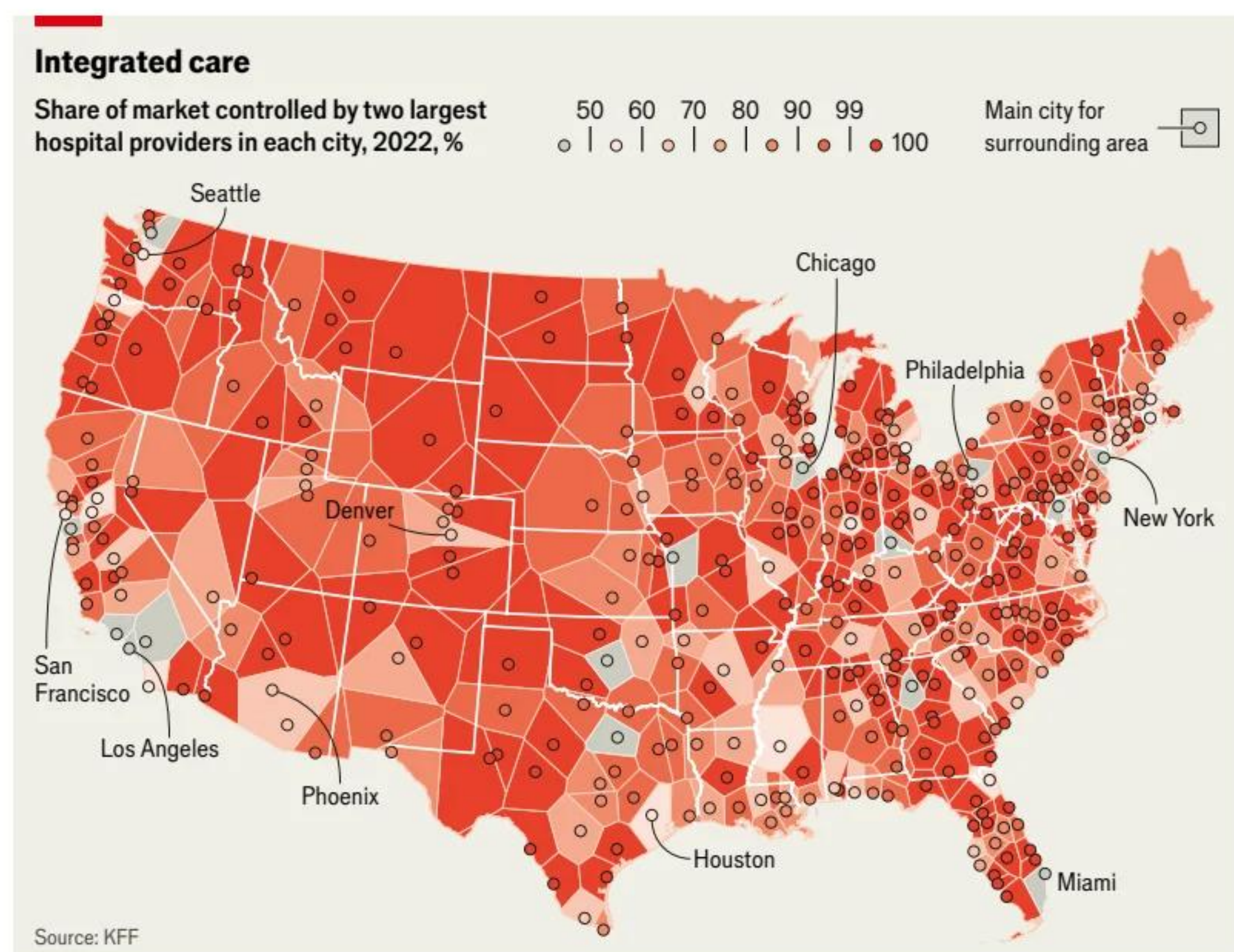
Doctored

United States, health-care spending*, 2023, \$trn



Source: KFF

*Public and private



► PE firm, declared bankruptcy and put all its 31 hospitals up for sale. In January, Prospect Medical Holdings, another PE-backed chain with 16 hospitals, followed suit. In both instances, lawmakers have blamed management and PE owners for making short-sighted financial decisions that undermined patients' care.

Still, PE firms own less than a tenth of America's 6,000 or so hospitals. The biggest number, making up close to half, are owned by non-profits (see chart 2). Kaiser Permanente, one large non-profit provider, operates 40 hospitals and over 600 clinics, with some 25,000 doctors in its network. It offers health insurance, too. CommonSpirit Health, a chain operated by a religious charity, has 142 hospitals, making it the third-biggest chain in the country after HCA and the Veterans Health Administration, run by the federal government.

Yet non-profit ownership has been little help when it comes to keeping control of costs. Many of these hospitals behave like their for-profit cousins. For universities, hospital fees often make up a big share of their income. At Stanford University, 63% of operating revenue in fiscal 2024 came from health services provided to the pub-

lic. At the University of Chicago, patient services contributed 56%. UPMC, affiliated with the University of Pittsburgh, owns a for-profit insurer, a venture-capital fund and five for-profit hospitals overseas.

Non-profit hospitals spend less on charitable care for needy patients than for-profit ones, and richer non-profits provide proportionally less than poorer ones, points out Ge Bai of Johns Hopkins University. For every \$100 of expenses incurred, non-profit hospitals spent \$2.30 on charitable care, on average, compared with \$3.80 spent by for-profit hospitals. Meanwhile, non-profit hospitals enjoy various advantages: they pay little tax and can issue bonds at preferred rates, among other things.

There are signs that Donald Trump's administration intends to take at least some steps towards reforming America's troubled hospital system. Last month the president issued an executive order instructing federal agencies to "rapidly implement and enforce" rules introduced during his first administration that would require hospitals to improve the transparency of their prices. Industry analysts also expect Republican lawmakers to push for "site-neutrality", which would require Medicare to pay the same rate for services whether they are provided in a hospital or a doctor's clinic.

Disruption could be another remedy. In November General Catalyst, a venture-capital firm, acquired Summa Health, a hospital chain based in Ohio. It believes that it can use technology to "reshape and improve the future of health-care delivery". America's long-suffering patients should wish it luck. ■

Luxury

Couture consolidation

The luxury industry is poised for a deal wave

A SHOPPING SPREE looks set to begin in the world of luxury. Prada, one big-name Italian brand, is said to be in talks to buy another, Versace. On March 13th Donatella Versace stepped down as chief designer of the firm founded by her brother. Giorgio Armani, the 90-year-old founder of his eponymous label, has said he isn't ruling out a merger as he plans for retirement. Last month the family that owns Ferragamo, one more Italian brand, had to reassure staff that it is not up for sale after its chief executive abruptly left.

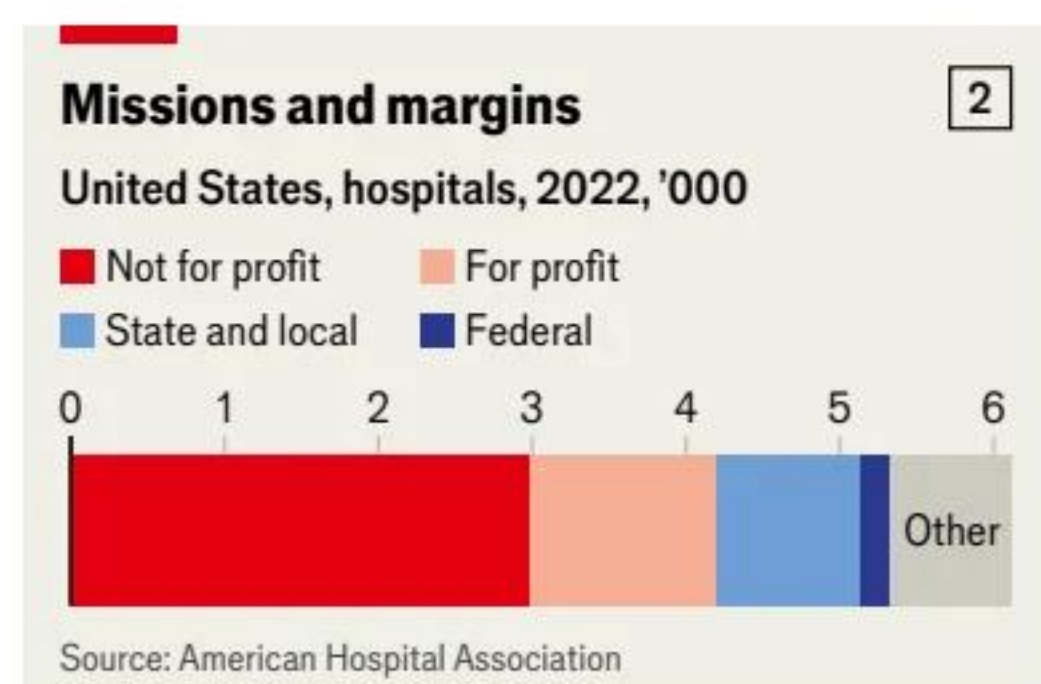
More tie-ups would extend a decades-long trend of consolidation. Three luxury giants—LVMH and Kering of France and Richemont of Switzerland—accounted for 31% of global personal-luxury-goods sales in 2023, up from 19% in 2014, according to BCG, a consultancy. Acquisitions helped fuel that growth. Since 2000 BCG counts at least 33 deals by the three groups. Many independent brands are now concluding that they cannot survive alone in an increasingly difficult market. A new wave of deals seems likely.

The luxury business is in the midst of a painful downturn. Weakening economic growth from America to China has led shoppers to spend less on designer frocks, bags and heels. Luxury sales fell by 2% in 2024, according to estimates from Bain, another consultancy. Credit-card data collected by Citi, a bank, suggests spending on top luxury brands in America was down by 5%, year on year, last month.

So-called aspirational brands that cater to customers who are rich but not extraordinarily so, such as Burberry and Versace, are struggling most. Independent labels have also been hit harder than the big luxury groups. "This crisis moment will be an excuse for a consolidation," reckons Federica Levato of Bain.

Departing founders are fuelling deal speculation as well. Along with Armani, Dolce & Gabbana is also in the midst of succession planning. Small but trendy brands, including The Row, founded by the Olsen twins, are being floated as possible acquisition targets, too.

Scale creates big advantages in the luxury business, notes Guia Ricci of BCG. It brings bargaining power when it comes to advertising and property. It also attracts talent: up-and-coming executives and starry designers join luxury conglomerates knowing that it will provide them an



▶ opportunity to work at multiple brands.

Competition authorities might also abandon their recent hostility to deals. Last year America's Federal Trade Commission blocked the acquisition of Capri, which currently owns Versace, by Tapestry, which owns Coach and Kate Spade. But the Trump administration has signalled it will be more open to mergers. Europe, too, may be willing to allow deals that further strengthen one of the few industries it dominates globally.

The luxury business will also continue consolidating in other ways. In recent years brands have been snapping up their suppliers. In 2023 LVMH bought Grupo Verdeveleno, a Spanish tannery. Chanel has paired up with Brunello Cucinelli and Prada with Ermenegildo Zegna Group to buy stakes in Italian wool producers.

Such deals give luxury firms greater control over their supply chains at a time when these are under heightened scrutiny. Italian authorities have recently been

investigating labour exploitation in the country's fashion industry. One popular Instagrammer, Tanner Leatherstein, has made his name by cutting up luxury bags to show how poorly some of them are made. In a survey conducted by *Vogue*, a fashion magazine, in January, the most common explanation shoppers gave for cutting spending on luxury goods was that they no longer seemed worth the price. That will surely make the industry's cashmere-clad bosses wince. ■

BARTLEBY

The horrors of shared docs

Transparent, user-friendly, maddening

LONG LONG ago, colleagues would suggest changes to documents sequentially. They would make comments and add revisions to a file on their own computer, and then send it on to the next person. It was inefficient and opaque. The era of the shared doc has made this process much more user-friendly and transparent. But like all social activities, it has the great drawback of exposing you to other people.

Start with the fact that you can see who else is in the document. A succession of initials at the top of the screen confirms that your actions are now being observed by multiple people. At least one of them will be completely unknown to you. Shared docs tend to get shared, and they frequently end up in the browsers of total strangers. You don't know why they are in it, and they probably don't either. Some people may not be identifiable at all: they have usernames like "anonymous tapir". They might be the boss; they might be one of the interns. They are probably not a tapir.

One of these initials fades and brightens every few minutes, as the person in question repeatedly exits and re-enters the document. They either have nothing to do or are deeply anxious about what may be about to happen. If they are the owner of the document, they are absolutely right to worry.

For people will be busy rendering public judgment on their work in ways both overt and subtle. A cursor jumps rapidly from paragraph to paragraph, and then suddenly stops. It remains immobile, transfixed. Something must be very, very wrong with what they are reading. It moves more slowly after that, its confidence in the author visibly shaken. Someone else selects all of the document and then abruptly disappears:

they are off to conduct major reconstructive surgery in private.

Others are making changes publicly. Hierarchy and temperament determine how they do so. They might add polite comments, make gentle suggestions or just ruin things directly. If enough people are involved, chaos ensues. Someone adds a paragraph, causing someone else to make alterations in the wrong place. Two people are engaged in a furious virtual battle over a single word, taking it in turns to overwrite each other. The anonymous user spends so long rewriting one sentence that people start to wonder whether it might actually be a tapir after all.

If you are the owner of the document, you do not have to watch this carnage unfold in real time. But the carnage will still seek you out. Countless emails arrive to tell you that there has been "activity" in the document. Activity undersells what has been happening, in the same way that activity in the ground does not quite capture a massive earthquake.

When you finally go back into the document, you survey the scene. All the

initials have gone save one. This person is always there, day and night, but never does anything; it's possible they had a cardiac arrest weeks ago.

Suggestions litter the text. A wall of comments runs down one side of the screen. So many of them have been left that some are impossible to see at first. You click on one bit of text, and suddenly fly to a comment right at the very top of the document, in an area of the screen that changes your understanding of margins. People have left multiple opinions on the same bit of the document; you can no longer work out what they refer to.

It's now time for you to start rendering some public judgments of your own. You may not be able to make decisions for yourself, in which case you will just add yet more comments. But if you have any agency, you will start accepting, replying, rejecting and resolving.

This bit of the process is the work equivalent of "A Quiet Place". In the film, the slightest sound alerts monsters to the presence of their prey. In a shared doc, a tap on a keyboard awakens your tormentors. As you go through the doc, those damned emails are silently flying off to tell people you have been busy. Initials start to reappear at the top of the screen. Silently, they cluster and wait. You know that they are gearing up to strike again. There will be more changes, more comments, more activity.

Provided there is a deadline and a decision-maker to adjudicate, this process is still better than what came before. A shared doc allows you to gather more opinions, and to bat things back and forth; ideas are less likely to be snuffed out for no good reason. There is wisdom in the crowd. But there is an awful lot of noise, too.



SCHUMPETER

A tale of two mines

The mining industry is drifting apart into distinct models



MANY OF THE world's richest deposits of iron ore and copper predate the breakup of the last supercontinent, Pangaea, around 200m years ago. Tectonic shifts subsequently scattered the global economy's two favourite metals around Earth's surface. An abundance of the iron ended up in what are now Australia and Brazil. Prodigious seams of pre-Pangaeatic copper settled in places like central Africa.

In more recent times—extremely recent, geologically speaking—the mining industry formed to dig up this ancient bounty has been undergoing its own version of continental drift. Its business model is splitting asunder, say Western bosses. On one side are multinational giants such as BHP, Rio Tinto and Vale. They aim to maximise returns on the capital they put to work while taking a cautious approach to risks. On the other are much more gung-ho Chinese rivals. As iron ore and copper become scarcer, this could spell trouble for the Western firms.

The critical minerals which get the most attention tend to be things like lithium, used in batteries, and rare-earth metals with exotic names such as vanadium, which go into electronics. They are the reason Donald Trump covets Greenland and access to Ukraine's subterranean bounty, which he has demanded in exchange for American help brokering peace with Russia. Iron ore and copper, which account for perhaps half the value of all metals mined worldwide, provoke no such conniptions.

Yet rare earths and lithium are in fact commonplace, just fiddly and dirty to extract. With a few domestic plants America could "solve its rare-earth problem", reckons one mining executive, at a cost of perhaps \$20bn-40bn—a mote of dust in the pile that is the \$7trn-a-year federal budget. The two big base metals, in contrast, have always been hard to come by, and are becoming increasingly so as known deposits are shovelled up.

For most of the past four decades giant Western miners did the bulk of the shovelling. They were spurred on by globalisation, which was emerging as the most powerful force shaping the era that some geologists have christened the anthropocene. The rise of Japan in the 1980s and of China starting in the 2000s boosted demand for steel and copper cables. Between 2010 and 2014, as

China became obsessed with building and metals prices soared, BHP, Rio Tinto and Vale ploughed a combined \$200bn into capital investments.

That left the base-metals behemoths exposed when prices plunged. From 2015 to 2019, the trio's collective annual pre-tax profits averaged \$30bn, compared with nearly \$60bn in the preceding five years. At one point in early 2016 all three were worth less than the book value of their assets. Returns on those assets had just turned negative, down from 15-25% in mid-2011. The combined market value of the three collapsed from more than half a trillion dollars in 2011 to barely over \$100bn five years later.

Investors' displeasure at the capital indiscipline forced the miners to think carefully about where they put their money. Each prospective project is now scrutinised for its profit-maximising potential. Capital spending has been reined in. Profits have rebounded. Market capitalisations have not returned to the lofty heights of the early 2010s but are no longer on the floor.

As the Western companies have grown less adventurous, state-controlled Chinese rivals have turned more so. Some of this has to do with greater Chinese tolerance for dodgy jurisdictions. Listed but state-controlled firms such as Zijin Mining and CMOC piled into the conflict-torn Democratic Republic of Congo (DRC), keen to get their hands on that central African copper, as well as the world's biggest known reserves of cobalt (which is also important in battery-making). A Chinese-led consortium did the same with a big chunk of the gargantuan Simandou iron-ore project in Guinea once held by Vale (Rio Tinto retains an interest).

It is true that Chinese companies tend to be less constrained than Western businesses by concerns over human rights, environmental vandalism and graft. To level the playing field, and "further American economic and national security", Mr Trump has ordered his Justice Department to stop enforcing the Foreign Corrupt Practices Act. Yet the Chinese have two even bigger advantages. The first, shared with the rest of Chinese industry, is a carefree attitude to profits. Zijin's operating margin of 11% is less than half that of Rio Tinto and Vale, and a third of BHP's. Jiangxi Copper ekes out 2%. Despite this they enjoy a lower cost of capital, thanks to their state sponsor.

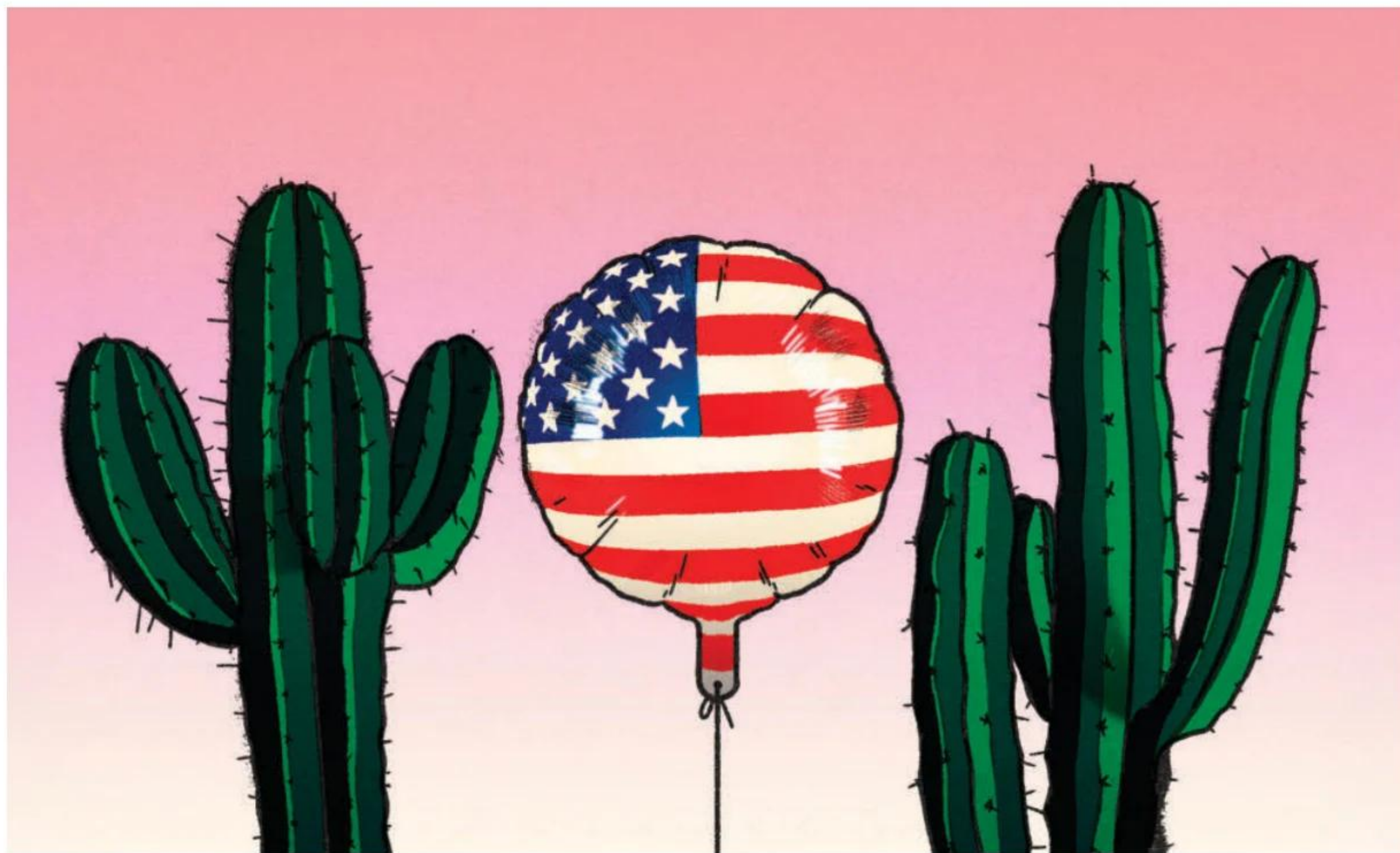
Digger, thy neighbour

Disregard for the bottom line allows the Chinese to move faster—their second advantage. It took CNMC, a fully state-owned Chinese miner, less than four years to develop the Deziwa copper-and-cobalt mine in the DRC, from the signing of a joint-venture agreement with a Congolese partner to first ore shipments. By comparison, the paperwork for BHP's planned Resolution copper mine in Arizona was first filed in 2013, with no end in sight.

Even in places less bureaucratic than America, Western firms can take three times as long to get mines going than their Chinese rivals, bosses admit. That is because BHP and its peers must keep their shareholders happy, which means painstaking due diligence to justify each project on its own merits. The Chinese favour a copy-paste approach that may result in operations that are less optimal. However, they start yielding results much sooner.

Speed mattered less when rock-bottom interest rates made cash far in the future worth nearly as much as cash tomorrow. As interest rates have risen, so has the value of alacrity. Mining bosses mustn't sacrifice prudence. But they may need to speed up their sedimentary decision-making. ■

Finance & economics



Trump's gamble

Prickly situation

NEW YORK

American investors are exposed to a stockmarket sell-off—and so is the economy

THE TRUMP administration has been extraordinarily blasé about falling stocks. “I can tell you that corrections are healthy, they are normal,” said Scott Besant, America’s treasury secretary on March 16th, in the government’s most recent shrug. The blip in America’s long stockmarket rally—the S&P 500 index is down by 8% from its all-time high in February—may have been prompted by Donald Trump’s enthusiasm for tariffs, but it has been exacerbated by the perception that the new administration is quite relaxed about things, and therefore likely to continue pursuing damaging policies.

Mr Trump’s team is playing with fire. As markets have soared, and tech has made investing ever simpler, Americans have rushed into stocks. At the end of last year households and non-profit organisations held \$38trn in shares of listed firms. The value of their holdings has exploded, climbing by 128% over the past six years.

All told, such holdings are now worth 1.7 times America’s disposable household income, which is more than twice the historical average and near the highest level on a record that stretches to 1947 (see chart on next page). A prolonged stockmarket slump would have profound implications, both for politics and the economy.

The biggest danger is of a self-reinforcing downwards spiral between markets and the economy. According to a survey by

the University of Michigan, in the first two weeks of March American consumer confidence dropped to its lowest in almost two and a half years. This is weighing on stock prices. Meanwhile, through the “wealth effect”, falling stock prices themselves weigh on households’ balance-sheets, and therefore on their spending. In 2019 Gabriel Chodorow-Reich of Harvard University, Alp Simsek, then of the Massachusetts Institute of Technology, and Plamen Nenov of BI Norwegian Business School estimated that a dollar of additional wealth raises consumer spending by just over three cents. Visa, a financial-services firm, suggests that the pass-through has grown dramatically in recent years. Making very different assumptions, it arrives at the extraordinary figure of 24 cents today.

Even using the lower estimate of the wealth effect, the \$4.5trn fall in stockmarket value since the S&P’s recent peak would produce billions of dollars in lost consumer spending this year. Unlike with property, which remains the largest asset category held by American households, the price of stocks can be watched, whether in joy or trepidation, on a minute-by-minute basis, with the resulting change in sentiment immediately feeding through to shopping habits. More than 25m Americans now have accounts with Robinhood, one of the most popular trading apps.

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Some risk-takers are especially exposed, having overextended themselves as the market soared. Interactive Brokers, a large securities brokerage, has repeatedly noted the growing popularity of margin loans, which investors use to buy shares. At the end of last year its customers had taken out \$54bn for such purposes, up by nearly a third from a year earlier. "Their positions have been more assertive, not only by trading stocks on margin, but by putting on aggressive positions in the derivatives," Milan Galik, the firm's chief executive, has said.

And it is not just the American public's overall exposure to the stockmarket that matters. The country's divided electoral landscape has changed who is most affected by a slump, and how investors feel about it. David Zavarelli, a financial planner in Milford, Connecticut, says his left-leaning clients are more concerned about the downturn than right-leaning ones. "It is the first time I have encountered this in my 18 years in the business," he reports. "How clients are reacting is less about how much risk they're taking and more about who they voted for in the last election," says Brian Schmeil of The Mather Group, a wealth-management firm. Such anecdotes are reflected in consumer-confidence data, which, as well as being down on average, are more starkly split along partisan lines than ever before. Since the election Democrats have become extraordinarily gloomy about the economy, while Republicans remain optimistic.

Blues in the red

Changing voting patterns also alter the distribution of suffering. Americans who bring in less than \$50,000 a year are now more likely to be Republicans than Democrats. Meanwhile, highly educated, professional voters have in recent years drifted towards the blue side. American stock-market wealth is concentrated among high-earners: some 87% of stocks and mutual-fund shares are owned by the top 20% of earners, compared with just 57% of

property wealth. Whereas a decade or two ago, a stockmarket sell-off would have been most painful for Republicans, today it is Democrats who would be worst hit.

This may help explain the Trump administration's laid-back posture. A poorer base of voters is less exposed to stockmarket falls, and may be more likely to see them as a price worth paying for, say, achieving a manufacturing renaissance, which Mr Trump claims his tariffs will bring about. The problem is that upsetting

richer Americans will have consequences, even if the political ramifications will be less severe. Since the end of 2019, consumption by the richest fifth of Americans has risen by more than 50%, compared with a 20% rise for the rest of the country. Indeed, over the past year the richest fifth has accounted for almost all growth in consumer spending. If its members see lots of red when they next check Robinhood, the whole country—Republicans included—could be in for a nasty surprise. ■

Market turmoil

Everyone's a loser

Even the most Trump-friendly stocks are suffering

WHAT ARE the Trumpiest firms? One way to answer the question is by looking at companies in the president's orbit, such as Tesla, owned by Elon Musk, his billionaire adviser, or the eponymous Trump Media & Technology Group. Another way is to look at firms that saw their prices surge the day after Donald Trump's election victory, when the biggest gainers included Palantir, a defence contractor; Apollo Global Management and Capital One, two financial giants; and yes, Tesla.

Since then, the S&P 500 index has peaked, in February, and then fallen by more than 8%. In light of Mr Trump's many tariff announcements, and seeming disregard for the stockmarket's poor performance, this is unsurprising. What is more surprising is that even the firms investors had expected to thrive under the new administration are struggling.

Consider the performance of two baskets of stocks: one formed of "Trump winners" (the 43% of the S&P 500 that outperformed the index after his election victory); the other made up of "Trump losers" (the 57% that underperformed). In the weeks following the election, the winners remained up by about 8% against the losers. Since then, the dynamic has switched. Indeed, the gap between over- and under-performers has now closed (see chart).

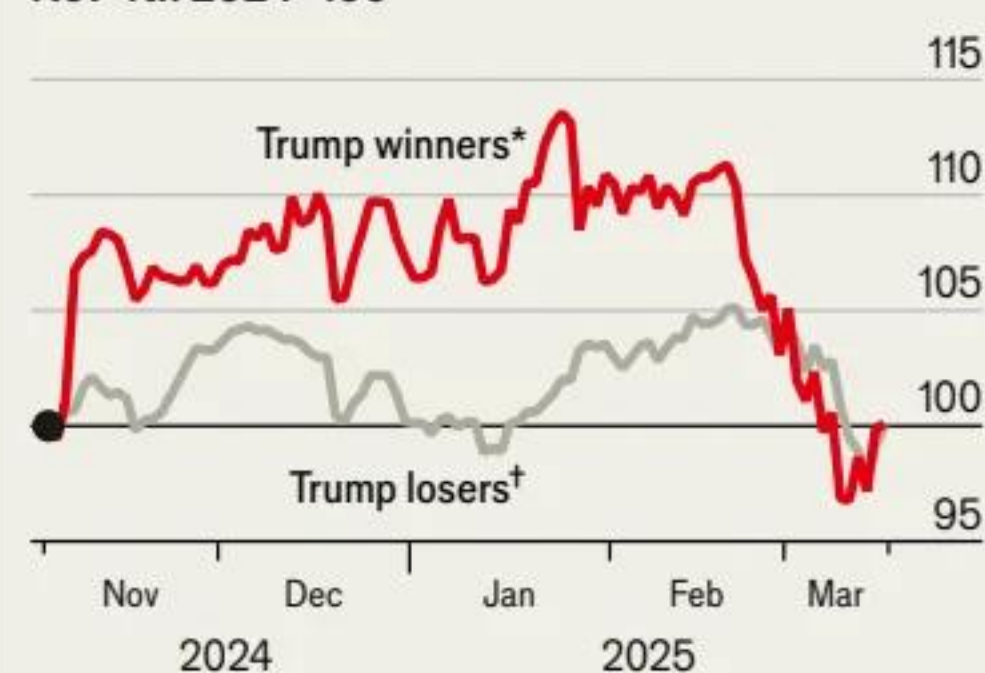
This is different from Mr Trump's first term, when early beneficiaries, including banks and defence firms, continued to perform well. After the recent election, investors had thought the president would hold off on tariffs until he had introduced tax cuts, which would have lifted corporate earnings. Instead, his immediate tariff enthusiasm has hurt early winners in industrials and

the consumer sector, which had been expected to benefit from deregulation and economic growth, and now face trade woes and policy uncertainty. Tech firms, which also soared early on, have been brought down by a sell-off sparked by China's artificial-intelligence progress. Meanwhile, Tesla is suffering from its association with Mr Trump, as European consumers eschew its vehicles.

Other putative Trump darlings present a mixed picture. Bitcoin—buoyed by the president's engagement with the crypto crowd and his promise to create a "strategic crypto reserve"—remains well above its pre-election price. So do security-related firms such as CoreCivic and The Geo Group, a pair of private prison managers, and Palantir. The same cannot be said about Trump Media & Technology Group, shares in which began to tank well before news about tariffs. Either investors have lost faith in Mr Trump's ability to deliver for his favourites, or the nature of Trump-friendly stocks has fundamentally changed.

Topsy-turvy world

S&P 500 companies, cumulative returns, Nov 4th 2024=100



*Above or †below the average market-value-weighted return, Nov 4th-6th 2024
Sources: LSEG Workspace; The Economist

The higher they rise

US, corporate-equity holdings of households and non-profits, % of disposable income



Source: Federal Reserve

The Chinese economy

Hammer and sickie

HONG KONG

Can anything get China's miserly shoppers to spend?

INSTALLING MORE lifts in multi-storey buildings, extending the hours of children's clinics during flu season, encouraging foreign direct investment in camping. These are some of the ideas sprinkled throughout China's "special action plan" to boost consumption, which was published on March 16th, a Sunday, thus extending the hours of China's journalists.

The plan was hotly anticipated. News of its imminent arrival helped lift China's main stockmarket index by over 2% on March 14th. Officials have long talked about shifting the economy towards consumption and away from investment and exports. Indeed, raising Chinese consumption is something of a white whale for global macroeconomics. But the aim has added urgency now, since other sources of demand are under threat. Investment is still depressed by China's unending property slump: new home starts fell by almost 30% in the first two months of this year, compared with a year earlier. Exports, which propped up growth last year, face steep American tariffs that could soon rise.

Economists reckon that total consumption—including state spending on things like running schools and hospitals—will have to contribute over 60% of China's growth this year if the economy is to get close to the official growth target of 5%. Last year it contributed less than 45%.

Shoppers have made a mildly encouraging start. Retail sales grew by 4%, before adjusting for inflation, in January and February compared with a year earlier, according to figures released on March 17th. That was far below the pre-pandemic trend, but still an improvement over December (see chart). During the eight-day Spring Festival holiday, 187m people went to the movies. Many were drawn by the animated epic "Ne Zha 2", about a plucky demon child who defies his unpromising destiny.

China's households could do with some of his vim. Their confidence was hit by draconian covid-19 lockdowns and has never recovered. Households still save at a higher rate than pre-pandemic. And more of their saving goes to bank deposits and other financial assets, rather than new homes. The tendency to hoard has led to a bout of secular stagnation, according to Adam Wolfe of Absolute Strategy Research, a consultancy. Consumer prices fell by 0.1% in the first two months of 2025 against a year earlier. Eggs were 1% cheaper.



An attempt at alluring

In his annual speech to China's parliament on March 5th, Li Qiang, China's prime minister, listed "vigorously" boosting consumption as the first of ten priorities. The state has doubled the size of a trade-in scheme that invites households to swap old appliances, cars and gadgets for new ones. It will also increase the subsidy for medical insurance and raise the basic pension collected by rural people and city folk who do not work from a paltry 123 yuan (\$17) a month to a merely tight-fisted 143 yuan. All told, Mr Li announced extra fiscal stimulus worth 2% of GDP. Although that is better than nothing, it is not quite as much as had been hoped.

Very long covid

China, retail sales*, yuan trn



*Seasonally adjusted

Sources: National Bureau of Statistics; Haver Analytics

The new plan provides no new fiscal numbers. But it does reveal more about the government's thinking. There are at least three ways to boost consumption: increase the money in people's pockets, reduce their tendency to save or redistribute from people most likely to hoard to those most likely to spend. Officials will try all three approaches. The plan calls for increases in minimum wages, which are set locally, and an expansion of workfare programmes. That should both increase household income and skew it towards people who live from pay cheque to pay cheque. The government also says it will increase financial aid to students and "study" child-care subsidies. Hohhot, the capital of Inner Mongolia, this month announced it would provide handouts of 10,000 yuan a year for second children up to the age of five, and third children up to the age of ten.

Other measures could lower households' saving rate. The government will subsidise consumer credit for careful borrowers. And it repeated promises to stabilise markets for housing and stocks. If that makes people feel more secure, they may spend more. Li Chunlin of China's planning agency said it was the first time that stabilising the stockmarket and property market had featured in a government plan to boost consumption.

The plan also envisages giving workers more time to spend their money. It calls for companies to "strictly implement" their policies on paid leave, allowing workers to take the holidays to which they are entitled. The Communist Party committees that operate within most companies will supposedly help police this initiative, ensuring workers take enough rest. The party of the hammer and sickle may be reconciling itself to the hammock and sickie.

Then there is a mixture of the vague, the strange and the familiar. The plan talks about the role of artificial intelligence in facilitating consumption, without giving details. If the central government has its way, artists will need only one approval for a national tour rather than many approvals from local governments. Ministers have for years talked about helping rural folk make money from the land they occupy, which is owned communally by their village. The plan expresses the same broad aspiration.

It also repeats a call to develop the low-altitude economy of drones, the silver economy for the elderly and the ice-and-snow economy for China's colder regions. All of these proposals previously appeared in a 20-point plan released last year to unlock consumption of services. The new plan extends to 30 points. But without more fiscal resources to back it up, it may be no more successful than its predecessors. The world's second-biggest economy overproduces many things. Consumption plans are no exception. ■

State planning

Current ambitions

BANGKOK AND JAKARTA

Three Asian countries vie to be the next electric-vehicle superpower

IN A SCRAPPY office that is more startup than ivory tower, Yossapong Laoonual, head of the Electric Vehicle Association of Thailand, strikes a bullish tone. Clinging to the internal-combustion engine is “like doubling down on horse-drawn carriages long after motorised vehicles became the standard”, he says. A stroll around Mr Yossapong’s campus at King Mongkut’s University of Technology Thonburi in Bangkok makes such optimism seem entirely natural. Three electric buses sit beside a charging point. Signs outline the engineering college’s carbon-neutrality plan.

Governments around South-East Asia are betting that Mr Yossapong is right. Many in the region, particularly Thailand, Indonesia and Vietnam, want a share of global EV growth. By fostering investment relatively early, the thinking goes, they can become crucial production centres, with spillover benefits such as a reduction in deadly air pollution. But success is far from assured, and vast sums are being risked. Many schemes look a little foolhardy.

Backseat drivers

Thailand has been the most aggressive of the three countries, hoping that a burgeoning consumer market will lure production. Under its “EV 3.0” scheme introduced in 2022, purchases are subsidised via tax cuts and direct payments of up to 150,000 baht (\$4,500) per vehicle, meaning EVs cost no more than regular cars. From nearly nothing a few years ago, their share of auto sales has surged to around 15%.

In Indonesia that share is 5%; the lower figure is in part explained by the fact the government is targeting producers rather than consumers. Indonesia has rolled out a medley of inducements, ranging from tax exemptions to investment perks. But the country is also trying to make the most of its dominance in the minerals required for EVs, using export bans to force firms into local production. For instance, in nickel, where Indonesia enjoys a near monopoly, a raw-ore export ban that took effect in 2020 has led to investment in smelters.

Meanwhile, Vietnam is betting on VinFast, its national champion. The firm, an outgrowth of Vietnam’s leading conglomerate, which has links to the state, has dominated its home market since 2022, when it began to sell solely EVs. A push into America failed—“basic functions don’t work reliably”, wrote one of the gen-



ter reviewers of VinFast’s VF8—but fresh expansions into India and Indonesia are under way. At a new VinFast dealership in Jakarta, drivers are invited to adopt an “unbound imagination”. VinFast receives some financial support from the state, including a recent plan to subsidise electricity at 150,000 (largely VinFast-owned) charging stations. More significant is political support. As Marco Förster of Dezan Shira & Associates, a consultancy, notes, the company is a “glory project” to which Vietnam’s leaders are deeply attached.

Each approach has run into its own difficulties. Thailand is already South-East Asia’s biggest car producer, with Japanese

auto firms relying on its car-parts suppliers. Yet EVs require fewer parts than regular cars. What is more, Chinese EV-makers in Thailand rely on parts made back home. Thailand’s policy therefore risks a net reduction in carmaking jobs. Ominously, the country’s parts-makers are already complaining of a sharp drop in orders. In response, a new “EV 3.5” scheme tightens local requirements and trims subsidies. Ministers have also begun to ramp up support for hybrids, to which Thailand’s Japanese producers are better suited.

Although Indonesia’s industrial strategy has appeared to lure in EV manufacturers, the reality is less encouraging. Between 2016 and 2024 Indonesia received \$29bn in EV-related greenfield foreign direct investment, according to the Lowy Institute, a think-tank. However, much of this is by Chinese firms, which again assemble vehicles from imported kits. In principle, they are subject to local-content requirements that rise over time, but it is unclear how aggressively Indonesia will enforce these. Critics accuse the government of tax giveaways worth far more than the benefits accruing to Indonesians.

And VinFast is struggling mightily. Despite rising deliveries and revenue, it has never turned a profit. The firm sells cars at a steep loss; its gross margin is -45% and prices are falling, with the latest reductions announced on March 2nd. VinFast has survived only thanks to the munificence of its owner. Pham Nhat Vuong, a billionaire who also runs the wider conglomerate, has pledged \$2bn of his personal wealth to the firm. He has also used the conglomerate’s resources to prop up its subsidiary. In 2023 some 90% of VinFast’s revenue came from sales to other businesses controlled by Mr Vuong, according to Hunterbrook, a hedge fund-cum-media outlet. »



Bright new future

▶ All three places now face similar risks. One is that—at a time of global EV over-supply driven by Chinese output—resources are squandered. Another is that they find themselves stuck as assembly hubs, a low-value-added part of the process. Advantages that once underpinned traditional carmaking, such as good production networks, may matter less for EVs, where most value is added in software and electrical engineering, notes Pavida Pananond of Thammasat Business School.

The underlying problem is that South-East Asia is full of technology-takers—ie, it is dependent on foreign, largely Chinese expertise. Local policymakers hope to combine handouts with technology-transfer requirements. Yet it is difficult to get foreign companies to accede to these demands owing to the small size of South-East Asian markets, as well as bosses' ability to play countries off against one another, says Tu Le of Sino Auto Insights, another consultancy. Indonesia, the biggest mar-

ket of the three, relies heavily on Chinese investment, hindering its ability to get tough with Chinese firms.

Optimists expect that China's EV-makers will in time settle on a few regional hubs, which would give host governments more clout in localising production, as Thailand's managed with Japanese car-makers in the 1970s. But the corollary is that, at best, only one of South-East Asia's EV industrial-policy bets might pay off big. That would leave two costly failures. ■

BUTTONWOOD *Market tectonics*

Beneath investors' feet, the ground is shifting

ANY TIME share prices are slumping, it is worth looking at a chart of America's S&P 500 index that goes back to 1987. That year on October 19th, or "Black Monday", it plummeted by 20% in a single day—a crash not equalled before or since. The shock was so great that regulators subsequently devised "circuit breakers", which automatically halt trading after a big enough drop, to prevent a repetition. Pull up a chart stretching from then to today, however, and Black Monday is barely visible, dwarfed by the scale of the subsequent returns. For long-term investors, what felt like an earth-shaking event at the time turned out to be little more than a blip.

Compared with that plunge, the recent lurch in share prices has seemed almost stately. Since mid-February America's S&P 500 index has suffered a peak-to-trough fall of just 10%. More notably, the dollar prices of Asian and European stocks rose over the same period, having already shot up beforehand, which has snapped a long streak of American outperformance. But what has really grabbed investors' attention is the feeling of the ground moving beneath their feet. Although those focused on multi-decade returns might dismiss a few weeks of price fluctuations, the reverberations from recent tectonic shifts may be felt for some time.

The most obvious change is in sentiment, with the assets that were previously hottest now being shunned and vice versa. It is not just American stocks, though Bank of America's latest monthly survey shows fund managers ditching the country's equities at their fastest clip in decades. They have also been dumping global shares in favour of cash. Tellingly, "value" stocks, which are cheap relative to underlying earnings or assets,

have begun to trounce "growth" stocks, which are expensive but promise explosive future profits. This reverses the trend of the past couple of years and recalls the market moves of 2022, when central bankers raised interest rates, with the consensus being that a global recession was on the way. Investors, in other words, have gone from forecasting red-hot economic growth to a rising chance of a slowdown.

As they have made this switch, many have felt another tremor: the assets they are used to relying upon during such a "risk-off" move have suddenly let them down. Gold, it is true, has been breaking record after record. Yet so far in March, the prices of American Treasury bonds—normally a favourite bolthole—have fallen along with the S&P. Investors are worried that persistent inflationary pressure, perhaps from a trade war that sees tariffs ratchet ever higher, might prevent rates from falling much even if growth does slow. That keeps bond yields high and prices, which move inversely to yields, low.

The failure of the usual haven currencies has been more jarring still, espe-

cially for European investors. Stockmarket convulsions are often the cue for a "flight to safety" to the dollar and, to a lesser extent, the Swiss franc and Japanese yen. In recent weeks, however, the euro has soared against all three, as German and EU fiscal-stimulus plans have raised the continent's growth prospects. The pat on the back for policymakers has been brutal for investors who count their returns in euros and hold assets listed overseas. During previous stockmarket corrections, such as in 2022, a strengthening dollar acted as a hedge for such investors, cushioning their losses. In recent weeks a weakening greenback has only added to their woes. The 10% peak-to-trough fall in the dollar value of the S&P 500 index comes to 14% when measured in euros.

Meanwhile, a deeper shift is taking place that could, in time, shake markets even more violently. For the better part of a decade, Japanese interest rates were near zero or below it. This gave rise to the popular "carry trade", whereby investors borrowed yen cheaply to invest in assets with much higher yields, such as stocks. Since 2022 Japanese yields have risen fast, making carry trades less attractive; last summer the sudden unwinding of many sent stockmarkets around the world into a tailspin. Although stocks then stabilised, Japanese borrowing costs have continued to rocket, reaching their highest since 2008.

Put differently, the Bank of Japan is shutting down a funding source that has fuelled traders' bets for years, at the same time as plenty of other long-standing trends break down. The lesson from 1987 is not to spend too much time worrying about day-to-day market movements. When the forces behind them are changing fast, though, watch out.



Housing problems

Flat out

SAN FRANCISCO

Why rents are rising far too fast

ACROSS ADVANCED economies the rental market is undergoing a profound change. In the years before covid-19 struck, rents were high but not growing fast: the cost of leasing a home rose by about 2% a year, according to official data. During the pandemic, rental inflation slowed and, in some cities, rents fell as landlords desperately looked for tenants.

Today it is a different story. Rich-world rents are rising at an annual pace of 5% or so, the fastest sustained increase in decades—presenting a huge challenge for the quarter of households that rent.

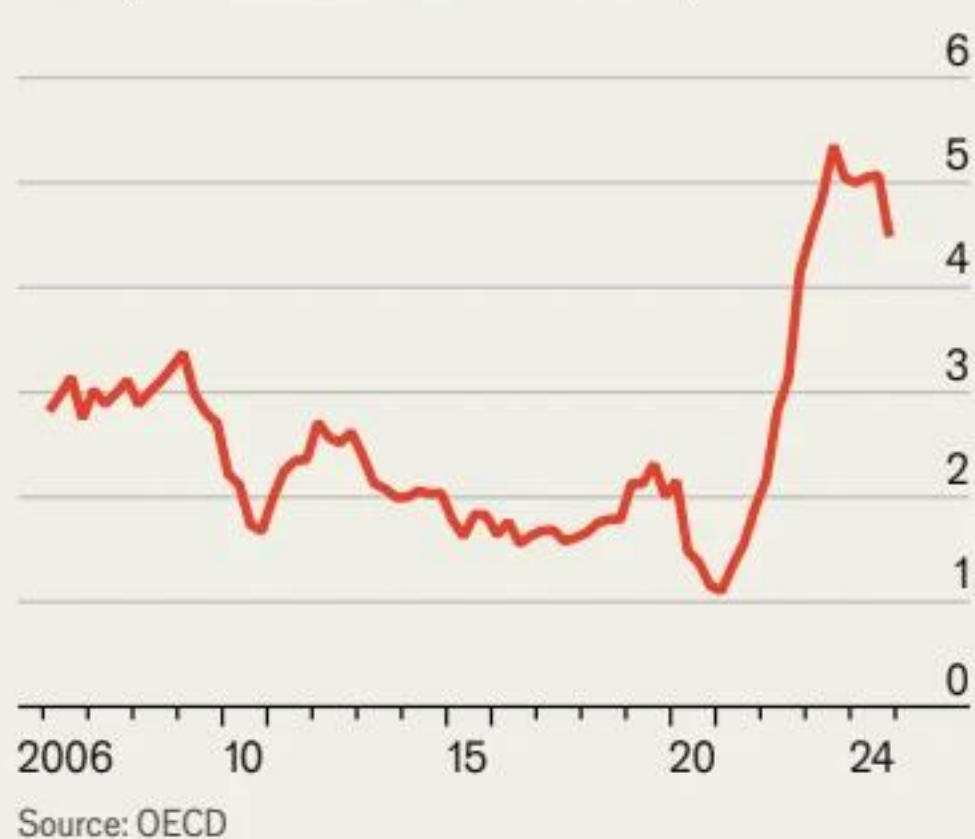
In some places, rental markets have gone truly bananas. French rental inflation is 2.5% year on year—not much at first glance, but a world away from the 0.3%-a-year rate before the pandemic. Australian rental inflation is eight times higher than in the late 2010s. In Portugal rents are rising by 7% a year. Even in countries where the market for house purchases is in the doldrums, rents are rising quickly. In New Zealand nominal house prices have fallen by 15% from their peak, the worst performance by far of any rich country. And yet rents are 14% higher than they were.

This is tricky for central bankers, who have raised interest rates to bring down overall inflation. Rents account directly for 6% of the average rich country's inflation basket, and as much as 20% in Switzerland, where the rental population is large. They can also have a big indirect effect, since market rents are used as a proxy for owner-occupier housing costs: "owners' equivalent rent" makes up a quarter of America's consumer-price index. Moreover, rental inflation is slow to adjust to changes in the economy. Most contracts are months or years long, meaning landlords implement price rises with a lag. Even as inflation in other goods and services has come down, rental inflation has proved stubborn.

Feel sorry for central bankers, you say? What about the renters? For many tenants, especially poor ones, the surge represents an enormous extra monthly expense. A report last year by the Federal Reserve noted that "challenges paying rent increased in 2023", with the median monthly rent payment rising by 10%. Higher rents are likely to be one factor behind rising homelessness in many countries. Official data suggest that the numbers of Canadian and American homeless people have risen by 20% and 40%, respectively, since 2018.

Through the roof

OECD, median annual rent increase, %



It also feels unfair. Nearly 50% of rich-world households own their home outright; many others have a fixed-rate mortgage. Lots of these people have hardly felt the pain of higher rates. According to our analysis of American data, from 2021 to 2023 (the latest year available) homeowners lifted spending on fun things, such as hobbies and eating out, by 25% in nominal terms. Renters increased spending by only 16%. Such a sense of unfairness may be encouraging renters to attempt to overthrow the political order. A new empirical study by Tarik Abou-Chadi of the University of Oxford and colleagues, finds that in Germany "for those with lower income, higher rents constitute a significant threat to their social status, which results in a higher propensity to support the radical right".

Monetary policy has helped produce soaring rents. Because of the Fed's decisions, average interest rates on American 30-year mortgages have risen from an all-time low of 2.7% in 2020 to close to 7%. As a paper by two Fed economists in 2019 warned would happen, higher rates have priced potential homeowners out of the market. No longer able to afford a home,

the rejects must rent instead—competing for a stock of accommodation that is pretty fixed in the short term, not least by regulatory barriers to becoming a landlord. On top of this, landlords with a variable-rate mortgage have been quick to pass on higher costs to tenants. According to a recent study by Jaeyeon Lee of the University of California, Berkeley, a one-percentage-point increase in interest rates is associated with a 5.5% rise in rental prices.

The rich world's recent migration surge has added to the difficulties. New arrivals rarely have the money or credit history to buy a property. In Britain 75% of those who have arrived in the past five years are private tenants, compared with 16% of British-born people. In addition, new arrivals tend to land in cities, where housing supply is most constrained. Goldman Sachs, a bank, estimates that Australia's current annualised net migration rate of around 500,000 people raises rents by 5%.

Alongside this higher demand, the rental sector also faces a supply squeeze. The pandemic prompted builders to stop constructing flats, which tend to be rented, in favour of single-family homes in the suburbs, which tend to be owned. In 2020 authorisations in San Francisco for multi-family construction fell to half their pre-pandemic peak, for instance. Even today the city centre is filled with luxury condos that were started but never finished.

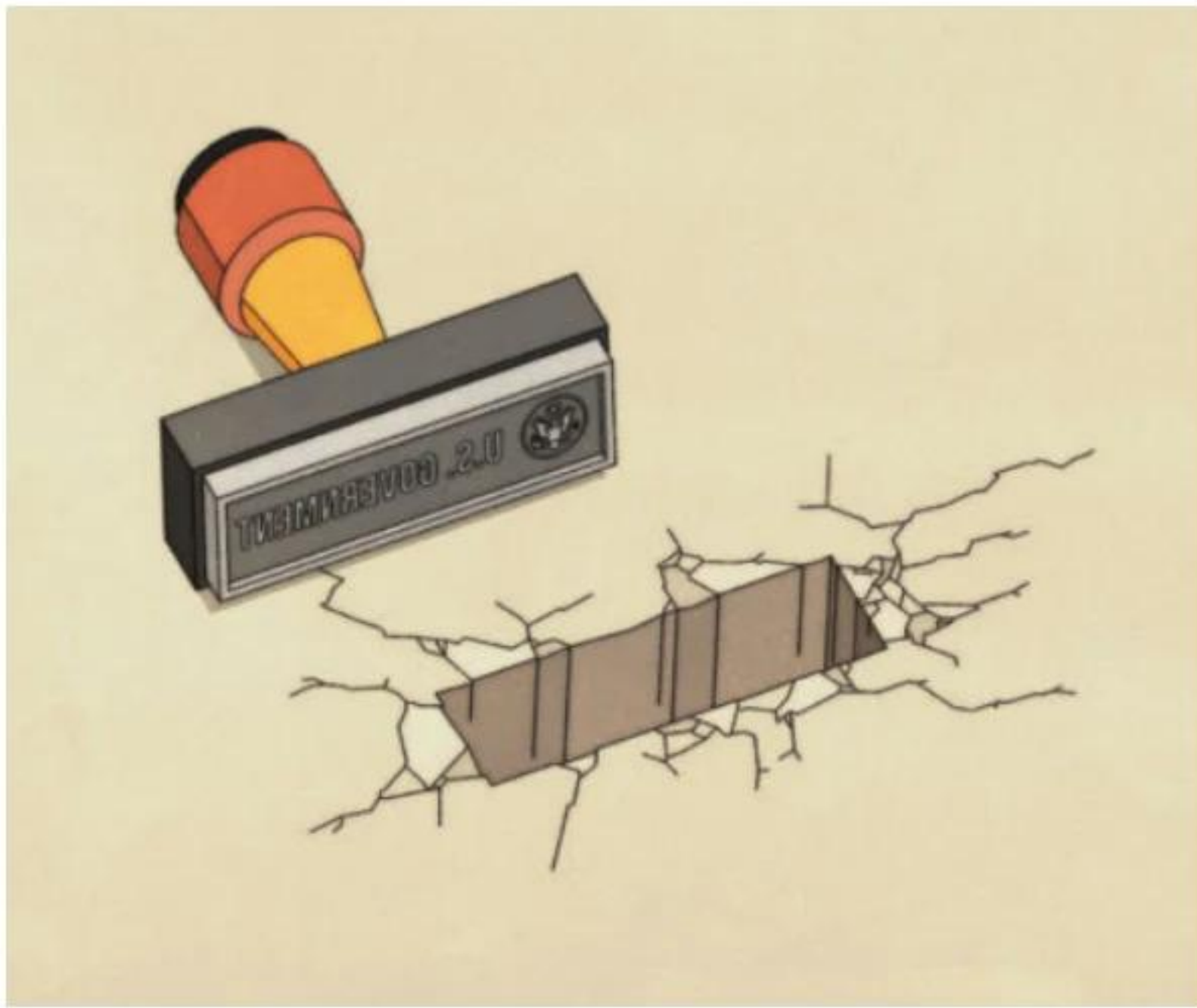
The rich world's rental inflation may now be peaking: the construction industry is adjusting and interest rates are no longer rising. In many countries migration has slowed, too. But it is another question altogether whether rates will fall far enough to allow people back into the market for owner-occupation—and hence whether the extreme pressure on the rental sector will truly abate. The rich world's tenants are going to feel squeezed for a while yet, with unpredictable political consequences. ■



FREE EXCHANGE

Put away the stamp

Democrats should embrace “abundance liberalism”, even if there are reasons for caution



THINK OF AMERICA as a vast economic experiment. The country left the covid-19 pandemic full of stimulus, and with a roaring stockmarket. Which places managed to channel this vigour into new companies, houses, power stations and intellectual property? And which let rents and prices surge instead?

Three years on, early results make painful reading for Democrats. Red states have comfortably outgrown blue states. The gap is particularly striking among the largest: Florida and Texas have left California and New York in the dust. In last year's presidential election, some of the sharpest swings against Kamala Harris could be found in city centres, where the party has had its tightest political control—and free rein to put ideas into practice.

On economics as well as politics, therefore, the left must work out what has gone wrong. Two new books—“Why Nothing Works” by Marc Dunkelman of Brown University and “Abundance” by Ezra Klein and Derek Thompson, a pair of journalists—suggest an answer: that excessive regulation has hurt America by blocking housebuilding, infrastructure and innovation. The books crystallise ideas that have been swirling around newspaper columns, think-tanks, city-council initiatives and social media.

Online supporters say that they are “abundance-pilled”, adopting a trope from “The Matrix” (in which the protagonist takes a pill to escape his humdrum computer-simulated existence). And the serious label for these ideas, especially in their left-leaning incarnation, is “abundance liberalism”. For his part, Mr Dunkelman argues that progressives must move away from so-called Jeffersonian instincts, which favour localism, diffuse power and plentiful vetoes, and towards Hamiltonian ones, which point to centralising power in order to get things done.

Lingering over both accounts is the spectre of Robert Moses, an all-powerful bureaucrat who from the 1920s to 1960s built the bridges, roads and tunnels that undergird modern New York, and is the subject of Robert Caro's cutting biography, “The Power Broker”. Today's regulatory mess began to emerge in the 1970s in large part as an immune response to the domineering methods of Moses and his imitators, who chopped through neighbourhoods with motorways, leaving urban blight behind.

Nowadays “You could have Robert Moses come back from the dead and he wouldn't be able to do shit,” complains Michael Skelly, a businessman quoted by Mr Dunkelman. Mr Skelly spent nearly a decade attempting to connect wind farms in Oklahoma to the Tennessee Valley grid, but was unable to do so despite the support of the Obama administration. That, abundance liberals would argue, reflects a colossal overcorrection from Moses's time. Rules offering local communities vetoes on housing and infrastructure projects have tied the hands of governments and businesses, hindering efforts to tackle America's housing shortage, speed up its transition to green energy and build high-speed rail.

This diagnosis suggests that the Democrats should shift onto economic terrain more commonly associated with the political right. The first change would be to switch attention from the demand-side to the supply-side of the economy. Throughout the 2010s many progressives, including Mr Klein, complained that America's economy was understimulated after the global financial crisis of 2007-09, hurting its recovery. Support for higher spending survived into the pandemic, when the Biden administration juiced the economy, stoking inflation, and then persisted as the deficit drifted above 6% of GDP in 2023. An abundance-pilled approach would instead focus on making supply inputs, such as energy, housing, transport and skilled workers, plentiful and cheap.

The second change—shifting from a focus on redistribution to one on growth—might be more difficult. Democrats have long sought to improve the lot of the downtrodden, whether they are poor, from an ethnic minority or suffering as a consequence of deindustrialisation. Notoriously, the Biden administration saddled its signature semiconductor initiative with fiddly requirements to favour minority-, veteran- and female-owned businesses. Now California is struggling to build a high-speed rail line in part because federal funding is tied to measures to tackle air pollution in poor communities. Abundance liberals are happy to forgo these sorts of policies: economic growth must first be secured before it can be redistributed.

Power, broken

Such an agenda would make America's liberals more liberal in the British sense of the term. But there is one place where abundance types are woollier: on how far the state, rather than the market, should orchestrate economic growth. What animates them most is reviving the government's ability to act. Messrs Klein and Thompson agonise about how the Biden administration sabotaged its industrial policy with red tape; Mr Dunkelman marvels at how the New Deal-era government built megaprojects like the Tennessee Valley Authority, a dam network still in operation.

Anxiety about Moses-like overreach is not the only reason to be cautious about such an approach. Insulated from competitive pressure, even the best-intentioned public bureaucracies have a habit of atrophying, as, for example, NASA has done in recent decades. And there are risks, too, in relying on a centralised bureaucracy when DOGE-style destruction will only ever be one election away. Ultimately, the right balance between a market- and state-led approach will differ from case to case: high-speed rail probably does require state direction, whereas the private sector can do the heavy lifting when it comes to homebuilding. Abundance liberals are correct to focus on the supply-side of the economy. The danger is that, in doing so, they replace bureaucratic kludge with overactive government. ■

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Tuesday March 25th

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The situation in Israel and Gaza is fragile. Join our editors as they discuss the conflict, the internal and international politics of the region, and the challenges ahead. You can also ask questions during the event.



Edward Carr
Deputy editor



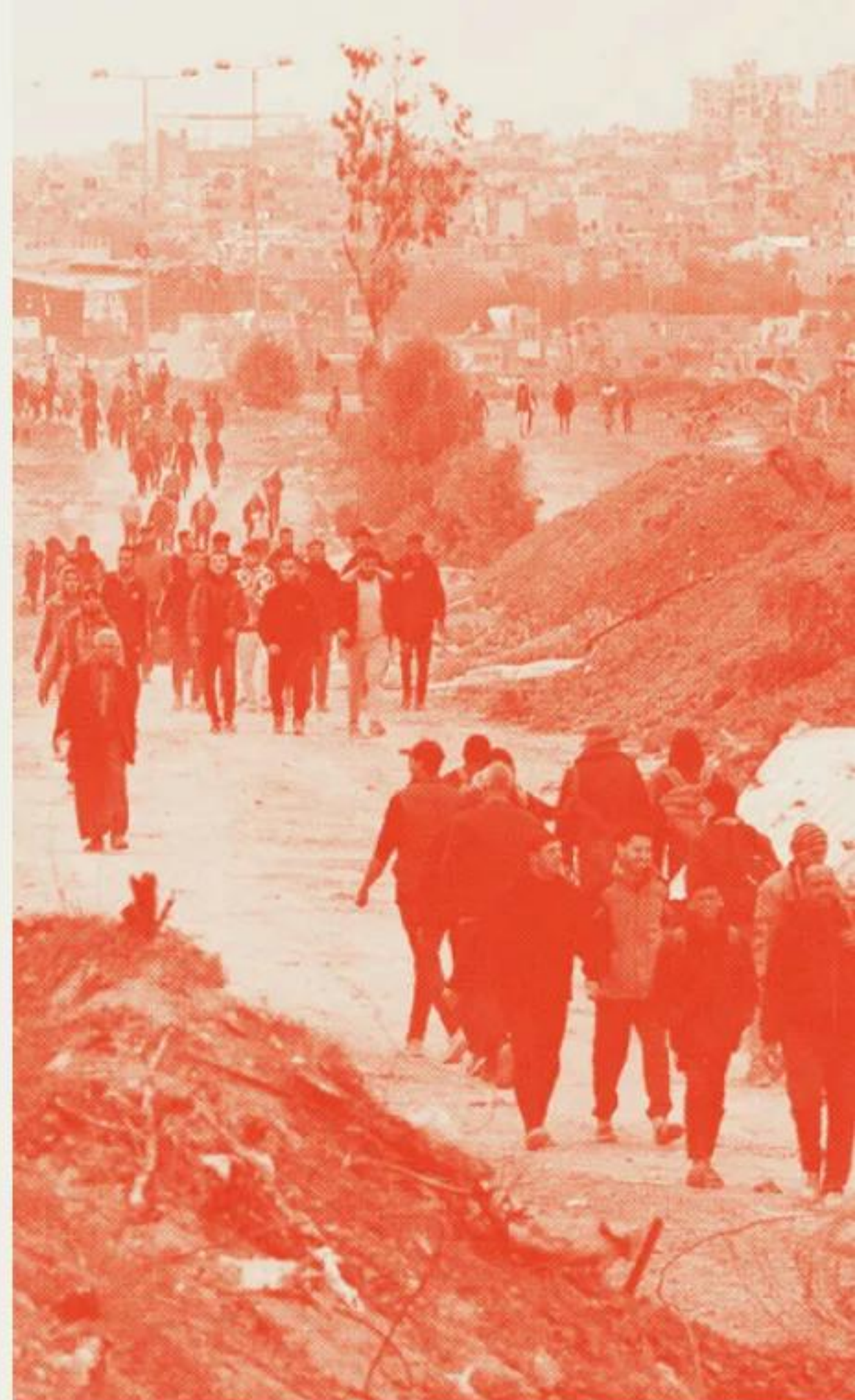
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Middle East editor



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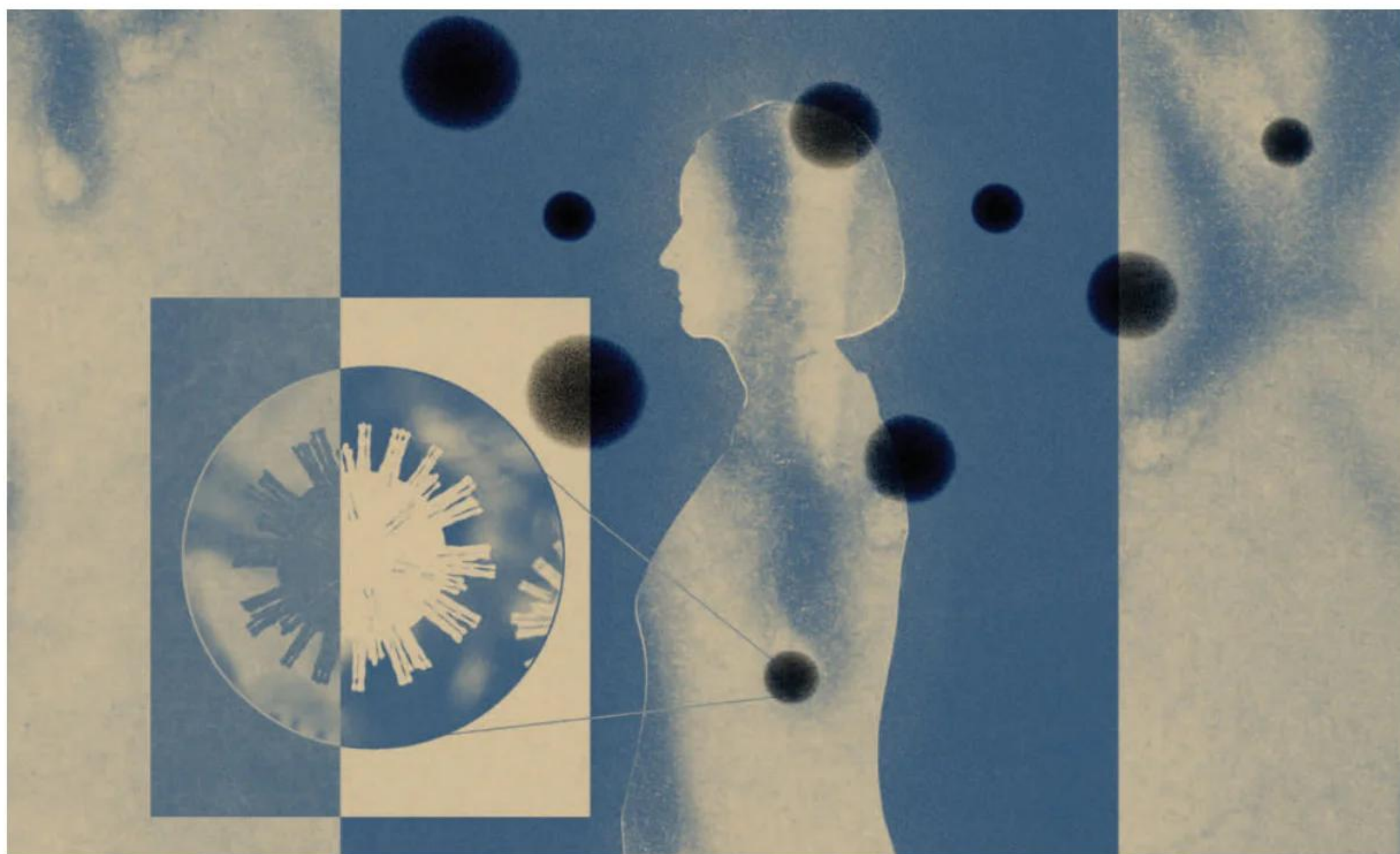
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Dementia

A viral hypothesis

Evidence is growing that Alzheimer's disease could be triggered by an infection. If correct, the implications for treatment would be profound

IN THE SUMMER of 2024 several groups of scientists published a curious finding: people vaccinated against shingles were less likely to develop dementia than their unvaccinated peers. Two of the papers came from the lab of Pascal Geldsetzer at Stanford University. Analysing medical records from Britain and Australia, the researchers concluded that around a fifth of dementia diagnoses could be averted through the original shingles vaccine, which contains live varicella-zoster virus. Two other studies, one by GSK, a pharmaceutical company, and another by a group of academics in Britain, also reported that a newer "recombinant" vaccine, which is more effective at preventing shingles than the live version, appeared to confer even greater protection against dementia.

For years, most research into Alzheimer's disease—the most common cause of dementia—has been laser-focused on two proteins, known as amyloid and tau. These

build up in the brains of people with the disease, forming plaques and tangles that prevent neurons from functioning properly. Most scientists assumed that these proteins are the primary cause of Alzheimer's disease. But the shingles studies published in 2024, along with a host of new papers, add weight to an alternative decades-old idea—that viruses trigger the disease. Per this theory, plaques and tangles of proteins could, instead, be the body's response to an underlying viral infection. If that is true, then eliminating the virus could prevent or treat Alzheimer's.

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Ruth Itzhaki, formerly of Manchester University and now a visiting professor at the University of Oxford, has championed this idea for almost 40 years. The bulk of her work has focused on herpes simplex virus 1 (HSV1), best known for giving people cold sores, which infects around 70% of people, mostly without symptoms. The virus normally lives outside the brain, where it can lie dormant for years. It is flare-ups that can lead to cold sores.

In rare cases, the virus can also lead to massive inflammation in the same brain areas that are most affected by Alzheimer's. In experiments conducted in the early 2000s, Professor Itzhaki found that if she infected lab-grown human brain cells with HSV1, amyloid levels inside the cells increased dramatically. That led her to suspect a causal connection.

For decades she struggled to get her ideas accepted by other Alzheimer's researchers. Most were focused on the role of amyloid and tau, assuming that they were the disease's primary cause. Critics thought the virus theory was hard to reconcile with the fact that Alzheimer's has a strong genetic basis or that it occurs in almost all people with Down's syndrome.

But growing disillusionment with the leading hypothesis for the cause of Alzheimer's has led scientists to cast around for alternatives. Over many decades, for ex- ▶▶

► ample, tens of billions of dollars have been poured into efforts to develop treatments to reduce the levels of amyloid and tau in the brain but the results have been underwhelming—existing amyloid-targeting drugs have only a modest effect on the disease. Recent discoveries that pathogens can trigger other neurological diseases, such as the connection between Epstein-Barr virus and multiple sclerosis, has made the link yet more plausible.

In a bid to push forward Professor Itzhaki's theory, a group of 25 scientists and entrepreneurs from around the world have assembled themselves into the Alzheimer's Pathobiome Initiative (AlzPI). Their mission is to provide formal proof that infection plays a central role in triggering the disease. In recent years their work detailing how viruses trigger the build-up of proteins linked to Alzheimer's has been published in top scientific journals.

One new idea, supported by some AlzPI members, is that amyloid and tau may actually be the brain's first line of defence against pathogens. These proteins are sticky, so they can grab hold of viruses or bacteria to slow their spread before more sophisticated immune responses kick in. In small quantities, therefore, the proteins seem to boost brain health. The presence of active HSV1 or other pathogens, however, may send the immune system into overdrive, causing the proteins to stick to each other and create the plaques and tangles that damage neurons in Alzheimer's.

Genetics seem to influence this process, answering some criticisms. The high incidence of the disease in those with Down's syndrome, for example, might be explained by the fact that their bodies produce more of the protein that is, under certain conditions, converted into amyloid. Some of the AlzPI scientists theorise that this larger potential supply of amyloid could facilitate the formation of plaques in response to a virus.

What's more, in 1997 Professor Itzhaki found that people with a genetic variant known to increase Alzheimer's risk, APOE4, were only more likely to get the disease if they also had HSV1 in their brains. In 2020 a group of French scientists showed that repeated activations of the virus, seemingly harmless in people without APOE4, more than tripled the chance of developing Alzheimer's in those with it.

Researchers at Tufts University, working with Professor Itzhaki, have probed why such reactivation occurs. In 2022 they found that infection with a second patho-

gen, the shingles virus, could awaken the dormant HSV1 and trigger the accumulation of plaques and tangles. This may explain why the shingles vaccination appears to be protective against dementia. In another study published in January, the Tufts researchers also showed that the equivalent of a traumatic brain injury—a known risk factor for Alzheimer's—could also rouse HSV1 and start the aggregation of proteins in brain cells grown in a dish.

The viral theory has promising implications for treatment. Current therapies for Alzheimer's, which attempt to reduce levels of amyloid in brain cells, merely work to slow the progression of the disease. If viruses are a trigger, though, then vaccination or antiviral drugs could prevent future cases. Such treatments could also slow or halt the progression of Alzheimer's in those who already have the disease. None of this requires major breakthroughs. Antivirals for the cold-sore pathogen already exist and are off-patent. And the shingles vaccine is now routinely offered to elderly people in many countries.

Several researchers have trawled through medical records to look for links between antivirals and reductions in dementia diagnoses. Such retrospective analyses are often tricky to interpret, as people who take medications or get vaccinations tend to be more health-conscious in general, making them less likely to develop diseases such as Alzheimer's. But some of the results are promising. One study published in 2018 found that for older people in Taiwan with cold sores, antivirals cut the risk of dementia by 90%. Subsequent analyses of medical data from other countries found more modest protective effects, typically between 25% and 50%.

The first double-blinded randomised controlled trial to test the effectiveness of antivirals against dementia is now under way. A group of researchers mostly based at Columbia University are testing whether valacyclovir, an antiviral used against HSV1, can slow down cognitive decline in people with early-stage Alzheimer's. Between 2018 and 2024, the researchers recruited 120 patients and treated half with the antiviral. They expect to publish their findings later this year. John Hardy, a neurologist at University College London whose research forms the basis of the dominant amyloid theory of Alzheimer's, and who has been a critic of the virus theory, says that a positive result in this trial would begin to persuade him otherwise. If Dr Geldsetzer and his team can secure the necessary funding, a similar trial of the shingles vaccine may soon follow.

Around 32m people around the world are living with Alzheimer's disease. If antiviral treatments can indeed slow, delay or prevent even a small subset of these cases, the impact could be tremendous. ■

Marine biology

Deep dives

Seals keep from drowning by sensing oxygen in their blood

FREE-DIVING IS A perilous sport. Divers, swimming underwater without oxygen tanks, frequently black out from low oxygen and put themselves at risk of drowning. Marine mammals such as seals, by contrast, can spend most of their lives below the surface without running such risks. A paper published in *Science* on March 20th explains why: seals can apparently sense how much oxygen they have in their blood and plan their actions accordingly.

When a mammal holds its breath, the amount of oxygen in the body begins to decrease, while the amount of carbon dioxide steadily climbs. In humans low levels of oxygen mostly do not ring any alarm bells on their own—it is high levels of carbon dioxide that eventually produce the unpleasant urge to breathe. As seals dive more frequently—and for longer—than humans do, the range of carbon dioxide in their bodies varies more widely. That led Chris McKnight, a marine biologist at the University of St Andrews, to wonder if the animals could also sense oxygen.

To test the idea, he and his team placed six wild-caught seals in a tank which included an underwater feeding station at one end and a "breathing chamber", in which the seals could pop up to breathe, at the other. The air in that chamber was then set to one of four conditions: normal air (21% oxygen and 0.04% carbon dioxide, plus other gases); air with reduced oxygen ►►



Feeling buoyant



Hear more

For further insights into the viral theory of Alzheimer's, listen to our Babbage podcast at economist.com/alz-pod

► (11%); elevated oxygen (50%); and elevated carbon dioxide (8%). If the seals were, like humans, more sensitive to carbon dioxide, their behaviour would be identical in all but the final condition.

The results suggested otherwise. When there was more oxygen, the seals extended their dives by an average of 14 seconds. When there was less oxygen, they shortened them by roughly half a minute. The high carbon dioxide condition, by contrast, produced no statistically significant effect. In other words, the seals seemed able to perceive how much oxygen they had left and then adjust their dives.

Dr McKnight believes that this ability may be common to marine mammals and other diving species, and could have evolved as an important defence against drowning. Previous studies suggest the tufted duck, snapping turtles and Nile crocodiles might be similarly sensitive.

Pinning down how widespread this ability is will take more research. It is also unclear how diving animals might perceive oxygen differently from surface-dwelling animals and what it feels like to them. Andrew Binks, a physiologist at Virginia Tech, has previously shown that expert divers can use an impending sense of black-out, caused by low oxygen, as a cue to resurface. How seals perform the same feat, however, remains a mystery. ■

Psychology

Hear no evil

Rumours on social media could cause sick people to feel worse

THE PLACEBO effect is a well-known example of the brain's power over the body, allowing people who are poorly or in pain to improve if they are led to believe they are being treated. The opposite, however, is also possible: patients who believe that procedures will cause them to suffer ill effects can make themselves worse.

The roots of this anti-placebo, or nocebo, effect are difficult to untangle. But in a paper in *Health Psychology Review*, researchers in Australia have pooled the available evidence and ranked the contributing factors. Misinformation on social media seems to come near the top. In fact, what psychologists call social learning—the drawing of inferences from the views of others—was found to be as powerful as lived experience, and more influential than information given by a doctor.

This is a problem, says Cosette Saunders, a psychologist at the University of Sydney and lead author of the study. Social



learning may not be able to spread infection or cause new disease, but it can drive harmful side-effects. And managing these side-effects costs health systems around the world billions of dollars.

Take cancer treatment. In recent years, new drugs have emerged to control the side-effects experienced by people receiving chemotherapy. But Dr Saunders says that vomiting and nausea have not come down in cancer patients by as much as expected. Social learning may be responsible. "They'll say, their mother-in-law had chemo twenty years ago and she was vomiting every single day," Dr Saunders says. "Those kinds of long-held beliefs are influencing them now, even though the medical landscape has changed."

Something similar appeared to be happening during the covid-19 pandemic: studies in America and Australia found people who were most exposed to the idea that vaccination provoked side-effects were also most likely to report them.

Though the impact of the placebo effect has been recognised for centuries, work on the nocebo effect is much newer. Only in the past two decades have many scientists been convinced of its real-world impact, helped by studies that demonstrate how a negative attitude can lead to physical symptoms such as increased heart rate and physiological arousal.

The conclusions of the Australian analysis are stark about the power of social learning. But, says Dr Saunders, it is hard to know how much of these effects are down to social-media use as opposed to, say, chatting with friends at the pub. Dr Saunders' lab is one of many now trying to find ways to minimise the damage. One possibility is to balance warnings of nasty side-effects with positive testimony from patients who had no problems. If she finds something that works, she'll pass it on. ■

Debunkology

Suspending disbelief

Chatbots and high-tempo music—new tools to fight against conspiracy theories

ANYONE FOLLOWING American politics in recent months will have been treated to their fair share of bogus claims: USAID, the country's main development agency, sent \$50m worth of condoms to the Gaza Strip; tens of millions of deceased centenarians are continuing to receive social-security payments; disaster-relief funding was spent on housing migrants in luxury hotels in New York City. That so many people believe them nonetheless highlights how an age of social media and political polarisation has blurred the lines between truth and conspiracy theory. Debunkology, or how to unpick beliefs once they take root in people's brains, is struggling to catch up.

The immediate approaches many reach for—argumentation and debate—rarely work, says Kurt Braddock, who researches the persuasive effects of propaganda, and how to counter it, at the American University in Washington, DC. What's more, they often have the opposite effect, further entrenching opinions, he adds. But new work is showing that persuasion may work better when the interlocutor is a generative artificial-intelligence (AI) model.

In September 2024 Thomas Costello at the Massachusetts Institute of Technology (MIT) and his colleagues published a study of what happens when ChatGPT attempts to talk self-professed believers in conspiracy theories out of their beliefs. The study, which put 2,190 believers into conversation with the GPT-4 model that underpins the chatbot, reduced the self-reported strength of their beliefs by 20% after three rounds of conversation. One in four participants disavowed their beliefs entirely.

Debater bots

Dr Costello believes chatbots work where humans fail because they offer rational responses instead of letting emotions get the better of them. What's more, they are able to comb through their extensive training data to offer precise counter-arguments, rather than the generalised ones humans often reach for in debates.

The use of AI chatbots may also help address another problem with human-led debunking. In a paper published in *PNAS Nexus* in October 2024, some of Dr Costello's colleagues at MIT suggested those whose beliefs are challenged often look for secret motives their self-appointed debunkers may be hiding. Of course Demo- ►►

► crats would shoot down the notion that votes were stolen in America's presidential election in 2020, a Republican might say, because they have a vested interest in upholding the result. An AI system presented as holding the world's collective knowledge may seem more trustworthy.

Not all believers will be accommodated enough to argue with a machine on command. For those looking to stop a belief from taking root, it might be more effective to prebunk, rather than debunk. This idea has been around since the 1960s, albeit with a less catchy name: attitudinal inoculation. Coined by social psychologist William McGuire, the approach involves telling people that outlandish beliefs and outright disinformation exist, followed by showing them specific examples and suggesting strategies to avoid and overcome them. Provide someone with a refutation, says Dr Braddock, and they're more likely to resist disinformation.

A study from 2023 looking at a wider range of interventions found that inoculation of this kind had what the authors described as "medium" or "large" effects on countering such beliefs. But how long prebunking lasts is questionable, says Karen Douglas, a psychology professor at the University of Kent.

There are other ways of "hacking" people's attention: an analysis published in August by researchers at the University of Wisconsin-Madison suggests the debunking messages posted by medical experts on TikTok are more effective if overlaid with high-tempo music. The academics believe the music helps swamp the brain's ability to present counter-arguments, making the message more persuasive to the listener. Deploying strong narratives to accompany a particular message, including characters and rich description, is another way of overwhelming the brain's ability to battle back against spurious claims, prior research has shown.

Many of these techniques can, of course, be co-opted by the bunk-spreaders as well as the debunkers. One notable exception is critical-thinking education, which consists of being taught how to evaluate evidence in order to make informed judgments. One study on 806 university students in 2018 found that such education had the ability to reduce belief in aliens as well as health pseudoscience. It was less good at countering, among other things, Holocaust denial and a belief that the Moon landing was faked.

But that might be as good an outcome as can be hoped for. All the scientific resources in the world can be expended on understanding how to dissuade another person, says John Synnott, a psychology researcher at the University of Huddersfield, but it is ultimately up to that person to determine what they believe. ■

Well informed

How to keep your teeth healthy

Tooth-brushing reigns supreme. But fluoride in tap water is a good safety-net

TAP WATER across America has, for decades, been fortified with fluoride, a negatively charged ion of the chemical element fluorine, in order to strengthen the public's teeth. But a scientific review published in 2024 by America's National Toxicology Programme, an arm of the country's health department, suggested that high levels of fluoride are associated with lower IQ in children.

Even though no conclusive causal link has been found, a growing number of cities are planning to end fluoridation, and specialised water filters, which remove any fluoride present, are flying off the shelves. Public-health experts caution that the evidence of harm is thin, and fluoridated tap water keeps teeth healthy. But is it really necessary?

One of fluoride's main functions is to strengthen and restore enamel, the top layer of teeth. This is vital to help them resist the acids that form in the mouth when bacteria ferment the sugars in food and drink. Coating or bathing the teeth in fluoride-rich substances can thus directly protect the teeth while also introducing fluoride into the saliva. This has additional health benefits, as fluoride in saliva inhibits bacterial metabolism, reducing acid production and the growth of plaque on tooth surfaces. Fluoride can also be effective when swallowed, making its way to the saliva

via the bloodstream. (In children, circulating fluoride also enters the enamel of developing teeth.)

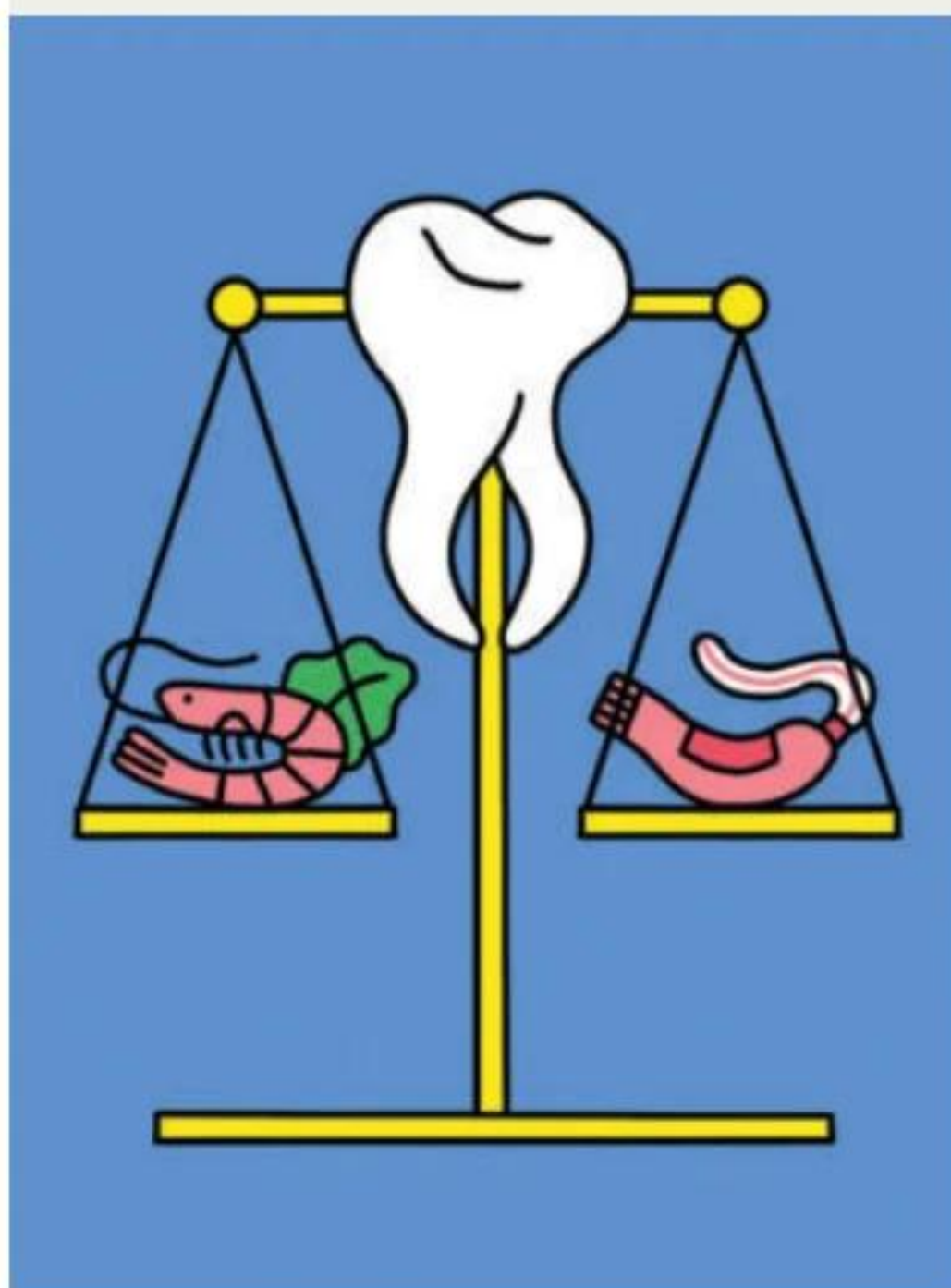
Trace amounts of fluoride are naturally present in a variety of foods, including vegetables and shellfish. Higher quantities can be found in tea and coffee, whose plants readily absorb fluoride from soil. A cup of tea made with distilled water contains as much fluoride as anywhere between 100ml and two litres of fluoridated water, depending on a range of factors including the variety of tea and composition of the soil where the leaves were grown; a cup of brewed coffee prepared in the same way contains as much as 300ml of fluoridated water. Toothpastes, mouth washes and fluoride gels are also rich in the stuff.

Of all the ways of getting fluoride to teeth, brushing reigns supreme. Effective tooth-brushing means some of the fluoride present in toothpaste gets deposited directly onto the enamel, some ends up in saliva and some is swallowed. The resulting boost in fluoride levels far exceeds that produced by drinking fluoridated water.

In a report published in 2006, America's National Research Council estimated the typical amounts of fluoride ingested daily from tooth-brushing across different segments of the population. *The Economist* calculates that, for six- to 12-year-olds, the figure is equivalent to somewhere between 300ml and 450ml of water fluoridated to the national standard. For toddlers and young children it is between 150ml and 300ml; for adults it is around 150ml.

Fluoride mouth washes, as well as the fluoride-rich gels and varnishes that dentists apply to teeth, also offer big fluoride boosts, but are used less often. An evidence review conducted in Britain in 2004 found that they offer only modest additional protection to those already regularly brushing their teeth.

In this environment, fluoridated water still has a place. In a country the size of America, tooth-brushing and access to dental care differ widely even between adjacent neighbourhoods. For the sake of those without good dental hygiene and, therefore, who are most at risk of tooth decay, this safety-net should be dismantled with caution.

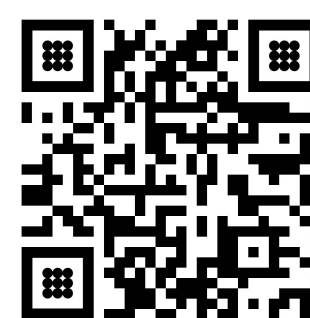


Culture



Analysing names

The importance of being Ernest



What baby names reveal about American and British society

ASQUALLING INFANT is put into your arms. As you admire this small person, you begin to wonder what the future has in store. Will she be shy or outgoing? Studious or lazy? Will she have an artistic streak or a rebellious one? As you ponder these questions, the doctor asks another, more urgent, one: what will you call the baby?

Choosing a name is one of the first enduring decisions parents must make on behalf of their child. Their selection tends to reflect their values and hopes for their offspring. Those with an interest in science may opt for Albert or Marie; more literary types may be tempted by Agatha or Ernest. If you desire a child who is sturdy and traditional, you might plump for John; if you want a youngster to stand out from the crowd, you might go with Apple or maybe even X Æ A-Xii.

Every parent knows living namesakes matter as much as past ones. In America Donald is a less popular choice than it was

in 2010, given to just 414 children in 2023. As Taylor Swift has climbed the music charts, her first name has slid down the rankings, perhaps because parents fear their children will feel eclipsed by the star.

Taken individually, each name selection is shaped by a constellation of factors, including family history and the baby's demeanour. (Judging from online forums, new parents worry deeply about whether or not their babies suit their moniker.) But, taken together, names can reveal broad social trends. Unlike surnames, first names are subject to the fashions and linguistic

shifts of the time; they are manifestations of popular culture. For that reason, names are worthy of study.

The Economist analysed the first names of almost 400m people born in America and Britain in the past 143 years. We looked at which were popular and their connotations; we considered how diverse the names were and the rate at which trends have come and gone. The results are striking. Our study revealed that the countries on both sides of the Atlantic are becoming more interested in money and power (see chart on next page), as culture becomes more fragmented and dynamic.

Historically, studying what a name evokes has been hard to quantify, but artificial intelligence offers a method of doing so. "What word follows..." is the problem large language models (LLMs) were made to solve. These models, trained on enormous corpora of text, can reveal clusters of associations. So we enlisted an LLM to provide the top five connotations of all popular names. Our prompts—more than 30,000 of them—produced 7,439 unique descriptors, including "purity", "warrior" and "socially awkward". (Ironically the most popular description was "unique", tied to 12,124 different names.)

Using those connotations—and a list of synonyms—we could look at what traits parents seem to prize. The results include ►►

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► etymological and historical meanings, but they also reflect what people think of names in the current moment. Sophia, for example, is still linked to wisdom, as David is to king. Taylor traditionally means “cutter of cloth”. But the LLM shows that now, thanks to the world’s biggest pop star, people associate that name with versatility, professionalism and creativity.

When it comes to traits, our study found that parents increasingly care about appearances. (Surprisingly, brains are becoming less fashionable for children. Names associated with cleverness—such as Raynard—are down six percentage points from 2000.) Names associated with beauty became more popular in recent decades. Almost 30% of names in England and Wales bear that connotation; over 30% of names in America do, too, up 3.2 percentage points from 2000.

Parents especially care about highlighting this trait for their daughters. Every girls’ name in the top ten—including the top three (Olivia, Emma and Charlotte in America and Olivia, Amelia and Isla in Britain)—connotes “elegance” or some variation thereof. Of the top 100 boys’ names in America, only one, Beau, carries associations of handsomeness.

If beauty is desired in girls, brawn has muscled into male names: 70% of boys in America and 55% of boys in Britain have a name that evokes powerfulness. (The most popular boys’ names in America, Liam and Noah, are associated with strength.) Another category that has gained prominence since 2000 is wealth, as parents buy into brands that evoke prosperity, such as Aston and Audi, disregarding King Solomon’s advice: “A good name is to be chosen rather than great riches.”

Even though almost a third of Americans and nearly 40% of Britons profess no religious affiliation, names from scripture have endured. In some cases, this is probably because people do not realise the origin of the name in question. Even so, names with religious links remain popular: roughly 15% of those in America have them. For boys, Elijah, Jacob and James are among the chosen ones; for girls, Abigail, Hannah and Sarah are revered. In Britain, such names are seeing an upswing. In 2023 Muhammad was the most popular name for boys in England and Wales, given to more than 4,600 infants, or 1.7% of boys.

Unsurprisingly, in both countries name trends have been shaped by immigration. In America the pool of names shrank after the Immigration Act of 1924, which capped the number of people allowed entry; it expanded once limits were loosened in 1965. At that point, there were 10,841 names in America. By 2023, the last year in our data set, there were 28,945 unique ones given to five or more people, compared with 22,680 in 1990, despite fewer children being born.

Yet historical names data probably tell only a partial story. In the past, migrants coming to America and Britain often felt pressure to adapt or discard names that sounded too foreign; as both countries have become more ethnically diverse and tolerant, the range of names has grown wider. Today many parents proudly select a name that preserves their cultural identity, seeing it as a statement of belonging rather than an obstacle to integration. In America names linked to Spanish, such as José and Diego, have surged in popularity, as have names linked to Arabic in Britain—Eesa and Sami, for example.

Other factors have contributed to the greater range of names enjoyed by children today. In 1948 nearly a third of American children received one of the 20 most popular names; today parents may prefer to pick something more individualistic than conventional. The vogue for “dictionary names”—ie, words from the dictionary such as Crimson or Summer—has deepened the pool, as has the use of surnames as first names (Archer, for instance).

What did you just call me?

Yet the internet has probably also contributed to a splintering of popularity. As we studied which names were chosen from year to year, we found that the speed at which trendy names come and go is much faster today than it was even half a century ago. The jumps and dives in popular names are more evenly spread, too.

This may be because the internet furnishes parents with more information and sources of inspiration than ever before. Jennifer Moss, the founder and boss of Babynames.com, a website, says near-real-time popularity data are driving faster churn in names, as parents see a name racing up the charts and avoid it, rather than risk having a child share a classroom with five Olivias or eight Noahs. Parents also use internet genealogy services to uncover

names that are so old as to be nearly out of use. Discovering an obscure Scottish great-grandmother, for instance, can inspire parents to revive her name or surname for a child’s first name.

In America no name has come close to matching the Linda boom of 1947, set off by Jack Lawrence’s song of that name and Linda Darnell, a popular actress. The name was given to nearly 100,000 girls—or 5.6%, up from 3.4% the preceding year. The Linda spike is remarkable for another reason: in percentage terms, no names are nearly as popular now as Linda was then.

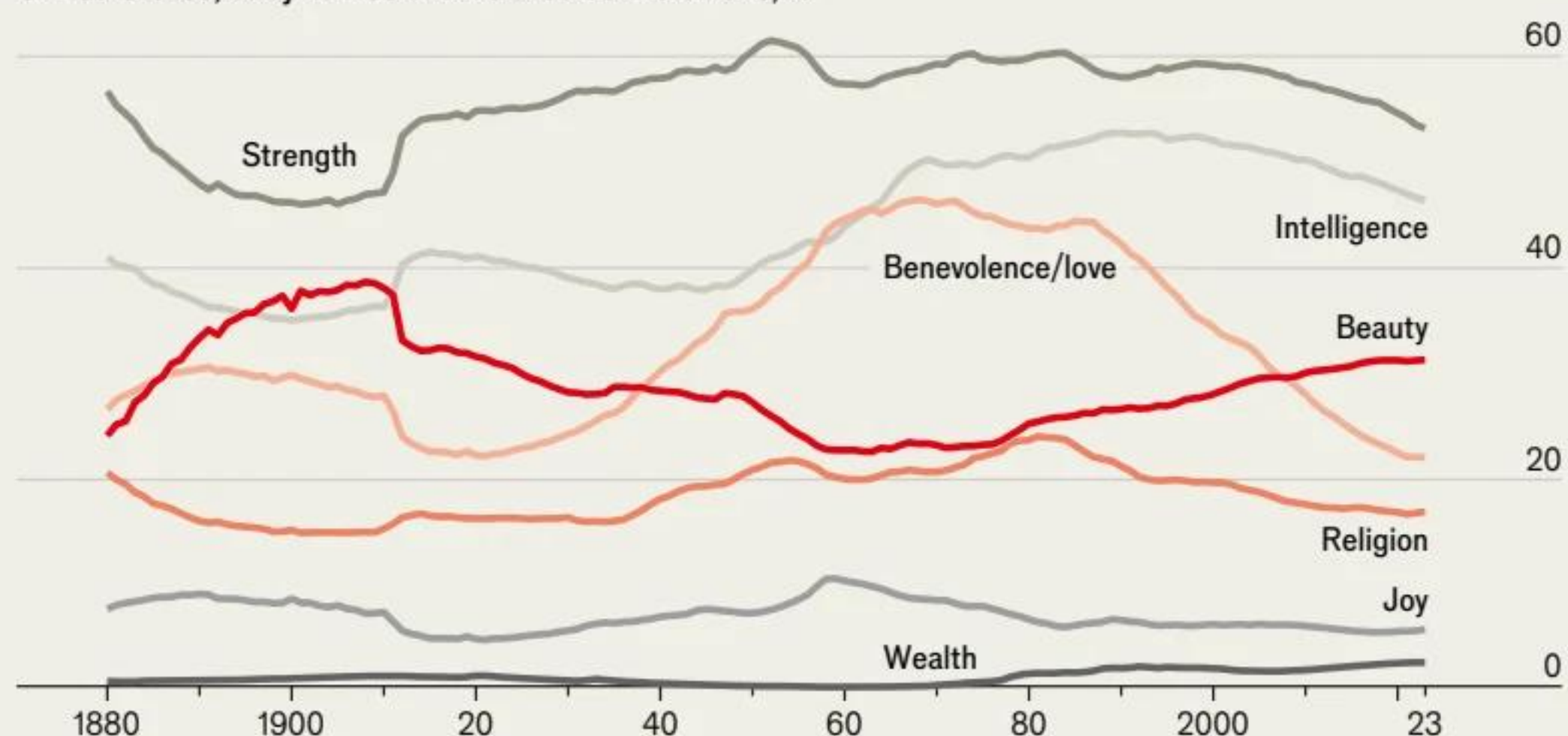
Popular culture still plays a role in provoking fads. The early 1990s saw a craze for Kevin after the release of “Home Alone”, a hit Christmas film. In the 2000s scores of parents named their daughters Emma, following the choice of Ross and Rachel in “Friends”. In the 2010s “Game of Thrones” led to a surge in the number of girls being named Khaleesi, after the show’s warrior queen. (Few have turned to the character in recent years: Khaleesi went on a genocidal rampage in the show’s penultimate episode in 2019.) But these waves are weaker today than at any time in the past century.

Parents short on inspiration can trawl through millions of films, songs and TV shows in search of an unusual gem. Or they can consult a list of names that are “going extinct”, such as Barbie (the blockbuster film failed to change its association with being a bimbo) and Homer (which may now be more tied in the public’s imagination to the lazy character of “The Simpsons” than the poet who wrote the “Odyssey”). Royal names, such as Catherine and Albert, are also becoming less popular.

However, parents may find that it is not their selection that will matter as much as the name conferred by future friends and detractors. “A good name will wear out; a bad one may be turned,” wrote Johann Georg Zimmermann, a Swiss philosopher. But “a nickname lasts for ever”. ■

The name game

United States, baby names with related connotations, %



Sources: Social Security Administration; The Economist



World in a dish

Harping on about Guinness

How the Irish stout has drafted in new fans

NO OTHER MISSIONARY has such a fun reputation. St Patrick helped bring Christianity to Ireland. In return, on March 17th the country's patron saint is feted with processions, pipes—and a lot of Guinness. Around 13m pints of the Irish stout, the de facto national beverage, are consumed globally every year in the celebrations.

Thanks to St Patrick's Day and the Six Nations—a European rugby tournament that Guinness sponsors—March has always been the high point of the year for the beer. But recently it has transcended seasonal patterns and associations with sporty men. A 250-year-old beverage is cool again, so much so that Netflix is making a drama about the history of the brewery.

In Britain in the second half of 2024 sales of beer by volume declined by 1%, according to CGA, a research firm; sales of Guinness, meanwhile, shot up by 21%. Holiday socialising caused “unprecedented demand” in December, says Grainne Wafer of Diageo, Guinness's parent company. An additional 4.5m pints were sold that month compared with the previous March. Facing shortages, some establishments rationed it.

Guinness appeals to an age of “mindful drinking”. It is less alcoholic and calorific than many beers and less fizzy than a lager, so you do not feel as bloated after a pint. As Jeffrey Pilcher notes in “Hopped Up”, a new history of beer, Guinness has long marketed itself as a fortifying brew. In the

20th century its advertising slogans included “Guinness Is Good For You” and “Guinness For Strength”. Pregnant women were sometimes prescribed it in the (erroneous) belief that it contained lots of iron.

Changing palates have further bolstered Guinness's popularity. The smoky tang provided by roasted barley appeals to those accustomed to “more bitter, intense flavours” in products such as coffee or dark chocolate, says Garrett Oliver, the editor of “The Oxford Companion to Beer”.

Social media have played an important role in making Guinness a fashionable tipple, even among women. (Diageo says the number of female Guinness drinkers is up 50% year on year.) With its velvety, dark hue and creamy foam, the drink has a distinct visual identity, which makes it instantly recognisable. Fans have devised a pub game called “Splitting the G”, which has become a trend online. (The goal is to sip enough stout so that the liquid lines up with the horizontal line on the “G” of the logo printed on the glass.)

During the pandemic, Guinness released an ultrasonic device that allows drinkers to pour something akin to a pub-quality pint from a can at home. Recognising the trend towards abstemiousness, Guinness created a 0% stout in 2021, which has proved popular. More than two-and-a-half centuries after Arthur Guinness set up shop in Dublin, such innovations are keeping the brewery in the black. ■

Recycling's problems

Down in the dumps

Waste Wars. By Alexander Clapp. *Little, Brown*; 400 pages; \$32. *John Murray*; £25

WHAT HAPPENS to that single-use plastic bottle after you, a conscientious citizen, place it in a recycling bin? Most people, if they think about it at all, assume it really will be recycled, probably at a facility not far away. Much more likely is that the bin is only the departure point on a long journey to the other side of the world, where that bottle will, at best, be washed, dried, sorted by material, turned into pellets and then reconstituted into something flimsier, such as packaging.

Consider that a victory. If it is packaging itself that has been chucked, it will probably end up as a filthy form of fuel, powering the production of cement or even tofu. Or it may go all the way just to sit in Asia or Africa, blighting the landscape, clogging rivers, entering the ocean, being swallowed by marine life—and perhaps finding its way, via the global fish trade, back into your home and even into your body. It is recycling, but not as people traditionally think of it.

The broad facts of the fiction of recycling are no secret. But Alexander Clapp, a journalist (who has contributed to *1843*, *The Economist's* sister publication), does something engrossing, if not entirely appealing, in his book. He follows rubbish, travelling to some of the world's most unpleasant places to chronicle the effects of



One man's trash isn't another's treasure

► consumption: villages in Indonesia buried under mountains of Western plastic, a ship-breaking yard in Turkey where men tear apart the toxic hulls of American cruise ships with hand tools, a fetid slum in Ghana where migrants extract valuable metals from the rich world's discarded computers and mobile phones.

"Waste Wars" also contains jaw-dropping but forgotten stories, such as that of the *Khian Sea*, a vessel carrying a season's worth of ash from garbage incinerators in

Philadelphia, which set sail for the Bahamas in 1986. The ship and its toxic cargo were denied entry, forcing the crew to look for alternative dumping sites. After 27 months of being turned away from every conceivable port, it arrived in Asia with an empty hold. The captain admitted years later to dumping the ash in the Atlantic and Indian Oceans.

Mr Clapp's aim is not just to display his ample reporting chops, but to trace the rise of a controversial form of globalisation:

the growth of the global trade in waste. As Western countries put in place stricter environmental regulation, the job of disposing of their waste fell to poorer ones. Take the ostensibly green European Union: in 2021 it produced 16m tonnes of plastic waste, less than half of which was recycled within its borders.

Some exports are well-meaning and welcomed. Used electronics arrived in Ghana as donations to bring people online. China imported plastic waste to use ►►

BACK STORY

"The Great Gatsby" at 100

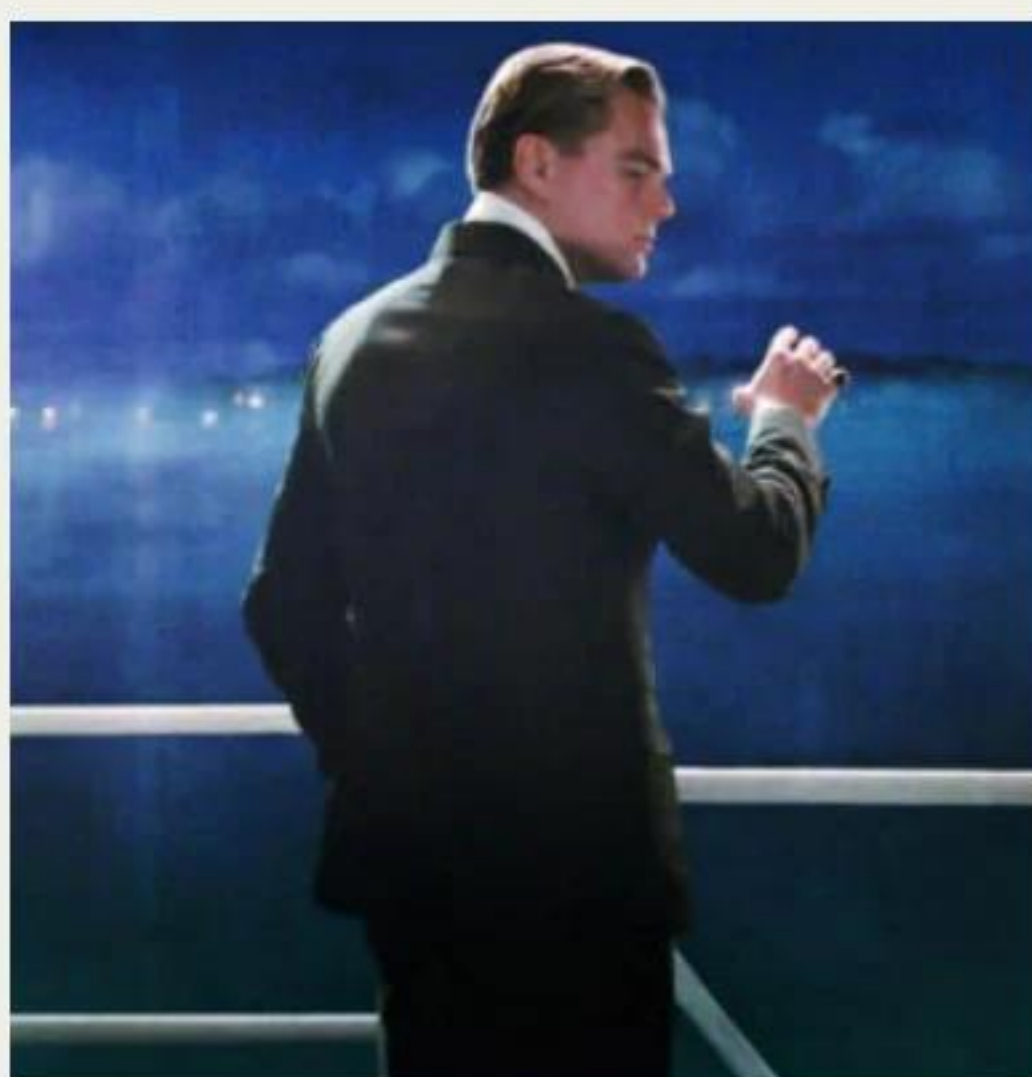
The great novel of America's duality is as urgent as ever

HE IS A relative of Kaiser Wilhelm and spied for Germany during the first world war. His dazzling house is actually a boat that creeps along the Long Island shore. He killed a man once; he is "second cousin to the devil". A quarter of "The Great Gatsby" has passed before, at one of his lavish parties, Jay Gatsby bumps into Nick Carraway, the narrator, and the legend at last enters the action in person.

Gatsby is as much a rumour as a character, a phantom in his own drama—one of the main reasons he has survived for 100 years and counting. Beneath its shimmering surface, or rather because of it, F. Scott Fitzgerald's novel raises enduring questions without resolving them. They are as timely now as when it was first published in spring 1925: questions about memory, money and, above all, about America. Its promise and corruption, abundance and menace are facets of the same story.

Readers shape their own version of Fitzgerald's hologram-hero, as Nick does in his narration. Gatsby is a romantic idealist, ennobled by his love for Daisy Buchanan; or, according to Daisy's husband, Tom, he is a pink-suited vulgarian and "common swindler". Or he is both. Pinned down on screen, Gatsby always wilts. The adaptation of 1974 starring Robert Redford, with its two-tone brogues and flapper headbands, and the garish film of 2013 with Leonardo DiCaprio (pictured) are both a bit too fleshly and literal, about lust, gangsters and, especially, Gatsby himself.

The short novel is itself a gossamer thing. Not much happens in it. An enigmatic man courts an old flame and is murdered. Another chap has a tawdry affair. Rich people sit around in delicious ennui. The book flopped on publi-



cation; H.L. Mencken, an eminent critic, dismissed it as "a glorified anecdote".

Yet from the 1940s "The Great Gatsby" rose up the American canon and swept across school curriculums (a stage version seems always to be playing somewhere). Its ornate, high-wire language crystallises deep, intractable themes. One is the tragic tango of time. Gatsby is at once in flight from his humble origins and desperate to reprise his most halcyon moment. "Can't repeat the past?" he cries. "Why of course you can!" These days some people see Western history as a stain, as others yearn to recover lost golden eras: Gatsby's one-two of rejection and nostalgia writ large.

Next, the issue of money, and related but distinct, the matter of American class. Spouting white-supremacist claptrap and bogus moralising, Tom Buchanan is a cheat and a bully—on whom breeding and background confer a social status and meretricious ease that Gatsby's brash wealth cannot buy. Gatsby is a champion for every outsider who, pressing their nose against the glass, fears that the system is rigged against them and that grit and

hustle can take them only so far.

In "The Great Gatsby", money plus connections equal immunity. People are defined by how careful or careless they are, and can afford to be, about drinking, driving, marriage, lovers and crimes. Like reckless plutocrats today, Tom and Daisy seem exempt from the consequences of their "vast carelessness". Others must be wary lest they crash.

So Fitzgerald's is a tale of sex and dough; in other words, of New York. But as he intimates at its close, in a riff about Dutch sailors encountering "the new world", it is more than that. It is a story of America, the great novel of the country's entwined glory and heartbreak.

A drumbeat of violence thuds through the prose, such as in the drowning, suicide and other sticky ends to which, Nick casually mentions, some of the guests at Gatsby's parties would later succumb. Its ethereal elements, the fluttering dresses and deathless devotion, collide with the earthly, brutish and hard (a man's hand breaking a woman's nose, a car's bumper, a gun). At those soirées, "Girls came and went like moths among the whisperings and the champagne and the stars." Elsewhere Fitzgerald zooms in on a yucky dollop of shaving foam on a drunkard's cheekbone and a breast torn off in a wreck.

The ideal and the bruisingly real, the seductive and the sordid, hope and cynicism, beauty and betrayal, and, ultimately, the dream and disappointments of America: Fitzgerald holds these opposites in a magical equipoise. "Is a dream a lie if it don't come true?" wondered the bard of another stretch of the eastern seaboard, Bruce Springsteen. That is the mystery at the heart of "The Great Gatsby" and, a century on, it is as urgent as ever, old sport.

In today's cutting-edge and fast-paced business landscape, where time is money, the capacity and ability to face key challenges by articulating unique ideas can be a key differentiator for professionals across industries and employment functions. Honing writing skills fosters stronger relationships with stakeholders, colleagues, customers and clients, and facilitates seamless innovative collaboration across teams and departments. Furthermore, a brand new set of mega skills for planning and executing your writing can contribute to shaping a more productive and efficient workday, leading you to work smarter, not harder. Concise, compact, compressed, succinct, brief and terse communication that is never repetitive nor redundant can expedite decision-making processes, by eliminating bottlenecks. (If you are still reading, we admire your persistence—but not your taste!) Unlock new opportunities for career advancement by capturing the attention of the peers in your team, group and cohort, and reap the benefits in your work and personal life. There is no time like the present, so start sharpening your business-writing skills today with our online course on professional communication.

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► as feedstock. Turkey turned imported scrap metal into highways and skyscrapers. Some of the steel from New York's twin towers, shipped to India as scrap metal, now holds up several buildings, including a college and textile showroom. But too many transactions are exploitative and even dishonest. Shipments of supposedly recyclable paper have turned out to be full of dirty plastic. Diapers soiled by American infants have arrived in batches of supposedly recyclable plastics to stink up the outskirts of Beijing.

The Basel Convention, which came into effect in 1992, dealt with the shipment of hazardous waste but left plenty of loopholes. Poor countries have been trying to stop the flood ever since. In 2017 China, which then received half the world's plastic waste bound for recycling, banned its import. Much of that waste travelled to South-East Asia instead. Similar bans in Thailand and Indonesia went into effect this year, fuelled by environmental concerns. If they are enforced, the garbage will find its way somewhere else, such as Malaysia, another big recipient of plastic.

Trash talk

What is to be done? In a world where humans produce their own weight in new plastic annually, there are no easy solutions. After hundreds of pages describing the problem, Mr Clapp is light on prescriptions. He suggests making rich-world companies financially liable for "the fate of that which they insist on overproducing". He points the finger of blame at globalisation, weak international co-operation and Western overproduction.

There are problems with this. The first is that tightening regulation in the West will only make countries more likely to find workarounds involving poor ones. Global action is also probably a non-starter at a time when long-standing alliances are being tested. As America withdraws from the Paris Agreement (again) and guts the Environmental Protection Agency, the idea that it would impose measures to prevent the export of waste or require firms to do more for the environment globally is unrealistic. Meanwhile, Mr Clapp barely mentions China's role as a manufacturing power, as though importing Western waste absolves it of its own sins of overproducing cheap goods. To portray China as a faultless victim is wrong.

At times Mr Clapp's rhetoric sounds suspiciously like a call for de-growth. It is all very well to tell Americans to be less wasteful. But try telling that to the hundreds of millions of Asians emerging from poverty and buying consumer goods for the first time. The West has spent centuries lecturing the East on what is good for it. "Don't be like us," however well-intentioned, rings the same discordant note. ■

The Economist reads

The best novels of the year so far

Our picks from the first quarter of 2025

THE AVERAGE American reader gets through about 11 books a year. No one wants to waste their precious free time on a dud. So our critics have sorted through some of the best novels published so far this year and selected a few that are truly worth your time (but will not require too much of it: none is longer than 400 pages).

Beartooth. By Callan Wink.

This taut, compelling novel explores the great outdoors—and a realm of moral uncertainty. Thad and Hazen, two brothers, make a living chopping down trees in the backwoods of Montana. One day a forbidding kilt-clad outsider known as "the Scot" approaches them with a lucrative but perilous offer involving an illegal venture in Yellowstone National Park. A ferociously gripping book.

The Boy from the Sea. By Garrett Carr.

In 1973 a baby is found in a barrel on the beach of an Irish village. A fisherman and his wife adopt the boy, but as he grows up his presence creates divisions in more than one family. Poignant and humane, this work expertly depicts a close-knit community, hardscrabble lives and sibling rivalries.

The Dream Hotel. By Laila Lalami.

Channelling Joseph Heller, Franz Kafka and George Orwell, this novel imagines society transformed by technology and

surveillance. Sara finds herself being "retained" in a prison-like setting, after the government analyses her dreams and warns that she could pose a threat to her husband. It has its faults, but this is a riveting tale of the risks of surrendering privacy for convenience.

Flesh. By David Szalay.

A man's life is dramatised in a few crucial stages, from a youthful sexual relationship with an older woman in Hungary to a stint as a multi-millionaire in Britain and then on to uncertainty after a personal tragedy. The author's elegant, stripped-back prose powers a narrative rich in insight and pathos.

The South. By Tash Aw.

The first instalment in a planned quartet, this novel is an intimate and intense study of adolescence. It follows 16-year-old Jay as he and his family swap the city for the south of Malaysia to claim their inheritance, a run-down farm. Jay adapts to rural life and befriends an older and more outgoing teenager, who shows him the bright lights of the local town and awakens his sexual desire.

Theft. By Abdulrazak Gurnah.

Three people from different walks of life come of age in Tanzania. Karim and Fauzia fall in love, but their marriage is no idyll. Badar, an uneducated village boy, grasps his opportunities—first as a house servant and later as a hotel worker—but faces prejudice. The author's first novel since winning a Nobel prize in 2021 is a tightly focused, beautifully controlled examination of friendship and betrayal.

Twist. By Colum McCann.

Anthony Fennell, a journalist in search of a story, travels to South Africa to accompany a crew that repairs cables at the bottom of the Atlantic Ocean. He endures seasickness and tension with the ship's chief of mission, John Conway, a man who has "many missing years". When Conway later disappears, Fennell endeavours not just to find him but to find out who he really is. An exploration of hidden depths told in shimmering prose.

We Do Not Part. By Han Kang.

The winner of the latest Nobel prize chronicles a bloody chapter in South Korean history. A writer travels from Seoul to Jeju island to care for her friend's pet bird while she is in hospital. After battling a snowstorm, she arrives at her destination, where she learns the horrors of a failed uprising that resulted in thousands of civilian deaths. A novel that is both disquieting and entrancing: stark eyewitness accounts of atrocities are juxtaposed with otherworldly imagery. ■



Economic & financial indicators

	Gross domestic product				Consumer prices			Unemployment		Current-account		Budget		Interest rates		Currency units		
	% change on year ago				% change on year ago			rate		balance		balance		10-yr gov't bonds latest, %	change on year ago, bp	per \$ Mar 19th	% change on year ago	
	latest	quarter*	2024 [†]		latest	2024 [†]		%	% of GDP, 2024 [†]	% of GDP, 2024 [†]								
United States	2.5	Q4	2.3	2.8	2.8	Feb	2.9	4.1	Feb	-3.4		-6.6		4.2		-5.0	-	
China	5.4	Q4	6.6	5.0	-0.7	Feb	0.2	5.4	Feb [§]	2.3		-5.0		1.7	\$\$	-50.0	7.24	-0.6
Japan	1.1	Q4	2.2	0.1	4.0	Jan	2.7	2.5	Jan	4.8		-2.3		1.5		73.0	150	0.5
Britain	1.4	Q4	0.4	0.8	3.0	Jan	3.3	4.4	Dec ^{††}	-2.8		-4.5		4.6		51.0	0.77	2.6
Canada	2.4	Q4	2.6	1.3	2.6	Feb	2.4	6.6	Feb	-0.3		-2.3		3.0		-52.0	1.43	-5.6
Euro area	1.2	Q4	0.9	0.8	2.3	Feb	2.4	6.2	Jan	3.1		-3.4		2.8		32.0	0.92	nil
Austria	-0.5	Q4	-1.4 [‡]	-1.2	3.4	Feb	2.9	5.5	Jan	2.3		-3.7		3.1		19.0	0.92	nil
Belgium	1.1	Q4	0.7	1.0	4.4	Feb	4.3	5.8	Jan	-0.3		-4.5		3.3		39.0	0.92	nil
France	0.6	Q4	-0.4	1.1	0.9	Feb	2.3	7.3	Jan	-0.4		-6.1		3.5		57.0	0.92	nil
Germany	-0.2	Q4	-0.8	-0.2	2.6	Feb	2.5	3.5	Jan	5.5		-2.8		2.8		32.0	0.92	nil
Greece	2.7	Q4	3.7	2.2	3.0	Feb	3.0	8.7	Jan	-6.7		-1.4		3.6		29.0	0.92	nil
Italy	0.6	Q4	0.5	0.5	1.7	Feb	1.1	6.3	Jan	1.2		-4.0		3.9		16.0	0.92	nil
Netherlands	1.8	Q4	1.6	0.9	3.5	Feb	3.2	3.8	Feb	9.5		-0.7		2.9		24.0	0.92	nil
Spain	3.5	Q4	3.1	3.2	2.9	Feb	2.9	10.4	Jan	3.0		-3.2		3.5		24.0	0.92	nil
Czech Republic	1.8	Q4	2.7	1.0	2.7	Feb	2.4	2.7	Jan [§]	1.7		-2.4		4.2		32.0	23.0	1.3
Denmark	3.6	Q4	6.5	3.6	2.0	Feb	1.4	2.9	Jan	12.5		1.9		2.5		1.0	6.86	0.1
Norway	-0.3	Q4	-2.5	1.7	3.6	Feb	2.2	3.9	Dec ^{††}	17.3		12.5		4.1		46.0	10.6	0.7
Poland	3.2	Q4	5.3	2.9	4.9	Feb	3.8	5.5	Feb [§]	0.1		-5.7		5.8		36.0	3.85	3.4
Russia	3.1	Q3	2.7	3.8	10.1	Feb	8.4	2.4	Jan [§]	2.6		-1.8		14.5		142	83.9	10.2
Sweden	2.3	Q4	3.1	0.5	1.3	Feb	1.9	9.4	Feb [§]	6.6		-1.2		2.6		16.0	10.1	3.0
Switzerland	1.5	Q4	0.8	1.3	0.3	Feb	1.1	2.7	Feb	5.2		0.7		0.7		-7.0	0.88	1.1
Turkey	3.0	Q4	6.9	3.3	39.1	Feb	58.4	9.0	Jan [§]	-0.8		-4.9		28.7		335	37.7	-14.2
Australia	1.3	Q4	2.4	1.0	2.4	Q4	3.2	4.1	Feb	-1.9		-2.2		4.4		50.0	1.58	-3.2
Hong Kong	2.4	Q4	3.2	2.6	2.0	Jan	1.7	3.2	Feb ^{**}	12.0		-3.2		3.6		-32.0	7.77	0.6
India	6.2	Q4	9.3	6.3	3.6	Feb	4.9	8.4	Feb	-0.5		-4.8		6.7		-44.0	86.4	-3.9
Indonesia	5.0	Q4	5.5	5.0	-0.1	Feb	2.3	4.9	Aug [§]	-0.2		-2.5		7.0		41.0	16,525	-4.9
Malaysia	5.0	Q4	2.2	5.1	1.7	Jan	1.8	3.1	Jan [§]	1.6		-4.3		3.8		-13.0	4.44	6.8
Pakistan	3.2	2024 ^{**}	na	3.2	1.5	Feb	12.6	6.3	2021	0.2		-6.8		12.3	+++	-190	280	-0.5
Philippines	5.2	Q4	7.4	5.6	2.1	Feb	3.2	4.3	Q1 [§]	-2.4		-5.6		6.2		-2.0	57.3	-2.4
Singapore	5.0	Q4	2.0	4.4	1.2	Jan	2.4	1.9	Q4	17.5		0.3		2.7		-43.0	1.33	0.8
South Korea	1.2	Q4	0.3	2.1	2.0	Feb	2.3	3.2	Feb [§]	5.5		-1.8		2.8		-67.0	1,453	-7.8
Taiwan	2.9	Q4	6.6	4.3	1.6	Feb	2.2	3.4	Jan	14.1		0.5		1.6		36.0	33.0	-3.8
Thailand	3.2	Q4	1.5	2.5	1.1	Feb	0.4	0.9	Jan [§]	2.3		-5.7		2.1		-42.0	33.6	7.3
Argentina	2.1	Q4	5.7	-2.4	66.9	Feb	219.9	6.9	Q3 [§]	0.4		0.3		na		na	1,069	-20.3
Brazil	3.6	Q4	0.7	3.4	5.1	Feb	4.4	6.5	Jan ^{§**}	-2.6		-7.5		14.6		365	5.65	-11.2
Chile	4.0	Q4	1.5	2.3	4.7	Feb	3.9	8.0	Jan ^{§**}	-2.6		-2.9		5.8		2.0	918	5.3
Colombia	2.4	Q4	2.5	1.7	5.3	Feb	6.6	11.6	Jan [§]	-2.8		-6.6		11.7		179	4,150	-6.1
Mexico	0.5	Q4	-2.5	1.5	3.8	Feb	4.7	2.6	Jan	-1.1		-4.9		9.4		2.0	20.1	-16.1
Peru	4.2	Q4	2.0	3.3	1.5	Feb	2.4	6.6	Feb [§]	2.2		-3.8		6.5		-57.0	3.62	2.2
Egypt	3.5	Q3	38.0	2.4	12.8	Feb	28.3	6.4	Q4 [§]	-6.2		-3.7		na		na	50.6	-7.1
Israel	7.0	Q4	2.0	0.1	3.4	Feb	3.1	2.7	Feb	4.8		-6.8		4.4		-2.0	3.66	0.3
Saudi Arabia	1.3	2024	na	1.3	2.0	Feb	1.7	3.7	Q3	-0.5		-2.8		na		na	3.75	nil
South Africa	0.9	Q4	2.3	0.8	3.2	Feb	4.4	31.9	Q4 [§]	-2.1		-5.3		10.6		9.0	18.2	4.2

*% 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. Source: Haver Analytics Note: Euro area consumer prices are harmonised.

Markets

In local currency	Index	% change on:	
		one	Dec 31st
	Mar 19th	week	2024
United States S&P 500	5,675.3	1.4	-3.5
United States NAS Comp	17,750.8	0.6	-8.1
China Shanghai Comp	3,426.4	1.6	2.2
China Shenzhen Comp	2,114.1	1.1	8.0
Japan Nikkei 225	37,751.9	2.5	-5.4
Japan Topix	2,796.0	3.7	0.4
Britain FTSE 100	8,706.7	1.9	6.5
Canada S&P TSX	25,069.2	2.6	1.4
Euro area EURO STOXX 50	5,507.4	2.8	12.5
France CAC 40	8,171.5	2.3	10.7
Germany DAX*	23,288.1	2.7	17.0
Italy FTSE/MIB	39,712.7	3.7	16.2
Netherlands AEX	922.8	2.6	5.0
Spain IBEX 35	13,408.1	4.7	15.6
Poland WIG	98,439.4	5.4	23.7
Russia RTS, \$ terms	1,228.1	6.1	37.5
Switzerland SMI	13,040.9	1.3	12.4
Turkey BIST	9,860.3	-6.8	0.3
Australia All Ord.	8,055.3	0.7	-4.3
Hong Kong Hang Seng	24,771.1	5.0	23.5
India BSE	75,449.1	1.9	-3.4
Indonesia IDX	6,311.7	-5.3	-10.9
Malaysia KLSE	1,517.7	2.2	-7.6

	Index	% change on:	
		one	Dec 31st
	Mar 19th	week	2024
Pakistan KSE	117,974.0	3.4	2.5
Singapore STI	3,908.3	2.0	3.2
South Korea KOSPI	2,628.6	2.1	9.5
Taiwan TWI	21,960.8	-1.4	-4.7
Thailand SET	1,189.7	2.6	-15.0
Argentina MERV	2,392,030.0	5.2	-5.6
Brazil BVSP*	132,508.4	7.0	10.2
Mexico IPC	53,060.8	2.0	7.2
Egypt EGX 30	31,348.5	1.0	5.4
Israel TA-125	2,540.6	-0.6	4.7
Saudi Arabia Tadawul	11,709.4	nil	-2.7
South Africa JSE AS	90,149.7	3.8	7.2
World, dev'd MSCI	3,701.9	1.6	-0.2
Emerging markets MSCI	1,143.3	2.9	6.3

US corporate bonds, spread over Treasuries

	Dec 31st	
	latest	2024
Basis points		
Investment grade	108	95
High-yield	368	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index				% change on
2020=100	Mar 11th	Mar 18th*	month	
Dollar Index				
All items	138.9	139.8	-2.3	10.2
Food	154.3	154.4	-5.3	13.5
Industrials				
All	126.1	127.7	0.9	7.1
Non-food agriculturals	139.3	139.7	nil	1.0
Metals	122.7	124.6	1.2	9.0
Sterling Index				
All items	137.8	138.3	-5.1	7.9
Euro Index				
All items	145.2	146.2	-6.4	9.5
Gold				
\$ per oz	2,916.2	3,033.2	3.6	40.8
Brent				
\$ per barrel	69.8	71.3	-6.5	-18.4

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

For historical indicators data, visit economist.com/economic-and-financial-indicators

OBITUARY

Richard Fortey

The palaeontologist, writer and champion of trilobites died on March 7th, aged 79



THE MAP on the hotel wall said “Good fossils here”, so Richard Fortey, then 14, did not hesitate. He seized his geologist’s hammer, braved the gorse and got down to the beach. It was a typical British summer, when even the Pembrokeshire coast looked dreary; but he was in heaven, whacking limestone rocks. Nothing much turned up until suddenly, at a blow from his hammer, one came in half in his hands. It broke perfectly, as if made for him. And there in one half was a trilobite, its thin eyes gazing up at him. Across 500m years, thrilled to the marrow, he gazed back.

He did not need telling what it was. As an ever-curious boy, roaming woods and river banks as his father fished, he read up on everything he saw: the older, the stranger, the better. Trilobites were extinct arthropods, ancestors of spiders and crabs and ancient cousins to woodlice, which had flourished between the start of the Cambrian era and the end of the Permian, 250m years ago. Most were from two to six centimetres long; the one he had found exactly fitted into the palm of his hand. Most scuttled on the floors of silent seas, but some swam in deeper water. The soft ventral side rarely survived in fossil form, though on the best examples there were hints of gills and multiple jointed legs. What made them a great fossil-find was their three-lobed exoskeleton made of calcite and their hard, variously ornamented heads; and in those heads, the most astonishing compound calcite eyes.

The eyes did it; trilobites became his obsession. From Ealing Grammar School to King’s Cambridge to the Natural History Museum in London, he went in search of more. On a trip to Spitsbergen, inadequately clad as usual, he became the fortuitous owner of more than 100 lovely ones, all new to science. At the museum, he earned a rebuke early on for work-diary entries reading only “Studied trilobites”. Yet he rose to be senior palaeontologist, emperor of an immense collection of carefully labelled animal bits compressed and aged into stone. At 60 he retired, but the passion burned on. New sorts of trilobites simply kept turning up. In older age he studied the younger ones—the merely-250m-year-olds—which were often found rolled into balls, as they burrowed into mud to try to survive the Permian mass-extinction. They had become little pearls, and were absolutely beautiful.

What fascinated him most was their visual system, the first in the fossil record to be really well preserved. The eyes of some trilobites contained more than 15,000 calcite lenses; they looked through crystal at a world of fragmented light. Some had a field of view that was almost 360 degrees. Others, living closer to the surface, sported a sort of eye-shade. To see what they saw, he imagined scuba-diving among them. The water and sea floor would be full of them: dinner-plate size, shrimp-size, smaller than peas. Some were smooth, some fantastically bespined; others had what looked like spatulas or tridents on their heads. Scuttling on the sea floor, they could spot and shred annelid worms. Through clouds of stirred-up mud and seaweed groves they could glimpse predators approaching.

Dr Fortey was determined that non-scientists, too, should hear the trilobites’ story. He wanted to transport them to a scene without animals, birds or trees, but with ancient seas and fiery volcanoes churning up the rocks. A good chunk of his career was spent writing about trilobites or presenting TV programmes for the public. He deliberately made his books not only funny but full of anecdote and poetry, which he also liked to write himself. “Trilobite!”, his most famous work, opened by evoking Thomas Hardy on the north Cornish coast. And amid the mysteries of the trilobite world he kept in mind John Dryden’s lines: “How can the *less* the *Greater* comprehend?/Or *finite reason* reach *Infinity*?”

Trilobites were not only poetry to him. They were also useful. Because he could detect where different species lived, in the open sea or at the shoreline, he could map the ancient edges of continents. It was known that modern continents had split off from a single land-mass; but not that separate continents had existed before that land-mass formed. Through trilobites, like postage stamps, he fixed their positions and remade the prehistoric globe. Proudly, when a fellow-commuter on the 6.21 to Henley asked what he had done that day, he replied that he had moved north Africa 200km to the east.

He did not stop there. Another early love was fungi, ever since watching a clump of glistening ink caps in the garden turn slowly into black soup. The sheer variety of fungi, their shapes and colours, tastes and reputations, soon grew into “Close Encounters of the Fungal Kind”. One especially spooky meeting came in New South Wales, when an edible oyster mushroom (as he thought) began to glow at night with a ghostly, poisonous light. In retirement he set up a mycology lab at the top of his house to breed fungus gnats. Since each fungus could feed 100 gnats, which in turn fed dozens of insectivores, their place in the food chain was under-appreciated. His place in the chain was to come back from walks with a basketful of puffballs and horse mushrooms.

From 2011 his greatest joy was his wood: four acres of beeches and bluebells in the Chilterns, called Grim’s Dyke Wood, which he bought with money from a TV series. This soon became another project, namely, to catalogue everything found there and to track all the years of its history, from wild timber to furniture-making to threats from Russian oligarchs. His observations made another book, and his finds were displayed in a cabinet of beechwood from the plot. Most were ordinary enough: flints, papery egg-shells, cherry stones. But nothing was ever ordinary to this naturalist, as he preferred to call himself. He was always the boy who lifted up stones to see what might be crawling underneath. And the boy who, on that Welsh beach, had suddenly found a trilobite gazing up at him. ■

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