

The Economist

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Russia's war on women

Venezuela's economic abyss

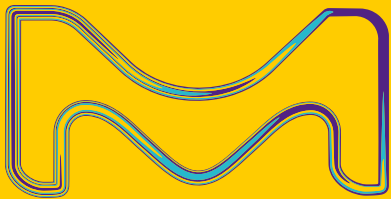
Rise of the Herbal Tea Party

Table-top physics

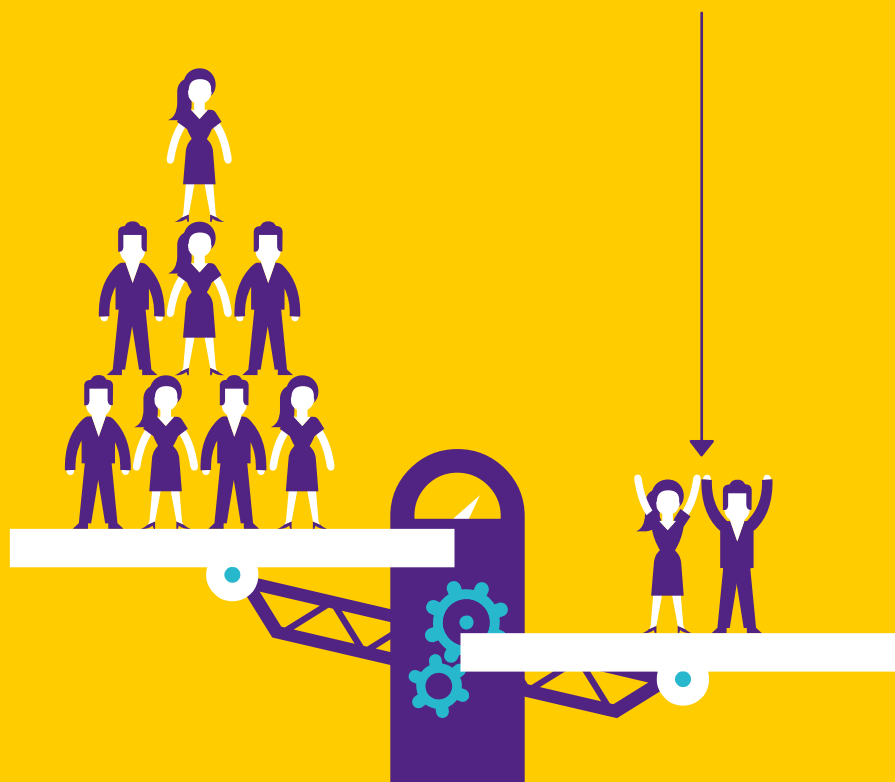
In retreat

Global companies in the era of protectionism





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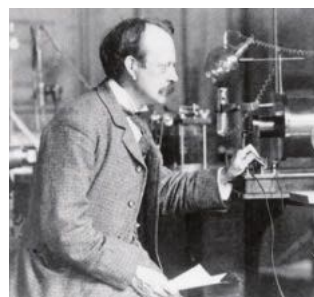


Table-top physics

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Politics



Donald Trump started his term as America's president. Surrounded by Washington's power-brokers, Mr Trump's inauguration speech was a remarkable populist attack on political elites, whom he lambasted for neglecting "struggling families"; he vowed to end "American carnage". Americans, he said, would no longer "accept politicians who are all talk and no action".

Soon after being sworn into office Mr Trump signed a wide-ranging **executive order** allowing federal agencies to stop participating in any part of the Obamacare law they deem to be onerous, ahead of a forthcoming bill in Congress to rescind his predecessor's signature policy. He also declared that America would not join the TPP trade deal and ordered work to start on building a wall along the Mexican border (but was hazy as to how it will be paid for).

Millions of people took to the streets in **anti-Trump** protests themed as "women's marches" in America and dozens of other countries. The biggest demonstration was in Washington, DC, where an estimated half a million people thronged the capital.

The Senate moved swiftly to confirm some of Mr Trump's **appointments** to federal jobs, including James Mattis as defence secretary and John Kelly as the head of homeland security. Rex Tillerson's appointment as secretary of state was approved by the relevant committee. Marco Rubio, a senator from Florida who

seemed to be opposed to Mr Tillerson, voted for him.

Border co-operation

On the eve of Donald Trump's inauguration, **Mexico** extradited Joaquín Guzmán, the boss of the Sinaloa drug gang, to America. Mr Guzmán, better known as El Chapo (Shorty), twice escaped from Mexican jails. He pleaded not guilty to 17 charges in a federal court in New York.

Teori Zavascki, a justice on **Brazil's** supreme court, died in the crash of a private aeroplane. Mr Zavascki oversaw investigations into allegations that politicians milked Petrobras, the state-controlled oil company, for hundreds of millions of dollars.

Spoiling for a fight

A spokesman for Donald Trump reiterated that his administration would seek to block China from occupying islands that do not belong to it in the **South China Sea**. The statement prompted anger in China and consternation among America's allies.

Authorities in **Afghanistan** issued arrest warrants for several bodyguards of Abdul Rashid Dostum, the vice-president. They are accused of beating and sexually assaulting a rival politician on their boss's orders. The case is being seen as a test of the rule of law.

Nursultan Nazarbayev, the long-serving president of **Kazakhstan**, promised to devolve more authority to the country's rubber-stamp parliament, in a move seen as a preparation for an eventual transition of power.

China announced a crack-down on unauthorised providers of services that allow internet users to circumvent the country's web-censorship mechanisms. Government permission is now needed to sell access to virtual private networks (VPNs), as the services are known. The authorities also closed the website of Unirule, a prominent liberal think-tank in Beijing.



The Chinese government said its decision in 2015 to allow all couples to have two **children** had paid off. Last year, according to the health authority, 18.5m babies were born in Chinese hospitals, up by 11.5% on 2015 and the most since 2000. Of the new babies, 45% were second children. But there is little evidence that the number of children a Chinese woman can expect to have during her lifetime has risen.

Some breathing space

Talks aimed at bringing peace to **Syria** made some limited progress in Astana, the capital of Kazakhstan, with participants agreeing on mechanisms to help protect a ceasefire (in some areas) that has now been in place for a month.

Israel angered the Palestinians by approving a new group of over 3,000 new homes in settlements in the West Bank and East Jerusalem.

Yahya Jammeh flew out of the **Gambia** to exile in Equatorial Guinea after losing a presidential election last year. He left only after neighbouring Senegal massed troops on the border and ordered him to hand over power to Adama Barrow, who won the ballot.

Militants from al-Shabab, a jihadist group, killed at least 15 people in an attack on a hotel in Mogadishu, further underscoring a lack of security in **Somalia's** capital four years after African Union forces drove them out of it.

On the ticket

Benoît Hamon, a former education minister, won the first round of the **French** Socialist Party's presidential primary,

beating Manuel Valls, who was prime minister until December. Mr Hamon's emphatically leftist platform includes calls for a universal basic income. He is favoured to win the second round against Mr Valls on January 29th.

In a January surprise, **Germany's** Social Democrats picked Martin Schulz, the ex-president of the European Parliament, to lead their party in federal elections in September. Mr Schulz, an ardent European federalist, faces poor odds of unseating Angela Merkel as chancellor. Her popularity ratings have recovered recently.

Britain's Supreme Court ruled that the government must obtain Parliament's approval before triggering Article 50, the legal means of leaving the European Union. The court's decision was expected, but, fortunately for the government, it also dismissed the need for devolved assemblies, such as in Scotland, to be consulted. Theresa May, the prime minister, promised to set out the details of the government's Brexit plan in a "white paper", a policy document.



Michelle O'Neill replaced Martin McGuinness as Sinn Féin's leader in **Northern Ireland**. Mr McGuinness, who is retiring because of ill health, had earlier resigned as deputy first minister after an unhappy working relationship with Arlene Foster, the leader of the Democratic Unionists, in the power-sharing executive. An election will be held in March. Mrs O'Neill and Mrs Foster are the first female leaders of their respective Irish nationalist and British unionist parties. ►►

Business

President Donald Trump moved swiftly to restart two controversial oil-pipeline projects that the Obama administration had abrogated: an addition to the **Keystone XL** pipeline that will transport crude from Alberta's tar sands to Nebraska, and the **Dakota Access** pipeline which cuts through Sioux Indian land. Both ventures had been vigorously opposed by greens. Mr Trump's early action to restore them affirms his intention to prioritise jobs and the economy over the environment.

The **Dow Jones Industrial Average** stockmarket index passed the 20,000 mark for the first time, buoyed in part by investors cock-a-hoop at the prospect of lucrative infrastructure deals under a Trump presidency.

Bringing jobs home?

Terry Gou, the boss of the world's biggest contracted electronics manufacturer, confirmed that he was considering building a factory in the United States to make TV screens, which could create up to 50,000 jobs. **Foxconn** makes devices for Apple, Samsung and others at its plants in China. Opening a facility in America would be a coup for the new Trump administration, but Mr Gou said that it had been under consideration for years and he would be lured to America only by the right kind of incentives.

Apple filed antitrust lawsuits against **Qualcomm** in China and America that accuse the chip-design company of overcharging for its intellectual-property licences. This comes shortly after America's Federal Trade Commission lodged a complaint against **Qualcomm** for allegedly abusing its dominant position in the semiconductor market.

A federal judge blocked the \$37bn merger of **Aetna** and **Humana**, siding with the Justice Department's argument that it would reduce competi-

tion in health insurance. A wave of consolidation hit the industry two years ago as it adapted to new regulations under Obamacare. A court will rule soon on the proposed \$48bn merger between **Anthem** and **Cigna**.

Johnson & Johnson announced a \$30bn takeover of **Actelion**, Europe's biggest biotech company, which is based in Switzerland. Johnson & Johnson's acquisition adds Actelion's expertise in treatments for blood pressure to its existing line of drugs.

The descent of a high-flyer

India's Central Bureau of Investigation brought charges against **Vijay Mallya** in relation to the alleged misuse of state funds that were intended for his **Kingfisher Airlines**, which collapsed after running up a pile of debt. Mr Mallya, a tycoon who was once dubbed "King of the Good Times", moved to London in 2016 as his various legal woes in India mounted.

Prosecutors in Italy opened an investigation into accounting irregularities at **BT's** subsidiary in the country. The British telecoms company now thinks the scandal will cost it £530m (\$670m), much more than it

had previously expected. The news wiped a fifth off the value of **BT's** share price, its biggest-ever daily fall.

Royal Bank of Scotland set aside \$3.8bn to cover a potential penalty from regulators in America for mis-selling mortgage securities before the financial crisis. The bank is still majority-owned by the British taxpayer—more than eight years after receiving a bail-out.

The **Turkish lira** came under further pressure following a surprise decision by the central bank to leave its benchmark interest rate on hold (it lifted overnight lending rates instead). Markets had expected the bank to raise its key rate to help the lira, which has been battered amid concerns about the effects of Turkey's political instability on the economy.

China's economy grew by 6.7% last year (and by 6.8% in the fourth quarter), in line with the government's target range for growth of 6.5-7%. But the veracity of official data has been questioned once again after the current governor of Liaoning province, in China's industrial heartland, admitted that his region's fiscal numbers had been fabricated between 2011 and 2014.

A prominent **hedge-fund manager** in China was sentenced to more than five years in prison for market manipulation and reportedly fined 11bn yuan (\$1.6bn). Xu Xiang was a leading member of the *zhangting gansidui* (go-for-max kamikaze squad), a group of investors who drove up share prices and quickly cashed out. He was arrested after China's stockmarkets crashed in 2015.

Waving the chequered flag



Bernie Ecclestone's colourful 40-year career at Formula One motor racing came to an abrupt end when he was ditched as the business's chief executive with immediate effect by its new owner, Liberty Media. The sport's new CEO is Chase Carey, who used to work for Rupert Murdoch.

Other economic data and news can be found on pages 76-77



In retreat

Global companies are heading home. And it's not only because of the threat of protectionism



AMONG the many things that Donald Trump dislikes are big global firms. Faceless and rootless, they stand accused of unleashing “carnage” on ordinary Americans by shipping jobs and factories abroad. His answer is to domesticate these marauding multinationals. Lower taxes will draw their cash home, border charges will hobble their cross-border supply chains and the trade deals that help them do business will be rewritten. To avoid punitive treatment, “all you have to do is stay,” he told American bosses this week.

Mr Trump is unusual in his aggressively protectionist tone. But in many ways he is behind the times. Multinational companies, the agents behind global integration, were already in retreat well before the populist revolts of 2016. Their financial performance has slipped so that they are no longer outstripping local firms. Many seem to have exhausted their ability to cut costs and taxes and to out-think their local competitors. Mr Trump’s broadsides are aimed at companies that are surprisingly vulnerable and, in many cases, are already heading home. The impact on global commerce will be profound.

The end of the arbitrage

Multinational firms (those that do a large chunk of their business outside their home region) employ only one in 50 of the world’s workers. But they matter. A few thousand firms influence what billions of people watch, wear and eat. The likes of IBM, McDonald’s, Ford, H&M, Infosys, Lenovo and Honda have been the benchmark for managers. They co-ordinate the supply chains that account for over 50% of all trade. They account for a third of the value of the world’s stockmarkets and they own the lion’s share of its intellectual property—from lingerie designs to virtual-reality software and diabetes drugs.

They boomed in the early 1990s, as China and the former Soviet bloc opened and Europe integrated. Investors liked global firms’ economies of scale and efficiency. Rather than running themselves as national fiefs, firms unbundled their functions. A Chinese factory might use tools from Germany and have owners in the United States, pay taxes in Luxembourg and sell to Japan. Governments in the rich world dreamed of their national champions becoming world-beaters. Governments in the emerging world welcomed the jobs, exports and technology that global firms brought. It was a golden age.

Central to the rise of the global firm was its claim to be a superior moneymaking machine. That claim lies in tatters (see pages 14-18). In the past five years the profits of multinationals have dropped by 25%. Returns on capital have slipped to their lowest in two decades. A strong dollar and a low oil price explain part of the decline. Technology superstars and consumer firms with strong brands are still thriving. But the pain is too widespread and prolonged to be dismissed as a blip. About 40% of all multinationals make a return on equity of less than 10%, a yardstick for underperformance. In a majority of industries they are growing more slowly and are less profitable than

local firms that stayed in their backyard. The share of global profits accounted for by multinationals has fallen from 35% a decade ago to 30% now. For many industrial, manufacturing, financial, natural-resources, media and telecoms companies, global reach has become a burden, not an advantage.

That is because a 30-year window of arbitrage is closing. Firms’ tax bills have been massaged down as low as they can go; in China factory workers’ wages are rising. Local firms have become more sophisticated. They can steal, copy or displace global firms’ innovations without building costly offices and factories abroad. From America’s shale industry to Brazilian banking, from Chinese e-commerce to Indian telecoms, the companies at the cutting edge are local, not global.

The changing political landscape is making things even harder for the giants. Mr Trump is the latest and most strident manifestation of a worldwide shift to grab more of the value that multinationals capture. China wants global firms to place not just their supply chains there, but also their brainiest activities such as research and development. Last year Europe and America battled over who gets the \$13bn of tax that Apple and Pfizer pay annually. From Germany to Indonesia rules on takeovers, antitrust and data are tightening.

Mr Trump’s arrival will only accelerate a gory process of restructuring. Many firms are simply too big: they will have to shrink their empires. Others are putting down deeper roots in the markets where they operate. General Electric and Siemens are “localising” supply chains, production, jobs and tax into regional or national units. Another strategy is to become “intangible”. Silicon Valley’s stars, from Uber to Google, are still expanding abroad. Fast-food firms and hotel chains are shifting from flipping burgers and making beds to selling branding rights. But such virtual multinationals are also vulnerable to populism because they create few direct jobs, pay little tax and are not protected by trade rules designed for physical goods.

Taking back control

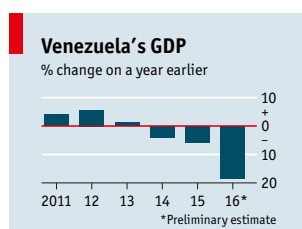
The retreat of global firms will give politicians a feeling of greater control as companies promise to do their bidding. But not every country can get a bigger share of the same firms’ production, jobs and tax. And a rapid unwinding of the dominant form of business of the past 20 years could be chaotic. Many countries with trade deficits (including “global Britain”) rely on the flow of capital that multinationals bring. If firms’ profits drop further, the value of stockmarkets will probably fall.

What of consumers and voters? They touch screens, wear clothes and are kept healthy by the products of firms that they dislike as immoral, exploitative and aloof. The golden age of global firms has also been a golden age for consumer choice and efficiency. Its demise may make the world seem fairer. But the retreat of the multinational cannot bring back all the jobs that the likes of Mr Trump promise. And it will mean rising prices, diminishing competition and slowing innovation. In time, millions of small firms trading across borders could replace big firms as transmitters of ideas and capital. But their weight is tiny. People may yet look back on the era when global firms ruled the business world, and regret its passing. ■

Venezuela

It's a mad, mad, mad, Maduro world

The economy is collapsing as if the nation were at war. Blame the government, and press it to change



“HEWEN to the hardest truths,” said Simón Bolívar, who liberated much of South America from Spanish rule. The leaders of Venezuela today, who claim Bolívar as their inspiration, ignore his dictum. Venezuela’s economy shrank by nearly 19% last year, according to a leaked early estimate by the central bank (see page 33). That would be bad even for a nation at war, which Venezuela is not. Inflation was 800%. Shortages of food and medicine are causing hunger and looting. Infant mortality is soaring. Caracas is the capital city with the world’s highest murder rate.

The leaders of Venezuela’s “Bolivarian revolution” shut their ears to such truths. The central bank has not formally published data on growth or inflation since the beginning of 2016. After the leak, Nicolás Maduro, who took over as president from the revolution’s leader, Hugo Chávez, in 2013, sacked the head of the central bank. His successor must “fight against the domestic and foreign mafias that attack our currency”, Mr Maduro said. No such mafias exist; Mr Maduro’s government is to blame for Venezuela’s plight.

Alas, he will not heed Bolívar’s second commandment: to “right the wrongs that lead to errors”. His controls on the prices of foreign exchange and basic goods have created shortages, rationing and inflation. On the black market the bolívar is worth less than one three-hundredth of its strongest official rate. The armed forces, which oversee the distribution of food, are the biggest profiteers from scarcity. The halving since 2014 of the price of oil, almost the only export, makes these problems more acute but is not the underlying cause.

The dismantling of democracy worsens the consequences of deafness. The regime’s last democratic act was to hold parliamentary elections in 2015. The opposition won, and thereby in theory ended the Bolivarians’ 16-year monopoly of power. Since then Mr Maduro has sidelined parliament and blocked attempts to remove him from office by constitutional means. The compliant electoral commission thwarted a referendum to recall him, which he would surely have lost. This month he delivered his annual state-of-the-nation speech before the puppet supreme court rather than the national assembly.

Totally Caracas Venezuela needs both economic rescue and political renewal, but it is hard to imagine where these will come from. The best hope had been talks between the government and the opposition, which are mediated by the Vatican and by Unasur, a regional body. But they broke down in December after the opposition accused the government of reneging on promises to free political prisoners (though it released a few) and restore parliament’s powers. The most useful thing outsiders can do is to urge the resumption of the talks. Their aim should be to return Venezuela to constitutional rule and prepare emergency economic reforms, backed by money from the IMF.

Totally Caracas

The toughest messages must come from Venezuela’s neighbours and regional bodies. Mercosur, a South American trade bloc, suspended Venezuela last month for violating its democratic principles; the Organisation of American States should do the same. The United States must act with restraint. Rex Tillerson, its nominee for secretary of state, clashed with Venezuela as boss of Exxon Mobil. In his new job he must champion democracy without directly calling for regime change.

The hard truth is outsiders’ influence is limited. Change may eventually come when one army faction or another decides that the risk of social collapse outweighs the chance to profit from the crisis. Even that is unlikely to be a good thing. Soldiers with political power are rarely good listeners either. ■

America’s trade with China

Jaw, jaw

The right way for Donald Trump to shake up America’s approach to trade with China



WELCOME to the topsy-turvy new politics of trade. America, the creator and seven-decade-long defender of the global trading system, now has a president who seems determined to shake that system up and who may end by wrecking it. Although China is the rising power, one that has often not played by the rules, Xi Jinping, has taken to defending the status quo.

It is not yet clear whether Donald Trump’s belligerence is simply a ploy designed to win trade concessions from China

and others, or whether he is prepared to foment economic warfare—and worse—if he is thwarted. But no relationship matters more than that between the world’s biggest and second-biggest economies. The shape of a new economic order, and much besides, will be determined largely by how Mr Trump and Mr Xi deal with each other. There is plenty to fear.

Mr Trump has been known to vacillate over great swathes of policy, but on trade he has been consistent in his belief that America gets a bad deal. In the first days of his presidency, he pulled America out of the Trans-Pacific Partnership (TPP), an agreement designed to knit together economies in Asia and the Americas; threatened a big border tax on American firms that moved jobs abroad; and affirmed his intention to renegotiate

▶tiate NAFTA, a North American free-trade deal.

Unlike some of these anti-trade threats, the desire to act against China is at least understandable. Mr Xi professes to support open markets, but runs an economy built on mercantilist pillars. Favoured Chinese firms benefit from subsidised financing and rent. China keeps tracts of its economy off-limits to foreign investors as it pumps money towards its own champions: it has, for example, earmarked \$150bn to nurture its semiconductor industry. Those who are allowed in are often required to hand over their intellectual property.

As easy as 1, 2, 3

If Mr Trump is to deal with China wisely, he should follow three rules. The first is to resist the impulse to mix trade politics and geopolitics. America's new president seems to think he can increase his bargaining power by hitching trade to China's territorial claims in the South China Sea (see page 19) and the status of Taiwan. Yet Mr Trump is not the only one with a nationalist constituency to please. For Mr Xi, Taiwan is non-negotiable and the South China Sea a "core" interest.

The second is to focus on real abuses and avoid self-harm. During the campaign, Mr Trump pledged to designate China a currency manipulator. Although China still manipulates the currency, it does so to stop the yuan from falling too quickly, rather than weakening it to help exporters. Blanket tariffs of the sort Mr Trump has threatened would weigh most heavily on the poorest Americans. American exports to China are rela-

tively concentrated in areas such as aeroplanes and farm products. That leaves the country vulnerable to immediate retaliation by Chinese regulators (see page 59).

Last, Mr Trump should call Mr Xi's bluff about being a model citizen of global trade by using the system's own institutions to prosecute Chinese abuses. The international-trade bureaucracy works fairly well. The Obama administration brought 16 complaints against China at the World Trade Organisation (WTO), and did not lose a case.

It is true that this course will not come naturally to an impatient president who relishes conflict. The WTO intentionally tries to take the drama out of trade politics. A case can take several years to see through. Too much extra litigation risks overwhelming its dispute-settlement apparatus. The pay-off, however, is that this reduces the chances of an all-out conflict that would frustrate Mr Trump's overriding goal of healthy economic growth in America.

The irony is that, by withdrawing from the TPP—a trade agreement which, though it currently excludes China, might one day have constrained its ability to pollute and subsidise state-owned enterprises—Mr Trump has immediately turned his back on the most promising way to change the economy he seems most worried about. If he really wanted to shake up the global trade system for the better, Mr Trump would resurrect some of the TPP's provisions and use them as the basis for a grand bargain with China and other countries. That would be a beautiful deal. Alas, it also seems highly unlikely. ■

Private schools in poor countries

Tablets of learning

Rather than crack down on low-cost private schools, governments should welcome them



MORE than 250m children in developing countries are not in school. Those who do attend often fail to learn anything. According to one study of seven African countries, primary-school pupils receive less than two-and-a-half hours of teaching each day; teachers are absent from class about half of the time. Even when they show up, theirs is a Potemkin pedagogy, lecturing to nonplussed pupils. Only about a quarter of secondary-school pupils in poor countries would reach the basic level of attainment on standardised international tests.

Into this void have stepped low-cost private schools. For a few dollars each month, they give parents an alternative to the public sector. Such schools are common—about 1m of them are scattered across developing countries—but until recently this has been a chaotic cottage industry of tiny, unregulated providers. Only now are private chains emerging, offering the promise of innovative education at scale. The prospect of change ought to be embraced. Instead, it is being fought.

One chain in particular has attracted opposition. Since it opened its first branch in 2009, Bridge International Academies has expanded to run 520 schools across Kenya, Uganda, Liberia, Nigeria and India. To keep costs low, the firm uses one of three standard templates to build its schools; it makes its uniforms, textbooks and furniture in-house. To keep standards

high, its teachers read from scripted lessons on a tablet computer. Remote teams use data from these devices and pupils' test scores to monitor the quality of teachers. Investors include Bill Gates, Mark Zuckerberg and the development-finance arms of the British and American governments.

Bridge continues to open new schools. But its overall pupil numbers are below their peak. This is as a result of roadblocks in its two biggest markets, Kenya and Uganda. Teachers' unions there criticise Bridge for often hiring unlicensed teachers; they also argue that the chain funnels money away from public education. In Uganda the government has said that it would shut Bridge's 63 schools on the ground that the company expanded without receiving permission from the Ministry of Education. (Bridge is lobbying the Ugandan government to try to stay open.)

Such concerns stretch beyond east Africa. Education International, a global group of teachers' unions, accuses the firm of "robbing students of a good education". But the worries about private education providers in poor countries are either overblown or solvable. One fear is that they could end up replacing a public monopoly over education with a private one. Given the state of the education system in many countries, that would be a nice problem to have. It is also wildly premature, if only because the business model remains unproven (see page 53). And governments have plenty of ways to foster competition. They could introduce school vouchers or conditional cash transfers for parents to spend on eligible schools. Li- ▶▶

beria is running a randomised controlled trial in which eight different private operators run publicly funded schools.

Another worry is that companies have an incentive to flout sensible regulations in their desire to gain scale. The answer is for policymakers to strengthen the institutions that monitor educational performance. Better school inspectors and measures that identify which schools are improving academic outcomes would be a boon in any case. Developing countries are estimated to spend 2% of GDP a year on education that has no discernible effect on whether pupils are actually learning.

The bigger point is that private education offers too many potential benefits to poor countries for it not to be encouraged. Chains bring in money, from both parents and foreign investors, which is likely to be better spent than aid and government cash. In 2014 less than 70% of education aid actually reached recipient countries (much of it was spent on scholarships in

donor countries). A 2009 study in Tanzania found that about 37% of government grants intended for education were lost.

Private education also promises innovation. Scripted lessons may be somewhat robotic, but in countries like Kenya and Uganda teachers need to be nudged to stop talking, ask pupils questions and check that the class understands what is going on. The evidence is not conclusive but Bridge's own analysis suggests that it improves pupils' results.

Bridge to somewhere

All the while it pays to remember the alternative. Private-school chains are not perfect, but their rivals are usually worse. Of the 337m primary-school-age children who look likely to fall short of basic international standards, three-quarters are in school. Most of them are in public schools. Not to try something different would be shameful. ■

Family life in Russia

Empowering the vilest malefactors

Russia wants to decriminalise domestic violence



VICTORIAN England was a good place to be an abusive husband. Even “the vilest malefactor has some wretched woman tied to him, against whom he can commit any atrocity except killing her, and, if tolerably cautious, can do that without much danger of the legal penalty,” John Stuart Mill wrote in 1869. Court reports were filled with accounts of men mutilating their wives and receiving light sentences. But things were starting to change. A law specifically criminalising violence against women and children was enacted in 1853. The women's movement of the late 19th century called for harsher punishments and sexual equality. A century later the rise of feminism in the West and elsewhere brought new legislation, more sensitive policing and belated recognition that living with someone should not be a licence to beat her up.

Russia appeared to embrace this idea, too. Last June the Duma, Russia's parliament, adopted a law criminalising the beating of household members and mandating strict penalties for offenders. This reflected a consensus, at least among liberal urban Russians, that domestic violence was not a fact to be accepted but an evil to be fought, and that reluctant police needed to be told to intervene.

Alas, the law sparked off a reaction. Elena Mizulina, a conservative senator, introduced a bill (see page 44) to decriminalise domestic violence if it is a first offence, unless it causes severe injury, and to reduce the penalties for subsequent beatings. Her bill is based on rules that were current under Ivan the Terrible. Vladimir Putin has indicated that he will sign it. Do we really have to point out that this is an awful idea?

Accurate statistics on domestic violence are hard to collect. Victims are seldom eager to report it, especially if they are financially dependent on their abusers. (One survey of European countries found that those with the greatest sexual equality also reported the most domestic abuse—a sign that it was measuring the willingness to report, not the actual inci-

dence.) Nonetheless, it is clear that Russian women are vulnerable. The interior ministry has estimated that thousands of Russian women are killed by their domestic abusers each year. This figure may be inflated, but the real one must be high: Russia has Europe's highest homicide rate, and figures from other countries show that female murder victims are most frequently killed by (ex-) partners. This is to say nothing of non-deadly assaults, the beating of children or elderly family members, or the surprisingly frequent victimisation of men by women.

Try talking instead

No country has solved this problem. If the victim won't testify, it is hard to press charges. And macho police are not always good at dealing with domestic disputes. When American states first required cops to make arrests, they often charged both parties, leading to an unjust increase in the number of women in jail. However, the evidence suggests that tougher punishment, more help for victims and public-education campaigns all help. Since America passed its Violence Against Women Act in 1994, domestic violence has fallen by more than half (though much of this mirrors an overall decline in crime).

Some Russians worry, understandably, that if the country's thuggish police are told to interfere in family life, they will do so abusively. Others worry that the state will police how they discipline their children. Yet these fears are overblown.

When the Russian Orthodox church warns that making it illegal to smack one's children would violate “the understanding of parents' rights accepted by Russian culture”, it is talking claptrap. Ditto when Russia's ombudsman for children, a government body, argues that the very term “domestic violence” serves to “zombify and intimidate families and parents”. Ms Mizulina argues that a man who beats his wife does less harm than a woman who humiliates her husband, and that the most important thing is to maintain “authority in the family”. Such appeals to tradition and culture are a familiar way of denying that human rights are universal. Beating one's partner or child is not intrinsically Russian, any more than it is intrinsically English. It is intrinsically wrong. ■

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Assisted suicide

You say that the police in Britain are increasingly turning a blind eye to assisted suicide ("A matter of life and death", January 14th). Declining to prosecute is not the same thing as turning a blind eye. Prosecutorial discretion exists for all criminal offences, not just for assisting suicide. A decision to prosecute has to take into account not only whether the law has been broken but whether there has been criminal behaviour involved.

The existing law holds penalties in reserve that are sufficient to make anyone who is minded to assist a suicide think carefully before doing so. As a result the numbers are very small. Cases where there has been serious soul-searching and genuinely compassionate intent are not generally considered to merit prosecution. This does not, however, provide a reliable indication of what would happen under a law licensing assistance with suicide. Look at Oregon, which went down this road in 1997. The number of legal assisted suicides there has been rising steadily, and steeply in recent years.

Evidence for your claim that hundreds of terminally ill people are taking their own lives is also open to question. And it is not suicide that is unlawful but encouraging or assisting suicide. Or are you suggesting that if terminally ill people are taking their own lives the proper response should be to help them on their way?

This is a complex and sensitive subject which needs to be considered objectively and with care. Your article read like a campaigning document.

LORD CARLILE
House of Lords
London

Songs of praise

Charlemagne portrayed John Calvin as a misanthrope who hated music (January 7th). Communal singing in workshop was unusual in early modern Europe, according to Andrew Pettegree's "Reformation and

the Culture of Persuasion". Calvin actually revived congregational singing of the Psalms in Strasbourg and Geneva, and he even translated some Psalms for metrical composition himself.

French Protestants not only lived by these hymns, they died by them. Mr Pettegree's book describes how "condemned evangelicals walked to their execution with the Psalms on their lips." After numerous incidents where the watching crowds sang along in solidarity, the French authorities cut out the prisoners' tongues. The Psalms and hymns of Geneva inspire Reformed Christians to sing today, while we still have a voice to confront autocrats and their wicked schemes.

REV ANDREW THOMPSON SCALES
Chaplain
Princeton Presbyterians
Princeton, New Jersey

Mind your languages

Powerful language-processing technologies will be a mixed blessing for the endangered languages mentioned in Technology Quarterly (January 7th). The future will see a world divided between those whose languages computers understand and those that they never will. Take Apma, spoken by 7,800 people in Vanuatu, or Ske, its neighbouring language, spoken in only one cluster of villages. No deep-learning algorithm, however sophisticated, will ever make sense of these little languages or the thousands of others like them. The vast amount of data needed to train a system in them does not exist, and there will never be enough users to generate it.

ANDREW GRAY
Port Vila, Vanuatu

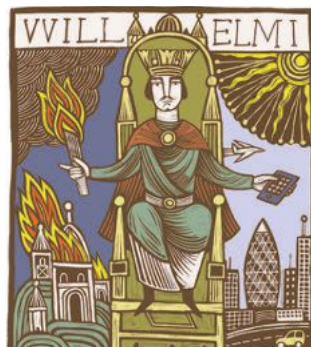
A date to remember

Why should the peoples of Saudi Arabia or, for that matter, any other country, adopt a calendar based on the year of Jesus's birth ("The prince's time machine", December 17th)? The Gregorian calendar has a number of problems. It is based on the birth of Jesus,

which is not a universally relevant event; the years before Christ are counted backwards; and there is no year zero: 1BC is followed directly by 1AD.

The Holocene calendar, first proposed by Cesare Emiliani in 1993, solves these issues by adding 10,000 years to the current year. This would set our year zero as the beginning of the human era. Our established days, months and holidays would remain the same but our perception of history would change by showing how progress quickened with time, and it would encompass all cultures.

ALEX BROLEY
Berkeley, California

The invasion of England

To say that the Norman conquest "sparked a long economic boom in England, which made the country comparatively rich", mistakes correlation for causation ("Brentry", December 24th). The whole of western Europe enjoyed rising prosperity, population growth, increased agricultural productivity and greater trade in the period 1050 to 1250. A warmer climate combined with technological innovation in the form of the heavy plough, the introduction of the horse collar to harness horses to pull it, and the widespread use of newly developed horseshoes, transformed farming. All across the continent, the new wealth was invested in majestic Gothic cathedrals and abbeys. New towns were founded and existing settlements expanded dramatically.

England didn't need the pillaging, plunder and famine caused by the "Brentry" of the conquest to prosper in the

good times of the early medieval period. Technological, commercial and social changes were already afoot in the entire region.

GEORGE HORSTINGTON
Zug, Switzerland

The Norman conquest was an economic catastrophe. William invaded because England was rich rather than over any legal claims he had. He then simply bled the nation. Anglo-Saxon England had been booming, and traded not just with Flanders and the Baltic but also sent cloth exports to Germany. The wine trade with France and Spain was important. Trade with the Rhineland provided the silver to produce 20m English pennies, the most pure currency in Europe.

PETER LANGWORTH
London

It is a bit of a stretch to describe the Normans as French. They were descendants of Norsemen who had plundered Normandy and were Germanic, like the Anglo-Saxons. The battle of Hastings was a close-run thing by the way; an Anglo-Saxon tactical blunder caused it ultimately to go in the Normans' favour. You might say that Hastings was lost through a serious series of Anglo-Saxon unforced errors rather than Norman might. PROFESSOR DAVID COLDWELL
Johannesburg

Pre-conquest England was prosperous enough to attract successive raiders such as Sweyn Forkbeard and Canute before William the Conqueror. Its institutions in 1066 were sufficient for Harold to raise an army, march to Yorkshire and see off Harald Hardrada's attempt to drag England into his Nordic EFTA, just days before the battle of Hastings secured it for William's EEC. PETER CLOUGH
Wellington, New Zealand ■

Letters are welcome and should be addressed to the Editor at The Economist, 25 St James's Street, London SW1A 1HG
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Working for a World Free of Poverty



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The retreat of the global company

The biggest business idea of the past three decades is in deep trouble

IT WAS as though the world had a new appetite. A Kentucky Fried Chicken (KFC) outlet opened near Tiananmen Square in 1987. In 1990 a McDonald's sprang up in Pushkin Square, flipping burgers for 30,000 Muscovites on its first day. Later that year Ronald McDonald rolled into Shenzhen, China, too. Between 1990 and 2005 the two companies' combined foreign sales soared by 400%.

McDonald's and KFC embodied an idea that would become incredibly powerful: global firms, run by global managers and owned by global shareholders, should sell global products to global customers. For a long time their planet-straddling model was as hot, crisp and moreish as their fries.

Today both companies have gone soggy. Their shares have lagged behind America's stockmarket over the past half-decade. Yum, which owns KFC, saw its foreign profits peak in 2012; they have fallen by 20% since. Those of McDonald's are down by 29% since 2013 (see page 56). Last year Yum threw in the towel in China and spun off its business there. On January 8th McDonald's sold a majority stake in its Chinese operation to a state-owned firm. There are specific reasons for some of this; but there is also a broader trend. The world is losing its taste for global businesses.

Their detractors and their champions both think of multinational firms—for the

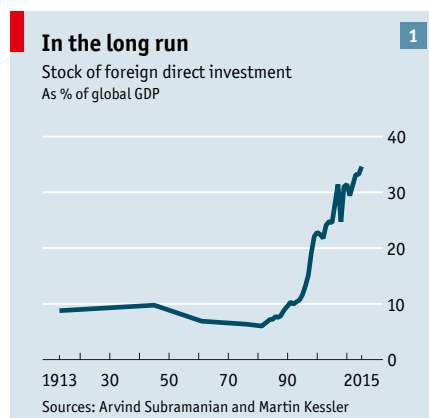
purposes of this article, firms that make over 30% of their sales outside their home region (unless otherwise specified)—as the apex predators of the global economy. They shape the ecosystems in which others seek their living. They direct the flows of goods, services and capital that brought globalisation to life. Though multinationals account for only 2% of the world's jobs, they own or orchestrate the supply chains that account for over 50% of world trade; they make up 40% of the value of the West's stockmarkets; and they own most of the world's intellectual property.

Although the idea of being at the top of the food chain makes these companies sound ruthless and all-conquering, rickety

and overextended are often more fitting adjectives. And like jackals circling an elderly pride, politicians want to grab more of the spoils that multinational firms have come to control, including 80m jobs on their payrolls and their profits of about \$1trn. As multinational firms come to make ever more of their money from technology services they become yet more vulnerable to a backlash. The predators are increasingly coming to look like prey.

It all looked very different 25 years ago. With the Soviet Union collapsing and China opening up, a sense of destiny gripped Western firms; the “end of history” announced by Francis Fukuyama, a scholar, in which all countries would converge towards democracy and capitalism seemed both a historical turning-point and a huge opportunity. There were already many multinationals, some long established. Shell, Coca-Cola and Unilever had histories spanning the 20th century. But they had been run, for the most part, as loose federations of national businesses. The new multinationals sought to be truly global.

Companies became obsessed with internationalising their customers, production, capital and management. Academics draw distinctions between going global “vertically”—relocating production and the sourcing of raw materials—and “horizontally”—selling into new markets. But in practice many firms went global every which way at once, enthusiastically buying rivals, courting customers and opening factories wherever the opportunity arose. Though the trend started in the rich world, it soon caught on among large companies in developing economies, too. And it was huge: 85% of the global stock of multinational investment was created after 1990, after adjusting for inflation (see chart 1).



By 2006 Sam Palmisano, the boss of IBM, was arguing that the “globally integrated enterprise” run as a unitary organisation, rather than as a federation, would transcend all borders as it sought “the integration of production and value delivery worldwide”. From the Seattle demonstrations of 1999 onwards, anti-globalisation activists had been saying much the same, while drawing less solace from the prospect. The only business star to resist the orthodoxy was Warren Buffett; he sought out monopolies at home instead.

Such a spree could not last forever; an increasing body of evidence suggests that it has now ended. In 2016 multinationals’ cross-border investment probably fell by 10-15%. Impressive as the share of trade accounted for by cross-border supply chains is, it has stagnated since 2007 (see chart 2). The proportion of sales that Western firms make outside their home region has shrunk. Multinationals’ profits are falling and the flow of new multinational investment has been declining relative to GDP. The global firm is in retreat.

The other end of the end of history

To understand why this is, consider the three parties that made the boom possible: investors; the “headquarters countries” in which global firms are domiciled; and the “host countries” that received multinational investment. For their different reasons each thought that multinational firms would provide superior financial or economic performance.

Investors saw a huge potential for economies of scale. As China, India and the Soviet Union opened up, and as Europe liberalised itself into a single market, firms could sell the same product to more people. And as the federation model was replaced by global integration, firms would be able to fine-tune the mix of inputs they got from around the world—a geographic arbitrage that would improve efficiency, as Martin Reeves of BCG, a consultancy, puts it. From the rich world they could get management, capital, brands and technology. From the emerging world they could get cheap workers and raw materials as well

as lighter rules on pollution.

These advantages led investors to think global firms would grow faster and make higher profits. That was true for a while. It is not true today. The profits of the top 700-odd multinational firms based in the rich world have dropped by 25% over the past five years, according to FTSE, an index firm. The weakness of many currencies against the dollar is part of the story, but explains only a third of the fall. The profits of domestic firms rose by 2%.

A complementary measure comes from the foreign profits of all firms as recorded in balance-of-payments statistics. Though the data refer to firms of all sizes, big ones dominate the mix. For companies with headquarters in the OECD, a club of mostly rich countries, foreign profits are down by 17% over five years. American firms suffered less, with a 12% drop, partly because of their skew towards the fast-growing technology sector. For non-American firms the drop was 20%.

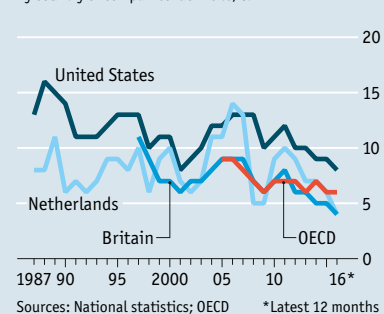
Profits should be compared with the capital sunk. The return on equity (ROE) of the top 700 multinationals has dropped from a peak of 18% a decade ago to 11%. The returns on the foreign operations of all firms have fallen, too, based on balance-of-payments statistics. For the three countries which have, historically, hosted the most and biggest multinationals, America, Britain and the Netherlands, ROE on foreign investment has shrunk to 4-8%. The trend is similar across the OECD (see chart 3).

Multinationals based in emerging economies, which account for about a seventh of global firms’ overall activity, have fared no better: their worldwide ROE is 8%. Several supposed champions—such as Lenovo, the Chinese company which bought IBM’s PC business and parts of Motorola—have been financial flops. China’s biggest completed cross-border acquisition was of Nexen, a Canadian oil firm, in 2012. Last year the buyer, CNOOC, a state-owned energy firm, wrote a chunk of it off.

About half of the deterioration in multinationals’ ROE over the past 5-10 years is explained by the slump in commodity prices, and thus the profits of oil firms, mining

Less of a good thing

Rate of return on foreign direct investment
By country of companies’ domicile, %



firms and the like. Another 10% of the deterioration is due to banks. Firms that provide the specialist services behind globalisation have also been hammered. Profits have dropped by over 50% from their peak at Maersk, a Danish shipping line, Mitsui, a Japanese trading house, and Li & Fung, a supply-chain agent for retailers.

The pain extends beyond these core industries, however. Half of all big multinationals have seen their ROE fall in the past three years; 40% fail to make an ROE of over 10%, widely seen as a benchmark of whether a firm is creating any value worth speaking of. Even at powerhouses such as Unilever, General Electric (GE), PepsiCo and Procter & Gamble, foreign profits are down by a quarter or more from their peak. The only bright spot is the technology giants. Their foreign profits comprise 46% of the total foreign earnings of the top 50 American multinationals, up from 17% a decade ago. Apple made \$46bn abroad last year, more than any other firm and five times more than GE, often seen as America’s bellwether.

These figures mean multinationals are no longer achieving superior performance. *The Economist* has examined the record of the 500 largest firms worldwide. In eight out of ten sectors, multinational firms have expanded their aggregate sales more slowly than their domestic peers. In six out of the ten sectors they have lower ROEs (see chart 4 on next page). For American firms, returns are now 30% higher in their home market, where cosy oligopoly has become more enticing than the hurly-burly of an unruly world.

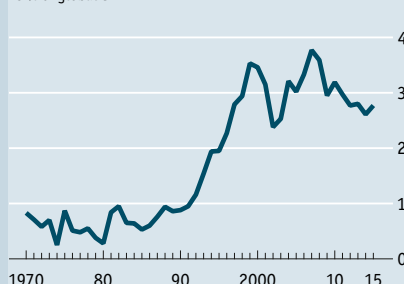
Individual bosses will often blame one-off factors: currency moves, the collapse of Venezuela, a depression in Europe, a crack-down on graft in China, and so on. But the deeper explanation is that both the advantages of scale and those of arbitrage have worn away. Global firms have big overheads; complex supply chains tie up inventory; sprawling organisations are hard to run. Some arbitrage opportunities have been exhausted; wages have risen in China; and most firms have massaged their tax bills as low as they can go. The free flow of

Rising no more

Share of exports that participate in cross-border supply chains, %



Total flows of foreign direct investment
As % of global GDP



information means that competitors can catch up with leads in technology and know-how more easily than they used to.

As a result firms with a domestic focus are winning market share. In Brazil two local banks, Itaú and Bradesco, have trounced global lenders. In India Vodafone, a Western mobile-phone operator and Bharti Airtel, an Indian multinational active in 20 countries, are losing customers to Reliance, a domestic firm. In America shale firms stole a march on the global oil majors. In China local dumpling brands are eating into KFC's sales. A blend of measures for listed firms shows that multinationals' share of global profits, 35% a decade ago, is now only 30%.

So much for the investors. What about the second constituency for multinationals, the "headquarters countries"? In the 1990s and 2000s they wanted their national champions to go global in order to become bigger and brainier. A study by McKinsey, a consultancy, based on 2007 data, outlined the sort of benefits they were after. Multinationals operating in America, which accounted for 19% of private-sector jobs, were responsible for 25% of private wages, 25% of profits, 48% of exports and 74% of research and development. Go them.

Citizens of nowhere

The mood changed after the financial crisis. Multinational firms started to be seen as agents of inequality. They created jobs abroad, but not at home. Between 2009 and 2013, only 5%, or 400,000, of the net jobs created in America were created by multinational firms domiciled there (although preliminary figures suggest that job creation picked up sharply in 2014). The profits from their hoards of intellectual property were pocketed by a wealthy shareholder elite. Political willingness to help multinationals duly lapsed.

As a result, the tapestry of rules designed to help businesses globally is fraying. Global accounting, antitrust, money-laundering and bank-capital rules have splintered into American and European camps. Takeovers of Western firms now often come with strings attached by governments to safeguard local jobs and plants. Two American-led trade deals, known as TPP and TTIP, that gave protection to intellectual property, have flopped. The global tribunals that multinationals use to bypass national courts have come under attack.

The deep roots of globalisation mean that trying to favour domestic companies by erecting tariffs no longer works as once it did. Over half of all exports, measured by value, cross a border at least twice before reaching the end-customer, so such tariffs hurt all alike. This does not mean that the inept or ignorant will not try them. But it does encourage the use of other avenues to try and right perceived wrongs, such as the



tax system and good old political muscle.

A typical multinational has over 500 legal entities, some based in tax havens. Using American figures, it pays a tax rate of about 10% on its foreign profits. The European Union (EU) is trying to raise that figure. It has cracked down on Luxembourg, which offered generous deals to multinationals that parked profits there; it also hit Apple with a \$15bn penalty for breaching state-aid rules by booking profits in Ireland, with which it had a bespoke tax deal. America, for its part, has barred big firms from using legal "inversions" to shift their tax base abroad, most notably in the case of Pfizer, a pharmaceutical company that is America's third-largest foreign earner.

Republicans in Congress are debating

changes to the tax code which would see exporters and firms bringing profits home pay less than before, while firms shifting production abroad would face levies. Meanwhile, some firms have apparently been browbeaten into outsourcing decisions about where to base factories by Donald Trump, the new American president. On January 3rd Ford, a carmaker, agreed to cancel a new plant in Mexico and invest more at home. Mr Trump also wants Apple to shift more of its supply chain home.

If these trends continue global firms' tax and wage bills will rise, squeezing profits further. If American multinationals shifted a quarter of their foreign jobs home, at American wage rates, and paid the same tax rate abroad as they did at home, their profits would fall by another 12%. This excludes the cost of building the new plants in America.

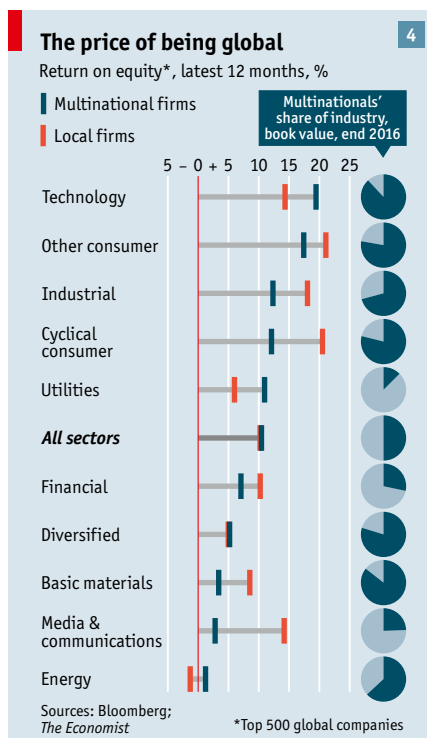
Of all those involved in the spread of global businesses, the "host countries" that receive investment by multinationals remain the most enthusiastic. The example of China, where by 2010 30% of industrial output and 50% of exports were produced by the subsidiaries or joint-ventures of multinational firms, is still attractive.

Argentina's government wants to draw in foreign firms. Mexico has just sold stakes in its oilfields to foreign firms, including ExxonMobil and Total. India has a campaign called "make in India" to attract multinational supply chains. An index through which the OECD seeks to gauge the openness of host countries shows no overall deterioration since the financial crisis.

But there are gathering clouds. China has been turning the screws on foreign firms in a push for "indigenous innovation". Bosses say that more products have to be sourced locally and intellectual property often ends up handed over to local partners. Strategic industries, including the internet, are out of bounds to foreign investment. Many fear that China's approach will be mimicked around the developing world, forcing multinational firms to invest more locally and create more jobs—a mirror image of the pressures placed on them at home.

The price of hospitality

Host countries may also become less welcoming as activity shifts towards intangible services. For the top 50 American multinationals, 65% of foreign profits now come from industries reliant on intellectual property, such as technology, drug patents and finance. A decade ago it was 35%, and the share is still rising. (It is much lower in Europe and Japan, which do not have big technology firms.) There is no serious appetite among multinationals to recreate in Africa or India the manufacturing centres they spurred on in China, which removes a reason for those host countries to welcome them. The jobs and exports that



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▶ can be attributed to multinationals are already a diminishing part of the story. In 2000 every billion dollars of the stock of worldwide foreign investment represented 7,000 jobs and \$600m of annual exports. Today \$1bn supports 3,000 jobs and \$300m of exports.

Silicon Valley's latest stars are already controversial abroad. In 2016 Uber sold its Chinese operations to a local rival after a brutal battle. In December India's two digital champions, Ola, a ride-hailing firm, and Flipkart, an e-commerce site, said the government should protect them against Uber and Amazon. They argued that their rivals would build monopolies, create few good jobs and ship the profits to America.

The last time the multinational company was in trouble was in the aftermath of the Depression. Between 1930 and 1970 their stock of investment abroad fell by about a third relative to global GDP; it did not recover until 1991. Some firms "hopped" across tariffs by building new factories within protectionist countries. Many restructured, ceding autonomy to their foreign subsidiaries to try to give them a local character. Others decided to break themselves up.

Today multinationals need to rethink their competitive advantage again. Some of the old arguments for going global are obsolete—in part because of the more general successes of globalisation. Most multinationals do not act as internal markets for trade. Only a third of their output is now bought by affiliates in the same group. External supply chains do the rest. Multinational firms no longer have a lock on the most promising ideas about management or innovation. Where they have enforceable patents over valuable brands they are still at an advantage, as they are in products, such as jet engines, where economies of scale are best created by spreading costs over the entire world. But those benefits are less than they were.

The lack of advantage is revealed in the amount of activity that yields little value. Roughly 50% of the stock of foreign direct investment makes an ROE of less than 10% (40% of the stock if you exclude natural-resources firms). Ford and General Motors make 80% or more of their profits in North America, suggesting their foreign returns are abysmal.

Many industries that tried to globalise seem to work best when national or regional. For some, the penny has dropped. Retailers such as Britain's Tesco and France's Casino have abandoned many of their foreign adventures. America's telecoms giants, AT&T and Verizon, have put away their passports. Financial firms are focusing on their "core" markets. Lafarge-Holcim, a cement maker, plans to sell, or has sold, businesses in India, South Korea, Saudi Arabia and Vietnam. Even successful global firms have gone on diets. P&G's

foreign sales have dropped by almost a third since 2012 as it has closed or sold weak businesses.

It looks as if, in the future, the global business scene will have three elements. A smaller top tier of multinational firms will burrow deeper into the economies of their hosts, helping to assuage nationalistic concerns. General Electric is localising its production, supply chains and management. Emerson, a conglomerate that has over 100 factories outside America, sources about 80% of its production in the region where it is sold. Some foreign firms will invest more deeply in American-based production in order to avoid tariffs, if Mr Trump imposes them, much as Japanese car firms did in the 1980s. This is doable if you are large. Siemens, a German industrial giant, employs 50,000 in America and has 60 factories there. But mid-sized industrial firms will struggle to muster the resources to invest more deeply in all their markets.

Politicians will increasingly insist that companies buying foreign firms promise to preserve their national character, including jobs, R&D activity and tax payments. SoftBank, a Japanese firm that bought ARM, a British chip company, in 2016, agreed to such commitments. So has Sinochem, a Chinese chemicals firm that is buying Syngenta, a Swiss rival. The boom in foreign takeovers by Chinese firms, meanwhile, may fizzle out or explode. Many such deals, reliant on subsidised loans from state banks, probably make little financial sense.

The second element will be a brittle layer of global digital and intellectual-property multinationals: technology firms, such as Google and Netflix; drugs companies; and companies that use franchising deals with local firms as a cheap way to maintain a global footprint and the market advantage that brings. The hotel industry, with its large branding firms such as Hilton and Intercontinental, is a prime example of the tactic. McDonald's is shifting to a

franchising model in Asia. These intangible multinationals will grow fast. But because they create few direct jobs, often involve oligopolies and do not benefit from the protection of global trade rules, which for the most part only look after physical goods, they will be vulnerable to nationalist backlashes.

The seeds of something more

The final element will be perhaps the most interesting: a rising cohort of small firms using e-commerce to buy and sell on a global scale. Up to 10% of America's 30m or so small firms already do this to some extent. PayPal, a payments firm, says transactions involving such multinationettes are running at \$80bn a year, and growing fast. Jack Ma, the boss of Alibaba, a Chinese e-commerce firm, predicts that a wave of small Western firms exporting goods to Chinese consumers will go some way to reversing the past two decades of massive American firms importing goods from China.

The new, prudent age of the multinational will have costs. Countries that have grown used to global firms throwing cash around may find that competition abates and prices rise. Investors, who all told have a third or more of their equity portfolios tied up in multinational firms, could face some unpleasant turbulence. Economies that rely on income from foreign investments, or capital inflows from new ones, will suffer. The collapse in profits from British multinationals is the reason why Britain's balance of payments looks bad. Of the 15 countries with current-account deficits of over 2.5% of GDP in 2015, 11 relied on fresh multinational investment to finance at least a third of the gap.

The result will be a more fragmented and parochial kind of capitalism, and quite possibly a less efficient one—but also, perhaps, one with wider public support. And the infatuation with global companies will come to be seen as a passing episode in business history, rather than its end. ■





The South China Sea

Own shoal

OKINAWA

America's new administration vows to get tougher on China's maritime claims

WHEN Donald Trump's nominee for secretary of state, Rex Tillerson, said during his confirmation hearings that America should deny China access to the bases it had built on disputed reefs and islands in the South China Sea, many assumed that he was speaking off the top of his head, perhaps trying to impress the senators by sounding tough. But when, at a press briefing on January 23rd, the new president's spokesman said something similar, it was not just jumpy Chinese who began wondering whether Mr Trump might deliberately and dramatically escalate military tensions with China.

At the briefing Sean Spicer, Mr Trump's press secretary, was asked if he agreed with Mr Tillerson's remarks. He replied, "It's a question of if those islands are in fact in international waters and not part of China proper, then, yeah, we're going to make sure that we defend international territories from being taken over by one country."

Certainly, there are strong grounds for objecting to China's ejection of neighbours' forces from islands and reefs, to its naval build-up and, above all, to its island-building. Last July an international tribunal produced a damning verdict on China's "historic claims" in the South China Sea, declaring them invalid. It said China's tongue-shaped "nine-dash line", which descends over 1,500km from the Chinese coast to encompass nearly all the sea (see map), had no legal standing under the UN

Convention on the Law of the Sea, to which China is a signatory. The court also dismissed China's claim to territorial waters around certain rocks, originally visible only at low tide, on which it had built. And it lambasted China for violating the rights of the Philippines, whose 200-nautical-mile (370-km) exclusive economic zone covers some of the rocks in question, and whose vessels China had prevented from fishing and prospecting for oil.



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China said flatly that it would ignore the ruling. If anything, it has increased its presence in the sea since. For instance, it has installed hangars for fighter jets on some of the islands, in spite of a pledge not to "militarise" them. In December the Chinese navy briefly seized an underwater drone that had been deployed by an American naval research vessel about 50 nautical miles from Subic Bay in the Philippines. China has long resented America's (perfectly legal) naval patrols and surveillance operations near its coasts.

There is a good case for standing up to creeping Chinese expansionism. But the Chinese media are surely right when they say that a blockade of the islands would be construed as an act of war. Nor do America's friends in the region want an escalation. The Philippines has had a change of government since bringing the petition to the tribunal. Its new president, Rodrigo Duterte, has said he will set the ruling aside. Australia, America's closest military ally in Asia, has distanced itself from the Trump administration's stance. And, in an abrupt change of course, Vietnam, another once-vocal critic of China's claims, recently said it would settle its maritime disputes with China bilaterally, as China prefers.

Decades of ideological inculcation have seared the nine-dash line across the hearts of Chinese nationalists. It is there on maps on the wall of nearly every classroom, and is reproduced in all Chinese

▶ passports. Facing a blockade, China would not climb down lightly.

It is not clear whether Mr Trump endorses the measures, vague as they are, that Messrs Tillerson and Spicer seem to be sketching out. But it is hard to pretend that there is no change in attitude towards China. Mr Trump has tilted notably towards Taiwan—he has broken the taboo of questioning the “one-China” policy—and he seems bent on picking a fight over trade. It is all starting to sound quite hostile, notwithstanding the deep interdependence of the two powers. Yet if the stern talk on the South China Sea is followed by inaction, America’s credibility will be damaged.

A charitable interpretation of the emerging line, floated by Bill Hayton, an expert on the South China Sea at Chatham House, a think-tank in London, is that the hawkish comments have a narrower aim, of keeping China from building on the Scarborough Shoal, a set of reefs near the Philippines from which the Chinese chased the Philippine navy in 2012. A base there, in addition to ones already built in the Paracel Islands to the west and the Spratly Islands to the south, would allow China to dominate the sea. Last year Barack Obama’s administration is thought to have warned China that America would block any attempt to build on the shoal. Mr Tillerson may therefore simply be restating existing policy more bluntly.

Will it work? Perhaps. Satellite imagery suggests that China’s island-building stopped months ago. China’s new courtship of the Philippines argues against any provocative building on Scarborough Shoal. Besides, Xi Jinping, China’s president, has declared 2017 to be a year of stability, so he can scarcely afford a crisis in the South China Sea. Still, Mr Trump’s emerging line gives China an excuse to do what it swore not to, and fully fortify the islands it has spent years creating. ■

Politics in Malaysia

Regal trouble

SINGAPORE

The country needs rescuing, but not by its royals

ELEPHANTS once carried the sultans of Johor—a sprawling state in southern Malaysia—on tours of their tropical kingdom. Sultan Ibrahim, the present ruler, prefers the saddle of a Harley Davidson. Each year the car-collecting monarch leads a crowd-pleasing convoy through the state’s ten counties, sometimes driving motorbikes but also boats, buses, scooters and trains. Last year locals flocked to see the sultan pilot a powerful truck painted in



Liberal fantasy

the colours of the state flag, its leather seats stitched with threads of gold.

Sultan Ibrahim is the most charismatic and outspoken of Malaysia’s nine sultans (who reign ceremonially in their own states and take it in turns to serve five-year terms as *Yang di-Pertuan Agong*, the head of state of the entire country). Lately the profile of Johor’s royal family has been boosted by the extravagant success of the local football team, the Johor Southern Tigers. Owned by the sultan’s son, Tunku Ismail, the club has rebounded from a two-decade losing streak to win three championships in three years.

Yet with the scandal-hit administration of the prime minister, Najib Razak, growing increasingly authoritarian, Johor’s publicity-loving royals have also become unlikely voices of moderation. Against a backdrop of worsening race relations and decreasing religious tolerance, the sultan has applauded the contributions of Johor’s Chinese and Indian minorities, bemoaned his countrymen’s fading fluency in English and condemned the creeping Arabisation of its once moderate Muslim culture, notes Frances Hutchinson of ISEAS, a think-tank. As for the crown prince, when religious types criticised him for daring to shake hands with women last year, he resorted to the protection of an over-sized rubber glove in a parody of exaggerated piety.

The sultans are considered guardians of the culture and religion of the Malay majority, but have little formal authority. In the early 1990s Mahathir Mohamad, the prime minister at the time, succeeded in pushing through constitutional amendments which withdrew the sultans’ power to veto legislation, and curbed the legal im-

munity their families enjoyed. These reforms were prompted by public outrage at thuggish royal behaviour, most notably that of Sultan Iskandar (father of Sultan Ibrahim), who was convicted of assault and manslaughter and only escaped prosecution for the fatal beating of a golf caddie thanks to his immunity as head of state. (The caddie had apparently laughed when the sultan fluffed a shot.)

In the years since, the precise limit of the royals’ role has been contested. (It is a dangerous debate: under an old colonial law, those deemed to have incited “disaffection” with the royals risk imprisonment for sedition.) Observers argue that the sultans are gradually growing more active as the popularity of the United Malays National Organisation (UMNO), the party which has led Malaysia for 60 years, slowly declines. Constitutional lawyers grumbled in 2014 when the Sultan of Selangor, a rich state near Malaysia’s capital, declined to endorse the chief minister nominated by local legislators, asking for some alternatives instead. In 2015 the Sultan of Johor provoked similar head-scratching when he appeared to order the state government to ban e-cigarettes.

Now Malaysians have begun to wonder if the sultans might be called upon to moderate—or even to oust—Mr Najib’s floundering government, which has clung to power despite claims that it allowed billions of dollars to be looted from 1MDB, a state investment firm. Last year critics blasted the government for ignoring the rulers’ apparent disapproval of a noxious new security law; meanwhile the opposition is hoping that a royal pardon will free Anwar Ibrahim, its leader, who has been imprisoned since 2015 on trumped-up charges of sodomy. In September Mr Mahathir—still politically active in his nineties, and now one of Mr Najib’s fiercest critics—presented the Agong with a petition, signed by more than 1m Malaysians, seeking the prime minister’s removal.

Mr Mahathir’s request appears to have been quietly brushed aside, which may be for the best. Royal action to oppose Mr Najib would almost certainly provoke a “constitutional crisis”, reckons Saiful Jan, a political analyst. It is anyway not obvious that defenestrating Mr Najib is in the sultans’ interests: for those who would carve out a greater role in politics, a weak government is probably a boon.

The debate reveals the desperation of Malaysia’s liberals, who are repelled by reports of vast corruption but ill served by an opposition mired in squabbles. It also says much about the woefulness of Mr Najib’s government that many reasonable citizens would like to empower unelected figures at its expense. That the country is rehashing old debates about the role of its hereditary rulers illustrates the continuing corrosion of its democratic institutions. ■

Censorship in South Korea

The new black

SEOUL

Prosecutors arrest the culture minister over an alleged blacklist of 9,500 artists

“BLACKTENT”, a pop-up citizens’ theatre pitched in January on Gwanghwamun square in central Seoul, invites South Koreans to become “both the protagonist and the audience”. On a recent weekday evening, its 100-odd tickets sold out in minutes. Some of the audience had to sit on the stage to watch “Red Poem”, a play about sexual exploitation.

The head of the theatre troupe that produced it, Lee Hae-sung, is among 9,500 local actors, artists, writers, musicians, film directors and publishers included on an alleged blacklist of artists critical of President Park Geun-hye. Like many others on the list, Mr Lee says he has not received any state funding in recent years. Kim So-yeon, an art critic who helped set up “BlackTent” to protest against the blackbanning, says the venue will continue to stage plays by shunned writers until Ms Park is removed from office.

News of the existence of the list—which a former culture minister, Yoo Jin-ryong, said this week was orchestrated by Kim Ki-choon, Ms Park’s former chief of staff and right-hand man—is yet another twist in a sensational influence-peddling scandal that led to Ms Park’s impeachment by parliament in December. That handed the constitutional court the responsibility for deciding whether to end Ms Park’s term early or reinstate her.

On January 21st a special prosecutor investigating the wider scandal arrested Mr Kim and the current culture minister, Cho Yoon-sun, on suspicion of abusing their power by enforcing the blacklist. A version of the list from 2015 is said to include some of the country’s most famous film directors as well as Han Kang, whose latest novel won last year’s Man Booker International Prize. The prosecutor says he has obtained part of the list and enough evidence to implicate Ms Park’s office. (That will have little bearing on the impeachment, which is restricted to other abuses of authority enumerated by parliament in December.)

The ministry of culture apologised this week. Both Mr Kim and Ms Park deny involvement. Ms Park has sued a reporter at the *JoongAng Ilbo*, another daily, for claiming that she ordered the blacklist’s creation in response to mounting criticism after the botched rescue of the *Sewol*, a ferry that sank in 2014, killing hundreds. (Expressing public support for prominent liberal politicians is also said to have been grounds for inclusion on the list.)

Indigenous Australians

Ministering to his own

PERTH

Australia’s cabinet gets its first aboriginal member

WHEN he became the first indigenous member of Australia’s House of Representatives in 2010, Ken Wyatt donned a kangaroo-skin cloak and spoke of improving opportunities for aboriginals and Torres Strait islanders. This week he put on the same outfit again to become Australia’s first aboriginal minister. His new job puts him in charge of health care for the elderly and for indigenous Australians, giving him a chance to make good on his lofty rhetoric.

Mr Wyatt’s mother was a member of the “stolen generation”—aboriginal and mixed-race children taken from their families to be raised in orphanages. He worked in the state bureaucracies of both Western Australia and New South Wales, focusing on aboriginal health and education. In 2008 a panel which he co-chaired successfully demanded A\$1.6bn (\$1bn at

the time) of public funding for aboriginal health. This background gives him more authority than his predecessors have had, and will help to insulate him from complaints about paternalism.

Yet Mr Wyatt faces a huge challenge in trying to unpick the “industry” of indigenous aid. Australia’s different levels of government and a plethora of charities spend at least A\$5.9bn on assistance schemes every year, but much goes on administration rather than the provision of services. The Centre for Independent Studies, a think-tank in Sydney, counted 1,082 projects targeting aboriginals last year; only 88 had been evaluated on their performance.

Waste and poor administration, along with a harrowing history of discrimination and abuse, help explain why aboriginals live roughly a decade less than non-indigenous Australians. They are more than twice as likely to commit suicide. In his attempts to address such disparities, Mr Wyatt will be constrained by his Liberal party’s conservative social agenda and by the government’s tight purse strings.

Mr Wyatt concedes that it is “unbelievable” that it has taken so long for an aboriginal to join the cabinet. It has been 45 years, after all, since the election of the first aboriginal senator. Today there are five aboriginal members of parliament, which gives Australia’s 700,000-odd indigenous people representation which is almost proportional to their share of the population. Now to do something with their newfound clout.



Comfortable in his own skin

Yet in his daily log, a late aide to Ms Park wrote that Mr Kim had ordered “an aggressive response to schemes by leftists in the arts”. Under Park Chung-hee, Ms Park’s father, who led the country from 1961 to 1979, Mr Kim headed a branch of the spy agency tasked with rooting out communists. He also helped draft the martial law that kept Park in power—and that allowed him to monitor artists and ban subversive works. Park Won-soon, the liberal mayor of Seoul (no relation to the president), says it is a dark reminder of those times, and an “intolerable” attack on South Korea’s vibrant democracy.

Rumours of a modern-day blacklist had been circulating for a while. In 2015 the government stopped support for cinemas screening independent films, giving the money instead to those showing movies recommended by a state-financed film

council. Prosecutors say recent patriotic blockbusters by CJ, a food and entertainment conglomerate, were produced under state pressure. Funding for the annual Busan Film Festival was halved after it premiered a controversial documentary on the *Sewol* in 2014.

Lee Won-jae of Cultural Action, an artists’ collective, says the blacklisting is an instance of “state violence”; they plan to sue the government. Others are protesting with a fresh crop of art. Yeo Tae-myeong, a calligrapher on the blacklist, opened the weekly Gwanghwamun Art Protest in late December with a performance project, hanging enormous sheets of his freshly painted calligraphy from police buses. Mr Yeo wants to organise an exhibit of all the art that the protests have produced. Artists not featured on the blacklist are already joking that they feel left out. ■

The race for governor in Jakarta

Demolition in progress

JAKARTA

Armed with a doctored film and false accusations of blasphemy, Islamist agitators are setting the tone in a pivotal election

WIPING away tears, Dharma Diani, a 40-year-old woman in a black headscarf, recounts how Jakarta's city government gave her less than a fortnight's notice before evicting her family and flattening their home last year. Hers was one of 400 families in Pasar Ikan, an informal settlement on the edge of Jakarta's old port, who saw their houses razed as part of a scheme to improve the city's flood defences. The authorities gave no help or compensation, she says, just the offer of a cheap rental apartment in a distant suburb. But a vigilante group called Islam Defenders Front (FPI, by its Indonesian acronym) did help, handing out food, water and bedding.

When locals rebuilt a mosque demolished at the same time as their houses, they named it al-Jihad, a gesture of defiance at the urban-renewal schemes championed by Jakarta's governor, Basuki Tjahaja Purnama, known as Ahok. The walls that still stand at Pasar Ikan are daubed with anti-Ahok slogans. And when FPI organised five minibuses to ferry people from Pasar Ikan to the city centre to join a protest against the governor, Ms Diani willingly climbed aboard.

Many Jakartans approve of Ahok's efforts to end the traffic jams, floods and other problems that blight their daily lives. That had made him the front-runner in the election for governor to be held on February 15th. But Ahok is a Christian of Chinese descent, making him twice a minority in a country whose 257m people are 90% Muslim and 95% indigenous. Last September he told a group of fishermen at an election rally that attempts to dissuade Muslims from voting for a Christian by citing a particular verse in the Koran were deceitful. Ahok's opponents doctored a clip of the speech, making it seem as if he was denigrating the Koran itself, rather than the use to which it was being put, and then posted it online. The phony soundbite incensed many Indonesian Muslims and wiped out his lead in opinion polls.

Islamist groups like FPI organised several protests, drawing as many as 500,000 people, to press the authorities to arrest him. In December Ahok appeared in court after prosecutors charged him with blasphemy. He denies the charges, of course, but faces up to five years in prison if convicted. Ahok's opinion-poll ratings have since rebounded, lifted in part by a tearful appearance in court when he spoke movingly of being raised by Muslim parents.

But most polls still put him in second place behind Agus Yudhoyono, the 38-year-old son of a former president. (In third place is Anies Baswedan, a former education minister.) All the polls suggest that it will be much more difficult for Ahok to win re-election if he fails to secure an absolute majority of votes on February 15th. In that case, the election will be decided by a run-off in April at which Ahok's detractors are likely to unite behind the other candidate.

Whoever wins, the election has left Indonesia's president, Joko Widodo, known as Jokowi, struggling to respond to the challenge posed to the country's secular and pluralist democracy by Islamist agitators. The people who attended the anti-Ahok protests did so for a variety of reasons. Most were offended by what they were told Ahok had said, but not all of them want to see Indonesia become a theocracy. Ms Diani, for her part, says she turned out because of Ahok's high-handed ways with the poor—nothing to do with his supposed comments on religion. Nonetheless, the election has propelled hardline groups like FPI from the margins of national politics to the forefront.

Jokowi himself appeared at a protest in December alongside the FPI's firebrand leader, Rizieq Shihab, who has repeatedly called for the country's secular constitution to be replaced by one based on *sharia*

(Islamic law) and has twice been convicted of hate speech. Jokowi seemed to be trying to douse passions and persuade the crowds to disperse peacefully. Still, the president helped to elevate Mr Shihab and his fundamentalist views by sharing a platform with him.

Indonesia's moderate Muslim leaders have condemned the protests, along with the politicians stoking sectarian tensions, but many of their members defied them by taking to the streets. Nahdlatul Ulama, one of the largest moderate groups, talks of hosting a theological conference to check the rise of extremism. More chauvinist groups are cannier, exploiting pent-up anger over local issues such as the evictions at Pasar Ikan to advance their cause.

Jokowi appears to be hoping that the Islamist problem will simply go away. It is possible that Mr Shihab will over-reach. He recently irked his own allies by proclaiming himself to be the "*imam besar*" (supreme leader) of all Indonesia's Muslims. Police are investigating multiple complaints against him, including claims that he denigrated the country's constitutionally protected doctrine of *pancasila*, which protects six officially recognised religions. He faces up to four years in prison if the complaints go to trial and he is convicted. Yet throwing Mr Shihab in jail might simply turn him into a martyr.

Jokowi's problems will not end after the polls close on February 15th, even if there is no need for a run-off. (At this stage, a run-off seems likely.) The protests against Ahok are widely seen as an indirect attack on the president himself. Ahok, after all, was Jokowi's deputy when he was governor of Jakarta. The political forces at play could well dominate the next presidential election, due in 2019. ■



A parable of lies and fishermen

Banyan | Goring the law

An ugly row about sacred cows undermines India's judiciary



SOME call it cruel, and no wonder. Baying spectators jab them with sharp sticks, or yank and twist their tails. Handlers are said to squeeze lemon in their eyes, rub chili on their genitals or force alcohol down their throats—whatever it takes to drive a bull wild enough to charge into a pen ringed with cheering, jeering people. The terrified beasts often trample or gore the boys who try to catch them by the hump and drag them down. Fear can also send a 450kg (1,000lb) bull crashing through barriers into speeding cars or trains.

But *jallikattu*, a form of bull wrestling practised in the southern Indian state of Tamil Nadu, is no blood sport: unlike in a Spanish bullfight, the bulls' ordeal does not end in death. For Tamils, the "taming" of bulls is a noble tradition. Prehistoric cave paintings, ancient seals and 17th-century carvings from Hindu temples all capture the same, unchanging image of a daredevil youth straining against the ungainly shoulder hump that distinguishes the hardy native *bos indicus* breed of cattle. In myth Krishna pacified a bull; the great Tamil screen heroes have also tested their manliness against a raging beast.

In the blockbuster "Thaikuppam Tharam" in 1956, M.G. Ramachandran tamed a bull to win the respect of his uncle and the heart of his girl. Movie stardom was to propel MGR, and later also his leading lady, Jayalalithaa, to the pinnacle of state politics. Their party, the All India Anna Dravida Munnetra Kazhagam or AIADMK, espoused Tamil exceptionalism: the idea that Tamils are racially, linguistically and culturally distinct from Aryan, Indo-European northerners. And what better proof could there be that the north does not sufficiently respect the traditions and dignity of the south than the Supreme Court's decision earlier this month to uphold a ban on *jallikattu* it had first issued in 2014, at the behest of animal-rights activists?

The police in Chennai, the state capital, attempted to enforce the ban by raiding bull pens and arresting scores of would-be contestants before the start of the *jallikattu* season at the annual harvest festival of *pongal* in mid-January. In response, a giant crowd of protesters gathered along a wide, sandy stretch of the Marina Beach in the centre of the city, hoping to prod the AIADMK government to defy the court. Similar protests snowballed across Tamil Nadu. Marina Beach became a seaside Tahrir

Square, complete with vendors, volunteer battalions of cleaners and shows of solidarity among Hindus, Muslims and Christians.

From a defence of a traditional sport the protest metastasised into a wider declaration of Tamil identity against perceived alien influence, whether in the form of meddling from faraway Delhi, or of a Hindi-language cultural "invasion", or of alleged attempts to impose north-Indian norms of Hindu practice. (Some pious Hindus from the northern "cow belt", where cattle are especially revered, supported the ban.) Politicians of all stripes jumped on the bandwagon. Even the local head of the Rashtriya Swayamsevak Sangh, a Hindu-nationalist group that defends the sanctity of cows, found a way to please the crowds. He said that while he was neutral about *jallikattu* he would fight against what he termed "a conspiracy to finish off native Indian breeds to help international companies to market their own breeds".

Tamil pop and movie stars also piled in. Kamal Haasan, star of perhaps the most famous bull-taming scene in Tamil cinema, in the 2004 hit "Virumaandi", sent out a series of shrill tweets in support of the protests. "PETA go ban bull-riding rodeos in Mr Trump's US," said one of them, referring to People for the Ethical Treatment of Animals, an international animal-rights group. "You're not going to tackle our bulls. Empires have been made to quit India."

Chastened by the scale and passion of the protests, Tamil Nadu's chief minister flew to Delhi for a hastily arranged meeting with Narendra Modi, the prime minister. The protests had spooked his government, too. The result: a fudge. The Supreme Court quietly agreed to suspend its ruling for a few days, allowing the state legislature to pass a new bill to legalise *jallikattu*. That may also be challenged, but in the meantime the sport has gone ahead with gusto: in the first few days after the lifting of the ban on January 22nd, three young men were killed in the bull pens.

Who's the bos?

So, a great victory for the people, and a welcome defeat for government meddling and nannying courts? Perhaps, but the affair has left some uneasy. "I really have no opinion at all about the sport," says Madhav Khosla of Columbia University. "But it is quite disturbing to see the Supreme Court so easily challenged, and basically forced to back off."

Sadly, this is not the only such case in recent months. The state of Punjab, for instance, has openly defied the Supreme Court's order to open a canal that will irrigate parts of neighbouring Haryana. A similar dispute has seen the state of Karnataka repeatedly refuse to release to Tamil Nadu, which lies downstream on the Cauvery river, a court-ordered share of its water. In both cases state governments have not only bowed to public anger at the court's rulings, but ridden and amplified it. In a recent talk to officers of the Research and Analysis Wing, India's foreign-intelligence service, Pratap Bhanu Mehta, a thoughtful public intellectual, warned of a decline in the country's public institutions and a rise in populist politics.

Yet as Mr Khosla points out, such troubles are partly the fault of the judges themselves. All too often India's courts have issued rulings that are either so harsh or so petty as to invite scorn. One recent example: the Supreme Court requires Indians to stand for their national anthem before every showing in every public cinema, including during film festivals. And surely, if the original ruling on *jallikattu* had mandated humane treatment of bulls rather than an outright ban, this rumpus might never have happened. ■

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Mental illness

Ending the shame

HANGZHOU

China is starting to recognise how many of its people are mentally ill. But proper treatment is still rare

LAST year Li Tian (not her real name) spent a month in a mental hospital. She has suffered from depression for years, but was not particularly low or anxious at the time. It was just that world leaders were preparing to gather in Hangzhou, the eastern city where she lives, for a G20 summit. Ms Li manages her illness with medication, but the authorities have it on record that she can be “unstable” (their evidence: she spent three months in a psychiatric hospital with postnatal depression some years ago). The government did not want any public outburst to mar what it saw as a hugely important event. So “someone from the community” visited her father, Ms Li says, and “suggested” that she check in to a psychiatric facility. Sufferers are still routinely treated as a danger to society.

Ms Li is relatively lucky. Most people with mental disorders in China never receive treatment. There is often a stigma attached to such ailments. Some think that people with psychiatric conditions are possessed by evil spirits. Many see mental disorders as a sign of weakness, and regard them as socially contagious: a relative of someone with a serious disorder may find it hard to marry. Families sometimes have their kin treated far away to hide the “shame” of their condition, or keep them hidden at home. Even many medical students worry that those working with psychiatric patients risk catching their disease, says Xu Ni of “It Gets Brighter”, a mental-

health NGO in Beijing.

Ms Li, however, sees a doctor twice a year. Every weekday she attends the Chaoming Street Rehabilitation Centre, a drop-in facility for people with psychiatric problems. There she talks openly about her illness, shares her experiences with other sufferers and learns new skills.

But the centre is one of only a handful of its kind in China. The country is woefully ill-equipped to treat mental conditions. The psychiatric system, such as it was, was largely dismantled after the Communists seized power in 1949. Under Mao, those who displayed symptoms of depression risked being viewed as traitors to the socialist cause, which was supposed to fill everyone with enthusiasm.

Few were diagnosed with depression until the early 1990s. By then the health system was beginning to lose state backing. Hospitals were having to support themselves, and psychiatric services were not seen as money-spinners. Ms Li was rare in having her postnatal depression diagnosed: new parents often know nothing about the condition.

The taboo fades

Attitudes are beginning to change and China is waking up to the prevalence of mental illness. Outpatient visits increased by more than 10% every year between 2007 and 2012. Use of antidepressants is rising fast. Young, educated urbanites are increas-

ingly using the internet to seek help privately for their mental-health problems.

The government is also making a greater effort. In 2004 it launched a programme aimed at increasing the number of community mental-health facilities (with doctors on hand, unlike the Chaoming centre). Some provinces now give free medicine to people with schizophrenia, bipolar disorder and other conditions. In 2012, after decades of deliberation, China passed its first mental-health law. The bill called for yet more facilities, an increase in their staff and efforts to raise awareness of the issue in schools, universities and workplaces. It advised against confining sufferers against their will (patients are pictured above in 2010 at a facility in Luohe, Henan province). When the law was passed, about 80% of people in mental hospitals were there involuntarily, by some estimates.

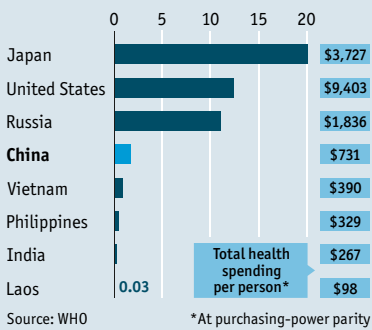
But change is slow, and the rapid transformation of Chinese society is making it all the more difficult for many to get the care they need. The migration of tens of millions of people into cities has broken up families and left many sufferers undiagnosed or with no one to turn to; people often resist seeking help because they are too embarrassed. As incomes have risen, so too has alcoholism, but fewer than 2% of addicts ever seek treatment because very few Chinese consider it an illness.

New mental hospitals have opened and care has improved at some existing ones. But many such facilities still treat their patients as prisoners. A person familiar with them describes them as “unspeakable”. Others describe clanging metal doors, patients strapped to beds and staff who humiliate inmates. In Hangzhou, Ms Li endured repeated bouts of electric shock therapy for postnatal depression during her three-month stay at the city’s Number 7 People’s Hospital.



Shrink shortage

Psychiatrists per 100,000 people, 2014



Psychiatric resources remain largely devoted to preventing ailments from threatening social stability. Any kind of unusual behaviour in public, not just actions that are physically threatening to others, can be deemed such a risk. Ms Li's experience during the G20 was typical. Officials often round up people with mental disorders before important political events. Mental hospitals are also sometimes used to detain political dissidents who have no diagnosis of mental-health problems.

Doctors remain in short supply. In 2014 the country had about 23,000 psychiatrists—1.7 for every 100,000 people (see chart). Many of these were not fully qualified. Psychiatrists are paid less and have lower status than other medical specialists. Medical students at Peking University receive only two weeks of training in psychiatric care (they used to get none). Few of China's nurses and social workers (of whom there is a woeful shortage) have experience in psychiatry. Qu Zhiya, the head of the Chaoming centre in Hangzhou, used to work in a textile factory; she has no medical training and earns just 2,300 yuan (\$335) a month. Mental health-care resources are concentrated in cities; two-thirds of rural counties have no psychiatric beds at all. Medical insurance often does not cover mental-health treatment.

Even if they accept that they do need care, sufferers from psychiatric problems may still try to resist it. People with a certified mental problem can find it hard to get work: since the Chaoming centre opened in 2007 not a single member has got a full-time job, says Ms Qu. So families often have to shoulder an even greater burden, with financial woes compounding a lack of medical or emotional support.

The pressure can have appalling consequences. On January 20th a 42-year-old woman with a psychiatric condition was found locked in a cage in a wood in the southern province of Guizhou. She had been put in it by her brother, who claimed the local government knew about her case. Several such incidents have been reported by the Chinese media in recent years. They are China's real shame. ■

Lunar new year**Rooster boosters**

BEIJING AND YANGON

China's biggest festival is going global

RED lanterns adorn the aisles of a small supermarket. There are stacks of red envelopes on sale, for stuffing cash in and handing out as gifts. A sign offers seasonal discounts. Such festive trappings are ubiquitous in China in the build-up to the lunar new year, which this year starts on January 28th. But this is Yangon, the capital of Myanmar, where Han Chinese are a mere 2.5% of the country's population. They are a sign that Chinese new year is becoming a global holiday.

Several countries in Asia celebrate the lunar new year in their own way. But dragon and lion dances in Chinatowns the world over have helped to make China's the most famous. These days growing numbers of people who are not of Chinese descent are joining in. In Tokyo window cleaners dress up as the animals of the Chinese zodiac. Barcelona's Chinese parade includes *dracs* (a Catalan species of dragon). America, Canada and New Zealand have issued commemorative stamps for the year of the chicken (or cock or rooster, as the animal of 2017 is sometimes called, inaccurately: the Chinese word is gender neutral). Last year New York city made the lunar new year a school holiday for the first time.

The spread of the spring festival, as China calls it, is partly due to recent emigration from China: 9.5m Chinese people have moved abroad since 1978, many of them far richer than earlier waves of migrants. It also reflects the wealth and globe-trotting ambitions of China's new

middle class: festivities in other countries are partly aimed at the 6m Chinese who are expected to spend their weeklong holiday abroad this year. International brands are trying to lure these big spenders with chicken-themed items.

Conscious of China's growing economic and political clout, foreign leaders have taken to noting the occasion. Britain's prime minister, Theresa May, has given a video address, a tradition started in 2014 by her predecessor, David Cameron. Last year the country's royal family tweeted a picture of Queen Elizabeth dotting the eye of a Chinese lion-dancer's costume. Also in 2016, Venezuela's culture minister admitted that his country was celebrating Chinese new year for the first time—with six weeks of festivities—in a bid to improve economic ties with China. It is rumoured that this year's World Economic Forum in Davos was held a week earlier than usual to avoid clashing with Chinese new year.

China hopes the festival will boost its cultural "soft power" abroad. So it sponsors related events, such as a display this year of martial arts in Cyprus and a traditional Chinese temple-fair in Harare, Zimbabwe. It may give Chinese officials satisfaction to see foreigners enjoy such festivities. They lament the growing enthusiasm among Chinese for Western celebrations such as Christmas—in December cities across China are bedecked with Santas and snowflake decorations. Chinese new year is a welcome chance to reverse the cultural flow.

**A glad eye to the West**



Donald Trump in office

Trust me, I'm the president

WASHINGTON, DC

The new president has brought the habits of his campaign to the Oval Office

WHEN Richard Nixon's presidency began his attorney-general gave this piece of advice to reporters: "Watch what we do, not what we say." In his first week in office the 45th president said plenty to comfort loyalists and confound foes with his extravagant and disorientating lies. The press corps dwelt on what it means to have a White House spokesman who makes statements that are readily disproved, working under a president whose claims about voter fraud are entirely bogus. The startling thing is that in these first few days Donald Trump has been just as extravagant in his deeds as in his words.

Incoming presidents like to use their powers to take swift action even when they have majorities in Congress. The order banning foreign NGOs that "actively promote" abortions from receiving federal money is a good example (see next story). Even so, it is breathtaking how powerfully this president is signalling that he intends to honour campaign promises that some assumed were just talking points. So, too, is the passivity of congressmen who spent much of the past six years denouncing the previous president for his imperial use of executive orders.

The orders signed so far include: giving the go-ahead to two oil pipelines, stipulating that they should use American steel in their construction; withdrawing from the Trans-Pacific Partnership; dismantling the rules that underpin Obamacare; freezing most hiring in the federal workforce; speeding environmental reviews on infra-

structure projects; extending a wall along the border with Mexico; broadening the definition of offences that can lead illegal migrants to be deported; cutting grants for "sanctuary cities", which are reluctant to deport most immigrants; and increasing the number of border-patrol agents.

Draft executive actions, copies of which have been seen by news organisations including the *New York Times* and *Vox*, include putting the CIA back in the business of holding terror suspects by reopening "black sites" in other countries, which were previously used to torture prisoners; cutting back funding for the UN and other multilateral organisations; and ending the settlement of Syrian refugees and temporarily banning visitors from seven Muslim countries (Iran, Sudan, Syria, Libya, Somalia, Yemen and Iraq).

Mr Trump has a mandate for speed, having repeatedly promised to act "so fast" on the campaign trail. But America is built on checks and balances, even when one party holds almost all the keys to power, as Republicans currently do. Mr Trump seems to be betting he can govern without them. "We do not need new laws," he told civil servants at the Department for Homeland Security. "We will work within the existing framework."

Judged by their previous positions on everything from deficit spending to the dangers of an overmighty executive, Mr Trump should be heading for a clash with Republicans in Congress. But some lawmakers are relaxed about being by-passed.

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"We expect a lot of actions," Adam Kinzinger, a Republican member of the House, told *Politico*. "Obviously I have no idea what it's going to look like. For me, he's elected president, he's got his first days planned and what he's going to do...there's no reason that he needs to communicate all the details of executive actions to us."

And Mr Trump remains convinced, with reason, that he can speak to voters over the head of party bosses. There are signs that they are feeling cowed. Paul Ryan, the Speaker of the House, a budget hawk and until recently a supporter of comprehensive immigration reform, said that Congress will work with the president to pay for the wall upfront, the bill for which is cautiously estimated at \$10bn.

Eventually, though, lawmakers may start to cause trouble and to use the power they hold over spending. At the same time, opponents among non-profit and advocacy groups will from the start do their best to ensnare Mr Trump's actions in the courts.

It matters, therefore, that some of the president's orders are unclear. The one on Obamacare, for instance, which offers non-specific "relief" from the Affordable Care Act, leaves a lot unsaid. On the face of it, the action tells the government to stop enforcing coercive measures that force people to buy health insurance and are unpopular. But it is silent on how to pay for Mr Trump's popular promises to offer a replacement that is cheaper and better.

Optimists point to experienced and distinguished generals and businessmen appointed to Mr Trump's cabinet as a restraint on government by edict. But those outside the president's innermost circle seem blindsided, too.

On torture, for example, Mr Trump concedes that the retired four-star marine general, James Mattis, whom he has picked as his defence secretary, believes that brutal interrogations are ineffective. Congress, ►►

led by Senator John McCain, the Republican former presidential candidate and himself a victim of torture during the Vietnam war, has banned all interrogation methods not found in the army field manual. Mr McCain tweeted this week that Mr Trump “can sign whatever executive orders he likes, but the law is the law—we’re not bringing back torture.”

But Mr Trump told ABC television that, although he would listen to his new defence secretary and his CIA chief, “I have spoken as recently as 24 hours ago with people at the highest level of intelligence. And I asked them the question, ‘Does it work? Does torture work?’ And the answer was, ‘Yes, absolutely.’”

Mr Trump knows, better than his critics, what his supporters want. In his inaugural address, delivered outside the Capitol on January 20th, he swore to resuscitate a country he described as crippled by deindustrialisation and crime: “This American carnage stops right here and stops right now.” Many commentators, including some Republicans, decried this as demagoguery. But it was popular; 65% of Americans liked Mr Trump’s “America First” message. Although Mr Trump’s approval ratings are low for a new president, many proposals, including the promise to protect the country from foreign competition, go down well. Nor is he daunted by the risk that his actions will be unpopular beyond America’s borders, saying: “The world is as angry as it gets. What? You think this is gonna cause a little more anger?” ■

Abortion policy

Gag reflex

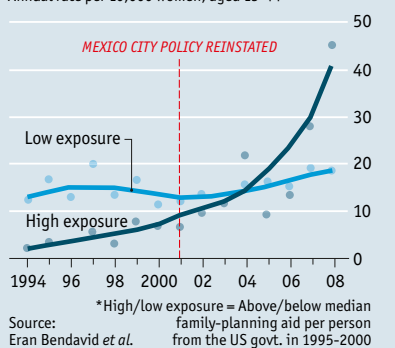
A policy intended to cut abortions is likely to do just the opposite

ONE ritual has become familiar for a president’s first week in the Oval Office. It has long been illegal for federal money to be used to fund abortions anywhere. On January 23rd, four days into his presidency, Donald Trump signed an executive order that bans government aid to foreign non-governmental organisations that “actively promote” abortion, for example by telling a woman that abortion is a legally available option. Since 1984, when the policy first came about, it has been swiftly revoked by incoming Democratic presidents and reinstated by Republican ones.

Past experience suggests that this “global gag rule” will lead to more abortions, not fewer. A study by researchers at Stanford University found that after the policy came into effect in 2001, the abortion rate increased sharply in sub-Saharan African

Mexican wave

Abortions in 20 sub-Saharan African countries, by exposure to the Mexico City policy*
Annual rate per 10,000 women, aged 15–44



countries that had been receiving substantial amounts of aid for family-planning programmes. By contrast, the abortion rate remained stable in countries that were less dependent on such aid (see chart).

The study, as well as anecdotal accounts and research by NGOs, suggest that abortions rose because of cuts in the supply of contraceptives. In many poor countries NGOs funded by Western governments are big providers of contraceptives, and many fall foul of the Mexico City policy (named after the population conference at which it was first unveiled). Some provide abortions, others just information on where a safe, legal abortion can be obtained. Both can be life-saving: many women die from botched abortions, even in countries where abortion is legal. Some NGOs have chosen to close clinics rather than accept money with the new strings.

Marie Stopes International, a British NGO, estimates the measure could cut 1.5m women off its family planning services in 2017 and lead to 2.2m more abortions in the next four years. In the past, European countries have upped their aid for family-planning programmes to fill what an EU official called the “decency gap” in aid. A day after Mr Trump resurrected the policy the Dutch government said it will set up a special fund to counter its impact.

This time round the gap could be larger. Previously, the Mexico City policy applied only to aid for family-planning programmes, which in 2016 stood at about \$600m. Mr Trump’s version covers all global health aid, a pot as large as \$9.5bn a year. That is about a third of rich countries’ total foreign aid for health care.

Nobody knows how many NGOs will shun money under the new rules. The casualties may include the foot soldiers in America’s global campaign against HIV/AIDS, which has beaten back the disease in Africa. (George W. Bush made an exception for HIV/AIDS when he resurrected the Mexico City rules.) Supporters of the policy see it as pro-life. Sadly, the probable outcome may be just the opposite. ■

Pipelines

On a war footing

Donald Trump throws down a gauntlet to environmentalists

“From this day forward all war between the parties to this agreement shall forever cease.” So begins the Fort Laramie Treaty, which leaders of the Sioux signed in 1868 with the United States government. On January 24th the war threatened to restart—at least in the courts. In one of his first actions in office, Donald Trump ordered swift approval of two pipelines, one of which runs through land which the Standing Rock Sioux in North and South Dakota say is within the boundaries of the Fort Laramie treaty. The tribe vowed to take legal action, claiming it risks soiling their water. It heralds the start of what is likely to be a bitter battle between a pro-oil administration and environmentalists.

The two projects, the Dakota Access Pipeline running 1,200 miles (1,900km) to Illinois, and the Keystone XL covering a similar distance from Alberta, Canada, to Nebraska, offer a boost to an industry hit by slumping prices and environmental rules in recent years. Both were blocked during the Obama administration.

The first, costing \$3.8bn, will carry oil from North Dakota’s Bakken area, an early beneficiary of the shale revolution that has fallen into the doldrums, partly because it sends much of its oil out by relatively expensive rail, which makes it uncompetitive against Texan crude. Mr Trump clearly rates its business case: he once invested in the company building the pipeline.

In contrast, the last leg of the \$8bn Keystone XL pipeline to Canada is a less appealing investment, analysts say. It aims to create a link between producers of the heavy, sulphurous crude in Alberta’s tar sands and refineries in the Gulf of Mexico that are better equipped for processing it than the lighter stuff pumped in Texas. But it has been hamstrung by years of delays, during which competitors have come up with alternative pipelines to ship Canadian- ▶▶



▶ an crude to foreign markets that may reduce the volumes flowing south. What's more, the state of Nebraska has yet to approve a route through which it can pass.

None of these obstacles will deter Mr Trump, nor will the potential legal challenges he faces. He compounded the executive orders with one calling on the secretary of commerce, Wilbur Ross, to come up with a plan to ensure all future work on pipelines in the country is done with American steel. That might push up the cost, making their economics tougher. The local-content requirement may also violate World Trade Organisation rules.

But the orders, which he had promised during the campaign, reinforced his inauguration message of "buy American". They will have pleased his campaign donors in the oil industry, such as Harold

Hamm, a pioneer of the North Dakota shale boom. They won applause from Canada's prime minister, Justin Trudeau, even though Mr Trump said some of the terms with TransCanada, builder of Keystone XL, may be renegotiated. Mr Trudeau saw them as a filip to Albertan oil producers—and that feeling was shared across America's oil patch. "To the oil industry, it says we're open for business," says Trisha Curtis of PetroNerds, a consultancy.

To many environmentalists, it means war, however. Greenpeace, an NGO, said an alliance of indigenous groups, ranchers, farmers and climate activists would block the pipelines, as they had done in the past. On January 25th Greenpeace activists hung a giant "Resist" banner from a crane near the White House. Mr Trump is sure to resist back. ■

Replacing Obamacare

High risk by name

MINNEAPOLIS AND WASHINGTON, DC

The Republican alternative to a key part of Obamacare could work—but only if it is well funded

AS REPUBLICANS seek to carry out their promise to repeal the Affordable Care Act (ACA), they must keep an eye on their own political health. "Obamacare" may be unpopular, but its components are not. A celebrated part of the law bans insurers from turning away customers who have pre-existing medical conditions. Before the ACA, insurers would routinely deny coverage to those with even minor or old blots on their medical histories. At a recent question-and-answer session, Paul Ryan, the Speaker of the House of Representatives, was confronted by a man who, thanks to a cancer diagnosis, owed his life to this Obamacare rule. Mr Ryan promised the voter that the GOP's desired ACA overhaul would not have left him for dead. Instead, he could have joined a "high-risk pool". Beloved by the right, these pools feature in almost every Obamacare alternative, including the one penned by Tom Price, Donald Trump's pick to be health secretary.

The idea is to hivel unhealthy people off into their own dedicated market and then subsidise their coverage. It reverses the logic of the ACA, which lumped everyone together to spread costs around. The law sent premiums skyrocketing for healthy folk who buy their insurance themselves, rather than through an employer. Whittling out higher-risk people from the market would bring those premiums back down. Middle-income earners too well-off to qualify for Obamacare's tax credits, who have suffered the most from higher costs, would surely cheer such a reform.



Room for everyone

Thirty-five states ran high-risk pools before the ACA. The biggest and most successful was the Minnesota Comprehensive Health Association (MCHA, or "em-sha"). Established in 1976, MCHA covered 27,000 Minnesotans with pre-existing conditions in 2011, about 10% of the relevant market. It offered a selection of plans, from near-total coverage to catastrophe-only insurance. All provided good, though not unlimited, care.

Separating high-risk people out does not make their costs disappear. Minnesota paid for MCHA in two ways. First, premiums were up to 25% higher than elsewhere.

After those were collected, a levy on other health insurance plans covered its losses. This tax inflated healthy folks' premiums much less than Obamacare does, partly because it applied to a broad base which included employer-provided coverage.

MCHA helped create a stable market, argues Peter Nelson of the Centre of the American Experiment, a conservative think-tank. The ACA, by contrast, has led to something of a mess. In 2015 insurers' costs were 16% higher than their revenue from premiums. Blue Cross Blue Shield, an insurer which covered 103,000 people, has left Minnesota's market, blaming massive losses. The state is likely to hand out \$300m to cushion the blow from huge premium increases for 2017, which by one measure reached 59%.

Little wonder that some pine for the return of high-risk pools. But MCHA was the exception rather than the norm. Many states starved high-risk pools of cash. Florida's contained only about 200 people in 2011. Premiums were commonly twice the normal rate. Many states had enrolment caps, meaning that even people willing to fork over were not guaranteed coverage.

That makes worries on the left—that high-risk pools provide cover for denying care to the ill—look justified. (At the women's march on Washington on January 21st, one workish protester wielded a placard proclaiming "high risk pool+affordable health care"). Not even MCHA was accessible to everyone who needed it. In 2014 a 45-year-old paid about \$350-400 a month for an MCHA plan with a \$2,000 deductible. That seems a stretch for someone earning \$24,000 a year, the income at which single-person households in Minnesota cease to be eligible for Medicaid or "Minnesota-Care" (two government-run insurance programmes for the poor). Remarkably, nobody knows precisely how many people could not afford MCHA. But using the obesity rate to guess the proportion of people with pre-existing conditions suggests that MCHA fell well short of covering all of them, says Lynn Blewett of the University of Minnesota.

That suggests still greater subsidies would be needed to replicate Obamacare's goal of universal coverage for the already-sick. Minnesota's high-risk pool lost about \$6,000 per enrollee in 2011. Covering such losses for the same proportion of the market nationwide would cost about \$11bn a year, *The Economist* estimates. Mr Ryan's plan offers \$2.5bn a year in federal funds. Many states would be reluctant to make up the shortfall.

High-risk pools are in some ways preferable to Obamacare's complex system of behind-the-scenes redistribution, which is hard on middle-earners who lack employer-provided coverage. But without generous, sustainable funding, high-risk pools could be a treacherous alternative. ■

Subsidising professional sports

If you fund it, they may come

LAS VEGAS

The Raiders' new stadium looks like an expensive boondoggle

ALONG with framed family photos and magazine articles trumpeting his career, fifteen shovels adorn the walls of Steve Sisolak's office. As the chair of the Clark County Commission, Mr Sisolak presides over many groundbreakings. He hopes to soon add a shovel to the wall to commemorate the start of construction on a 65,000-seat football stadium. The stadium proposal is at the crux of a plan to lure the Raiders football team to Sin City from Oakland, where the team currently shares a 1960s stadium with the Oakland Athletics baseball team. On January 19th the Raiders filed paperwork with the National Football League (NFL) expressing their intent to move to the Silver State. For this to go forward, 24 of 32 NFL team owners must approve it in a vote at the end of March.

Subsidising sports stadiums increased with the Tax Reform Act of 1986, says Ted Gayer of Brookings, a think-tank. The law intended to clamp down on the tax exemption of bonds used to finance many sports stadiums (though not the proposed Las Vegas arena). But in practice, it incentivised the federal government to match local subsidies. In order to woo or retain professional sports teams, offering up public money has become almost mandatory for states. When they were scrambling to keep the Rams from moving to Los Angeles, St Louis offered to chip in \$400m in state and local tax dollars to build a new \$1.1bn waterfront stadium. To keep the Raiders in California, Oakland offered \$200m in infrastructure and 105 acres (42 hectares) of land to construct a new home for the team. A Brookings report which Mr Gayer co-authored suggests that from 2000 to 2014, 36 of the 45 major-league sports stadiums that were either constructed or renovated received some sort of governmental subsidy.

The Las Vegas stadium would cost \$1.9bn, making it among the world's most expensive. The Raiders would pony up \$500m and Sheldon Adelson, a casino magnate, has promised \$650m, though his participation has recently become less sure. The remaining \$750m would come from a hike in Clark County hotel room taxes—a record stadium subsidy. Additionally, a report by the Nevada Department of Transportation estimates that it would also require \$899m for highway upgrades. That report surfaced mysteriously on the day Nevada's state legislature was meant to vote on the stadium tax; the department's bleary-eyed director was called from bed

**Raiders of the stretched budget**

at midnight to explain.

Mr Sisolak, who will probably run for Nevada governor in 2018, and the project's other supporters insist that the stadium will be a boon for the local economy. Gesturing at his shovels he says: "To me, these represent jobs. The stadium would mean thousands of new jobs." The Southern Nevada Tourism Infrastructure Committee suggests the stadium will create 19,000 construction jobs and 6,000 permanent positions. It projects that football games, concerts and other events held in the stadium would draw 450,000 new visitors to Las Vegas each year, bringing in \$35m in annual public revenue (and, if accurate, repaying the direct subsidy over 21 years).

And anyway, the extra taxes levied to build the stadium will mainly come out of tourists' bedazzled pocketbooks.

Roger Noll, an economist who studies sports-stadium subsidies at Stanford University, says he has never witnessed the construction of a football stadium that has had a significant positive impact on the local economy. Chris Giunchigliani, the only Clark County commissioner to vote against the tax bump needed for the stadium, argues the project should have been funded entirely by the private sector. Mr Adelson, many sceptical of the stadium protect note, is worth around \$30bn. "If it's good for business, let business pay for it," Ms Giunchigliani reasons. ■

Schools

Teaching economics

NEW YORK

Creative fixes for the teacher shortage

TEACHERS for maths, science and for special and bilingual education have long been hard to find and keep. Filling empty slots in rural and in low-achieving urban districts is not easy either. This is not new, but districts, states and colleges are devising new ways to tackle the problem. Some are allowing unqualified teachers into the classroom. A survey last year of 211 California school districts found that 22% allowed teachers to teach subjects outside their expertise. Others are paying maths and science teachers more, which is anathema to unions, who want to treat all teachers the same. To avoid their wrath, a few states plan to use separate grants to pay bonus salaries, bypassing school districts altogether.

Some districts, such as the Cherokee County School District in South Carolina, pay teachers a \$10,000 signing bonus to work in rural areas. Math for America, a privately funded programme in New York city, gives teachers up to an extra \$15,000 a year for four years. New York

city's public schools lose 9% of maths and science teachers each year. Math for America's attrition rate is less than 4%. It provides 20% of the city's public school maths teachers and are in half of its high schools.

Others are loosening up mandates for teaching licenses. Bruce Rauner, Illinois's governor, signed a bill making it easier for teachers who move to Illinois to work in the state. Pennsylvania has expedited certification for military veterans and their spouses. One deputy chancellor in Florida is trying to get districts to permit part-time teachers to work a bit like a university adjunct, teaching just one course, instead of a full class-load. Changing certification requirements could open up teaching to scientists, engineers and mathematicians. That two-thirds of all teachers leave before retirement age doesn't help matters. Yet even as some schools and districts struggle to fill slots, many states also find they have an oversupply of elementary schoolteachers.

Colleges and inequality

Skipping class

New data show that joining the 1% remains unsettlingly hereditary

READING John F. Kennedy's application to Harvard College is a study in mediocrity. The former president graduated from high school with middling marks and penned just five sentences to explain why he belonged at Harvard. The only bit that expressed a clear thought was also the most telling: "To be a 'Harvard man' is an enviable distinction, and one that I sincerely hope I shall attain." America's premier universities, long the gatekeepers for the elite, have changed greatly since their days as glorified finishing schools for scions. But perhaps not as much as thought.

New data on American universities and their role in economic mobility—culled from 30m tax returns—published by Raj Chetty, an economist at Stanford University, and colleagues show that some colleges do a better job of boosting poor students up the income ladder than others. Previously, the best data available showed only average earnings by college. For the first time, the entire earnings distribution of a college's graduates—and how that relates to parental income—is now known.

These data show that graduates of elite universities with single-digit admissions rates and billion-dollar endowments are still the most likely to join the top 1% (though having wealthy parents improves the odds). And despite recent efforts to change, their student bodies are still overwhelmingly wealthy.

Princeton University is the best at producing plutocrats—23% of its graduates end up as one-percenters, about the same as the share of its students who hail from equally wealthy households. Following closely are the University of Pennsylvania, Harvard and Stanford where this rich-in, rich-out model works well.

No matter their family income, students at America's most prestigious universities have a roughly equal chance of reaching the top 20% of the income distribution. Reaching the top 1% is a different story altogether. In this case, having a trust fund appears handy. Even if a student attends an elite university, the chances of eventually reaching the economic elite increase greatly with the wealth of parents (see chart). A rich student, hailing from a household in the top 5%, has about a 60% greater chance of reaching the income summit than a poor student, whose parents were in the bottom 5%, even if they both attended one of America's most esteemed universities. Elite financial and

consulting firms, which often recruit for highly paid positions exclusively at Ivy League-calibre schools and rely on networking, may bear some of the blame.

Breaking into the upper-middle class is a good bit easier, our analysis of Mr Chetty's data shows. Three of the important factors in determining the average earnings of graduates are test scores, where the college is located and what subjects the alumni studied. Those who do not get into Yale should feel relieved that a clear path to the upper-middle still exists: study a technical subject like engineering or pharmacology, and move to a large city. Graduates from lesser-known colleges focusing on science, technology and maths like Kettering University and the Stevens Institute of Technology earn, on average, just as much as their Ivy League peers.

Such colleges however, host just a fraction of America's undergraduates. To identify which colleges are the best "engines of upward mobility", Mr Chetty and his collaborators rank universities on their ability to move large numbers of students from

the poorest 20% of the income distribution to the top 20%. The best at this are mid-tier public universities like the City University of New York and California State systems.

Elite universities justify steep rises in tuition fees by pointing to their generous financial-aid programmes for poor students. Harvard's most recent fund-raising campaign passed the \$7bn mark, partially by focusing on expanding financial aid. Parents with incomes under \$65,000 are not expected to pay a cent. But the data show that, from 1999 to 2013, poor students' access to the university has stayed stubbornly low (more than half of Harvard students came from the richest 10% of households).

Just 2% of Princetonians came from households at the bottom 20% of the income distribution, compared with 3.2% from the top 0.1% (corresponding to an annual income of more than \$2.3m). Put another way, students from this zenith of the income scale are 315 times likelier to attend Princeton than those from the bottom 20%. Only Colby College, a small liberal-arts college in Maine, has a worse ratio.

The vast majority of talented low-income students do not apply to elite universities—despite the fact that they are often more affordable than their local colleges, one study shows. But the other problem is social. Poorer students tend to have worse test scores and thinner CV's—some must work or baby-sit instead of studying. Elite private universities—which already spend millions on outreach programmes—can only do so much to push against a public education system where quality and income go together.

Harvard and Princeton are not alone: the same trend held true for all elite universities in the country. "These numbers are not where we'd like them to be," says Stu Schmill, dean of admissions for the Massachusetts Institute of Technology (MIT). Over the past decades, admissions offices' devotion to affirmative action brought an increase in black and Hispanic attendance at elite colleges and universities.

But legacy admissions, which give preferential treatment to family members of alumni, exacerbate the imbalance. Of Harvard's most recently admitted class, 27% of students had a relative who also attended. There's evidence that this system favours the already wealthy. MIT and the California Institute of Technology, two elite schools with no legacy preferences, have much fewer students who hail from the ranks of the super-rich.

"The dirty secret of elite colleges is that for all the positive talk about the importance of racial diversity, low-income students of all races are essentially shut out," says Richard Kahlenberg of the Century Foundation, a think-tank. Despite all the spending on financial aid, the Ivies are still doing a poor job of finding and educating bright, poor students. ■

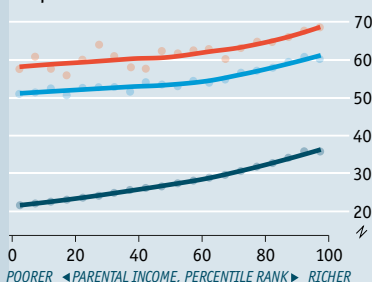
A rich tail

American college students, attending 1999-2004
By college type and parental income

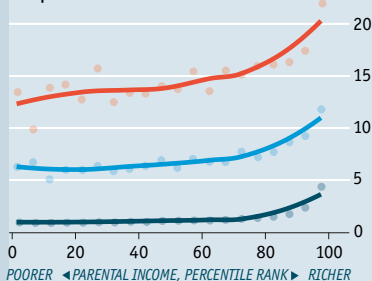
— Ivy plus* — Other elite — All colleges

Percentage probability of reaching the...

...top 20% of the income distribution



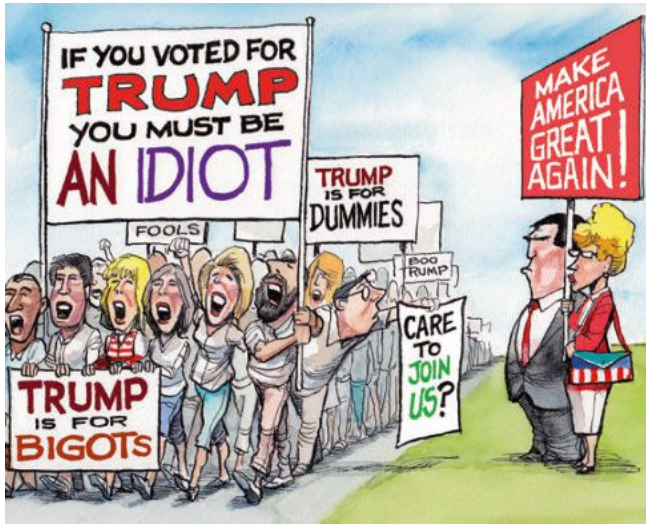
...top 1% of the income distribution



Source: Equality of Opportunity Project *Ivy League colleges plus Duke, MIT, Stanford, University of Chicago

Lexington | The Herbal Tea Party

Scolding Trump voters will not carry the Democrats back to power



AS a rule, populist insurgencies are rarely defeated with slogans in Latin. Yet there it was, swaying proudly over the protest march that filled the ceremonial heart of Washington, DC, a day after the inauguration of President Donald Trump—a handwritten sign reading: “Primum Non Nocere”. The cardboard sign, quoting the ancient medical principle “First, Do No Harm”, was held by Mike Gilbert, an epidemiologist from Boston, Massachusetts, who joined hundreds of thousands of others showing their disapproval of the new president. Mr Gilbert gave two reasons for attending what was officially the “Women’s March on Washington”, part of an internet-organised global protest that saw sister marches in hundreds of cities. He marched to show solidarity with “the women in my life” and to rally support for “sound science”, which he fears will be undermined by ideologues chosen to oversee scientific funding and regulation.

Many marchers set out to shame Mr Trump for boorishly boasting, years ago, that fame allowed him to grab women “by the pussy”. They wore knitted pink “pussy hats” with pointy ears, or carried such signs as “Viva La Vulva”. Some youngsters mocked the new president as a short-fingered nativist, chanting: “Can’t Build A Wall, Hands Too Small.” Still others said that they hoped their numbers would humiliate the president by dwarfing crowds that turned out for his inauguration. That gambit seemed to work, as Mr Trump spent his first days in office bragging implausibly about the size of his inaugural crowds.

Some leading Democrats enthuse that the moment is ripe for a Tea Party of the left (a “Herbal Tea Party”, some dub it), with a mission to resist the new president at every turn, challenging his legitimacy after he failed to win the popular vote. More thoughtful Democrats caution against reading too much into Hillary Clinton’s popular-vote advantage of 2.9m votes. Comparing raw-vote tallies in the 2016 and 2012 presidential elections, she did worse than Barack Obama in 34 states, notably in white, working-class and rural regions of 13 swing states that decided the election, while romping home in places that she was always going to win, such as California, New York and Massachusetts.

Republicans control 33 governors’ mansions and 32 state legislatures. Once a Supreme Court justice is confirmed, they will control, more or less, all three branches of the federal government.

Democrats, in their deepest hole since the 1920s, need to work out how to win elections again. But before that they must agree on something more basic: whether they want to engage with voters who do not share their views on such issues as abortion or climate change, or are ready to write them off as a lost cause.

Some years ago David Wasserman, an analyst with the Cook Political Report, spotted a way to predict the political leanings of any given county: check whether it is home to a Whole Foods supermarket, purveyor of heirloom tomatoes and gluten-free dog biscuits to the Subaru-owning classes; or to a Cracker Barrel Old Country Store, a restaurant chain that offers chicken and dumplings and other comfort foods to mostly rural, often southern customers. Mr Trump won 76% of Cracker Barrel counties and 22% of Whole Foods counties, the Cook Political Report calculates. That 54 percentage-point gap is the widest ever: when George W. Bush was elected in 2000 it was 31 points. Eight years later when Barack Obama took office, it was 43.

Trump opponents must decide whether they can live with so wide a Whole Foods-Cracker Barrel gap. Alas, too many on the left and centre-left show little patience for the Americans who voted for Mr Trump—even for Trump voters who voted for Mr Obama at least once, of whom there are millions. On inauguration day in Washington, Lexington watched Trump supporters from out of town, some with school-age children, ride the Metro next to hipster-protesters with lapel badges reading: “Trump Has a Tiny Penis”. That was not the start of an exercise in persuasion. A day later lots of marchers said the priority should be coaxing out what they are sure is the country’s natural Democratic majority, ideally by embracing left-wing populism. There was much implicit scolding of Trump voters for being stupid, with posters bearing such messages as: “Make America Think Again”.

Captatio benevolentiae

Actually, Democrats need to become less thoughtless about Trump voters. For instance, many disapprove of such oil pipelines as Keystone XL, which Mr Trump has moved to revive by executive order. Democrats grumble about possible leaks, and prefer investing in renewable energy. That is their right. But a common Democratic talking point involves scoffing that pipeline-building generates only a few “temporary” jobs. As Representative Marc Veasey, a Democrat from Dallas-Fort Worth, said at a post-election meeting in Congress, he represents pipe-fitters and ironworkers whose careers are built on “temporary” jobs. Such folk think Democrats are not listening to them, he told colleagues.

Another Texas Democrat, Representative Beto O’Rourke, from the border city of El Paso, recalls that his party’s electoral strategy in 2016 revolved around trying to convince people that Mr Trump is “a bad guy”. However he cites Texan friends who agree with that description of Mr Trump, but still voted for him because they knew what he planned to do—build a border wall, bring back factory jobs—liked those plans, and could not say what Democrats wanted to achieve. Now Mr O’Rourke, an entrepreneur by background who is exploring a run in 2018 against Senator Ted Cruz, a doctrinaire Republican, worries that some colleagues are putting their faith in Tea Party-style obstructionism. But Democrats believe in making government work, he notes. Nor is he going to start making “tiny-hand jokes” about the president, he says: to mock the office is to show disrespect for his voters. To win an argument, Roman orators taught, first win the goodwill of your audience. That’s a Latin lesson with relevance. ■



Venezuela

Maduro's dance of disaster

CARACAS

As the economic crisis worsens, the regime becomes more intransigent

EVERY weekday morning, a queue of several dozen forlorn people forms outside the dingy headquarters of SAIME, Venezuela's passport agency. As shortages and violence have made life in the country less bearable, more people are applying for passports so they can go somewhere else. Most will be turned away. The government ran out of plastic for laminating new passports in September. "I've just been told I might need to wait eight months!" says Martin, a frustrated applicant. A \$250 bribe would shorten the wait.

As desperation rises, so does the intransigence of Venezuela's "Bolivarian" regime, whose policies have ruined the economy and sabotaged democracy. The economy shrank by 18.6% last year, according to an estimate by the central bank, leaked this month to Reuters, a news agency (see chart). Inflation was 800%.

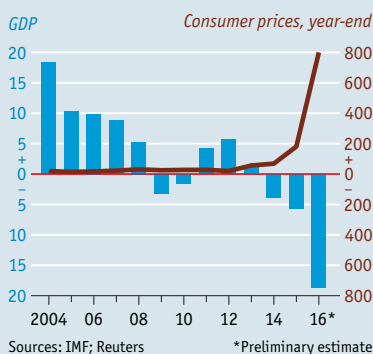
These are provisional figures, subject to revision. They may never be published (the central bank stopped reporting complete economic data more than a year ago). The inflation estimate is close to that of the IMF, which expects consumer prices to rise by 2,200% this year. The Economist Intelligence Unit, a sister company of *The Economist*, puts last year's economic contraction at 13.7%. That is still much sharper than the decline in Greece's output at the height of the euro crisis. In 2001 Venezuela was the richest country in South America; it is now among the poorest.

Venezuela's salsa-loving president, Nicolás Maduro, has responded to bad news with bluster (he blames foreign and domestic "mafias") and denial. Soon after the leak of the central bank's estimates he fired its president, Nelson Merentes. Mr Maduro may have held him responsible for the leak. Or he may have punished him for a botched attempt by the government in December to introduce new banknotes.

A currency swap makes sense. The 100-bolívar note, long the highest denomination, is worth less than three cents on the black market. Shopkeepers sometimes weigh them instead of counting them. They are to be replaced with a new set of notes worth up to 20,000 bolívares.

Chavismo in action

Venezuela, % change on a year earlier



Also in this section

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35 No football in Argentina

The government's stated reason for making the switch—to punish hoarders—made no sense. Who would store up the world's fastest depreciating currency? Its execution was tragicomic. After Venezuelans had queued for days to return to banks bills about to lose their value (sometimes in exchange for notes with even smaller denominations) the replacements failed to show up. Chaos ensued as Venezuelans returned to the banks to withdraw 100-bolívar notes. Their demonetisation is now scheduled for February 20th.

The change at the top of the central bank does not portend better policies. Ricardo Sanguino, the new president, is a Marxist former university professor who has spent 15 years as a loyal parliamentarian from the ruling socialist party. He will have less influence than Ramón Lobo, the newly appointed economy tsar, an economist with little high-level experience.

They are unlikely to deal with the causes of Venezuela's penury. These include controls on foreign exchange and prices of basic goods, which lead to shortages and corruption; unrestrained public spending; the expropriation of private industry; and the plundering of PDVSA, the state oil company, which provides nearly all of Venezuela's export revenues.

Ordinary Venezuelans have lost faith in the regime, if not in *chavismo*, the pro-poor populism espoused by the late Hugo Chávez, who ruled from 1999 until 2013. Mr Maduro, his successor, has an approval rating of 24%. In December 2015 Venezuelans elected a parliament dominated by the opposition.

Mr Maduro's response has been to cling on to power more tightly. The electoral commission, controlled by the regime, has blocked a referendum to recall him from office. The supreme court, manned by government loyalists, has blocked almost

► everything the national assembly has tried to do. On January 15th Mr Maduro delivered his annual state-of-the-nation address not to the legislature, as the constitution requires, but before the court.

The regime says it wants dialogue with the opposition but has done little to enable it. Talks mediated by the Vatican and by Unasur, a regional body, broke down in December after the opposition accused the government of reneging on promises, including to release political prisoners and restore powers to parliament.

Mr Maduro's recent appointment of a new vice-president suggests that the re-

gime is moving further away from dialogue and reform. He replaced Aristóbulo Istúriz, a moderate by *chavista* standards, with Tareck El Aissami, a hardliner. One of Mr El Aissami's first acts was to announce the arrest of Gilber Caro, an opposition politician. He had an assault rifle and explosives in his car, the government claims; his party says the weapons were planted.

Mr Maduro appears to be making two bets. The first is on disarray among the opposition. Divisions within the Democratic Unity alliance, a grouping of many parties, are widening as their efforts to defeat *chavismo* falter. It lacks a leader who can ap-

peal to poor Venezuelans who feel betrayed by the regime's empty promises.

Mr Maduro's second hope is that oil prices will bounce back. They have already recovered from \$21 a barrel in 2016 to \$45. But PDVSA has been so badly managed and starved of investment that it will struggle to reap the benefits. Output fell by 10% last year and no rise is likely in 2017. Venezuela's foreign reserves have dwindled to less than \$1bn; its easy-to-sell assets are about a fifth of that. Mr Maduro vows that 2017 will be the "first year of the new history of the Venezuelan economy". That will not shorten the passport queues. ■

Bello | Death of a justice

A tragedy highlights the growing political influence of the supreme court

ON JANUARY 19th Brazil lost a crucial man at a crucial moment. Teori Zavascki, a justice of the supreme federal tribunal (STF), died along with four other people in the crash of a small aeroplane off Brazil's south-eastern coast. He leaves behind a devastated family, legions of admirers—and the most explosive dossier of cases before the country's highest court.

Mr Zavascki became a household name—in spite of the string of consonants inherited from his Polish forebears—because he oversaw investigations into the corruption scandal centred on Petrobras, the state-controlled oil company. Known collectively as *Lava Jato* (Car Wash), these have dominated politics since 2014. They led indirectly to the impeachment last August of the president, Dilma Rousseff; she was not implicated, but her Workers' Party (PT) was. Before he died Mr Zavascki was about to authorise plea-bargaining deals with businessmen that could lead to more prosecutions of politicians.

Michel Temer, who succeeded Ms Rousseff, must now appoint a replacement. He was not expecting to have a hand in shaping Brazil's highest court. None of the 11 justices would have reached the retirement age of 75 before the end of his term in 2018. Mr Temer must now make a decision that will affect not only *Lava Jato* but the character of an institution that is playing an increasingly prominent—and political—role in Brazil's public affairs.

The STF is a hybrid, part constitutional court and part final court of appeal. Its most controversial decisions stem from its third role: to try politicians with parliamentary or ministerial immunity. In November 2015, for instance, Mr Zavascki ordered the arrest of a PT senator for conspiring to help a *Lava Jato* witness flee the country. Last May he removed the

speaker of the lower house of congress on the grounds that he had used his position to interfere with *Lava Jato* probes. Both rulings, upheld by Mr Zavascki's fellow justices, set precedents. Citizens cheered.

The court's popularity has risen as that of politicians has plummeted. Of congress's 594 members, 35 are targets of *Lava Jato* inquiries; dozens more are accused of other misdeeds. Leaked depositions seem to implicate Mr Temer and several cabinet members, though all deny wrongdoing. In surveys of public confidence in professions, judges come way ahead of politicians (though well behind firemen, the most trusted group). Sérgio Moro, a lower-court judge who investigates Petrobras miscreants, is a national hero.

When Brazil's constitutional referees attract such adulation, there is reason to worry. Teori Zavascki was one of the soberest. More typical is the grandstanding Marco Aurélio Mello, who gained notoriety in December by abruptly ordering the speaker of the senate to resign over embezzlement charges. He did not consult his fellow justices and was overruled by them. The chief justice, Cármen Lúcia, stunned legal schol-

ars recently when she suspended a federal order to block an account belonging to the state of Rio de Janeiro, which had missed a loan payment. Her efforts to end massacres by gangs in prisons have made her famous; she is sometimes tipped as a contender for the presidency.

The judges' widening political role is not entirely their doing. The growing polarisation of politics puts pressure on the STF to act as an arbiter. Brazilian justices cannot throw out a case, however absurd. Each has 7,000-10,000 pending; the United States' Supreme Court hears a few dozen a year. Throughout Brazil's political crisis, the court's willingness to hold politicians accountable has helped sustain citizens' trust in democracy.

But the court's growing assertiveness is also a danger to democracy, contends Rubens Glezer of FGV Law School in São Paulo. Justices speak too much in public, often rashly. Live broadcasts of STF sessions amplify large egos. Cameras make it harder to concede mistakes. Some court-watchers have suggested removing TV Justiça, a public broadcaster, from the courtroom. Others talk of turning the STF into a narrower constitutional court akin to Germany's, or moving it back to Rio de Janeiro, the capital before 1960, to put distance between the judiciary and government's other two branches in Brasília.

Ideas for changing the court's role are worth considering, but not right now, when they could be construed as interfering with *Lava Jato*. To avoid such accusations, Mr Temer has wisely said that the *Lava Jato* file should not pass to the judge that he appoints to succeed Mr Zavascki (as it normally would) but to one of the current justices (which is permitted in exceptional circumstances). That person, in turn, would be wise to emulate the understated doggedness of Teori Zavascki.



Mexico and the United States

Pistols drawn

MEXICO CITY

Security co-operation across the Rio Grande works well. That could change

ONE Mexican whom Donald Trump is unlikely to deport is Joaquín Guzmán, better known as El Chapo (Shorty). The Mexican government put Mr Guzmán, the chief of the Sinaloa drug-trafficking gang, on an aeroplane to New York on January 19th, the last full day of Barack Obama's presidency. He will stand trial on charges ranging from money-laundering to murder, to which he has pleaded not guilty. If convicted, he will probably spend the rest of his life in an American jail.

Mr Guzmán's extradition is an opening gambit in Mexico's diplomacy with Mr Trump, the most anti-Mexican president since James Polk, who waged the Mexican-American war in the mid-19th century. Mr Obama gets the credit because he was still president when the extradition happened. But the dispatch of Mr Guzmán to the United States is also a signal that Mexico is prepared to co-operate with the Trump administration, and to retaliate if ill-treated.

Mr Trump can hurt Mexico by ripping up the North American Free-Trade Agreement (NAFTA) with Mexico and Canada or through a renegotiation that restricts trade. On January 25th he signed an executive order to start building a "physical barrier" on the United States' southern border and vowed—again—to make Mexico pay for it.

Mexico's president, Enrique Peña Nieto, refuses to be provoked. So far, he has resisted pressure to call off his visit to Washington, planned for January 31st. His country will offer Mr Trump "neither confrontation nor submission", he declared on January 23rd. Instead, it will seek "dialogue and negotiation" on a broad range of issues, including trade, migration and security. The subtext of Mr Peña's statement was that Mexico can hit back. It may be vulnerable on trade, but it can make trouble for the United States in such areas as migration and law enforcement.

If Mexico stops co-operating on security, the United States will notice. The number of extraditions from Mexico to the United States rose from four in 1995 to 115 in 2012. Mr Peña, who became president in 2012, slowed the flow at first, in keeping with the nationalist ideology of his Institutional Revolutionary Party, but it has increased again. There were 79 extraditions in 2016, up from 54 three years earlier. The transfer of Mr Guzmán, who twice escaped from Mexican jails, once by tunnelling out, suggests there is potential for more.

Mexico's federal police exchange infor-

Sport in Argentina

Football for nobody

BUENOS AIRES

A row over money may disrupt the season

BUENOS AIRES has 36 stadiums with a capacity of at least 10,000 spectators, more than any other city in the world. Mauricio Macri, Argentina's president, used his 12 years as president of Boca Juniors, the most popular football club, to launch his political career. He still enjoys a kickabout at the Quinta de Olivos, the presidential residence.

But an ugly row over money is disfiguring the beautiful game. The government owes 350m pesos (\$22m) to Argentina's football association (AFA), which owes the same amount to the country's football clubs. Many are unable to pay their players. The dispute may delay the restart of the top division's season, scheduled for February 3rd.

The crisis stems from Mr Macri's determination to sweep away the populist policies of his predecessor, Cristina Fernández de Kirchner, which extended

to football. He is also using the government's muscle to force reform on a sport notorious for corruption.

For years, Argentines without cable television could only watch highlights of weekend fixtures. This amounted to "hijacking the goals until Sunday", Ms Fernández fumed. Her solution was Fútbol Para Todos, a ten-year deal with the AFA to broadcast on free-to-air television matches played by the national and top-tier teams. The government paid 600m pesos in the first season, more than double what the previous rights-holder paid. Fútbol Para Todos provided around a fifth of the revenues of the top clubs.

Fans loved the arrangement. Ms Fernández's opponents cried foul. Adverts shown at half-time were often government propaganda. In the election campaign in 2015 Mr Macri promised to keep free footie but drop the adverts. Confronted in office with a massive fiscal deficit and a prospective annual cost for Fútbol Para Todos of 2.5bn pesos, he killed it. The scheme ended last month. The AFA has yet to find a broadcaster for next season.

The threat to this season comes from the unpaid 350m pesos, which Mr Macri is withholding until the AFA cleans itself up. It is still struggling with the legacy of Julio Grondona, who from 1979 until his death in 2014 ruled football "like an emperor", says Gustavo Abreu of Austral University. The football clubs have yet to agree on a successor. FIFA, the global governing body, established a "normalisation committee" to propose reforms. But progress is slow. FIFA reportedly threatened to ban Argentina from international competitions. Buenos Aires may have a lot of empty stadiums this year.



Celebrate while you can

mation with the American Drug Enforcement Administration and the Bureau of Alcohol, Tobacco, Firearms and Explosives. That often leads to the capture of drug kingpins in Mexico. The bringing to ground of Mr Guzmán is a prime example. Officers of the United States Marshals Service have reportedly disguised themselves as Mexican Marines to join hunts for drug traffickers. A Mexican law enacted last year allows armed American border-control officers to inspect lorries on the southern side of the border. American and Mexican intelligence agencies jointly monitor terrorist threats.

Under the Mérida Initiative, the United States gives Mexico \$139m a year to fight gangs, strengthen the rule of law and im-

prove border security. The money goes in part to reforming the Mexican court system and to the provision of more than 400 drug-hunting sniffer dogs.

Both countries have a clear interest in keeping such co-operation going. Kimberly Breier of the Centre for Strategic and International Studies in Washington suggests that it may even deepen under Mr Trump, who gives every sign of wanting to keep drugs out of the United States. But the mood in Mexico is more pessimistic. The security relationship will prosper only if Mr Trump pursues a "soft" renegotiation of NAFTA, says Raúl Benítez Manaut of the National Autonomous University of Mexico. So far, President Trump has yet to show his softer side. ■

CGTN

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Time for someone else to have a go

Russia and Turkey take over from America

KAZAKHSTAN is an odd place to seek a fresh start for Syria. Its strongman, Nursultan Nazarbayev, has been in charge since Soviet times. In 2015 he won 97.7% of the vote—an even better tally than Syria's despot, Bashar al-Assad, can command. But as a Russian-speaking capital of a Turkic nation sharing the Caspian Sea with Iran, there was some symbolism in selecting its capital, Astana, as a place to unveil the new tripartite protectorate over Syria.

And as peace talks go, the ones in Astana, on January 23rd–24th, marked a new realism. The hosts were the three outside powers who are doing the bulk of the fighting in Syria. Along with Russia and Turkey, they included Iran, which was pointedly kept out of the last round of talks in Geneva. The Americans, Europeans and Arabs who steered those negotiations were this time either reduced to observer status, or absent altogether. Saudi Arabia, once the rebels' prime backer, is too preoccupied with its war in Yemen these days to have time for the one in Syria. "The uprising began as an Arab awakening and ended in a carve-up among non-Arab powers," says a Syrian analyst.

Also reflecting events on the ground, Syria's opposition was represented by fighters, not by the politicians in exile who led the previous talks. In the past Russia would have dismissed some of the delegates as jihadists, fit only for thermobaric

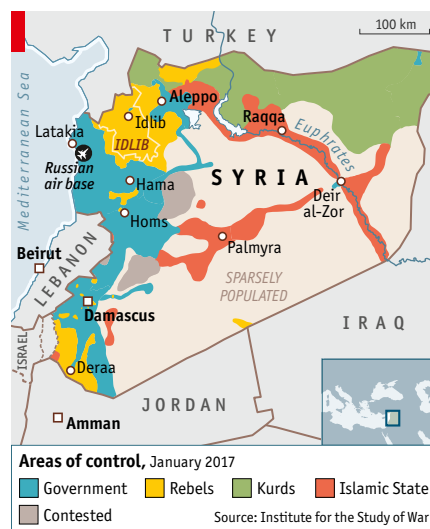
bombing. But, perhaps under Turkey's nudging, it now sees the benefits of engagement if the process is to get anywhere. Muhammad Alloush, who heads an Islamist armed group, Jaish al-Islam, showed his appreciation by praising Russia, which only a month ago was crushing rebels in Aleppo, for its "neutrality". To mollify the politicians in exile, the fighters insisted they were there to talk only about ceasefires. But the Russians also proffered a draft constitution, and issued invitations for follow-up talks in Moscow, set for Janu-

ary 27th. The exiles would prefer to rely on America to promote the political process in a fresh round of talks in Geneva, pencilled in for February 8th. By then, however, Russia may already have written the terms.

An even more striking example of America's new irrelevance is the mechanism devised for policing a ceasefire that has been in place for almost a month. Out went the old arrangements agreed on with John Kerry, America's former secretary of state, last September. Russia's new partners were Turkey and Iran, who together would "observe and ensure full compliance with the ceasefire, prevent any provocation and determine all modalities".

Can this work? Tellingly, the final communiqué, seeking to bolster the ceasefire, was issued by the external powers, while Syria's belligerents registered protests and reservations. However, the rebels probably have little choice but to comply. Chased out of their last major urban redoubt in Aleppo and doubtful of their support from the new American administration, many want to grab what they can. Even so, the war continues undiminished against some of the most powerful militias left off Astana's guest list—Islamic State, the YPG Kurdish forces, and particularly an al-Qaeda offshoot, Jabhat Fatah al-Sham (JFS). JFS has launched its own offensive, pitting its 6,000 hardened fighters against the 15,000 of more moderate groups. That intra-rebel battle is again cutting roads across Idlib, the poor rural province the rebels still hold, and closing crossings to Turkey as they fight over bases.

Judging by its record, Mr Assad's regime will be as recalcitrant. Talks may bring him benefits, such as dividing the opposition. (Mr Assad's representative, Bashar al-Jaafari, quipped that he hoped the terrorists would help defeat the terrorists.) But even ►►



when weaker, the regime preferred military options. Having won the whip hand, it is in no mood to discuss a transition to a broader government. Should Russia try to bring him to heel, Mr Assad is signalling he has other friends to turn to. While Iran sat at the table talking ceasefires, Mr Assad and its forces were making common cause fighting in the valleys of Wadi Barrada above Damascus.

By delegating responsibility for the ceasefire to three outside powers, the tripartite mechanism may well have the effect of creating zones of influence. Untroubled by the Iranians and Russians, the Turks are fighting to expand their enclave (against IS and the Kurds) in the north. The Iranians are doing much the same around Damascus. Russia is firmly entrenched on the coast. The conflict, it seems, will continue; as will yet another of the Middle East's sad, interminable peace processes. ■

Arab politics

Who can unblock Morocco?

RABAT

Talks on a new government have stalled, as old and new powers face off

MOROCCANS call it the “blockage”, as if their government is suffering from a medical condition. Three days after the Justice and Development Party (PJD), a moderate Islamist outfit, won the most seats in a parliamentary election on October 7th, King Muhammad VI asked its leader, Abdelilah Benkirane, to form a new government. More than three months later, Mr Benkirane is still trying. The power struggle has indeed put Morocco's economic and political health at risk.

Morocco rode out the Arab spring better than most countries in the region. Big protests led to constitutional reforms and a relatively free and fair election in 2011, won by the PJD. The economy shows promise and the king pushes a mild version of Islam. By the standards of the region, it is a budding success—which makes today's mess all the more disappointing.

It had seemed that the new government would look very much like the one before it, which was led by Mr Benkirane and included the PJD, the National Rally of Independents (RNI), the Popular Movement (MP) and the Party of Progress and Socialism (PPS)—with little to tell them apart, at least on economic policy. But earlier this month Mr Benkirane broke off talks with the RNI and the MP, which came fourth and fifth in the election. The leader of the RNI, Aziz Akhannouch, had made several demands on the PJD, such as including other parties in its coalition, which

would weaken the Islamists.

Many Moroccans detect the hand of the king, who claims to stand above politics, in the manoeuvring. He and his royal court, known as the *makhzen*, have pushed the negotiations along, but some say they are interfering. Though he was forced to cede some powers to parliament in 2011, Muhammad VI remains firmly in charge of the country. Critics accused the palace of trying to swing the election to the secularist Authenticity and Modernity Party (PAM), which came second. Having failed to get its way at the ballot box, they say it is using Mr Akhannouch to act on its behalf.

Mr Benkirane represents an unusual challenge to the palace. Charismatic and folksy, he has wide support among ordinary Moroccans. His democratic legitimacy stands in contrast to that of the king, whose family traces its bloodline to the Prophet Muhammad and has ruled Morocco for nearly four centuries. Muhammad VI is fairly popular—and is supported by Mr Benkirane. But some analysts see a burgeoning rivalry. “The *makhzen* doesn't like that,” says Soulaïman Raïssouni, the editor of Al Aoual, a news website. “They are trying to diminish the aura of Benkirane.”

The PJD took on the *makhzen* in its first term, publishing the names of individuals and companies favoured for government contracts. But Mr Benkirane, who often tries to avoid confrontation, also handed some powers back to the king. Nor did he challenge the palace on big issues. Some Moroccans, including members of his own party, would like him to be more assertive.

Others blame Mr Benkirane for Morocco's mixed economic record since 2011. The unemployment rate is expected to remain above 10% this year. Corruption, which the PJD promised to tackle, is still a problem. But the previous government did implement needed reforms—such as cutting subsidies and freezing government hiring. Things were looking up, say analysts.

The blockage seems absurd to many Moroccans because, despite the criticism, most of the parties want to continue the policies of the previous government. “They have the same view, the same programme, the same liberal vision of the economy,” says Abdellah Tourabi, who hosts a political talk show. “No one can explain why these people are not able to meet and form a government.”

The blockage is now causing real damage. It seems unlikely that parliament will pass a budget on time, delaying the government's reform programme. Economists are already talking about a gloomier business climate and lower investment.

It is not clear how the country will ultimately be unblocked. The constitution requires the king to ask the leader of the winning party to form a government—but it offers no Plan B. The king could call fresh elections (which the PJD would probably



Still a popular king

win), or ask the head of another party to form a government. For now, though, he is sticking with Mr Benkirane.

Despite all the drama, the most likely outcome is that the PJD will reach a deal with the RNI to create a government that, analysts say, will not last long. The damage done to Morocco's nascent democratic institutions may be more enduring. Less than 40% of voters turned out in the election, and many are now starting to lose faith in the system. ■

Israel

Unsettled

JERUSALEM

The prime minister tries to placate his right-wingers

ISRAEL'S prime minister, Binyamin Netanyahu, is in a bind. He prefers the status quo whereby Israel occupies the West Bank, allowing the 2.9m Palestinians there limited autonomy though not a full state. But the settlers' lobby, which wants to annex “Judea and Samaria” to Israel proper, is crucial to his coalition.

He tried to placate them this week by approving plans for more than 3,000 new homes, mainly in Jewish neighbourhoods of East Jerusalem and the big “settlement blocs” which are expected to be part of Israel in any future peace agreement. But he was only partially successful: one important settlers' organisation immediately complained that he should have authorised many more buildings.

Like most other governments, Israel is also trying to work out what Donald ▶▶

▶ Trump's foreign-policy priorities are, and how that might affect their domestic calculations. One indication of change came on January 24th, when the White House refused to comment on the new settlement plans. In the past, similar moves were met with automatic condemnation as obstacles to peace. The testy relationship with the former president, Barack Obama, had its uses however—it served as a perfect excuse for Mr Netanyahu to restrain his coalition partners' enthusiasm for unbridled building and annexation. Now the settlers are convinced that Mr Trump will allow them a free hand.

One reason for the uncertainty in Jerusalem is the multiple and conflicting messages arriving from Washington. The settlers have vocal support from members of Mr Trump's inner circle, especially his new ambassador to Israel, David Friedman, who heads a settlement fundraising organisation. However, some of the more important appointments, including the incoming (though not yet confirmed) secretary of state, Rex Tillerson, have been careful, at least so far, not to signal a significant shift in policy. Mr Netanyahu has urged his cabinet to avoid policy departures until things are clearer.

Another example is the new administration's policy on moving its embassy in Israel from Tel Aviv to Jerusalem. Like most countries, America has been wary of recognising Jerusalem as Israel's capital before conflicting claims to it are settled in a peace agreement. On the campaign trail, however, Mr Trump promised to move the embassy to Jerusalem, a step which would enrage Arab opinion. Since the election, members of his entourage have told Israeli officials that he plans to go ahead with the move, but on January 22nd a White House spokesman said only "we are at the very

beginning stages of even discussing this subject." Palestinian leaders have also received discreet messages that the embassy will not be moving for now. The only certainty is that the Trump administration does not yet have a settled policy towards Israel and the Palestinians.

Mr Netanyahu is to meet the new president in Washington next month. His priority will be to use the opportunity of a more amenable administration to re-energise opposition to Iran's attempts at achieving regional supremacy. He may also seek the president's help in holding back his own supremacists at home. ■

Gambia

No Jammeh tomorrow

BANJUL

West Africa ejects a despot

TEODORO OBIANG, the dictator of oil-rich Equatorial Guinea, is used to shady guests. A decade ago, his Black Beach prison held Simon Mann, a British mercenary who was sentenced to 34 years for his role in the botched "Wonga coup" that tried to topple him. (Mr Mann won a presidential pardon in 2009.) In a fresh act of mercy, Mr Obiang has taken in another guest, whose quarters will doubtless be cushier. On January 21st he welcomed Yahya Jammeh, the former dictator of Gambia, whose people had tired of him after 22 years.

Mr Jammeh fled Gambia after a month-long stand-off with West Africa's regional power bloc, the Economic Community of West African States (ECOWAS). It had threatened to send troops in after Mr Jammeh reneged on a pledge to hand over power to Adama Barrow (pictured), an opposition politician who won a presidential election in December.

Mr Jammeh and his new host are not known to have been close before, but they may find many reasons to get along. Both seized power in coups, and both have clung to it for decades: Mr Obiang, who has been in office for 37 years, is the world's longest-serving political leader. Both also care little for human rights: Mr Jammeh withdrew Gambia from the jurisdiction of the International Criminal Court last year; Mr Obiang never signed up in the first place. So Mr Jammeh may be free to enjoy his retirement without the threat of extradition and prosecution for all the dissidents who had plastic bags tied over their heads in his jails. As part of his "luggage" from Gambia, Mr Jammeh is said to have shipped out two Rolls-Royces, a Bentley and \$11m in cash, so he should be comfortable too.

The allegations about Mr Jammeh's last-minute looting were made by an adviser to Mr Barrow, Mai Ahmad Fatty, who claimed that the state's coffers had been all but emptied. And this is only one of the problems facing Mr Barrow. As Egypt and Libya recently learned, there is more to ending a dictatorship than getting rid of the despot. Mr Barrow, who has never held office, inherits a country with little experience of democracy. He will govern via a shaky, seven-sided coalition whose only real common ground was an intense dislike of Mr Jammeh. Most Gambians also concede that for all its faults, Mr Jammeh's police state managed to keep civil war, Ebola and jihadist terrorism at bay.

Mindful of the challenges, Mr Barrow plans to focus on reforming the economy and security forces rather than trying to lock up his predecessor. Instead he has proposed a truth and reconciliation commission. Though odious, Mr Jammeh has far less blood on his hands than, say, Liberia's former president, Charles Taylor. Even if Mr Obiang could be persuaded to give up his guest, ECOWAS may simply deem it not worth the effort of pursuing him, particularly if it risks reopening old wounds.

Even so, the way in which ECOWAS rallied to Gambia's defence is cause for cheer. It cements the principle that no one in West Africa can stage a coup or steal an election without risking sanctions or worse from the neighbours.

It might seem surprising that a region that includes some of the poorest countries in the world should be so strict about enforcing democratic norms—unlike some other parts of Africa. Paul Melly of Chatham House, a think-tank in London, notes that ECOWAS has been honing its interventionist skills for more than a quarter of a century. It began in 1990, when the out-



How many more?



Barrow finally makes it

Air travel

Nigeria makes its capital a no-fly zone

LAGOS

Passengers are furious

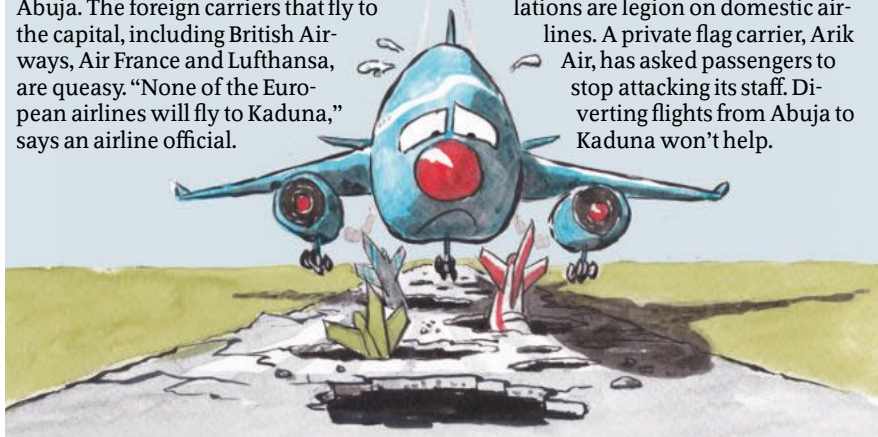
THE capital of Nigeria is a picture of order compared with Lagos, the chaotic commercial hub. But whereas Abuja's sweeping avenues are well maintained, the runway of its airport is potholed. Several aircraft have damaged their landing gear on the rutted tarmac. Facing the risk of a serious crash, the government is closing the whole place for six weeks from March 8th. "The entire architecture of the runway, it has failed," says the minister of aviation.

The government hopes airlines will fly instead to Kaduna, a mere 230km (140 miles) north of Abuja, while the runway's central portion is rebuilt, with other repairs taking six months in all. But a new terminal at Kaduna is still being built; right now it handles just 300 passengers a day, compared with 5,000 in Abuja. The foreign carriers that fly to the capital, including British Airways, Air France and Lufthansa, are queasy. "None of the European airlines will fly to Kaduna," says an airline official.

Nigeria has a history of airport closures. In 2005 an Air France flight ploughed into a herd of cows on the runway at Port Harcourt, the country's oil capital. Later that year a domestic flight crashed there, killing 108 people. The airport was shut for over a year in 2006-07. In 2015 it was voted the world's worst by a travel website. Its arrivals terminal is a tent.

The current government, in power since 2015, is partly to blame for the sorry state of aviation. It has propped up the naira, leading to a shortage of hard currency and therefore of aviation fuel. That, plus the economy's dip and the government's unwillingness to let foreign firms repatriate their profits, has led many international airlines to cut routes or pull out of Nigeria entirely. Delays and cancellations are legion on domestic air-

lines. A private flag carrier, Arik Air, has asked passengers to stop attacking its staff. Diverting flights from Abuja to Kaduna won't help.



► break of the first Gulf war meant that America and other Western powers were too busy to get involved in the Liberian civil war. Instead, ECOWAS had to pick up the baton and send in its own peacekeepers. Although that intervention was not an unqualified success (the fighting continued and peacekeepers were accused of rampant looting), it broke with a tradition of turning a blind eye. "Countries in the region realised that their neighbour's problems could soon become theirs," Mr Melly says.

Tiny Gambia, with a population of just 1.9m, may be only a small step in the right direction, but it is still an important one. Two years ago ECOWAS tried to get its 15 members to agree that no head of state should serve more than two terms. The measure was vetoed by just two countries: Gambia and Togo. With Mr Jammeh gone, it may not be long before no leader, no matter how popular he claims to be, can dream of breaking Mr Obiang's record in office. ■

Inheritance in Zimbabwe

Why widows get evicted

HARARE

The scourge of in-laws robbing the bereaved

ACTIVIST, firebrand and feminist are just a few of the terms used to describe Priscilla Misihairabwi-Mushonga, a former opposition MP and cabinet minister in Zimbabwe. No one would call her a pushover. Yet despite her connections and some of the country's finest lawyers arguing her case, after her husband's death she was forced empty-handed out of her matrimonial home of 13 years.

Before Ms Misihairabwi-Mushonga was widowed she and her late husband owned three houses, including one in the leafy suburb of Mt Pleasant in the north of

Harare. They shared bank accounts and owned several cars. Some of this was left to her in a will. Yet after her husband's death Ms Misihairabwi-Mushonga lost almost everything, even her clothes, to her late husband's brother, various other in-laws and his children from an earlier marriage. "I am a typical example of a person who had access to information, a minister, but yet I woke up with nothing," she says.

Her destitution illustrates a wider problem. It is not only the government that grabs other people's stuff in Zimbabwe. In-laws do it, too. Tens of thousands of widows are stripped of their property after the death of their husbands. A report released this week by Human Rights Watch (HRW), an outfit based in New York, documents numerous cases of Zimbabwean widows losing their homes, the land that they had tended for years and even the fruit growing on their trees.

Such abuses are common in many countries, HRW says. The Loomba Foundation, another NGO, estimates that 38m widows are extremely poor. In Zimbabwe the problem is acute because of short life-spans and the tendency of men to marry much younger women, particularly if they are rich. So the country has an alarming number of widows: more than half of women older than 60 have buried at least one husband.

The dispossession of old women continues despite laws that, on paper, protect them from predatory in-laws. This is thanks to two quirks in Zimbabwe's legal system. The first is a hangover from a tradition of "wife inheritance" or "*kugara nhaka*" whereby, in some parts of Zimbabwe, a widow (and thus all her property) is inherited by her husband's brother. (This custom helped HIV spread like wildfire.)

Although wives are no longer handed over these days, their homes and property still are. This is because the laws restraining in-laws only apply to women who can prove that they were married. But as many as 80% of marriages in the countryside are "customary" and not registered in writing anywhere, so widows going to court to enforce their rights end up having to ask their in-laws to confirm that they were indeed married. Given the loot at stake, many refuse to testify honestly. "Widows are forced to rely on the husband's family, who stand to gain if they deny that the marriage took place," says Bethany Brown of HRW.

Many widows can't get their property back without a lawyer, and can't afford a lawyer until they get their property back. That they are often old and weak makes them even easier to push around.

Solving the problem is not a question of passing new legislation but of extending the rule of written laws. Ms Misihairabwi-Mushonga predicts that widows will continue to be dispossessed so long as traditional views on marriage hold sway. ■



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Germany’s Social Democrats

A slim chance of being chancellor

BERLIN

Martin Schulz has the best odds to beat Angela Merkel, but they are not good

FOR months, Sigmar Gabriel, the boss of Germany’s Social Democrats (SPD), has wrestled with the decision of whether to run against Angela Merkel, the chancellor, in the federal election on September 24th. His personal popularity lags far behind hers. In polls, the SPD has the support of only 21% of Germans; Mrs Merkel’s centre-right bloc has 37%. His support in his own party, especially among its left wing, is weak. And, as Mrs Merkel’s coalition partner, vice-chancellor and cabinet minister, he sounded unconvincing when attacking her policies. Knowing that he was bound to fail, on January 24th he chose instead to surprise his party by stepping down and handing over to another Social Democrat with a better chance.

The new party leader and candidate for chancellor will be a friend of his, Martin Schulz (pictured, right). Mr Schulz, as the former president of the European Parliament, has several advantages over Mr Gabriel (who is planning to become foreign minister instead). Mr Schulz is known as a straight talker and an unequivocal champion of European integration. Standing next to Mr Gabriel for his announcement, he promised to “fight all populists”, a reference to the Alternative for Germany (AfD), a right-wing Eurosceptic party. And, having been outside German domestic politics, Mr Schulz is not tainted by the SPD’s grand

coalition with Mrs Merkel. He can attack her, the party hopes, better than any other Social Democrat can today.

Unfortunately for the SPD, even that does not improve the party’s chance of victory much. Mrs Merkel’s approval ratings have recovered from the lows seen during the refugee crisis in the winter of 2015-16. They now stand at 74%, according to Forschungsgruppe Wahlen, a pollster—a level most world leaders can only dream of. Germans clearly believe that Mrs Merkel has restored order. After 890,000 refugees arrived in 2015, only 280,000 came last year, and the numbers appear still to be falling. Some 57% of Germans now feel that the

country can cope with the refugees.

Even the terrorist attack in Berlin in December, when a Tunisian refugee drove a truck through a Christmas market and killed 12 people, appears to have helped Mrs Merkel. In a poll soon after the attack, 68% of Germans said they did not blame Mrs Merkel’s refugee policy. Of those who did, most already supported the AfD, which nonetheless remains stuck at around 12% in national polls.

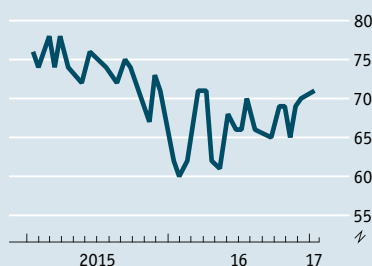
Instead, the attack has shifted the political debate away from inequality, the SPD’s preferred topic, and towards security, the traditional forte of Mrs Merkel’s Christian Democrats. Thomas de Maizière, Mrs Merkel’s Christian Democrat interior minister, this month proposed an overhaul of Germany’s security architecture: he would centralise agency bureaucracies that are currently dispersed among the 16 federal states, deport rejected asylum-applicants faster and detain suspected terrorists longer. If security remains the battleground of the election, Mr Schulz will struggle to score points against Mrs Merkel.

Moreover, the coalition maths favour Mrs Merkel. The Social Democrats would face a daunting task to find partners to reach a majority of seats in the Bundestag. Like all mainstream parties, they have ruled out talking to the AfD. But even an alliance with the other two parties on the left—the ecology-minded Greens and the post-communist Left party—would fall short of a majority, according to all recent polls. Everything therefore points to Mrs Merkel being the only one able to form a ruling coalition. The Social Democrats might even be willing to remain in their current position as junior partners.

It helps Mrs Merkel that world news is keeping Germans anxious for steady lead- ▶▶

The benefit of the doubt

Germans who think their government is doing a good job, % polled



Source: Forschungsgruppe Wahlen

ership. America's new president, Donald Trump, perturbs them daily with his tweets. And negotiations for Brexit will begin later this spring. To Germans, both Mr Trump's presidency and Brexit threaten to unravel the Western-dominated world order in which post-war Germany has been successfully embedded, built around the European Union, NATO and the free-trade agreements on which Germany's exporters rely.

Outside Germany, this has raised hopes that Mrs Merkel would take up the mantle of defender of the liberal order that America and Britain appear to have dropped. Uncomfortable with such expectations, she has called that suggestion "grotesque". But as the year progresses, with strong populist showings possible in the Dutch and French elections, German voters are likely to value responsible leadership even more. They will respect Mr Schulz, who has overcome much hardship in his life. After a knee injury cut short his dream of playing professional football, he became an alcoholic in his early 20s, but has been a teetotaler since 1980. However, in choosing their leader Germans are likely to plump again for what they see as the safest pair of hands: those belonging to their long-reigning chancellor. ■

The Koblenz "counter-summit"

We are the alt-world

KOBLENZ

Europe's nationalists stage a pow-wow

TWO ghosts haunted a "counter-summit" of Europe's nationalist leaders in the German city of Koblenz on January 21st: Angela Merkel and Donald Trump. To the 1,000-odd visitors, most of them supporters of the anti-establishment Alternative for Germany (AfD) party, Mrs Merkel epitomised all that is rotten in Europe: out of touch, elitist and besotted with immigrants. (Chants of "Merkel must go!" punctuated the day's speeches.) The energy of Mr Trump's inauguration the previous day, by contrast, crackled through the proceedings. "Last year the wind began to turn," said Geert Wilders, leader of the Dutch Freedom Party. "It brought us the victory of Trump!" The crowd whooped.

Koblenz brought together the leaders of populist, nationalist parties from France, Germany, Italy, the Netherlands and elsewhere under the banner of the "Europe of Nations and Freedom", their grouping in the European Parliament. Feuds and personality clashes have long marred their attempts to co-operate. But now they are surfing a wave of success; several are lead-



A safe space for blondes

ing in the polls, and they see themselves at the vanguard of a movement.

The themes were familiar, from Brussels-bashing to fearmongering about African birth rates. Mr Wilders delivered his usual attack on immigrants, declaring at one point that European blondes are growing afraid to show their hair for fear of immigrants. Behind the invective lurked a vision of Europe as a consortium of sovereign nations, free from politically correct elites and pesky foreigners. There were game efforts at internationalism; speeches were subtitled and the hall festooned with a rainbow of national flags.

Outside the conference hall visitors quickly resolved the paradox of an internationalist rally of nationalists. AfD members were comforted to hear their views proclaimed by politicians from abroad. "It gives us the feeling we are not alone," said a visitor from Hessen, who had driven to Koblenz with eight friends; the German press, all agreed, twisted their words and made them feel like pariahs.

It was an important outing for the AfD, which has lately seen its support stagnate between 12% and 15%. Some party bigwigs find the economics of Marine Le Pen, the National Front's leader, a little dirigiste for their taste, and were uneasy to see Frauke Petry, the AfD's leader, share a stage with her. But the day, most agreed, belonged to Ms Le Pen. She thrilled the largely middle-aged crowd with her call for a "patriotic spring". Unlike the other leaders she appeared to forge an emotional bond with her audience.

The "counter-summit" was fuelled by discontent with the mainstream rather than anything resembling a programme. But this will not trouble the leaders. They are unlikely to win power this year (although Ms Le Pen cannot be ruled out), but their influence is already being felt. On Jan-

uary 23rd Mark Rutte, prime minister of the Netherlands, wrote an "open letter" to several newspapers suggesting that anyone who dislikes Dutch values should leave. François Fillon, the favourite in the French presidential elections this spring, said his country was closed to refugees. Mr Wilders and Ms Le Pen could not have put it better themselves. ■

Italian politics

Matteo Renzi's rush to elections

ROME

Rebuffed by voters and the courts, the former prime minister plans his return

ITALY'S constitutional court has fired the starting pistol for the next general election. On January 25th the judges struck down key provisions of the electoral law for the Chamber of Deputies, the lower house, as unconstitutional. In doing so, they have increased the likelihood of an early election. But how long will the race last? That depends on whether the president, Sergio Mattarella, decides to push parliament to adopt a new system or make do with the current legal mess.

The constitutional wrangle has its origins in the failed attempt by the former prime minister, Matteo Renzi, to engineer stable majorities in a country that has known 66 governments since 1945. There were two pillars to his scheme. One was to reduce the powers of the Senate, the powerful upper house, by turning it into an indirectly elected assembly of regional and municipal appointees. The other was to introduce a new electoral law for the lower house in 2015. Known as the Italicum, it ►►

gave the party that won more than 40% of the vote a generous portion of extra seats to ensure it controlled 54% of parliament. If no party reached the threshold, a run-off ballot would be held and the bonus seats would go to the winner.

Italian voters smashed the first pillar in a referendum last December. Now the second has been destroyed by the constitutional court. The judges abolished the provision for a run-off ballot (the reasons will be set out in a forthcoming written judgment). They raised no objection to the bonus seats but the chances of any party securing them in Italy's fragmented party system are remote. The ruling means that, should elections be held under the *Italicum*, as modified by the court, the outcome is likely to be indecisive—leading to tortuous negotiations and an unsteady coalition of incompatible parties.

The ruling is a bittersweet outcome for Mr Renzi, who stepped down as prime minister but remains leader of the centre-left Democratic Party. His plan for wholesale constitutional reform has been repudiated by both the electorate and the judiciary. But in amending the law, rather than striking it off entirely, the court ensured that it could be used for an early election, perhaps before the summer.

That has given a boost to Mr Renzi and others who are agitating for elections as soon as possible. Despite his humiliation in the referendum, Mr Renzi is hoping that he can preserve momentum from his time in office to retain control of the party, and regain the leadership of the country. He thus makes for an odd bedfellow of Beppe Grillo, the leader of the main opposition group, the populist Five Star Movement; and of Matteo Salvini, who leads the radical-right Northern League.

Strong forces are pulling in the opposite direction. Silvio Berlusconi, the head of Forza Italia, needs to buy time: he hopes to wrest back the leadership of the right-wing camp from Mr Salvini and is waiting for the outcome of an appeal to the European Court of Human Rights against his conviction for tax fraud. If upheld, it would allow him to run again for office. There are more venal motives, too: if parliament is dissolved before September, almost two-thirds of the deputies and senators (those who entered parliament at the last election in 2013) will lose their right to a pension. Parliament could yet limp on to the end of its term in 2018.

The last word will rest with Mr Mattarella. He wants the electoral laws for the Senate and Chamber to be harmonised to avoid the risk of gridlock if different majorities control the assemblies. The modified *Italicum* now more closely resembles the law for the Senate, though differences remain. Faced with the impatience of the three biggest parties, the president may not be able to hold out for long. ■



France's presidential election

In the pink

QUIMPER

A left-right split leaves more room in the centre for Emmanuel Macron

WHAT explains the sudden rise of Benoît Hamon? A few months ago he was a nondescript former education minister. Now he is favoured to beat Manuel Valls, the centrist who was France's prime minister until last month, in a run-off primary on January 29th for the Socialist presidential nomination, having won the first round a week earlier. A proud leftist, he would probably lead his party to a crushing defeat in the election in April.

The party's true believers were fired up by Mr Hamon's ideas. He says France can cope with digital disruption by adopting a universal basic income, eventually to be worth €750 (\$805) a month per adult. He would cut the 35-hour working week even shorter and levy taxes on the use of robots. (After all, robots can't vote.) Why, though, didn't the party's centrists turn out for Mr Valls? Unfortunately for him, it looks as if they have abandoned the party altogether.

To see where French centrists have gone, one needed to take a trip to a pig farm in Brittany last week, where a crowd of reporters trailed behind Emmanuel Macron, an independent candidate and ex-minister. Mr Macron had forgotten his rubber boots, but strode gamely into the dung of a low-roofed shed to cuddle a piglet on national tv (pictured). The 39-year-old, a former banker, has only been in politics for a couple of years. Yet the media cover him incessantly, and polls put his support at 21%—a few points behind the two front-

runners, the nationalist Marine Le Pen and the centre-right's François Fillon.

The trip was a reminder that, despite anxieties about terrorism, Islam and immigration, French voters are most concerned about the economy. Mr Macron paid a visit to a regional travel company, highlighting how a reform he introduced in 2015, liberalising transport, created a new industry of inter-city coaches. The boss of one firm, Ouibus, said the reform led him to create 500 extra jobs.

The economy, after years of gloom, shows some signs of recovery. Overall annual GDP growth is only a notch above 1% and unemployment is still more than 9%. But that rate has drifted down since August as private firms started hiring. Two years of fiscal stability, a weak euro and open spigots at the European Central Bank have lifted business spirits. On January 24th one measure of managers' confidence showed it higher than at any point in five years.

Yet structural problems are not close to being tackled. Official figures try to disguise it, but France's public finances are rropy. Didier Migaud, the national auditor, last week called them "fragile and vulnerable", casting doubt on the government's claim that the deficit will soon fall within the euro zone's 3%-of-GDP limit.

Some voters on the centre-right might be drawn to Mr Macron, too. Mr Fillon, the Republican candidate, has struggled this week to explain what work his wife performed while he was employing her as a political assistant, at an expense to the public of about €500,000 over a decade. His economic policies are also hard for many to swallow. He has backed away from proposals for radical changes to insurance and the national health system that critics likened to privatisation. He has also refrained from naming some of the figures expected to join his cabinet—such as Henri de Castries, an ex-boss of AXA, an insurer—for fear of looking too plutocratic.

Mr Fillon talks of cutting corporate and wealth taxes, while raising sales taxes, lengthening the working week to 39 hours and lowering public spending (which accounts for 57% of GDP). He would also, over five years, scrap 500,000 government posts. He is widely called "Thatcherite", not a term of endearment in France.

Beyond him is Ms Le Pen of the National Front, who leads in the polls. She is pursuing a strategy of cultivating blue-collar workers in the industrial towns of eastern and northern France. She attacks trade, globalisation and the liberal policies of Mr Fillon, while claiming that strong borders, and pulling out from the euro, would end "economic suffocation".

This leaves Mr Macron as the only candidate in the economic centre. The Republican and Socialist candidates might yet return to it. If not, the prospects for Mr Macron will be unexpectedly bright. ■

Wife-beating in Russia

Putin's family values

MOSCOW

Lawmakers move to decriminalise domestic violence

SHOULD it be a crime for a husband to hit his wife? In many countries this question no longer needs discussing. But not in Russia, where the Duma (parliament) voted this week to decriminalise domestic violence against family members unless it is a repeat offence or causes serious medical damage. The change is part of a state-sponsored turn to traditionalism during Vladimir Putin's third presidential term. It has exposed deep fault lines. Many Russians now embrace the liberal notion of individual rights, but others are moving in the opposite direction.

Activists warn that decriminalisation will legitimise abuse. "The overall message to Russian citizens is that domestic violence isn't a crime," says Andrei Sinelnikov of the Anna Centre, a violence-prevention charity.

The debate began in 2016, when the government decriminalised battery, the least violent form of assault on the Russian statute books. Russia is one of three countries in Europe and Central Asia that do not have laws specifically targeting domestic violence. Instead it is treated like other forms of assault, ignoring the fact that spouses and children are more vulnerable than other victims. But when it decriminalised battery last June, the Duma decided to exempt domestic abuse, instead making it subject to the same two-year maximum sentence as racially motivated offences.

That pleased civil-society groups that had been pushing for tougher rules. But the Russian Orthodox Church was furious. Scripture and Russian tradition, the church said, regard "the reasonable and loving use of physical punishment as an essential part of the rights given to parents by God himself". Meanwhile, conservative groups worried that parents might face jail. They argued that it was wrong for parents to face harsher punishment for hitting their child than a neighbour would.

Under pressure from such groups, deputies have put forward a bill that makes the first instance of *poboi*—battery that does not do lasting harm—an administrative violation carrying a fine of 30,000 roubles (\$502), community service or a 15-day detention. It also returns the crime to the realm of "private prosecution", where the victim is responsible for collecting evidence and bringing a case. Repeat offences would be criminal infractions, but only within a year of the first, giving abusers a pass to beat relatives once a year. Vyaches-

lav Volodin, the speaker of the Duma, says the bill would help build "strong families". The bill's second reading on January 25th won 385 out of 387 votes. It is expected to sail through its third reading and be signed into law by Mr Putin.

He hit me, it didn't feel like a kiss

Anna Zhavnerovich does not agree that tolerating domestic abuse leads to strong families. A lifestyle journalist in Moscow, Ms Zhavnerovich had lived with her boyfriend for several years and discussed marriage. One night in December 2014 the conversation turned towards the possibility of breaking up. Her boyfriend proceeded to beat her black and blue. She managed to get him convicted after lawyers who read the account she published online came to her aid. "People think it can't happen to them," says Ms Zhavnerovich. "They hold on to an illusion of safety."

Domestic violence has deep cultural roots. An old Russian proverb says: "If he beats you it means he loves you." "Violence isn't just a norm, it's our style of life," says Alena Popova, an advocate for laws against domestic violence. The scale of the problem is difficult to measure, but according to Russia's interior ministry, 40% of violent crimes happen within the family. More than 70% of women who call the Anna Centre's hotline never report their cases to the police. The practice of private prosecution, which forces victims to navigate bureaucratic obstacles, dissuades many. "It's the circles of hell, it goes on and

on," says Natalia Tunikova, who tried unsuccessfully to prosecute the man she says abused her.

Nonetheless, awareness has been growing, partly thanks to grassroots efforts. "The idea that 'it's her fault' is no longer accepted a priori," says Ms Zhavnerovich. (Curiously, she supports the new law, believing that more women will come forward if they do not think their partners will be sent to Russia's harsh prisons.) A social-media flashmob under the hashtag "IAmNotAfraidToSpeak" took off in Ukraine and Russia last year, with thousands sharing tales of abuse.

Russia's ultra-conservatives are not afraid to speak, either. Elena Mizulina, a senator known for promoting laws against "gay propaganda", has pushed the latest changes, saying that "women are not offended when we see a man beating his wife." But decriminalisation fans also argue that family affairs are not the state's business. "The family is a delicate environment where people should sort things out themselves," says Maria Mamikonyan, head of the All-Russian Parents Resistance movement, which collected thousands of signatures supporting the measure.

In a country scarred by communism—where the state was once all-intrusive and families had virtually no privacy—such sensitivities are understandable. Some of the opposition to domestic-violence laws stems from a rational fear of allowing Russia's corrupt police and judiciary more power over family life. When critics charge that conservatives' views hark back to the *Domostroi*, a set of household rules popular during the reign of Ivan the Terrible, Ms Mamikonyan objects. What they advocate is not a restoration of "the Middle Ages", she says, but merely a return to the values "that European civilisation held in the 19th and 20th centuries". To many Russian women, that still sounds like a giant step backwards. ■



Charlemagne | Please Mr Erdogan

After 43 years of division Cyprus can be reunified—if Turkey's leader allows it



TREAD carefully through the building sites that litter Paphos, testament to the city's preparations for its stint as 2017 European Capital of Culture, and you eventually find your way to the enclave of Mouttalos. Thousands of Turkish-Cypriots once lived here, before intercommunal fighting, reprisal killings and Turkey's invasion of Cyprus in 1974 drove their exodus to the island's north. George Pachis, a local Greek-Cypriot, sometimes helps those who fled find the graves of relatives. Recalling one brings him close to tears. Accompanying an old widow through the cemetery recently, rather than the single tomb he expected, he found a gravestone listing nine names, including a two-year-old girl. All had been shot dead by Greek-Cypriot irregulars.

The scars of Paphos bear witness to the traumas of Europe's last divided country. Cyprus's cleavage may be peaceful today, but it is deeply entrenched. Its artefacts—barbed wire, rusting military outposts—are scrawled artlessly across the UN “buffer zone” that divides Nicosia, the capital. Checkpoints allow easy travel between north and south, but the two peoples lead separate lives; 48% of Greek-Cypriot students have never visited the north, and 43% “rarely” go. Cyprus's rifts keep the island poorer, hinder the return of refugees, embarrass the European Union (Cyprus joined as a divided island in 2004, but only the Greek-Cypriot republic enjoys international recognition) and act as a regional spoiler, hampering EU-NATO co-operation and the EU's relationship with Turkey.

The island has been formally split since Turkish troops occupied its northern third in 1974. Reunification schemes have come and gone, most recently in 2004, when the Greek-Cypriot majority rejected a plan devised by Kofi Annan, then UN secretary-general. But more recently Nicos Anastasiades and Mustafa Akinci, respective presidents of the Greek- and Turkish-Cypriots, have brought a settlement within grasp. The two men, who enjoy a strong personal rapport, seek agreement on a “bizonal, bicomunal federation”, with a weak central government overseeing two autonomous communities. Hopes are high, despite the failure of a recent summit in Switzerland. If a deal is reached in the weeks ahead, a new constitution will be drawn up while the leaders drum up support for the double referendum that will follow. But that will take time, and not much is left: Mr Anastasiades faces

elections in February that he may not win.

The outline of a deal has long been clear, and left alone the two men might have found agreement by now. But Cyprus has long been a pawn in the chess games of others. Today, unhappily, the island's fate lies largely in the hands of Recep Tayyip Erdogan, Turkey's authoritarian president. Under the provisions of Cyprus's 1960 independence settlement, Turkey, along with Greece and Britain, maintains a right to military intervention if the island's constitutional order is threatened. The Greek-Cypriots (and Greece itself) insist on scrapping those guarantees, and on the eventual removal of Turkish troops, several thousand of whom remain in the north. But despite fresh ideas from the UN to allay Turkish-Cypriot fears, such as a multinational police force stationed on the island, Mr Erdogan has so far refused to budge.

The security guarantees are at the heart of the Cyprus problem. Fix them, and you might unlock solutions to other outstanding issues, notably on territory and power-sharing. Only 1% of the island's land mass remains disputed, and a compromise looks possible: the Turkish-Cypriots relinquish their claim to Morphou, a contested town in the north, in exchange for a rotating presidency, ensuring that Turkish-Cypriots run the federal state for part of the time.

But crossing red lines is hard when you feel the other lot's guns trained on you. “In Cyprus we don't fight facts, but ghosts,” says Harry Tzimitras, director of the PRIO Cyprus Centre in Nicosia, a research outfit. Memories of the violence of the 1960s make Turkish-Cypriots loth to give up their protector. Greek-Cypriots balk at the idea of mortgaging their security to Turkey. “It is like asking Latvia to accept a Russian security guarantee,” says Mr Anastasiades. Mr Erdogan's frequent outrages at home are well noted by the many enemies of a settlement on the Greek-Cypriot side.

Will Mr Erdogan move? No one can be sure. His priority is winning a referendum on constitutional reforms, probably in April; some say he can compromise only after that. Others divine a willingness to help sooner, perhaps to get a piece of the hydrocarbon riches beneath Cypriot waters (and to wean the north off the subsidies it gets from the Turkish treasury). Two planned visits to Ankara by European leaders—Theresa May, Britain's prime minister, on January 28th, and Angela Merkel, the German chancellor, five days later—will sound the president out.

Nervous in Nicosia

Even a deal will leave difficult referendums to be won. Neither leader will sign an agreement he cannot sell at home. But that job gets harder every year. Younger Greek-Cypriots, raised on a diet of Hellenic nationalism at school and with memories of nothing other than division, are the least likely to support reunification. Nor can support from the Turkish-Cypriots, who backed the Annan plan, be assumed, in part because Mr Akinci's government is split. Tahsin Ertugruloglu, the Turkish-Cypriot foreign minister, describes the negotiations as a “total failure”.

If that seems unfair, caution is certainly in order. The Cyprus dispute is a repository of dashed hopes and broken dreams. Veteran island-watchers remain almost uniformly sceptical. (The expiry of the Obama administration, which quietly nudged both sides towards a deal, will not help.) It is noble to hope for a resolution to this wretched problem, and the courage of Messrs Anastasiades and Akinci has brought a deal tantalisingly close. But to bet on a reunified Cyprus implies a faith in Mr Erdogan's statesmanship that the Turkish president has done little to warrant. ■

Korea's Free Economic Zones: Making business easier



Korea was once referred to as “the hermit kingdom.” These days, things are very different: Korea’s geographical position makes it the most efficient economic hub from which to reach not only China and Japan, but also the rest of Asia. Now, the country is embracing its centrality by developing Korean Free Economic Zones (KFEZ) to fully exploit its enviable potential. The eight Free Economic Zones—Incheon, Busan-Jinhae, Gwangyang Bay Area, Yellow Sea, Daegu-Gyeongbuk, East Coast, Chungbuk and Saemangeum-Gunsan—are distributed throughout Korea to suit the needs of enterprising businesses. In these areas, the Korean government has gone to remarkable lengths to create a business-friendly environment.

Korea has free-trade agreements with a whopping 52 countries, which tops the list of reasons for companies

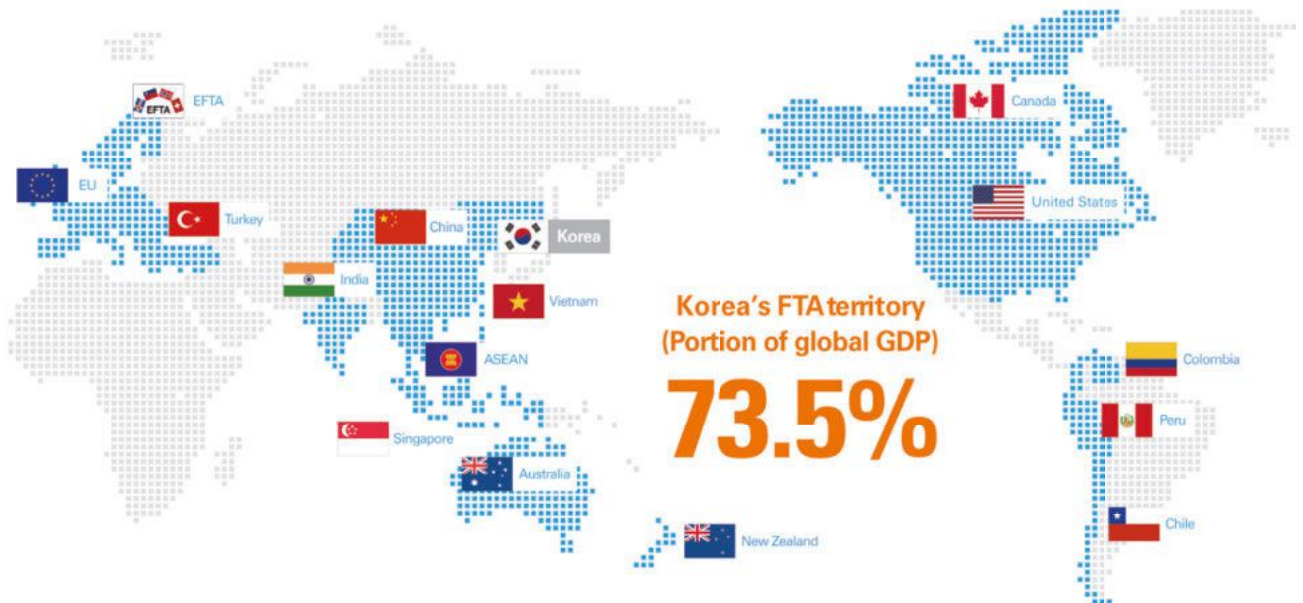


wanting to do business there. To many outsiders, it would seem counterintuitive for a Chinese company to set up shop in Korea. Not so, says Lu Xianyu, CEO of the Chinese baby-formula manufacturer HAM. While it’s true that wages and production costs are lower in China, he cites Korea’s impressive number of free-trade agreements (FTAs) as the basis for his decision to move his operations to the Gwangyang Bay Area Free Economic Zone (GFEZ).

“China doesn’t have as many FTAs,” he explains, “so exporting my products to other countries is more easily done here.” Korea’s free trade access to more than 10 countries with populations exceeding 50m adds lustre to these agreements. For Mr Lu, China is still close by, and operating in Korea puts his target markets in Indonesia and the Philippines within easier reach.

Korea's FTA network

■ In effect (15)



Development is still ongoing for many of Korea's economic zones, but the government has already spent billions of dollars on facilitating the high-tech, international business, leisure and tourism hubs that are emerging there. Korea's infrastructure and public-transport systems have long been widely admired; further improvements will be a key advantage for businesses that want to reduce operating costs, shorten delivery times and provide better customer service.

The cities that host the zones have attracted numerous companies from all over the world, which benefit from the skills of highly educated Korean workers. Even outside of central Seoul, good workers are easy to find and retain. "When we moved [to Incheon] from Seoul, no one left the company," says Martin Rotermund, managing director of Rittal Korea. He points out that when it comes to recruiting new personnel, the Incheon Free Economic Zone (IFEZ) also has a highly qualified workforce. "There are quite a few universities in this area. Our relocation to IFEZ is not something that has affected our ability to hire good labour."

One of the universities in IFEZ is SUNY Korea, part of the State University of New York system. Because courses there are taught by faculty from Stony Brook in Long Island, and students undergo the same selective process as those who apply to any other SUNY school, a SUNY Korea degree is identical to those given in the United States. This has generated a great deal of public interest for the university. James F. Larson, the vice-president of academic affairs at SUNY Korea, says it is the "best-kept secret in study abroad". Many of its students are bilingual or even

trilingual, which makes them highly prized in the global economy. "What we're building here", says Mr Larson, "is a program that will be internationally competitive." Similar scenarios are playing out in Korea's other Free Economic Zones, where higher-education campuses have also been a visible presence.

In the Free Economic Zones, Korea has taken concerted action to make business and living environments friendly to domestic firms with investments abroad, and conducive to international business. Tax breaks, financial support and other incentives are on offer. "The government has created a good environment for doing business," says Mr Lu, reflecting on his experience in GFEZ. Mr Rotermund of Rittal shares his enthusiasm. "When we received the proposal from IFEZ to establish our own building here, we recognised it as a good financial opportunity," he says. "We could not wish for much more."

For more information on doing business in the Korean Free Economic Zones (KFEZ), please visit www.fez.go.kr or www.investkorea.org. You can also contact one of the North American offices of KOTRA (the Korea Trade-Investment Promotion Agency). For details, go to english.kotra.or.kr.





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Local government

Running on empty

LIVERPOOL

Local councils' finances are in a parlous state. What sort of crisis will it take for Whitehall to step in?

ABUSED as a child by her father, Cathy led a chaotic life as a young adult. She slept on the streets, took drugs, attempted suicide and had her own child taken from her by social services. Then, a few years ago, she was provided a place in a flat for vulnerable people. She was helped by PSS, a social-care provider funded by Liverpool city council. A social worker would visit her every day and help with food, rent and medication.

But last year, as part of a cost-saving exercise, Cathy and the 33 other people cared for by PSS were reassessed. All but three were deemed not to be critically in need of such help. So she had to move from her flat and, says Jordan Smith of PSS, is now in danger of spiralling back into trouble. Two of the 34 have been sectioned under the Mental Health Act. "I'm worried what Cathy will do to herself or someone else," says Mr Smith.

Britain is in the middle of a painful fiscal squeeze. Since 2010 the budget deficit has been reduced from 10% to 4% of GDP; by 2020 it is forecast to be almost eliminated. To achieve this, the government has slashed spending. Hardest hit has been the Department for Communities and Local Government, which provides councils with most of their funding. And so local authorities have been forced to embark on an epic economy drive. Their spending on public services will be 22% lower this year than in 2010. Some services have been

pared down drastically (see chart). What do Britain's cities look like after such a crash diet?

Councils' biggest area of spending is adult social care, which makes up about a third of their budget. Liverpool city council has commissioned Karen Caffrey's company, Home Carers, to look after pensioners for 23 years. Now, her costs are rising: Mrs Caffrey says that the increased minimum wage, plus more onerous pensions obligations, will cost her an extra £128,000 (\$160,000) this year. And yet the amount she is paid by the local authority is unlikely to increase from £13.10 per hour. Liverpool's spending on adult social-care has

fallen from £222m in 2010 to £130m, even as an ageing population has increased demand. "Providers can't keep taking it on the chin," Mrs Caffrey says. Already several have pulled out.

Local authorities have come up with various ruses to save money. Several have become more efficient by merging administrative functions with those of their neighbours. Others are economising by collecting rubbish only every other week, for instance. Liverpool has shed 3,000 staff and handed some of its libraries over to community organisations to run.

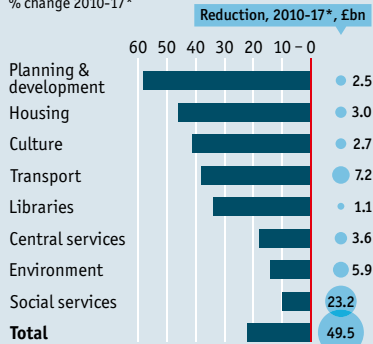
But they are nearing the limit of what can be trimmed. Joe Anderson, the mayor of Liverpool, says that, even if he closed all 19 libraries in the city and its nine sports centres, stopped maintaining its 140 parks, halted all highway repairs and street cleaning and switched off 50,000 streetlights, he would save only £68m—which is £22m short of what he must cut by 2020. So there will have to be a further 10% reduction in the social-care budget, he says.

There is little scope for councils to raise taxes. Although they disburse about a quarter of all government spending, they are responsible for raising less than 10% of taxes, making England one of Europe's most centralised countries. But this is changing. In some places, things have become dire enough for local politicians to propose special referendums to increase council tax, a levy on property. Mr Anderson floated this idea in Liverpool, before backtracking last month citing a lack of public support. On January 19th Surrey's Tory-led council said it would ballot its citizens on a 15% tax rise to pay for social care.

Meanwhile, Whitehall has begun what the Institute for Fiscal Studies, a think-tank, calls a "genuinely revolutionary" move to make local government finances more independent. It plans by 2020 to phase out ►►

Council of despair

Britain, local government spending, by service
% change 2010-17*



Source: IFS

* Fiscal years ending March

▶ the main grant by which it supports local authorities, thus leaving them more reliant on financing themselves out of council tax and business rates. It hopes to incentivise councils to encourage more economic activity by allowing them to keep a bigger share of their business rates (most of the income from the rates is pooled and redistributed according to need).

Many local authorities will struggle under this new system, says Jonathan Carr-West of the Local Government Information Unit, another think-tank, because they have a low council-tax base and little new business. Since they are not permitted to run a deficit, "I think there is more than a 50% chance that some local government will be unable to balance its budget by 2020," he says. With central government as a backstop, a Detroit-style bankruptcy is unlikely. But it is clear that some councils may soon be unable to meet their statutory duties of caring for the most vulnerable.

Poorer councils like Liverpool worry that they will suffer disproportionately,

since they are the most dependent on the central-government grant. Since 2010 the tenth of councils that are most dependent on Whitehall have had to cut their spending on services by an average of 33%, while the tenth that are least dependent have made cuts of only 9%. "I've got no room left for manoeuvre," says Mr Anderson. "I've cut the fat, then the flesh. Now I'm down to the bone."

The devolution of more powers was supposed to help local government to manage with less money. Manchester, a cheerleader for devolution, has been given control of its health and social-care budgets, and hopes to save money by integrating them. But other devolution deals have stalled. Six cities will hold elections for a mayor in the spring, but it is not clear whether Theresa May's government is as keen on devolution as was its predecessor.

Many local politicians doubt that it is serious about handing over real power. "They talk localism," says Mr Anderson, "but they do centralism." ■

Brexit and Article 50

Supreme judgment

Brexit will require the consent of Parliament—but not of the devolved assemblies

THE justices of the Supreme Court were never likely to overturn last November's ruling by the High Court. On January 24th they duly upheld, by eight votes to three, the decision that Theresa May's government needs parliamentary approval to trigger Article 50, the European Union's process for leaving the club. Although ministers appealed, arguing that the royal prerogative allows them to unmake as well as make treaties, they had expected to lose. The government has now drafted a short bill in hopes that it will become law in time for Mrs May to meet her deadline of invoking Article 50 by the end of March.

The case turned on two main points. One was that, once Article 50 is triggered, the process is irreversible: after two years Britain will automatically leave. Although many lawyers think an Article 50 application could in practice be withdrawn, neither side questioned the point, partly to avoid an awkward referral to the European Court of Justice. The second was the notion that EU membership, as confirmed by a parliamentary act from 1972, in effect confers domestic rights on British citizens that can be removed only by another act.

One oddity is that judges were attacked for subverting democracy, as expressed in the 52-48% vote for Brexit in the referendum last June. In fact, the Supreme Court is

supporting parliamentary democracy against the tyranny of untrammelled government. Its judgment refers to 17th- and 18th-century precedents, when Parliament defended citizens' rights against an overweening king. At one point the court notes that, were the prerogative absolute, ministers could in theory choose to leave the EU without a referendum—or, indeed, do so in defiance of a vote to stay in.

The chances are that the government's bill will be passed quickly. Almost all Tory

MPS and most Labour MPS say they will respect the referendum outcome. A few MPS and peers may try to amend the bill, to impose conditions that try to soften Mrs May's preferred "hard" Brexit, but they face an uphill battle. Other court challenges to Article 50 seem unlikely to succeed.

Rebel MPS did extract one concession from Mrs May. On January 25th she announced that the government would, after all, publish a white paper setting out its approach to Brexit. This is welcome. Yet ministers are under no obligation to make it detailed; Jill Rutter of the Institute for Government notes that a white paper on the Lisbon treaty in 2007 gave little away.

Two issues remain unaddressed. One is how far Parliament should be involved in the Brexit negotiations. Mrs May has promised a parliamentary vote on the terms of the deal she eventually secures. Yet that may mean little, for were Parliament to say no, it would not prevent Brexit—it would simply mean that Britain left with no deal at all. MPS wishing to hold the government to account must demand a greater say at an earlier stage, through parliamentary committees or questions, for example.

The second is the growing irritation of the devolved administrations over Brexit. The government was relieved that the Supreme Court rejected demands for votes in the Scottish Parliament and Northern Irish and Welsh Assemblies on Article 50, which could have delayed or even blocked Brexit. But Nicola Sturgeon, Scotland's first minister, is right to complain about a lack of consultation, especially since a majority of Scots and Northern Irish voted to stay in the EU. A hard Brexit will profoundly affect the devolved governments, not least because it might include border controls with Ireland. Brexit may not immediately trigger another independence referendum in Scotland or renewed instability in Northern Ireland. But Mrs May says she wants to preserve the United Kingdom. To succeed, she may have to do more to mollify its component parts. ■



Bagehot | A difficult hole

Britain's embrace of Donald Trump shows how little "control" Brexit gives the country



THERESA MAY'S private opinion of Donald Trump goes unrecorded, but she is surely not a natural fan. Before Mr Trump's election the prime minister called his remarks on Muslims "divisive, unhelpful and wrong". Fiona Hill, one of her powerful chiefs of staff, declared him a "chump" and Nick Timothy, the other, tweeted: "As a Tory I don't want any 'reaching out' to Trump." Mrs May flannelled in a television interview on January 22nd when asked about the president's treatment of women, his disregard for NATO and his protectionism. In temperament the two leaders could hardly be less alike: one brash and operatic, the other cautious and meticulous. So expect the prime minister's visit to the White House on January 27th to be a study in awkwardness: the mother superior dropping in on the Playboy Mansion.

The trip encapsulates a wider shift in London. Time was, everyone mauled Mr Trump. Boris Johnson, now the foreign secretary, said he betrayed a "stupefying ignorance" and branded him "unfit" to lead America. Ruth Davidson, leader of the Scottish Conservatives, turned to Shakespeare: "Trump's a clay-brained guts, knotty-pated fool, whoreson obscene greasy tallow-catch, right?" A year ago MPs were debating banning him from Britain. Even Nigel Farage, whose serial electoral failures in Britain have not troubled his recent reinvention as a presidential cheerleader, used to call Mr Trump "wrong" and list the many things about the man that he "couldn't support in any way at all".

Today scorn is out; flummery is in. Mr Farage led the way, pitching up at Trump Tower in December for a cheesy photo with the then-president-elect, whose grasp of the former UKIP leader's CV seems shaky. Then came Michael Gove's turn in the golden elevator and the former justice secretary's fawning newspaper profile of Mr Trump. Now Mr Johnson calls the election result "a good thing for Britain". The country is even ready to put the queen within grabbing distance of America's helmsman: plans are afoot for a summer state visit, in which Mr Trump reportedly wants the monarch to watch him golf at Balmoral, her Scottish estate.

This sycophancy is hardly new. Margaret Thatcher put up with Ronald Reagan's invasion of Grenada, a Commonwealth country. Tony Blair's eagerness to be close to George W. Bush cost him European allies and took Britain into the Iraq war. But Mr Trump is different. Whereas Reagan and Mr Bush cherished the eco-

nomic and security order in which Britain was a junior partner, Mr Trump threatens it. So why is Mrs May hurrying to Washington? Because Brexit compels Britain's leaders to show that the country has powerful allies. And "my Maggie" (as the president calls Mrs May) is desperate to line up a Britain-America trade deal that can be closed as soon as Brexit takes place, probably in 2019.

Whether this will end happily is uncertain. In trade negotiations, size matters. Larger economies can stipulate terms that suit them. Britain, an economy of 60m people, has much less leverage in trade talks than the EU, a market of 500m, or the United States, one of 300m. Mr Trump may promise an agreement "very quickly" and to show other countries that it is safe to leave the EU by giving Britain generous treatment. But more than anything else he is an America First deal-wrangler who knows he has the upper hand. A rushed agreement could see the National Health Service opened up to American firms and environmental and food standards diluted (think hormone-treated beef). Such concessions could upset British voters, who backed Brexit partly because Leavers said it would help the country's health-care system. They would also frustrate a trade deal with the EU, a much more important export destination.

The curious thing is that Brexit was supposed to be about "taking back control": immunising the country from foreign whim and interest, while asserting national dignity and independence. Increasingly that looks like a bad joke. The British elite feels it has no choice but to prostrate itself before an American president it clearly finds odious. To keep businesses from moving elsewhere, Britain may have to shadow EU regulations and pay into EU programmes without the chance to shape either. Its trade deals will be forged with a fraction of the negotiating force that has long promoted its interests. That means more concessions to the tariff and regulatory preferences of foreigners. Its application to become a full member of the World Trade Organisation is yet another opportunity for others to impose conditions and costs.

An elusive independence

And pause to contemplate Mrs May's threat to turn Britain into a tax haven if it gets a poor deal in Brussels. The prime minister is politically almighty. She faces virtually no serious opposition or credible rivals within her Conservative Party, which is close to record highs in the polls. Her premiership's *raison d'être* is to make the social safety net stronger for "just about managing" citizens. Yet if foreign leaders decide not to make concessions, she says she will be forced to rip up that plan and do the very opposite: slash public services and regulation. Some "control", that.

A fact of the modern world, sadly overlooked in the referendum, is bringing itself to bear on Britain: control and autonomy are not the same thing. The country is party to some 700 treaties, member of myriad international organisations and spends tens of billions on a nuclear deterrent unusable without America (this week it transpired that, at Washington's behest, Parliament had been kept in the dark when a missile went off course in a test). In each of these cases, Britain trades pure self-determination for real influence: the ability to shape its economic, security and environmental circumstances. Its membership of the EU is just one of many such deals. Leaving the club reinstates some control to Britain but requires it to trade away control in other ways. Will the result be a country any more able to chart its own course, as chosen by its own democratically elected leaders? Watch the prime minister's excruciating embrace of Mr Trump and decide. ■



Also in this section

52 The reveiling of Turkey

Muslim head coverings

What not to wear

MONTREAL AND PARIS

The battle over the veil is making it harder for Muslims to assimilate

IN HER bottle-green nylon skirt and matching veil, Aïcha Khobeizi is an unusual sight on a university campus in strictly secular France. When she first decided to wear a headscarf, at the age of 15, her mother laughed. The elder Mrs Khobeizi, from a village in central Algeria, had stopped covering her hair when she settled in France. Aïcha's father, a retired dustman, also disapproved. "I had the worst weekend of my life," she recalls. "But I felt something was missing. I was determined to wear it in order to feel at ease with who I am."

A garment that Ms Khobeizi and other Muslim women consider to be a private choice is now under intense public scrutiny. As France begins to select a new president, there is a remarkable consensus for upholding curbs on religious dress, which ban the headscarf from public schools and the burqa—a full-body covering with a mesh over the eyes—from public places. François Fillon, a front-runner, backed local bans on the "burkini", a modest all-in-one swimsuit, last summer and considers the spread of the veil to be part of what he calls "Islamic totalitarianism". Marine Le Pen, leader of the National Front and possibly Mr Fillon's opponent in the final round, would like to see both the Muslim hijab and the Jewish yarmulke banned from public places.

In the Netherlands the Senate is mulling a law passed by the lower house that

would ban the niqab (which covers most of the face) and the burqa in many public contexts. With elections due in March, that would be a small sop to the ultra-nationalist Freedom Party, which wants a broad crackdown on Islam. Last month Angela Merkel, Germany's chancellor, told cheering members of her Christian Democratic party that exposing one's features was part of normal interaction in a liberal society. Face covering, she said, should be banned "where legally possible".

The strangest clampdown has occurred in Morocco. Earlier this month local officials told shopkeepers that the production, importation and sale of the burqa must end, and made them sign a document agreeing to the change. Burqa-clad women, of whom Morocco has few, promptly posted pictures of themselves on social-media websites. Some asked why the government was not cracking down on prostitutes or short skirts.

In the land of liberty

Anxiety over Muslim dress is running high partly because of a surge in Muslim refugees. In the 12 months to the end of September 2016 almost 1.4m people applied for asylum in Europe—many more than the 260,000 who did so in 2010. Islamist terrorist attacks in Belgium, France and Germany have stirred fears about immigrants. Xenophobic populists are on the march al-

most everywhere. But there is a deeper cause. Secularist doctrine and Muslim culture are both evolving in a way that causes a clash over attire.

Although Britons dislike mass immigration, they seldom get excited about Muslim dress. Nor do most Americans, although Donald Trump said offhandedly last summer that he "understood" a woman who complained about airline baggage-screeners wearing what she called "heebie-jebies". In America the constitution bans any "establishment" (ie, state sponsorship) of religion, and also guarantees the free exercise of faith. Thomas Jefferson's "wall of separation" between church and state has allowed both to thrive.

France is different. The roots of French political secularism, known as *laïcité*, go back to the revolution of 1789 and to an anti-clerical campaign in the early 20th century. By 1904 some 10,000 religious schools had been shut; thousands of priests fled France. "We have torn human conscience from the clutches of faith," declared René Viviani, a Socialist minister.

To France's current Socialist government, with its strong attachment to *laïcité*, the row over the burkini was a rematch of 1905. Manuel Valls, then the prime minister and now a run-off candidate in the Socialist presidential primary, said the garment embodied the "enslavement of women". Its logic, added the women's minister, Laurence Rossignol, was "to hide women's bodies in order better to control them". Many citizens concur. Fully 72% say they would back outlawing the veil from university campuses, and 64% would ban the burkini from beaches.

Muslim dress is contentious in other places where French influence is strong. One is Turkey, whose founders chose the French model when imposing secularism ►

▶ (see box). Another is the mainly French-speaking province of Quebec, in Canada, where a proposed law is being battled over clause by clause.

In 2008 a report for Quebec's government proposed that judges, Crown prosecutors and police officers should be barred from appearing in a way that proclaims their religious affiliation. The separatist Parti Québécois (PQ) wanted to go much further. It proposed stopping all state representatives, including teachers, from conspicuous displays of belief.

Philippe Couillard, Quebec's Liberal premier, explains that the province is part of North America and should be guided by Jefferson's ideas on church-state separation rather than by French *laïcité*. As a result, the bill now being debated by Quebec's politicians falls well short of the PQ proposal. It says that people delivering or receiving state services should not cover their faces. But civil servants can wear the hijab. That does not go far enough for critics, some inspired by concern for Quebec's Catholic heritage (to which the bill makes respectful reference) and others by the battle to throw off Catholic influence.

In France, Quebec and even Turkey, a growing number of young Muslim women favour a live-and-let-live approach. "There's no single meaning to the veil," insists Ndèye Aminata Dia, a Senegalese-born woman working in Paris who has started a fashion line in stylish head-coverings. She wears her veil over a long flower-print skirt and carries a jaunty red handbag. "Wearing it doesn't mean you are fundamentalist," she says, "just as you can decide not to wear it, and still behave with modesty."

Many educated young Muslim women consider themselves the beneficiaries of feminist battles fought by the previous generation. They have no time for arguments favoured by academic feminists about whether the veil is a form of emancipation or oppression. Instead they insist on their right to dress how they like, whether in tight jeans or a full-length niqab, and not to be judged for it.

From this perspective, the government's attempts to impose and elaborate a dress code are not just an affront to their freedom but further proof of male chauvinism. "I'm a feminist, I consider that I'm equal to men and I wear what I want," says Fatima El Ouasdi, a student in finance, who wears her skirt short and her hair loose and runs a women's-rights group. "But the burkini ban really revolted me."

Yet the trend of "reveiling" among young French women is sincerely regarded by many members of their mothers' generation and by many politicians as part of a fundamentalist political project. They believe the government has both the right and the duty to oppose it. The French do not view the state merely as a provider of

Headscarves in Turkey

Under cover

ISTANBUL

The veil makes a comeback

AS OTHER countries move to ban Muslim head coverings, Turkey is going the opposite way. Women have been free to wear headscarves at state universities since 2011, and in parliament since 2013. Last August policewomen were allowed to cover their heads; in November a ban on headscarves among civilian defence staff was lifted.

In 1925 Kemal Atatürk, Turkey's first president, declared that a "civilised, international dress" was "worthy and appropriate" for the new republic. For men, this meant Western shoes, trousers, shirts and ties—in with the bowler and



Atatürk and his wife, on trend

services but as a guarantor of norms. Lending legitimacy to certain individual choices is not just a matter of personal freedom but can have real social consequences.

For evidence, some say, look at the *banlieues*. The atmosphere in some heavily immigrant suburbs can curb freedom by making it hard not to wear the veil, argues Nadia Ould-Kaci, who co-runs a group called Women of Aubervilliers against the Veil. In recent years, she says, the spread of the veil in her district has reached "worrying" proportions. Girls of North African origin who do not wear it are insulted by being told that "God is ashamed of you."

The challenge is to defend women from such pressures while affirming individual freedom. "*Laïcité* used to be about the neutrality of the state," says Amélie Barras, a political scientist at York University in Canada. "But now it's more about citizens, and

out with the fez. Women were urged to follow European fashion, dance the foxtrot and work in the professions. In 1934 Turkey let women vote and banned the wearing of the Islamic veil.

Curbs on religious garb were tightened in the 1990s. Fatma Benli, a lawyer and parliamentarian, remembers being asked to remove her scarf before defending her dissertation in the late 1990s. In 1999 an MP who came to parliament in a headscarf was booed out. That began to change after 2002, as the Justice and Development (AK) party consolidated power. Today 21 covered women sit in parliament. Critics say the AK party has promoted veiling by preferring veiled job applicants and conservative groups. Binnaz Toprak, a sociologist and opposition politician, has found that some women, especially in the public sector, wear the scarf to further their careers.

Some secularists see a link between stricter Islamic dress norms and increased violence against women. In September a nurse in Istanbul was kicked in the face by a man enraged at her shorts. He was quickly released, to be rearrested only after an outcry.

At a protest several weeks later a teenage student, Oznur, complained about a hostile climate in the district where she lives: "We can't walk on our own in the evening without being harassed." She and her friends wanted neither a return to Kemalist dress codes nor their replacement by Islamic ones. The state, she said, has no business telling women what they should wear.

what they can and cannot do."

One moderate in France's presidential debate is Emmanuel Macron, a former Socialist minister. He argues that *laïcité* should not be "vindictive" and focused on prohibition. "I don't think we need to invent new texts or new laws in order to chase the veil from universities," he has said. Better to use other legal means of enforcing equality and women's rights, such as child protection. Perhaps schools could take on the topic as part of civic education, and explain to girls that they can wear what they want within the law and do not have to dress how others tell them.

Such calm, nuanced thinking is rare. But France badly needs to work out how to marry secularism and liberty. If it cannot forge a more tolerant *laïcité*, it runs the risk of estranging a generation of its own young Muslim women. ■



Bridge International Academies

Assembly line

NAIROBI

A pioneering education company gets high marks for ambition but its business model is still unproven

AT THE Gatina branch of Bridge International Academies, on the outskirts of Nairobi, Nicholas Oluoch Ochieng has one eye on his class of five-year-olds and the other on his tablet. On the device is a lesson script. Every line is written 7,000 miles away, in Cambridge, Massachusetts. There an American team analyses 250,000 test scores every ten days from Bridge's 405 Kenyan schools, and then uses the data to tweak those parts of a lesson where pupils find themselves stumped. Teachers, if they are instructing the same grade level, give identical lessons, and timetables are standardised, too. So when Mr Ochieng's pupils read from their books, the same words should be reverberating off the walls of each Bridge nursery.

That chorus should soon grow louder. Founded in 2008, Bridge has grown into one of the world's largest groups of for-profit schools—and the largest targeting poor pupils. It has 100,000 pupils spread across Kenya, Liberia, Nigeria, Uganda and India. Bridge says it aims to teach 10m children—the size of Britain's pupil population—within the next decade.

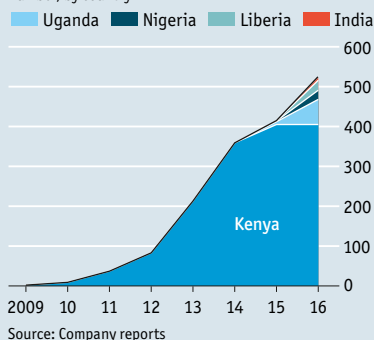
Bridge's ambitious target sets it apart from the low-cost private schools that educate more than a fifth of pupils in poor countries, but that remain little more than cottage industries in each place. So too does the strong reaction to it. In November Uganda's high court upheld an order that Bridge close its 63 schools there, alleging

that it opened branches without permission. (Bridge has been granted a stay of execution and is lobbying the government to let it remain in the country.) And backed by Education International (EI), a global group of teachers' unions, Kenyan and Ugandan unions and their political patrons have campaigned tirelessly against it.

Many of Bridge's critics simply hate that it seeks a profit. Lily Eskelsen García, a vice-president of EI, calls Bridge's model "morally wrong". It is ironic, then, that it is consistently loss-making. That often goes unnoticed, because less attention has been paid to Bridge's business model than to its teaching aims. Its biggest challenge, indeed, may well be financial.

E is for expansion

Bridge International Academies
Number, by country



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Its \$140m or so in equity capital comes from several investors, including Bill Gates, Mark Zuckerberg and Pierre Omidyar, who founded eBay, an online-auction giant, as well as from venture-capital funds such as Learn Capital and Novastar. It is often compared to companies from Silicon Valley: the "Uber of education" is one faddish analogy. Bridge recognises that making money by educating the children of parents who pay a mere \$71-122 per year (excluding uniforms and lunch) calls for Uber-style disruption. Its school mottos are standardisation, automation and performance-monitoring. It builds its schools in just one month, for example, using one of only three design templates. Many parents in Kenya pay using M-Pesa, an efficient, low-cost mobile-money provider.

Also central to its business model is the way in which it uses technology to manage its key resource—teachers. Parents appear convinced that its teachers achieve far more than those in the state system. Technology allows close monitoring of what goes on in the classroom, right from the moment teachers join Bridge's internal training programmes. All teachers must follow instructions on their tablets. Bridge tracks their finger strokes to see whether they scroll to the end of lessons. Local teams of inspectors also keep tabs on whether pupils understand the material.

Bridge pays its teachers more than those in other private schools, though a lot less than those in the state sector. And it offers extra pay to high performers in popular schools. That seems to encourage them to show up reliably. Bridge's teacher-absenteeism rate is less than 1%, whereas in Kenyan public schools, according to the World Bank, 47.3% of teachers are absent from the classroom when they are supposed to be teaching.

It is true that so far, the hard evidence of ►►

► the effect that Bridge has on pupils' results is suggestive rather than definitive. Bridge's own analysis claims that the firm boosts the performance of pupils in Kenya's high-stakes national examination at the end of primary school. Another Bridge study suggests that its younger pupils learn 13-32% more per year than similar pupils in public schools. Michael Kremer of Harvard University is leading a randomised controlled trial involving Bridge that will begin to report next year. Even without conclusive evidence, the demand for Bridge's schools is high (at least where political opposition is low). New ones in Nigeria, Liberia and India were quickly oversubscribed.

Still, the high upfront costs associated with its business model—its academic team in Cambridge, for example, is expensive—mean that just like many a Silicon Valley hopeful, it is quickly burning through investors' cash. Parents are opting to pay for Bridge, but not yet in large enough numbers to deliver a profit. One presentation to investors in 2016 promised a “multi-billion dollar opportunity” with projected net earnings of nearly \$250m by 2025 and revenues of almost \$750m. The firm releases few numbers, but today its net losses are estimated at about \$12m per year on revenues of no more than \$16m.

Shannon May, the firm's co-founder, answers that Bridge has always been clear that it has “a long-term, leveraged business model”. The firm has raised prices in India, where fees are about \$122 per year, roughly \$50 more than in its African markets. Ms May estimates it will break even within three years, by when she expects it to have 500,000 pupils globally. But one investor in Bridge says he would be “astounded” if it broke even by then.

Teacher's pet

The financial pressure may not build too quickly. Having such well-known backers may mean that, in the words of one philanthropist, “Bridge is too big to fail.” As well as its private investors, the company is also funded by the World Bank, and by the governments of Britain and America (as part of a shift towards spending development cash on private-sector projects rather than on aid). They are likely to be patient—so long as Bridge grows.

If pupil numbers and prices do not climb fast enough, the firm could find other ways of making money. “We are not just a school system,” says Ms May. When in 2009 she tried to buy uniforms and building materials from local suppliers in Kenya, she found it was cheaper for Bridge to make them itself. The company has become a big manufacturer of doors and desks, and in 2013 and 2014 it was Kenya's largest. In Lagos State, Nigeria, where it has 23 schools, it sells other add-on products, such as school sportswear. Bridge has also suggested to investors that it could use its

data on fee payments to sell credit scoring or financial products. It would like to use its brand to offer health insurance.

Another opportunity within its existing, core business is for Bridge to run publicly funded schools rather than just compete with them. It estimates that in poor countries this market could be worth \$179bn, versus the \$64bn private market. It has taken a first step in Liberia, where Bridge is part of a pilot programme in which private operators take over the running of 90 public schools—an approach similar to that involving charter schools in America, where independent operators such as KIPP (Knowledge Is Power Programme) have run partly subsidised, fee-free schools for more than two decades.

Such public-private partnerships would require good relations with governments. The record there is patchy. In Bridge's first two markets, Uganda and Kenya, growth has stalled. The future of its schools in Uganda is uncertain. In Kenya, Bridge has not opened a new school since 2014 as parents have been put off by the (often wild) claims of the firm's opponents. The average number of pupils per class in the country has fallen from 30 in 2014 to nearer 20. That has led to a dip in total pupil numbers. To reach its next 400,000 pupils—and meet its target of breaking even within three years—Bridge is relying on highly optimistic growth projections for India and Nigeria.

That does not stop some development types worrying that with its patient, generous shareholders, Bridge may come to dominate the publicly funded school sector in several places. Because it needs to expand rapidly to break even, they reckon it will seek to run as many publicly funded establishments as it can. That in turn, they fret, will give Bridge too much power over weak governments. It could even use its growing monopoly power to raise fees.

There are plenty of ways to avoid such an outcome. Contracts can hold Bridge—and other operators—accountable for improving kids' learning. Contracts can also specify an agreed cost per child. If Bridge falls short, children can be returned to the state system or moved to another chain.

“If you think public schools can solve this problem alone it is wishful thinking,” says George Werner, Liberia's minister of education. He points out that critics of Bridge and other private groups should remember the status quo. Last year just one student out of 42,000 hopefuls in Liberia passed an exam that allows pupils to apply for universities. In 2013 no candidate did. Scandalously few children are learning well in public schools. The problem of teacher absenteeism shows little sign of improving. Today, therefore, the problem for pupils seems to be the same as for Bridge itself. It is not that the company is too big. It is that it is too small. ■



Formula One

Bye-bye, Bernie

The motor sport's new owner gives its longtime boss the heave-ho

FOR nearly 40 years, he showed skill and stamina at the wheel of Formula One (F1). But this week Bernie Ecclestone ran out of track. The sport's new owner, Liberty Media, was at pains to portray its replacement of him as chief executive (by Chase Carey, a former president of Rupert Murdoch's 21st Century Fox) as smooth. But the straight-talking octogenarian has never been one to stick to the script: he complained he had been “forced out”.

Liberty, which is controlled by John Malone, a billionaire, agreed to buy the sport last year, in a deal worth \$8bn; the deal was completed on January 23rd. That provided an exit for CVC, a private-equity group which had purchased control in 2006. Mr Ecclestone gets the title of “chairman emeritus” as a sop—he said he doesn't know what the title means—and will, said Liberty, “be available” to advise the board.

His exit was not a total surprise, though the timing had been unclear; he had talked about remaining involved in running F1 for another two to three years. Liberty may wish to draw a line under the Ecclestone era as a precautionary measure. F1 was often mired in litigation during his tenure. He flirted with jail, standing trial in Germany for allegedly bribing a banker to steer the sale of F1 towards CVC. He settled the case for \$100m in 2014, with no ruling on guilt or innocence. Today attention focuses on a stake of 1% that the sport's governing body and regulator, the Fédération Internationale de l'Automobile (FIA), holds in F1, on which it stands to make around \$70m thanks to the deal with Liberty, a transaction which the FIA itself had the power to ►►

► approve. The stake appears to breach a deal with the European Commission in 2001, in which the FIA promised to avoid any commercial conflicts of interest with its oversight of the sport.

Mr Ecclestone himself made fantastic amounts of money by transforming an amateur series into one of the world's biggest televised sports. He negotiated a long leasing deal for the commercial rights at what many considered a laughably low

price. He was adept at the task of keeping F1's notoriously fractious teams together—but not so united that they harrumphed off to set up a rival series. But he largely ignored F1's digital possibilities. Television audiences declined with the move from free-to-air to pay TV, even as F1 pushed into new markets in Asia, eastern Europe and the Middle East. Circuits in western Europe began to balk at the high fees demanded to stage races.

Political dating websites

Making America date again

NEW YORK

Dating apps and websites serve up conservative courtship and liberal lust

AFTER Donald Trump was elected president, Maple Match, an online dating app which connects Canadians and Americans, was inundated with people signing up. The app promised to make it easy for Americans to find a Canadian partner to save them from the “unfathomable horror” of a Trump presidency. Joe Goldman, the app's Texas-based founder, says it has taken on the perceived ethos of Canada: welcoming, open and tolerant. “We're building bridges when people are talking about building walls and our users like that.”

TrumpSingles.com is forging connections, too. Its founder, David Goss, wants to make it easier for Trump supporters to find each other. The site's earliest users were in Los Angeles, New York and Philadelphia, which are Democratic strongholds. Now its users are in every state. They are also signing up from abroad, including in Britain and in Russia. Mr Goss and his team personally approve each of the site's 26,000 users to weed out trolls. The site was able to increase its monthly fee from \$4.95 to \$19.95 in December following Mr Trump's election victory. It enjoyed a bump in users even after the price increase. Mr Goss is expecting to hear from Mr Trump, since he is making money from his name.

Online giants such as Match.com, Bumble and Tinder cater for absolutely everyone. That has left lots of room for “niche” providers: there are dating sites for every lifestyle, including ones for vegans, Disney fans and farmers. Entrepreneurs now see opportunity in ideological matchmaking. People used to avoid talking about politics on dates, but political preferences have become a romantic deal-breaker on a par with smoking habits. According to “Singles in America”, a report from Match.com, people who bring up political leanings and agree on them during the first date have a 91% chance of getting to a second. Some sites go well beyond party alle-

giances and dig deep into each user's policy preferences. CandiDate, a non-partisan dating site, asks its members where they stand on issues ranging from the Keystone XL pipeline to Obamacare.

Making money is difficult, however. It is hard for new businesses to charge subscription fees while building brand awareness. ConservativesOnly (whose tagline is “Because liberals just don't get it”) temporarily suspended its fees during the election cycle to try and drive traffic. Some instead rely on targeted advertising. To be successful, niche dating sites need critical mass and a mobile platform,” says Mark Brooks of Courtland Brooks, an online-dating consultant.

Not every site will survive this political cycle. Building a business around a failed candidate can be particularly tricky. BernieSingles, which brought together fans of Bernie Sanders, a presidential hopeful, is itself on a break. It hopes to rebrand itself as a site for progressive singles, and relaunch in April. Many would be sorry to see the back of its memorable catchphrase: “the 1% are not the only ones getting screwed this election season.”



Looking for a bit of Trumpy pumpu

Liberty will now seek to exploit what Mr Carey called F1's “multiple untapped opportunities”, in the hope of sending its annual revenues well above the current \$1.8bn. That will mean improving fans' digital experience. There will be a renewed push in America, where F1 has long struggled to establish a proper business, but also in the oldest markets. Mr Carey this week described western Europe as the “foundation” of the sport, whose participation guarantees interest from new circuits.

The new leadership portends a sensible blend of fresh ambition and continuity. But it is unclear whether Liberty fully understands the quirky business it has bought (and for which it has paid a full price). The teams will remain hard to corral. The new driver is a seasoned media operator, but Liberty has taken charge of a temperamental vehicle. It will require skills every bit as varied as Mr Ecclestone's to keep the business on track. ■

Qualcomm

Until the patents squeak

The world's biggest chip-design firm is under attack from its main client, Apple

“SHOULD five per cent appear too small, be thankful I don't take it all.” The Beatles wrote “Taxman” in 1966 to protest at Harold Wilson's exorbitant “supertax” rates. Critics of Qualcomm, the world's biggest chip-design firm, would say the lyric is a clue to the company's business practices. Its methods have attracted a barrage of legal complaints. The latest came on January 25th, when Apple, a smartphone maker, sued it in China for abusing its clout in mobile processors and demanded 1bn yuan (\$145m) in damages. Just days earlier Apple had filed a similar lawsuit in California asking for \$1bn.

America's Federal Trade Commission (FTC) issued a separate complaint against the firm this month. In late December, the equivalent body in South Korea fined it a whopping \$853m, which hurt its quarterly results, announced this week. These cases follow two similar ones in 2015: Chinese regulators imposed an even higher fine, of \$975m; and the European Commission found Qualcomm guilty of having sold chips below cost to hurt rivals.

Qualcomm is no household name, but most people with mobile phones use its technology. It is estimated to provide up to four-fifths of essential types of baseband processors, the chips that manage a device's wireless connection. These and other chips generated two-thirds of the firm's revenues of \$23.6bn in 2016. But the secret ►►

► to its profits of \$5.7bn is the way it licenses its intellectual property (see chart).

Qualcomm owns thousands of patents on technology deemed “essential” to build phones compatible with wireless standards. All the cases revolve around the peculiar model of how Qualcomm licenses these patents. It does not make them available to rival designers of chips and other components, but only to device-makers. These usually pay for the entire patent portfolio, rather than individual patents. And Qualcomm typically charges a percentage of the total selling price of a device—5%, according to insiders.

Combined with Qualcomm’s dominant position in baseband processors, the FTC argues, this set-up enables all kinds of abuses. In particular, it alleges that handset brands have little choice but to sign up to onerous licensing conditions in order to get the chips they need. Apple, among other things, claims that per-device royalties mean Qualcomm is taxing its innovation: it must pay up for new features, such as a new kind of camera, even if these are unrelated to Qualcomm’s patents.

Such accusations are not new. In the past Qualcomm has defended itself by arguing that its approach makes life easier for all involved: licensing patents for individual components would be too complex. As for the FTC’s allegation of monopoly abuse, Qualcomm said that it “has never withheld or threatened to withhold chip supply in order to obtain agreement to unfair or unreasonable licensing terms.”

The courts will now have to sort all this out. If legal battles are multiplying now, it is because the world is in a way “done” with smartphones, says Stéphane Téral of IHS Markit, a data provider. Slower growth and tighter margins have device-makers searching for ways to cut costs.

Apple’s cases are the biggest danger for Qualcomm: the iPhone-maker is its largest customer. Stacy Rasgon of Sanford C. Bernstein, a research firm, describes Apple’s lawsuits as an “all-out assault” on Qualcomm’s licensing model. But the firm has shown that it can recover from crises by developing new technology and making

clever acquisitions. Although regulators have yet to approve the deal, the firm in October bought NXP Semiconductors, a chip designer, for \$47bn, which gives Qualcomm a foothold and lots more intellectual property in two promising markets: chips for cars and connected devices, collectively called the internet of things. The world may be “done” with smartphones, but the taxman is likely to remain a force. ■



Food retailing

The big McCustomisation

CHICAGO

McDonald's is seeing results from healthier fare and greater digitisation

IN A newly released film, “The Founder”, the character of Ray Kroc promises that the startup he had taken over from the McDonald brothers “can be the new American church”. Portrayed by Michael Keaton as a turbo-charged egomaniac whose scruples diminish as his success increases, Kroc understood the power of branding, the advantages of franchising and the attraction of speed in food retailing. McDonald’s is now one of the country’s biggest food chains, with more than 14,200 outlets.

The domestic market is still its most important one, despite the firm’s massive global presence. When it reported this week that global sales had dropped by only 5% in the fourth quarter, the number beat expectations. News of a drop in sales in America of just 1.3% was received more gloomily. Hopes had risen because of the previous six consecutive quarters of domestic growth. At the end of 2015 and in early 2016 the chain had reaped the rewards of introducing the popular all-day breakfast in America. A year or so later, Egg McMuffins

and sausage biscuits have shed some of their allure.

Still, Steve Easterbrook, the firm’s British boss, who took over in March 2015, has lots to be proud of. He has streamlined a bloated menu, which in America had grown to almost 200 items, by, for instance, ditching sandwich wraps and offering one type of quarter-pounder with cheese rather than four. He also made the fare on offer healthier by, for example, taking high-fructose corn syrup out of buns. He removed artificial preservatives from Chicken McNuggets.

Most analysts approve of his plan to lift the share of restaurants that are franchised even higher, from 83% to 95%. He sold 1,750 struggling company-owned outlets in China and Hong Kong to a consortium (retaining a 20% stake) and put the firm’s Japanese outlets up for sale. True, the trend to become a brand manager rather than an owner of restaurants was started by Burger King, a rival, but McDonald’s has excelled at it. The advantage is a predictable revenue stream.

It has taken an outsider to shift McDonald’s culture. Mr Easterbrook is only the second non-American to run the company. So far he is succeeding in making it more accountable and nimble, says R.J. Hottovy of Morningstar, an investment-research firm. Its bureaucracy, known for its stodginess, has speeded up. The firm has become more open to experimentation. It has recently introduced touch-screen self-service kiosks, customised burgers and question-and-answer sessions with clients through social media.

This year and next it is planning to introduce mobile ordering and payment in as many as 25,000 outlets worldwide by enhancing its app, which now mainly features only menus and discounts. It is late but it is at last jumping on the digital bandwagon, says John Gordon, a restaurant expert at Pacific Management Consulting Group, who points out that even Dunkin’ Donuts, a doughnut chain, offers an advance order-and-pay app. Starbucks, the world’s biggest coffee chain, launched its app in 2009 and by autumn 2013 was making 11% of its sales through mobile channels. That is not the only reason for McDonald’s to envy the coffee giant: analysts reckon that it will soon overtake Mr Kroc’s creation to become the world’s most valuable restaurant chain.

Despite the prospect of losing the top spot, Mr Easterbrook is reckoned to have a good chance of lasting longer in his job than his predecessor, Don Thompson, who served two-and-a-half years. He knows the business extremely well but cut his teeth outside McDonald’s, an advantage, says Neil Saunders at Conlumino, a retail researcher. “Persistence!” cries Kroc in his biopic. Mr Easterbrook will no doubt watch the film and draw lessons. ■

A licence to print money

Qualcomm’s technology licensing division
As % of total



Source: Bloomberg

How to build a nuclear-power plant

Nuclear options

A new crop of developers is challenging the industry leaders

THE Barakah nuclear-power plant under construction in Abu Dhabi will never attract the attention that the Burj Khalifa skyscraper in neighbouring Dubai does, but it is an engineering feat nonetheless. It is using three times as much concrete as the world's tallest building, and six times the amount of steel. Remarkably, its first reactor may start producing energy in the first half of this year—on schedule and (its South Korean developers insist) on budget. That would be a towering achievement.

In much of the world, building a nuclear-power plant looks like a terrible business prospect. Two recent additions to the world's nuclear fleet, in Argentina and America, took 33 and 44 years to erect. Of 55 plants under construction, the Global Nuclear Power database reckons almost two-thirds are behind schedule (see chart). The delays lift costs, and make nuclear less competitive with other sources of electricity, such as gas, coal and renewables.

Not one of the two technologies that were supposed to revolutionise the supply of nuclear energy—the European Pressurised Reactor, or EPR, and the AP1000 from America's Westinghouse—has yet been installed, despite being conceived early this century. In Finland, France and China, all the EPRs under construction are years behind schedule. The main hope for salvaging their reputation—and the nuclear business of EDF, the French utility that owns the technology—is the Hinkley Point C project in Britain, which by now looks a lot like a Hail Mary pass.

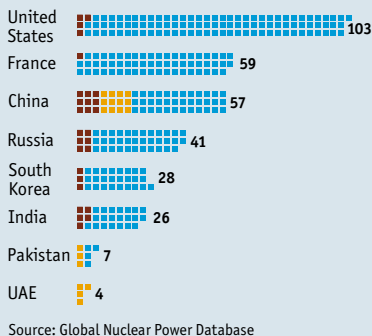
Meanwhile, delays with the Westinghouse AP1000 have caused mayhem at Toshiba, its owner. The Japanese firm may announce write-downs in February of up to \$6bn on its American nuclear business. As nuclear assets are probably unsellable, it is flogging parts of its core, microchip business instead.

Yet relative upstarts in South Korea and China show that large reactors, such as the four 1,400-megawatt (MW) ones in Abu Dhabi, can be built. Moreover, the business case for a new breed of small reactors below 300MW is improving. This month, Oregon-based NuScale Power became the first American firm to apply for certification of a small modular reactor (SMR) design with America's nuclear regulators.

"Clearly the momentum seems to be shifting away from traditional suppliers," says William Magwood, director-general of the OECD's Nuclear Energy Agency.

Particle decelerator

Nuclear reactors, selected countries, Jan 2017
 ■ Operating ■ Under construction of which: ■ Behind schedule



Both small and large reactors are required. In places like America and Europe, where electricity demand is growing slowly, there is rising interest in small, flexible ones. In fast-growing markets like China, large nuclear plants make more economic sense.

If the South Koreans succeed with their first foreign nuclear programme in Abu Dhabi, the reason is likely to be consistency. Nuclear accidents such as Three-Mile Island in 1979 and Chernobyl in 1986 caused a long hiatus in nuclear construction in America and Europe. But South Korea has invested in nuclear power for four decades, using its own technology since the 1990s, says Lee Yong-ho, an executive at Korea Electric Power (KEPCO), which leads the consortium building Barakah. It does not suffer from the skills shortages that bedevil nuclear construction in the West.

KEPCO always works with the same, fa-

miliar suppliers and construction firms hailing from Korea Inc. By contrast, both the EPR and AP1000, first-of-a-kind technologies with inevitable teething problems, have suffered from being contracted out to global engineering firms. Also, South Korea and China both keep nuclear building costs low through repetition and standardisation, says the World Nuclear Association (WNA), an industry group. It estimates that South Korean capital costs have remained fairly stable in the past 20 years, while they have almost tripled in France and America.

The WNA also notes in a report this month a "revival" of interest in SMRs, partly because of rock-bottom sentiment toward large plants. Utilities are finding it tough to pay for big projects (Barakah, for instance costs a whopping \$20bn), especially in deregulated power markets where prices have slumped because of an abundance of natural gas and renewable energy. Big investments can sink a firm's credit rating and jack up its cost of capital.

It is less onerous to pay for an SMR, which means that even though they produce less energy, they can be cost-competitive with larger plants once they are being mass produced, says the WNA. Other advantages are that SMRs will be factory-built, easy to scale up by stacking them together, and quick to install.

America's regulators expect to reach a decision on NuScale's application within 40 months. Safety will be the crucial issue; both the reactor and the facilities where it will be fabricated need to pass muster. It uses a well-established pressurised-water technology and claims not to be at risk from the problems that caused the Fukushima disaster in Japan in 2011; it has no pumps, and no need for external power or water. If approved, the success of the technology will not be known until many have been produced. Yet with the prospect of SMRs and the Abu Dhabi plant soon going into action, long-suffering backers of nuclear power at last have something to pin their hopes on. ■



Schumpeter | Overnight sensation

American bosses have become giddy, last-minute fans of Donald Trump



IN AN effort to understand their new reality, many American bosses have been studying “The Art of the Deal”. Donald Trump’s autobiography, published in 1987, begins by describing his working week, which mainly consists of frequent calls with his stockbroker, sitting in his office as other businesspeople pay him lavish tribute, and drinking tomato juice for lunch.

If Mr Trump’s routine is anything like the same today, he must be delighted. The broker has good news: the S&P 500 index has returned 6% since his election and on January 25th the Dow Jones Industrial Average closed above 20,000 for the first time. There have been chief executives-a-plenty lavishing praise on him both in public and in private. Their devotion seems extraordinary. Before the vote, many of the same C-suiters lambasted him as a menace to capitalism and much else.

One theory is that executives are simply terrified of Mr Trump. But many are supportive of him in private, too. They offer two explanations: that they can’t help but respond to his personal charm offensive to big business, and that they are persuaded that there is some substance there. Consider the personal touch, first. On paper the Obama years were glorious for big firms. Their profits soared and many built oligopolies through big takeovers. But most CEOs viewed Mr Obama’s presidency with dismay. Their firms’ sales stagnated along with the economy, and, reluctant to invest, they spent profits on share buy-backs. Mr Obama was aloof, caring little for the company of businesspeople. Antitrust enforcement was lax, but other elements of regulation got tighter.

The new era could not be more different. Since winning, Mr Trump has had personal contact with the bosses of firms with a collective market value of \$5trn, or a fifth of America’s stockmarket. He has either met or appointed them as advisers or officials. The list includes eight of America’s ten most valuable firms. The exceptions are Berkshire Hathaway, run by Warren Buffett, a backer of Hillary Clinton, and Wells Fargo, which faced a mis-selling scandal in 2016. Most CEOs are status-conscious and see no harm in pressing the flesh. An invitation to Trump Tower or the White House to discuss how to run America goes down well.

Once the cameras are switched off, the president lays on the flattery. He tells bosses how important their firms are to the country and that he will pave the way for them to invest. Those he has

fallen out with get a chance to make up. In January Randall Stephenson, the boss of AT&T, which is trying to buy Time Warner in a deal Mr Trump denounced during his campaign, paid his respects. Elon Musk of Tesla, an electric-car firm, criticised Mr Trump in 2016, but has since become an adviser and attended a meeting on manufacturing at the White House on January 23rd. Also present was the head of Lockheed Martin, whom Mr Trump has previously roasted for ripping off the Pentagon. The next day Mr Trump met the heads of Detroit’s three big car firms, whom he has, in the past, beaten up for investing in Mexico.

Few bosses are deluded enough to think an hour with the fickle Mr Trump can secure lasting favour, however. They also say that his economic plans will unleash corporate America. Four substantial changes are afoot. Firms will be allowed to repatriate foreign profits without paying a border levy: they have \$1trn of cash stashed overseas. A Republican-controlled Congress will ram through tax reforms this spring to cut corporate tax from a headline rate of 35% now to 20% or less. A state-backed splurge on crumbling airports and roads will go ahead. And there will be an all-out war on regulation. In the meeting on January 23rd Mr Trump promised to eliminate three-quarters of all red tape.

The combination of all this, bosses say, will create a virtuous cycle of investment and growth. But in each of the four areas there are grounds for caution. Mr Trump will demand that environmental and financial regulators enforce rules with less zeal, but unwinding red tape will take years. The infrastructure spending spree may run up against deficit-averse Republicans. And look more closely at corporate taxes. Big firms already pay far less than the official rate. The constituents of the S&P 500 index paid in total a cash tax rate of 23% in the last reported year, based on Bloomberg data (and excluding loss-making firms). If the tax rate were slashed to 15%, the bump would be worth 8% of pre-tax profits—nice to have but hardly transformative. The reduction might also be offset by other changes, such as new limits on the tax break that firms receive on their interest costs.

Hail to the chief

As for the cash that American firms hold abroad, half of it is owned by tech firms such as Google and Microsoft, which already invest less than one-third of their total cashflow and which might carry on buying back lots of stock. For the rest of the firms in the S&P 500, the cash that is stranded offshore amounts to only nine months’ worth of capital expenditure, or 2% of their market valuations. These figures are too small to make much difference.

And then there is Mr Trump’s attitude to trade, which matters greatly to big firms, since a third of their collective sales are abroad. Many bosses forgive Mr Trump’s threats to start trade wars with China and Mexico as a form of price discovery. He makes bombastic opening demands, they say, but businesspeople expect him to reach rational arrangements with both countries that allow commerce to flourish. One well-thumbed section in the autobiography explains how he aims high, pushes and pushes but then settles for less than he originally sought.

But dealing with countries is a higher-stakes game than bargaining over Manhattan building plots. The president is erratic, ill-informed and advised by hardline protectionists. American bosses’ volte-face on Mr Trump seems uncharacteristically excitable. Perhaps they would be better following another piece of advice from “The Art of the Deal”: “I believe in the power of negative thinking...always go into the deal expecting the worst.” ■



Sino-American trade

Rules of engagement

Even without a trade war, there is plenty of scope for trade tension between America and China

DONALD TRUMP'S quest to protect American workers from cheating foreigners has begun. But in his first flurry of policy tweets and executive orders, China, his favourite bogeyman, was conspicuously absent. On the campaign trail he deplored China's currency manipulation, accused it of flouting global trade rules and threatened a 45% tariff on its exports, all to cheering crowds. Now, the world is waiting to see how much of this he meant.

The promise to label China a currency manipulator has not been repeated. An optimistic interpretation is that Mr Trump has realised that the promise was based on an "alternative" fact. China is no longer squashing its currency to gain a competitive edge, but is instead propping it up. A pessimistic one is that Steven Mnuchin, his treasury secretary, who would do the labelling, is not yet confirmed by the Senate.

Mr Trump certainly has the power to wreak trade havoc. A big blanket tariff would slice through supply chains, hurt American consumers and fly in the face of the global system of trade rules overseen by the World Trade Organisation (WTO). But, rather than blow up the world's trading system, Mr Trump may yet decide to take on China within it. The White House website, without naming China, promises "to use every tool at the federal government's disposal" to end trade abuses.

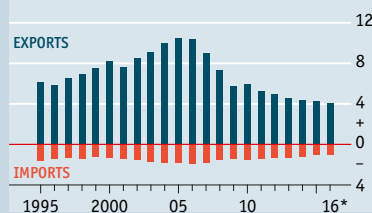
In the process of being confirmed as Mr Trump's commerce secretary, Wilbur Ross

somewhat reassuringly said that he had learned the lessons of the Smoot-Hawley Tariff Act, which raised thousands of tariffs in the 1930s. (It "didn't work very well, and it very likely wouldn't work now".) His own policy includes a threat to "punish" countries not playing by the rules. He suggested his department might start its own actions against foreign dumping, rather than leaving them to industry. Robert Lighthizer, Mr Trump's proposed US trade representative (USTR) and a veteran trade lawyer, knows WTO law inside out, and

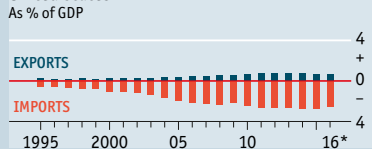
Unbalancing act

China-United States trade in goods

China
As % of GDP



United States
As % of GDP



Sources: Census Bureau; IMF *Jan-Nov annualised

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will be keen to scrap in the courts.

A litigious approach to the Chinese would not mark a huge break from the past. Under Barack Obama the USTR challenged China 16 times, on issues from illegal taxes on American steel and cars to dumping and export quotas on rare earths that harmed American importers. Just this week a massive case accusing China of illegal agricultural subsidies, which was filed by the previous administration, kicked off.

Ramping up tensions still risks Chinese retaliation. When America imposed tariffs on surging imports of Chinese tyres in 2009, China started importing chicken's feet from Argentina and Brazil instead of America. Possible targets for Chinese reprisals this time include American soybeans and aircraft, which together make up a quarter of American exports to China. China would find it hard to replace its entire supply of American soybeans. But Kenny Cain, a soybean farmer from Indiana, worries that prices could plunge by a third if China were to shop elsewhere. Although China cannot yet make high-quality commercial airliners, it could divert purchases to Airbus, a European manufacturer.

A second risk is that the WTO architecture crumbles under the pressure of new cases. Resources are already stretched and decisions delayed. Constrained by a budget cap and a limit of 640 employees, it has struggled to cope with an increased number of disputes in the past few years.

A highly adversarial approach to trade could expose a more fundamental problem: "As written, the WTO rules are just not clear enough," says Chad Bown of the Peterson Institute for International Economics. Mr Trump is right that China has not always adhered to the spirit of global trade law. But he may find that even holding it to the letter of the law is easier said than done. For example, WTO law offers ►►

The trade-war scenario

Apocalypse now

Picking winners and losers in a trade war between China and America

ECONOMIC Armageddon became a bit more likely when Donald Trump took office on January 20th, given his threats to impose a 45% tariff on Chinese imports. “No one will emerge as a winner in a trade war,” Xi Jinping, China’s president, intoned just days earlier. He was not quite right. In any catastrophe, a few survive; some even thrive.

Tariffs that high would serve as a tax on American shoppers buying phones, computers and clothes (see chart). They might not dent their wallets too much—a study found that in 2010 goods and services from China made up less than 3% of consumer spending. Poorer Americans would be hit harder, however, as they spend a higher share of their income on tradable goods.

American importers would suffer from a tariff. Importers of electronics and clothing enjoy higher retail and wholesale margins than other importers. A tariff would eat into them. Their competitors, relying on domestic suppliers, could benefit and raise prices.

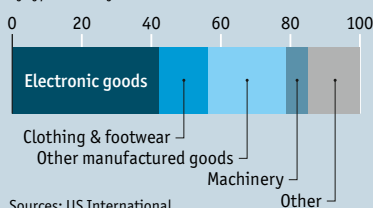
A squeeze on trade between America and China would be painful but not catastrophic for China’s economy. It has weaned itself off export-led growth. Analysts from Morgan Stanley, an investment bank, find that even in a worst-case scenario, with tariffs of 45% imposed on both directions of trade between China and America, exports would fall by almost 13% and GDP growth would be crimped by 1.4 percentage points.

The biggest Chinese firms included in the MSCI China stock index are less reliant on American customers than those in the American equivalent are on Chinese customers. America accounts for more than 10% of revenues for fewer than 2% of the Chinese firms included (though their shares would suffer in a trade war as foreign investors run for cover).

In the short run, countries woven into China’s supply chains, such as Taiwan and South Korea, would lose out from the stifled demand for their wares. But other countries could win, if any tariff was restricted to China. Toy manufacturers in Mexico and clothes-stitchers in Vietnam could enjoy a surge in demand. Numbers crunched by Deutsche Bank suggest that a 10% fall in American imports from China could leave a gap which, if plugged by Mexico, could boost Mexican exports by almost 3%. Assuming they can get through the wall, of course.

The general store

United States’ imports of goods from China
By type, January–November 2016, % of total



Sources: US International Trade Commission; The Economist

▶ no watertight definition of a state-owned enterprise, so it is hard to identify and oppose subsidies from state-owned banks.

Mr Obama’s strategy for solving the problem was to craft a multilateral trade agreement that included definitions of state-owned enterprises, a section on currency manipulation and chapters on labour and environmental standards, all meant to protect American workers against “unfair” competition. Called the Trans-Pacific Partnership, it initially excluded China. But the hope was that China would one day have to accede, thereby accepting rules written in large measure by America. Mr Trump scrapped it this week.

His strategy is clearly different. As long as he fights China on WTO rules, the world should avoid a trade war. Even if the WTO finds that American trade measures violate their rules, those rules set limits on the extent of retaliation allowed. Outside the WTO, all bets are off. ■

Dublin as a financial centre

Emerald aisles

DUBLIN

Why Brexit could threaten Ireland’s soaring aircraft-finance industry

THE glass office blocks of Dublin’s docklands still stand proud; the banks that built them no longer do. The financial crisis of 2008 took down Ireland’s six biggest lenders. Within five years Dublin slid from being rated by Z/Yen, a London-based business think-tank, as the world’s tenth-best financial centre to its 70th. Britain’s readiness to leave Europe’s single market has since sparked hopes Dublin’s fortunes could be revived. An English-speaking base from which to keep doing business inside the EU may appeal to London’s bank-

ers. But worries are growing that the impact will not be all good for Dublin.

To see why, look at aircraft finance, perhaps the city’s most successful industry. The topic of Brexit dominated the chatter at the world’s two biggest air-finance conferences, both held in Dublin this month. Drawing more than 4,500 airline bigwigs, lessors and bankers, such gatherings are usually preoccupied by issues such as aeroplane prices and the aviation cycle. This year geopolitics predominated. “In Ireland we’re surrounded by Trump to the west and Brexit to the east,” one industry veteran sighed in despair.

The financing and leasing of aircraft is a peculiarly Irish business. Its origins in the 1970s were as a way for Aer Lingus, the country’s flag-carrier, to exploit its planes during the lean winter seasons. Previously, airlines owned all their aircraft. Leasing allows them to finance rapid expansion or contraction of their fleets without taking on debt. Only 2% of aircraft were leased in 1980. Now over 40% are.

For a country of under 5m people, Ireland has made a global success story of leasing. Irish firms manage in excess of 5,000 commercial aircraft, worth over \$130bn, accounting for half of all leased planes and a quarter of the fleet globally. Although Irish lessors were once chiefly thought to be used by struggling African airlines unable to get bank loans, says Peter Barrett, the boss of SMBC Aviation Capital, now virtually everyone leases planes.

Aircraft lessors took up the slack created by the implosion of the banks, renting their old offices in central Dublin. The industry in Ireland is now growing so fast, it is skewing the country’s economic data. Official GDP growth of 26% in 2015 was largely the result of lessors buying so many new planes; the rest of the economy probably grew only by about 5%.

Although Ireland’s first lessor, Guinness Peat Aviation (GPA), collapsed in 1993, Ireland has remained the industry’s global hub. All but one of the world’s 15 largest aircraft lessors have operations there. Patrick Blaney, a former boss of GPA, cites a number of big attractions. Dublin has a ready supply of workers already trained to manage and finance aircraft. It is home to the international registrar of aircraft that enables owners to gain swift repossession of their aircraft if an airline defaults on lease payments. And Ireland’s low-tax regime leavens the industry’s otherwise wafer-thin margins. Ireland’s low corporate-tax rate of 12.5%, generous capital allowances and vast network of double-taxation treaties all offer further help.

At first glance, Brexit should have no di- ▶▶

Clarification: In “Bank from the brink”, in last week’s issue, we said that Laiki Bank’s bad debts were put into a “bad bank” before a merger with Bank of Cyprus in 2013. In fact Bank of Cyprus took substantially all Laiki’s domestic business.

► rect impact on any of these advantages. But it worries the industry. A survey of aircraft-finance executives this month by Deloitte, a consultancy, showed that 38% think Brexit will damage Ireland's attractiveness as a base for leasing. The proportion was much higher among executives outside Ireland, says Pieter Burger of Deloitte. They know that other financial centres such as Hong Kong and Singapore are aggressively trying to attract lessors away from Dublin with lower tax rates and other incentives. Almost a third of aircraft-finance executives say that they could move operations out of Ireland if it changes its tax policies

for the worse.

This is where Brexit poses a potential threat to Ireland. France and Germany have long wanted Ireland to align its corporate-tax system with their, much higher rates. After Brexit, Britain, Ireland's only big ally against European tax harmonisation, will no longer have a seat at the table. Many in Ireland believe the EU is already closing in. They point to the big fine imposed by the European Commission on Apple last year, when the tech giant was accused of paying too little in Irish taxes, and to plans to standardise the rules on how corporate taxes are calculated.

Dublin does have advantages for companies fleeing a hard Brexit: the English-speaking population, a very similar legal system and light-touch regulation. Yet many air lessors say they would be quietly relieved if hordes of exiled bankers do not turn up. The city is already short of office space, housing, roads and international-school places. Irish central bankers are worried about whether they have the right expertise to regulate some of the complex trading that could move out of Britain. Even if Ireland retains its edge on tax, a post-Brexit exodus of financiers from London might not be an unalloyed boon. ■

Buttonwood | Letting go

How will markets cope as interest rates rise?

INVESTORS are learning to let go of Daddy's hand. Monetary policy has been very supportive of asset markets over the past eight years but the direction of policy is tilting slowly.

The Federal Reserve has increased rates twice already and is expected to push through another three increases this year. The Bank of England has indicated that the next move in rates could be up or down, but that the former looks more likely, especially as inflation is on the rise. The European Central Bank is scheduled to reduce the amount of bond purchases it makes after the end of March. Only the Bank of Japan seems committed to keeping the monetary taps on "full".

The market impact is already visible. Morgan Stanley says there has been a "crash" in the tendency for assets to correlate with each other in recent months (see chart). Its measure incorporates correlations between different markets (equities and corporate bonds, for example), and between different regions.

The recent fall in correlations takes the measure back to where it was in the run-up to the 2007-08 financial crisis. During and after the crisis, correlations rose sharply. First, many investors sold out of risky assets because of the collapse in the financial system. Then, as central banks started to buy bonds through several rounds of quantitative easing (QE), most financial assets rose in tandem.

Now that central banks are no longer quite so supportive, it may be time for markets to go their separate ways. The actions of central banks swamped the economic fundamentals; those factors can now reassert themselves. In the first few weeks after Donald Trump's victory in the presidential election, the value of global shares rose by \$3trn and that of bonds fell by the same amount, according to Tor-



sten Slok of Deutsche Bank. The Dow Jones Industrial Average passed 20,000 for the first time on January 25th. Emerging markets have underperformed American shares since Mr Trump's victory.

The rationale behind such differences is that tax cuts in America will improve economic growth (good for equities) but widen the budget deficit and push up inflation (bad for bonds). Mr Trump's threats of tariffs and border taxes will be good for domestically focused American companies, less so for businesses operating in developing countries.

The tricky question is how long these divergences can last without prompting a reaction. At some point, higher bond yields, by raising the cost of borrowing, can crimp economic growth and thus be bad for equities. Bad news for emerging markets can rebound on the developed world.

Some of these tensions may play out in the currency markets. They too changed after the 2007-08 crisis. Before the crash, the markets were driven by the "carry trade", with investors tending to borrow in currencies with very low rates and invest the proceeds in countries with higher rates,

pocketing the difference, or carry.

Once rates fell towards zero across the developed world, there was less carry to exploit. But monetary policy still played a big role; announcements of QE programmes were seen as a sell signal. For a while, it seemed that most central banks were trying, implicitly or explicitly, to drive their currencies lower.

Now there may be some carry to exploit again. The gap between ten-year Treasury-bond yields and German bond yields has widened to more than two percentage points. America was the first leading economy to scale back QE and the first to start raising rates; as a result, the trade-weighted dollar has risen by nearly 35% since August 2011.

A stronger greenback creates its own feedback loops. It causes problems for companies in emerging markets that have borrowed in the currency. And, over time, a stronger dollar makes American exporters less competitive and developing-country exporters more so.

That thought has already led President Trump to describe the dollar as "too strong"—a remark that, along with his early actions on trade, has prompted the currency to drop back a bit. However, what the president says about the dollar does not really matter. It is the Fed that makes the big decisions that drive the currency.

That might change. Mr Trump may bridle at his lack of control over dollar movements. He could try to bully Janet Yellen, the Fed's chairwoman—as Richard Nixon dominated an earlier chairman, Arthur Burns. Or he might replace her with someone more pliable. The end of central-bank independence really would create a new and unwelcome environment for investors.

Student loans

Grading education

NEW YORK

A fintech startup treats student loans as serious investments

IN AN old factory building in lower Manhattan a fintech startup is seeking answers to a question that has tormented teachers and students for decades: what is the value of a given course, teacher or institution? Climb Credit, with just two dozen employees, provides student loans. The programmes it finances bring returns far higher than can be expected from even highly rated universities.

Climb does not claim to nurture billionaires, nor to care much about any of the intangible benefits of education. Rather, it focuses on sharp, quantifiable increases in earnings. The average size of its loans is \$10,000 and it normally finances programmes of less than a year. The subjects range from coding to web design, from underwater welding to programming robots for carmakers (which has the highest rate of return). Some students have scant formal education; others advanced degrees. The rate of return they get is calculated as the uplift in earnings after the course of study, minus its cost (which includes that of servicing the loan, and takes account of the absence of earnings during the course).

Climb's results so far are hardly conclusive. It has released only the number of loan applications: just 10,000 since its founding in 2014. Many institutions it works with do not offer the four-year and two-year courses eligible for federal funding, which account for 19m students. Instead, its market for now is among the 5m studying in more focused programmes.

Past efforts to rank education providers based on the financial return they offer have struggled. The data are often drawn from patchy surveys. It is hard to compare different courses over different time spans. Climb tracks every loan it makes, along with data such as subject area, teacher, institution, job offers and salaries. Its interest rates average 9% a year, roughly double the government rate, and can be as high as 15%. It shuns some fields, such as acting or modelling, altogether, if there is no evidence that a course delivers a return. So far, the firm's approach has worked: its default rates are in the low single digits.

Climb's credit offering covers 70 institutions; another 150 are being vetted. As many as 3,000 may eventually qualify. Climb's attraction is obvious: an expanded student base. But many will balk at the tough provisions Climb imposes. Students must be given a drop-out period, when they can leave without any loan obliga-

Aid and migrant labour

Ticket to pride

Visas deliver huge benefits, but are devilishly difficult to implement

TWO years ago, Jon Hegeman, a farmer from Alabama, was struggling to expand his business. He could offer unglamorous but steady work. Potting plants and shifting them to a greenhouse paid \$10.59 an hour. He couldn't find workers; he even tried recruiting from a youth-detention programme.

Mr Hegeman stumbled on a solution when he met Sarah Williamson, of Protect the People (PTP), a charity for people affected by humanitarian disasters. With the International Organisation for Migration, PTP was trying a novel way of helping Haiti after its devastating earthquake in 2010: by taking Haitians to work temporarily in America. The idea appealed to Mr Hegeman, born to missionary parents on the same island (but in the Dominican Republic). With the agencies' help, eight workers arrived in September 2015.

A new study by Michael Clemens and Hannah Postel of the Centre for Global Development compares those Haitians who secured visas through the project with unsuccessful applicants left behind. The benefits were mind-boggling: the temporary migrants earned a monthly income 1,400% higher than those back in Haiti. Most of their earnings flowed back home in the form of remittances. For comparison, a 10-30% raise would normally be cause for celebration.

The sample for the study was small. But its findings match those for a similar scheme that offered temporary agricultural work in New Zealand to people from Tonga and Vanuatu. That policy was assessed by economists at the World Bank as "among the most effective development policies evaluated to date".

This type of aid is controversial. The history of visas that tie workers to employers is speckled with tales of exploitation. Some fear the beneficiaries push locals' wages down. More fundamentally, some philanthropists working in Haiti saw helping people leave Haiti as giving up on those left behind.

The biggest hurdle, however, was



Better in America

securing visas from the American authorities. PTP had hoped to help hundreds of Haitians get jobs. But most applications were rejected, either because the Department of Labour said an American could fill the job, or because employers did not meet the required standards. Of 238 candidates the charity prepared in 2016, all of whom had been matched to employers, only 58 made it to America.

Despite the spectacular benefits to those who managed to move, so few did that funding for the project dried up. Worse, those benefits were outweighed by the even more spectacular costs of managing the process. The extra income the Haitians earned was less than the money put into the scheme.

Mr Clemens is sure that if the project could get big enough it would be cost-effective. After a winter break, Mr Hegeman's employees are back from Haiti, "smiling from ear to ear". He worries that, unless PTP secures the funding to help them navigate the bureaucracy, this year might be their last in Alabama.

tion. (A review of data on conventional student loans suggested that those most likely to default had begun classes, taken on debt and then quit the course before they had acquired any new skills.) If a student does default, the school is usually responsible for more than 20% of the unpaid debt. That gives it an incentive to pick students carefully and train them well.

In conventional student loans, interest

and principal accumulate silently. On graduation, the monthly repayment bill comes as a shock. Climb students start making tiny payments as soon as they take out a loan (refunded if they drop out fast). Climb hopes to make its success-rate data public, to help both students and lenders. It already makes good use of its network of education providers: it has hired three former students from institutions within it. ■

Chinese economic data

Potemkin province

SHANGHAI

After Liaoning inflates its revenues, China tries to clean up the mess

AT THE start of 2014 a senior official in the statistics bureau of Liaoning, an industrial province in north-eastern China, told his army of boffins to cultivate a spirit of innovation in their work. "Liberate your minds," he exhorted an annual planning meeting. They took him at his word. In one of the biggest scandals to rock the murky world of Chinese economic data, the government admitted this month that Liaoning had faked its fiscal data from 2011 to 2014, inflating revenues by about 20%.

For those inclined to distrust all Chinese numbers, the announcement was simple vindication. But a closer look paints a different picture: of central authorities wanting to get a better read on the economy but being impeded at the local level—and by one of the usual suspects at that.

In manipulating statistics, Liaoning has form. When Li Keqiang, now prime minister, was Communist Party chief of the province in the 2000s, he confided to America's ambassador to China that its GDP figures were "man-made" and unreliable. Mr Li's comments have often been cited by critics of Chinese data, though his concerns focused just on Liaoning itself.

Over the past few years, suspicions surfaced that Liaoning had been up to its old tricks again. National auditors stepped up their scrutiny and reported a few isolated cases of counties overstating their fiscal revenues. But Chen Qiufa, Liaoning's governor, recently revealed that the deception had been widespread and long-lasting. The nadir was 2014, when the province declared fiscal revenues that were 23% higher than those actually collected.

Mr Chen said the government had since cleaned up the problem, publishing accurate figures from the start of 2015. But the falsification has cast a long shadow. There are indications that Liaoning's statisticians also fiddled with investment figures. The province reported a jaw-dropping 63% fall in fixed-asset investment last year (see chart). If real, this would have tipped the economy into a severe recession; instead, the suspicion is that previously overstated data were to blame. Even so, the fall may well have tainted the government's gauge of the national economy. After all, before it came clean, only six of China's 31 provinces contributed a bigger share of China's GDP than Liaoning. Its apparent collapse dragged China's overall investment growth last year down from 11% to 8%, according to Shen Jianguang of Mizuho Securities. This, in turn, might have led the government to deliver more mone-

tary stimulus than was needed, he says.

The heavy hand of the state has already come down on cadres in Liaoning. Another former Communist Party chief of the province was expelled from public office last year for corruption. The government has also removed about half of the province's legislators—more than 500 in all—for obtaining their positions through fraud.

China is trying to come up with new ways to stop officials, whether in Liaoning or elsewhere, from cooking their books. The national bureau of statistics has launched an online system where 1m large companies now report data directly to the central authorities, cutting out local intermediaries. The tone is also shifting. The focus of this year's annual meeting for the Liaoning statistics bureau was on doing a "solid job". Less inspiring than the rhetoric of a few years ago, perhaps—but the message could not have been clearer. ■

Reinsurance

Daddy long tail

Warren Buffett increases his exposure to "retroactive reinsurance"

IT IS a niche market, but a big one, and it is increasingly dominated by Warren Buffett's Berkshire Hathaway. On January 20th its reinsurance subsidiary, National Indemnity Company (NICO), agreed with American International Group (AIG), a big insurer, to acquire excess losses on old insurance policies. In one of the largest such "retroactive reinsurance" deals ever announced, NICO will be on the hook for four-fifths of all losses above \$25bn, up to \$20bn, in exchange for a payment of \$9.8bn now. The deal comes just a few weeks after a similar deal giving up to \$1.5bn of coverage to Hartford, another American insurance giant.

For much of the 15 years since the term retroactive reinsurance came into use, Berkshire, through NICO, has been at the forefront. The structure allows insurers to rid themselves of so-called "long-tail" exposures, ie, claims that may come in years or decades after policies were written. Often, they cover long-term environmental risks like pollution, or asbestos-related disease, where workers may fall ill many years after exposure. In the largest previous deal in 2006 NICO provided reinsurance coverage worth \$7bn for asbestos risks to Equitas, a vehicle set up to bail out the Lloyd's insurance market in the 1990s.

Such deals can be lucrative for both seller and buyer. The insurer caps its liabilities and frees up capital (AIG plans to return some to shareholders). And for Berkshire, such deals are an important source of "float". Insurers enjoy a form of

financing that is in essence free, because premium income, including reinsurance payments, comes in long before claims have to be paid out. In September 2016 Berkshire's float was \$91bn. Unlike other insurance companies that invest in a conservative portfolio of bonds, NICO's money is deployed to buy Mr Buffett's latest acquisition targets. The high investment returns that result can, in turn, weather greater insurance losses.

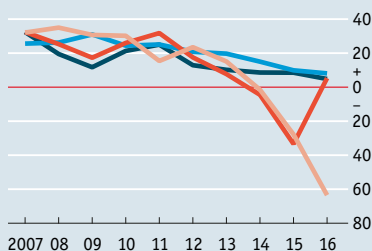
Lawyers who have represented insurance claimants in past cases worry that this kind of deal threatens policyholders' interests. Since the buyer has no direct relationship with them, it may be more likely to delay and quibble about payouts, to maximise its own financial gain. In most Berkshire deals, claims management has been handled by its subsidiary, Resolute Management, which has faced a number of lawsuits in recent years. The two most recent deals, with Hartford and AIG, are different, with the selling insurers explicitly retaining responsibility for claims management.

A broader worry is concentration of risk. A risk manager who had diversified by taking out insurance with a variety of different companies might find that all of his firm's long-tail risks now sit in just one pot: Berkshire. On asbestos, for instance, Jonathan Terrell of KCIC, a claims-management consultancy, reckons Berkshire's accumulation of legacy liabilities is not just the largest in the industry today, but the largest it has ever seen. That's a long tail with a dangerous whisk.

Lying Liaoning

China, % change on a year earlier

National: — government revenue
— fixed-asset investment
Liaoning*: — government revenue†
— fixed-asset investment



Sources: Wind Info;
Economist Intelligence Unit

*Uncorrected
2016 estimate

Free exchange | Mad maximum

Notions of full employment need some updating

“IT IS fair to say the economy is near maximum employment,” said Janet Yellen, chairman of the Federal Reserve, in recent comments preparing markets for rate rises to come. But “maximum employment”, like pornography, is in the eye of the beholder. American adults, of whom only about 69% have a job, seem less than maximally employed. In previous eras, governments of countries scarred by economic hardship set themselves the goal of “full” employment. Today, the target is termed “maximum”. But it is the same concept. It needs a bit of updating.

Ms Yellen has a particular definition of maximum employment in mind, built on the economic experience of the past half-century. In the 1960s and 1970s a consensus (or, at least, what passes for one in macroeconomics) emerged that government efforts to boost demand could push unemployment only so low. Below that “natural rate”, it would soon start climbing again and inflation would accelerate. So now central bankers take a guess at the natural rate and at how quickly unemployment that is “too low” will spark inflation. Maximum employment, in their view, is the sweet spot: the labour market is as tight as it can be without runaway price rises. But there is more art than science to such guesses. Indeed, rich-world natural rates have moved around over time—from below 5% after the second world war to much higher levels in the 1970s and 1980s, and back to lower levels more recently—leaving economists scratching their heads at each turn.

It is thought that the natural rate depends mostly on what economists label “frictional unemployment”. Unemployment rates may wiggle only a bit from month to month, but beneath that calm, labour markets are a roiling mess. Each month millions of workers leave their jobs and millions more find new ones. For a portion of the workforce there is a gap between one and the other—frictional unemployment. A background hum of joblessness reflects the delay in matching jobseekers with jobs.

The hum varies in pitch. Some factors gum up the works and increase friction. The higher frictional rate of the 1970s and 1980s was partly the result of a change in the nature of employment: good jobs in industries like manufacturing dwindled, while low-wage service employment exploded. The psychological and economic pain associated with this shift meant that workers losing good jobs would stay unemployed for longer, in the hope that better, high-wage opportunities would eventually turn up. Barriers to job switching, like occupational licensing, can also push up the natural rate. So can unions, by protecting the status of em-

ployed workers, or by pushing up wages so that hiring more people becomes uneconomical. Other factors grease the gears. The lower natural rate of the 1990s might have been the result of more efficient hiring thanks to information technology, or of the growth of temporary-help jobs, which sponged up some workers facing career transitions.

The boundary between that sort of long-term structural unemployment and the temporary, cyclical kind is anything but clear-cut. In the 1980s and 1990s economists argued that short-term unemployment could become long-term unemployment under the right (ie, wrong) circumstances. This “hysteresis” could emerge as employed workers negotiated favourable conditions for themselves, deterring firms from hiring new workers. Or laid-off workers might find their skills and links with the labour force eroding over time, making it harder to find new jobs as good as their old ones.

But hysteresis also works in reverse, at least to some degree. As America’s unemployment rate has fallen below 5%, wage growth has at long last begun to accelerate. As pay rises, people who had given up hope of a worthwhile job begin to look for work again. As firms find it harder to hire new workers, firms might offer existing workers more hours, or convert part-time or temporary posts to full-time or permanent positions. They might even try to raise output per worker, by investing in training or in new equipment.

The rub is that policymakers cannot know how much slack remains in the system until they see inflation accelerating—the very thing they want to stop. That suggests one reason workers in advanced economies are not as fully employed as they should be is an excessive aversion to inflation. Another is government’s failure to tackle obstacles—of geography, education or regulation—standing between would-be workers and would-be employers.

Help wanted

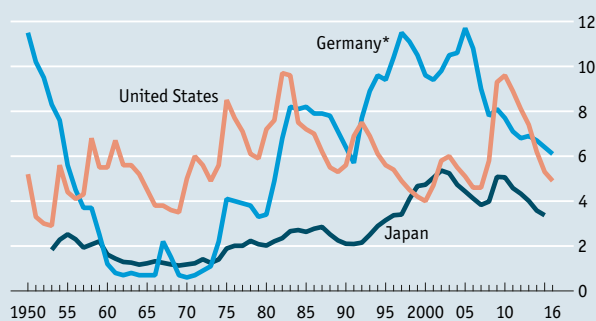
If the goal of full employment, however, is a happy society, policymakers must pay attention to the quality as well as the quantity of jobs on offer. Employment rates in subsistence societies are extremely high. More people would be in work were governments to withdraw unemployment benefits and repeal the minimum wage. Yet society would be worse off for it.

Technological change complicates matters. A scarcity of workers could drive investment in machines, allowing each worker to produce more. Yet it might also encourage full automation. In a new paper, Daron Acemoglu and Pascual Restrepo, of the Massachusetts Institute of Technology, find that ageing economies, with shrinking workforces, do not seem to grow more slowly than younger economies, as many economists assume they should. Instead, automation picks up. Yet if robots can compensate for high retirement rates, how many younger workers might also be superfluous?

An age of mass technological unemployment is not upon us. But the definition of maximum employment should consider more than inflection points in inflation charts. Rather, governments need to consider the options available to workers: not just how easily they can find jobs they want, but also how readily they can refuse jobs they do not. By lifting obstacles to job changes and giving workers a social safety net that enables them to refuse the crummiest jobs, societies can foster employment that is not just full, but fulfilling. ■

Natural lows

Unemployment rate, %



37

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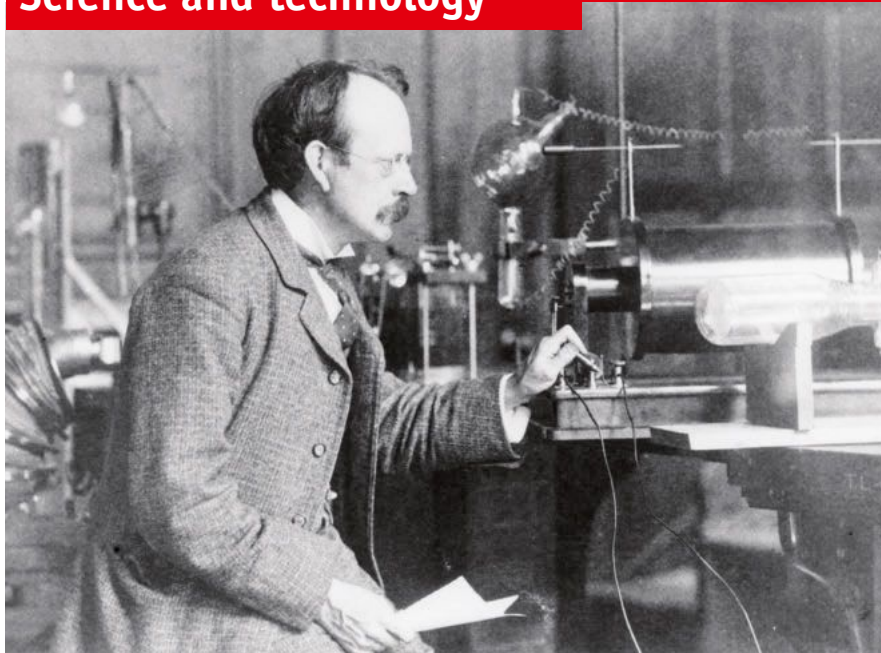
TWO WOMEN ONE CAUSE

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Physics

Small is still beautiful

Experiments looking for new fundamental particles return to the benchtop

THE beams of protons that circulate around the 27km-circumference ring of the Large Hadron Collider (LHC), the world's biggest particle accelerator, carry as much kinetic energy as an American aircraft-carrier sailing at just under six knots. Andrew Geraci's equipment, on the other hand, comprises a glass bead 300 billionths of a metre across, held in a lattice of laser light inside an airless chamber. The power it consumes would run a few old-fashioned light bulbs. Like researchers at the LHC, Dr Geraci and his team at the University of Nevada, in Reno, hope to find things unexplained by established theories such as the Standard Model of particle physics and Newton's law of gravity. Whereas the LHC cost around \$Fr4.6bn (\$5bn) to build, however, Dr Geraci's set-up cost a mere \$300,000 and fits on a table about a metre wide and three long.

A century ago these were the normal dimensions for experiments in fundamental physics. The electron, the proton and the neutron were all found using kit this size. (J.J. Thomson and his electron-discovery device are pictured above.) But digging deeper into theories of reality requires more energy, and thus bigger machines—of which the LHC is the latest. Since finding the Higgs boson in 2012, though, this behemoth has drawn a blank. Dr Geraci and those like him aspire, by contrast, to find evidence for those theories' veracity by

making precise measurements of the tiny forces that the particles they predict are expected to exert on other objects.

In Dr Geraci's experiment the suspended bead scatters laser light onto a detector. If a force displaces the bead, the pattern of light changes, permitting the bead's new position to be calculated. In work published last year in *Physical Review A*, his team showed that the apparatus can detect forces of a few billionths of a trillionth of a newton. (A newton is about the force exerted by Earth's gravity on an apple.) Their next step will be to move a weight past the bead at a distance of five microns (five thousandths of a millimetre), to measure the gravitational attraction between them. That experiment is now under way.

The search for deviation

Dr Geraci is looking for deviations from Newton's inverse-square law of gravity (that the gravitational force between two objects is inversely proportional to the square of the distance between them). Any departure from this law would provide support for theories which hope to solve what is known as the hierarchy problem of physics. This is the question of why gravity is so much weaker than the other three fundamental interactions between particles, namely electromagnetism and the weak and strong nuclear forces. The disparity between gravity and these forces explains,

for example, why a small magnet can pick up a paper clip against the gravitational force of an entire planet.

One putative explanation, known as ADD after the initials of the surnames of three of its inventors, invokes extra dimensions to account for the difference. Gravity, this theory suggests, "spreads out" through these dimensions, dissipating its strength. The other forces, by contrast, are confined to the familiar three spatial ones, plus time. ADD conceives of the extra dimensions as being shrunken, compared with the familiar ones. But it suggests they should be detectable in the gravitational interactions of objects less than 100 microns apart. Measuring that is tricky, but Dr Geraci's apparatus is one way of doing so.

Another is that employed by Eric Adelberger of the University of Washington, in Seattle—who copied the idea from Henry Cavendish, a British scientist of the 18th century. Cavendish was the first to measure the gravitational force between objects in a laboratory directly. To do so, he used a piece of apparatus called a torsion balance. And that is what Dr Adelberger uses. A decade ago he showed that Newton's predictions remained correct for objects 44 microns apart. He is now trying again, at still-closer distances.

If either Dr Geraci or Dr Adelberger do overthrow the inverse-square law, they will open the way to a test of string theory—an attempt to explain physics at the most fundamental level. A recent version of string theory posits the universe to have 11 dimensions, seven of which are beyond human ken. Bringing even one or two of these within the realm of experiment, as ADD would if proved correct, would be a huge advance in understanding.

A second area in which tabletop experiments may beat the big guns is the search ►►

▶ for dark matter. This mysterious stuff, not composed of the familiar protons, neutrons and electrons that make up atoms, is thought to pervade space and to constitute about 85% of the matter in the universe. Its gravitational effects can be seen on the ways that galaxies move. But, in a topsy-turvy parody of the hierarchy problem, it shows little or no sign of interacting with atomic matter through any of the other three known forces.

Many physicists, however, suspect that it may do so through forces as yet unknown. Some theories of dark matter predict the existence of force-carrying particles called axions and dark photons—and that these things interact, albeit weakly, with familiar matter. One searcher after such interactions is Hendrick Bethlem of the Free University of Amsterdam, in the Netherlands. He hopes to see signs of them in the spectra of individual molecules.

His dark materials

Dr Bethlem's molecules of choice are ammonia. To examine them he uses a device called a molecular fountain. This employs pulses of electricity to propel the molecules under investigation to the top of an air-filled chamber, whence they fall slowly back down again, under gravity's influence. While they are falling, they can be detected individually by a laser, and then interrogated spectroscopically.

This interrogation measures, with great precision, the energy levels of the electrons within a molecule. These depend, in turn, on the masses of those electrons, and also of the protons in the nuclei of the molecule's constituent atoms (or, to be precise, on the ratio of these two masses). Since all protons and all electrons in the universe are identical, that ratio should not vary unless some outside influence is involved. Axions and dark photons, if they exist, would bring such influence to bear.

If space is, indeed, full of dark matter, Earth's movement around the sun will bring seasonal changes to any interaction which that matter has with the ammonia molecules in Dr Bethlem's laboratory. He might therefore expect to see annual variations in the energy levels he is measuring.

In 2008 a group at the Institut Galilée, in Paris, showed, by a different technique involving caesium atoms, that any such variation in the electron/proton mass ratio could not be more than 50 parts in a thousand trillion. Dr Bethlem thinks he can beat that level of precision by a factor of ten—and thereby either find evidence of dark matter or further constrain the definition of what it might be.

In California, meanwhile, Surjeet Rajendran and Peter Graham are using a different approach in their search for dark matter. Dr Rajendran works at the University of California, Berkeley. Dr Graham is at Stanford. Together, they are building a

prototype dark-matter "radio", consisting of a sensitive magnetometer known as a SQUID and a resonant circuit of the sort used to tune ordinary radios. These are inside a canister 170cm high and 17cm across, shielded from external magnetic fields. Dr Rajendran and Dr Graham, too, are looking for axions and hidden photons. The force these particles would carry should induce electromagnetic waves in the apparatus with a frequency of somewhere between a kilohertz and a gigahertz—in other words, radio waves. The pair propose to tune in to these frequencies on their SQUID radio, to see what they can hear.

Dr Rajendran and Dr Graham have two other ideas, as well, for hunting down these elusive particles. One, called CASPER Wind, will use a cubic centimetre of liquid xenon. If axions are flying through the xenon, they should set its atoms' nuclei wobbling. That would create a magnetic field large enough to spot with a SQUID. This experiment is now being built at Johannes Gutenberg University, in Mainz, Germany, by a team led by Dmitry Budker. A second experiment, called CASPER Electric, uses a material called lead titanate. This substance is ferroelectric, meaning it is polarised so that one side of a crystal composed of it is positively charged, while the other is negatively charged. This makes such crystals useful for detecting the small polarising effect certain axions would have on

atomic nuclei—again, assuming that they really do exist.

Dr Geraci, meanwhile, is collaborating with Asimina Arvanitaki of the Perimeter Institute in Waterloo, Canada, to build a device called Ariadne. This contains a vial filled with a form of helium, ^3He , that has two protons and a single neutron, unlike normal helium, which has two of each. The vial is held around 100 microns from a rotating tungsten cog inside a chamber shielded from magnetic fields.

The protons and neutrons inside a nucleus act as magnets. If a nucleus contains an even number of these particle-magnets, they will all pair up, north poles neutralising south poles. If there is an odd number, though, as in ^3He , the unpaired particle will make the nucleus itself magnetic.

Theory predicts that when the teeth of the cog are closest to the helium, axions should give rise to interactions between the two—interactions that will abate when the teeth move away. These interactions will show up as a magnetic field that varies as Ariadne's cog rotates.

Like Dr Rajendran and Dr Graham, Dr Geraci and Dr Arvanitaki should complete their experiments within a decade. Small though these may be, their ambition rivals that of the largest experiment on the planet. If the LHC's dry spell continues they may yet beat the collider to discoveries that herald a new era of physics. ■

The academy and the marketplace

Mathematical transformations

Mediocre researchers should be wary of globalisation

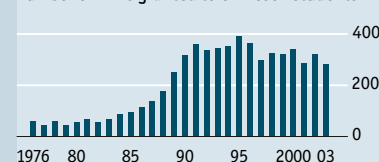
WHEN politicians in the rich world speak of job losses and stagnant incomes brought about by immigration and foreign competition, they usually have blue-collar work in mind—car manufacturing, steelmaking and the like. But even the cognitive 1% can be adversely affected by foreign competition.

In a forthcoming paper in the *Journal of Human Resources*, George Borjas of Harvard University, and Kirk Doran and Ying Shen of the University of Notre Dame, study the effects of globalisation on a select group of particularly brainy Westerners: professors of mathematics. Distinguishing between cause and effect is always hard in the social sciences. One approach researchers use is to search for a "natural experiment", and that is exactly what Drs Borjas, Doran and Shen found when they examined what happened to the productivity of American mathematicians after China's liberalisation in 1978.

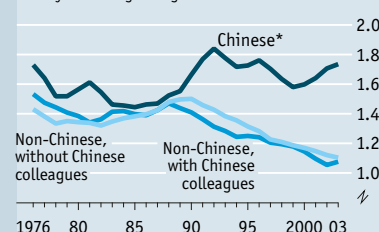
Integral immigrants

US university mathematics departments

Number of PhDs granted to Chinese* students



Average number of papers published, by advisers
Three-year moving average



Source: G. Borjas, K. Doran and Y. Shen

*People of Chinese heritage, as identified by family name

► Mao Zedong, in power from 1949 to 1976, was not keen on foreign ideas. For most of his rule, Chinese academics had little contact with the West; emigration was largely banned. Between 1949 and 1965, only around 200 Chinese students left for Western universities, with the majority studying foreign languages. Just 21 studied natural sciences.

Chinese education policy changed dramatically after Mao's death, however. His successor Deng Xiaoping sought to modernise China, and encouraged bright, young Chinese to leave for Western universities. By the late 1980s China had become the largest source of foreign students in America. In mathematics, their sudden influx had considerable effects on the productivity of the professors they collaborated with.

Culture seems to matter, even in the most detached of academic fields. Newly graduated Chinese arrivals were far more likely than American graduate students to work with professors of Chinese descent. In response Chinese-American professors' productivity, as measured by their publication rates, increased relative to that of their peers (see chart on previous page). And because reputable academic journals can accept only so many articles per issue (or, at least, could in the days when they were paper only), the relative productivity of non-Chinese American academics fell, as weaker papers were crowded out.

Allowing for the lags caused by admissions offices, the lengths of PhD programmes and the process of peer review, the full effects on American academia of China's liberalisation were not felt until the late 1980s. By the early 1990s, though, Chinese-American maths professors were producing 0.3 more papers a year than they had been prior to the influx of immigrants—a gap that had doubled by 2003.

Red revolution

A similar shock to the American mathematics market happened in 1991, with the abrupt collapse of the Soviet Union. As with Maoist China, emigration from the Soviet Union had been minimal. Soviet scholars had had little contact with their Western peers. When the Iron Curtain fell, over 1,000 Soviet mathematicians left, with a large share settling in America. In an earlier paper, Dr Borjas and Dr Doran note that, because most of these new entrants were established professors rather than graduate students, the effects of this supply shock were felt more immediately.

In the academic year 1991-92, 13% of new hires to American maths departments came from east Europe and the disintegrating USSR. Unemployment, a concept previously alien to newly minted American maths graduates, shot up that year to an unprecedented 12%. Whether you wear a tweed jacket or safety goggles, then, globalisation creates losers as well as winners. ■

Vehicle engine management

Intelligence test

A computer program that learns how to save fuel

FROM avoiding jaywalkers to emergency braking to eventually, perhaps, chauffeuring the vehicle itself, it is clear that artificial intelligence (AI) will be an important part of the cars of the future. But it is not only the driving of them that will benefit. AI will also permit such cars to use energy more sparingly.

Cars have long had computerised engine-management that responds on the fly to changes in driving conditions. The introduction of electric power has, however, complicated matters. Hybrids, which have both a petrol engine and an electric motor run by a battery that is recharged by capturing kinetic energy as the vehicle slows or brakes, need more management than does a petrol engine alone. Things get even harder with plug-in hybrids, which can be recharged from the mains and have a longer electric-only range.

This is where AI could help, reckon Xuewei Qi, Matthew Barth and their colleagues at the University of California, Riverside. They are developing a system of energy management which uses a piece of AI that can learn from past experience.

Their algorithm works by breaking the trip down into small segments, each of which might be less than a minute long, as the journey progresses. In each segment the system checks to see if the vehicle has encountered the same driving situations before, using data ranging from traffic information to the vehicle's speed, location, time of day, the gradient of the road, the battery's present state of charge and the engine's rate of fuel consumption. If the situation is similar, it employs the same energy-management strategy that it used previously for the next segment of the journey. For situations that it has not encountered before, the system estimates what the best power control might be and adds the results to its database for future reference. Ultimately, the idea is that the algorithm will also learn from the experiences of its brethren in other cars, by arranging for all such systems to share their data online.

Ideally, such a system would be fed its route and destination in advance, to make things easier to calculate. But Dr Qi and Dr Barth are realists, and know that is unlikely to happen. If a satnav were invoked, it would be able to pass relevant information on to the algorithm. But drivers use satnavs only to get them to unfamiliar destinations. Hence the researchers' decision to design a system that does not rely on



Charge!

knowing where it is going.

It seems to work—at least, in simulations. Using live traffic information to mimic journeys in southern California, Dr Qi and Dr Barth compared their algorithm with a basic energy-management system for plug-in hybrids that simply switches to combustion power once the battery is depleted. As they report in a paper to be published in *IEEE Transactions on Intelligent Transportation Systems*, their system was 10.7% more efficient than the conventional one. If the system is aware in advance that a recharging station will be used as part of the trip (which might be arranged by booking one via the vehicle's information screen) it can spread the use of electric power throughout the journey, to maximum advantage, knowing when the battery will be topped up. In such situations the average fuel saving was 31.5%.

Dr Qi and his colleagues now hope to work with a carmaker to test the algorithm on real roads. If all goes well, and their system proves able to cope with the nightmares of commuting in southern California, they will not be left stranded on the hard shoulder. ■

Regenerative medicine

A tissue of truths

The routine printing of human body parts may not be far away

EVERY year about 120,000 organs, mostly kidneys, are transplanted from one human being to another. Sometimes the donor is a living volunteer. Usually, though, he or she is the victim of an accident, stroke, heart attack or similar sudden event that has terminated the life of an otherwise healthy individual. But a lack of suitable donors, particularly as cars get safer and first-aid becomes more effective, means the supply of such organs is limited. Many people therefore die waiting for a transplant. That has led researchers to study the question of how to build organs from scratch.

One promising approach is to print them. Lots of things are made these days by three-dimensional printing, and there seems no reason why body parts should not be among them. As yet, such “bioprinting” remains largely experimental. But bioprinted tissue is already being sold for drug testing, and the first transplantable tissues are expected to be ready for use in a few years’ time.

Just press “print”

Bioprinting originated in the early 2000s, when it was discovered that living cells could be sprayed through the nozzles of inkjet printers without damaging them. Today, using multiple print heads to squirt out different cell types, along with polymers that help keep the structure in shape, it is possible to deposit layer upon layer of cells that will bind together and grow into living, functional tissue. Researchers in various places are tinkering with kidney and liver tissue, skin, bones and cartilage, as well as the networks of blood vessels needed to keep body parts alive. They have implanted printed ears, bones and muscles into animals, and watched these integrate properly with their hosts. Last year a group at Northwestern University, in Chicago, even printed working prosthetic ovaries for mice. The recipients were able to conceive and give birth with the aid of these artificial organs.

No one is yet talking of printing gonads for people. But blood vessels are a different matter. Sichuan Revotek, a biotechnology company based in Chengdu, China, has successfully implanted a printed section of artery into a monkey. This is the first step in trials of a technique intended for use in humans. Similarly, Organovo, a firm in San Diego, announced in December that it had transplanted printed human-liver tissue

into mice, and that this tissue had survived and worked. Organovo hopes, within three to five years, to develop this procedure into a treatment for chronic liver failure and for inborn errors of metabolism in young children. The market for such treatments in America alone, the firm estimates, is worth more than \$3bn a year.

Johnson & Johnson, a large American health-care company, is so convinced that bioprinting will transform parts of medical practice that it has formed several alliances with interested academics and biotechnology firms. One of these alliances, with Tissue Regeneration Systems, a firm in Michigan, is intended to develop implants for the treatment of defects in broken bones. Another, with Aspect, a biotechnology company in Canada, is trying to work out how to print parts of the human knee known as the meniscuses. These are crescent-shaped cartilage pads that separate the femur from the tibia, and act as shock absorbers between these two bones—a role that causes huge wear and tear, which sometimes requires surgical intervention.

More immediately, bioprinting can help with the development and testing of other sorts of treatments. Organovo already offers kidney and liver tissue for screening potential drugs for efficacy and safety. If this takes off it will please animal-rights activists, as it should cut down on the number of animal trials. It will please drug companies, too, since the tissue being

tested is human, so the results obtained should be more reliable than ones from tests on other species.

With similar motives in mind, L’Oréal, a French cosmetics firm, Procter & Gamble, an American consumer-goods company, and BASF, a German chemical concern, are working on printing human skin. They propose to use it to test their products for adverse reactions. L’Oréal already grows about five square metres of skin a year using older and slower technology. Bioprinting will permit it to grow much more, and also allow different skin types and textures to be printed.

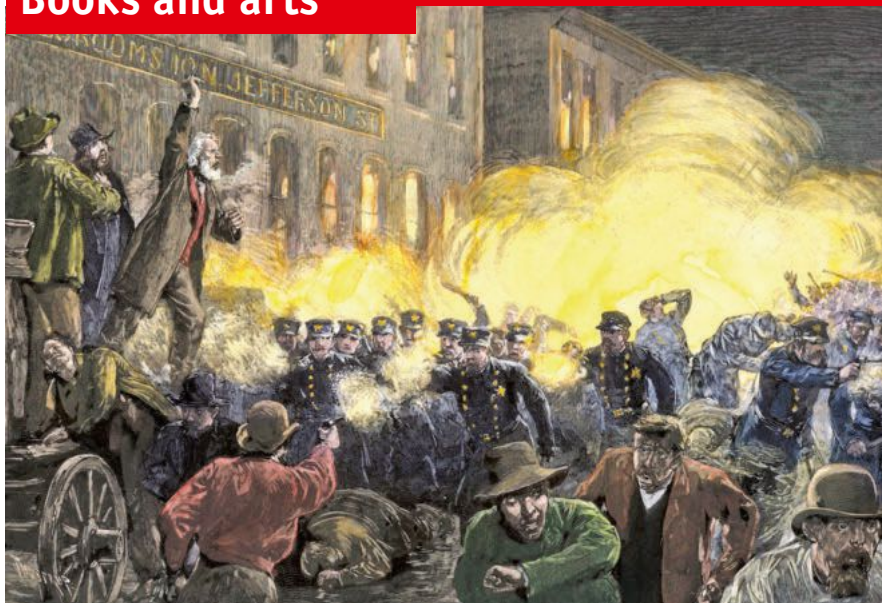
Skin in the game

Printed skin might eventually be employed for grafts—repairing burns and ulcers. Plans are also afoot, as it were, to print skin directly onto the surface of the body. Renovacare, a firm in Pennsylvania, has developed a gun that will spray skin stem cells directly onto the wounds of burns victims. (Stem cells are cells that proliferate to produce all of the cell types that a tissue is composed of.) The suggestion is that the stem cells in question will come from the patient himself, meaning that there is no risk of his immune system rejecting the new tissue.

The real prize of all this effort would be to be able to print entire organs. For kidneys, Roots Analysis, a medical-technology consultancy, reckons that should be possible in about six years’ time. Livers, which have a natural tendency to regenerate anyway, should also arrive reasonably soon. Hearts, with their complex internal geometries, will take longer. In all cases, though, printed organs would mean that those awaiting transplants have to wait neither for the altruism of another nor the death of a stranger to provide the means to save their own lives. ■



Aye, aye! What's this ear?



The roots of modern resentment

Enlightenment and its discontents

An original attempt to explain today's paranoid hatreds

SOON after the Soviet Union imploded, Pankaj Mishra reminds his readers, *The Economist* felt able to assert that “there was no serious alternative to free-market capitalism as the way to organise economic life.” Yet today, the notion that a global capitalist economy hitched to a liberal internationalism can bring peace, progress and prosperity has taken a beating. That is evident not only in the violence in Iraq and Syria, where what used to be called the civilising hand has proven incapable of stemming the bloodshed. It is evident, too, in the vitriolic populism resurging at the heart of Western democracies—in Brexit, in the rise of Marine Le Pen in France and in Donald Trump’s tumultuous route to the White House.

Indian-born Mr Mishra divides his time between London and a retreat at the foot of the Himalayas. He earns a lot as a columnist for Bloomberg, and he sups at the tables of the Western intelligentsia. But he considers himself only a “stepchild” of the West, and that offers him a useful detachment. His iconoclastic new book, “Age of Anger”, will come as a blow to his many cosmopolitan friends.

In it, Mr Mishra shocks on several levels. First, he sees no hope that 2016 might prove the high-water mark of anger, cynicism and ugly nationalism. Indeed, he argues that the world will become only more divided and disorderly. As economies slow, more people will feel that powerful elites have dangled the fruits of material

Age of Anger: A History of the Present.

By Pankaj Mishra. Farrar, Straus and Giroux; 405 pages; \$27. Allen Lane; £20

progress only to pull them away. More will feel a sense of displacement, either figuratively within their country, or literally, because they have been forced to leave their failing states. Some will take the spontaneous decision to vote for a populist who promises to tear down the system at great cost. Some will make a life-altering and fatal decision for *jihād*. Whether easy or extreme, angry reactions may be perverse, but they can feel exhilarating.

Mr Mishra sustains an angry assault on the notion—which in his depiction risks creating a straw man—that progress has led in a graceful arc from the Enlightenment to the liberal internationalism that prevailed until recently. One part of this attack is to argue how contingent was the path to free-market internationalism, how dangerously arrogant the idea that it was always the best of all possible worlds. Another part is to challenge the idea that the modern age’s episodes of unspeakable violence have been mere aberrations from the march towards emancipation, dignity and reason. On the contrary, war, slavery, imperialism, racism and the use of power to hoard the gains of enterprise: all have been part of the liberal project. Liberals who celebrate the project but cannot count the costs are slow to understand resentments that heat

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the cauldrons of anger today.

This argument leads to Mr Mishra’s most insightful point. Today’s anger and discontent—from Islamist nihilists murdering Paris concert-goers, to Trump supporters baying for Hillary Clinton to be locked up, to attacks on immigrants following Brexit—is hardly new. For many, such outrages are unfathomable at worst, or at best caused by economic dislocation or internet-peddled conspiracy theories. But Mr Mishra shows how violence, nihilism and hatred of the “other” have ample precedents among Western liberalism’s 19th- and 20th-century opponents, whether revolutionaries, anarchists or artists.

The grand tour of our discontents

These earlier foes of Project Enlightenment found themselves between the mute masses on one hand, and aristocratic elites ordering the world for their own ends (even as they preached freedom) on the other. Voltaire, the ultra-rationalist who argued that the perfectibility of man was the true paradise, also made a commercial fortune and urged the Russian empress, Catherine the Great, to teach enlightenment to the Poles and Turks at the barrel of a gun. The spiritual godfather of today’s anti-liberals, on the other hand, was Jean-Jacques Rousseau, Isaiah Berlin’s “guttersnipe of genius”. Humiliated by Paris society, Rousseau grasped the moral and spiritual implications of a world in which the old gods are gone, society is set in turmoil and people losing ancient fixities are forced to mimic the privileged rich. As Mr Mishra puts it, Rousseau “anticipated the modern underdog with his aggravated sense of victimhood and demand for redemption”. Many of the “isms” invented to heal the *ressentiment* (it sounds better in French)—romanticism, socialism, authoritarianism, nationalism and anarchism—can be traced back to Rousseau’s scribbles. ▶▶

▶ The molten core of Mr Mishra's book, then, is an intellectual history of popular discontents. To him, Ayatollah Khomeini's Iranian revolution owed much more to Robespierre than to the 12 Shia Imams. The 19th-century resentment so keenly described by Friedrich Nietzsche prefigures the homicidal dandyism of "Jihadi John", Mohammed Emwazi, who broadcast his victims being executed. The selfie-narcissism of Islamic State, its rape of girls and destruction of Palmyra echo "The Futurist Manifesto" by Filippo Marinetti, a misogynist Italian poet, in 1909: "We want to glorify war...and contempt for women. We want to destroy museums, libraries and academies of all kinds."

This history is usually very welcome, but sometimes infuriatingly meandering, the author's century-spanning chains of associations stretching well past the point where many readers will want to follow. But it is nonetheless worth sticking with, as the early chapters are the worst offenders, and there is much rich reading.

It is harder to agree with his argument that modern liberalism "lies in ruins". Does it? Mr Mishra associates liberalism with what he describes, in a related essay in the *Guardian*, as a "mechanistic and materialist way of conceiving human actions", partly a consequence of the primacy of free-market economics. But this implies a misreading of liberalism. For one, liberalism does not suppose perfect rationality. Rather, it more modestly strives to reconcile seemingly irreconcilable preferences in order for people to live together and co-operate. It requires tolerance, argument and compromise.

Another hallmark is a belief, however much wrapped in doubt, in progress. Here, Mr Mishra is insufficiently generous towards liberalism's own progress. Early liberals supported slavery, but then overturned it. Later a liberal state tamed market abuses in the form of America's robber barons. Even democracy was not always liberals' ideal system, but in the 20th century they came to embrace it. And out of liberalism grew a post-war emphasis on civil rights.

Today, the military interventions that tried to impose democracy—carried out by what Edmund Fawcett, formerly of *The Economist* and author of a history of liberalism, calls the "liberal warfare state"—are distortions of liberalism, not inevitable consequences of it. And just as overweening state power is not liberal, nor is ceding everything to the market. State and market exist in tension: sometimes rivals, sometimes accomplices.

Lastly, the conclusion in Mr Mishra's essay—that it is "a profoundly fraught emotional and social condition—one which, aggravated by turbo-capitalism, has now become unstable"—is prematurely dark. Much of the conflict that he despairs of,

shocking though it is, is not new. Indeed, liberalism grew out of a response to the upheavals of raw capitalism and revolution. It is not clear how his call to make more room for an understanding of the soul and its irrational impulses is to be accommodated in any other system. Politics is conflict: it will never reach the steady state that Mr Mishra seems to yearn for. Could the solution be lying under his nose? Ceaseless change gave birth to liberalism, which, for all the mistakes made in its name, continues to adapt. Despite those mistakes, it remains the best response today. ■

Istanbul

Where the past is not dead

Istanbul: Tale of Three Cities. By Bettany Hughes. *Orion*; 800 pages; £25. To be published in America by Da Capo Press in September; \$35

Istanbul: City of Majesty at the Crossroads of the World. By Thomas Madden. *Viking*; 400 pages; \$30

FOR more than 2,000 years, the city on the Bosphorus has by turns dazzled, enticed, horrified and scared the world. Over the generations, its inhabitants have excelled in art and architecture, wielded political and spiritual power over big swathes of the earth, and suffered in catastrophes ranging from earthquakes to fires. In recent years, the city has surged in importance as an economic and cultural hub and suffered awful terrorist attacks.

Yet for all its colourful drama, the city's history can be hard to narrate in a way that is coherent and gripping. When studying the Byzantine era, readers can easily get

lost in a succession of emperors with confusingly similar names, all embroiled in ruthless family feuds. Bettany Hughes, a prolific British broadcaster and classical scholar, and Thomas Madden, an American professor of history, take up that challenge in new books about Istanbul, and in both cases the result is impressive.

In "Istanbul: A Tale of Three Cities" Ms Hughes plays intriguing, sophisticated games with time and space: both those concepts, in her view, need to be reconsidered when contemplating something so vast and fluid as Istanbul's historical pageant. Of course, that impulse is not completely original: any visitor attuned to the city will get the sense at times that every phase of local history is simultaneously present and in some way still unfolding.

But by making unlikely connections between well-described locations and events separated by aeons, she gives voice to those witchy, diachronic feelings in a spectacular fashion. What could have been a failed literary conceit succeeds. It is typical of Ms Hughes that she opens the book with something new and something very old: engineering work to extend the city's transport system, and the fresh archaeological evidence of the area's earliest human settlement which that work has unearthed. Among the finds is an 8,000-year-old wooden coffin.

Ms Hughes draws parallels between the protests of 2013, ruthlessly suppressed by the security forces of an elected Islamist government, and the uprising of 532AD, known as the Nika riots, from the Greek for "victory". In the earlier event, passions felt by rival factions at the hippodrome somehow fused into a general uprising against authority. As the author observes, the city has always lent itself to rioting: crowds can assemble in its great public squares, and then its steep, narrow alleys can serve either as escape routes or traps.

To introduce the city's Jewish community in late antiquity, who were accomplished metalworkers, Ms Hughes invites readers down the backstreets where copper-bashing is still practised today, albeit by Muslim Turks. One of her recurring themes is that through an endless succession of despotic emperors and sultans, the city's underdogs have always had their say in its destiny. That includes the female sex. Ms Hughes relishes the story of Theodora, the powerful consort of the great emperor Justinian. The daughter of a bear-tamer, she went on to become an erotic dancer, and then used her charms to attract the attention of the city's bigwigs.

As the author also points out, a more subtle female presence in early Byzantium was Holy Wisdom, or Hagia Sophia, to which the greatest place of worship in eastern Christendom was dedicated. This epithet can refer to a feminine form of divine power, mentioned fleetingly in the He- ▶



It's not even past

New fiction

A man in full

Darke. By Rick Gekoski. *Canongate*; 299 pages; £16.99

DR JAMES DARKE, a retired teacher of literature who collects first editions of Dickens, has walled himself off from the world. For a long stretch of this unusual first novel, the reason is hinted at, but not revealed. It is an extreme reaction to the pain of loss, the reader learns. Darke retreats and broods, cutting off his only daughter, Lucy.

The plot would not seem promising. But in *Darke*, Rick Gekoski has created an extraordinarily memorable character. He is an epic misanthrope and equal-opportunity bigot whose every utterance is filled with invective or despair. He trashes Jews and Catholics, the working class and writers from “fucking T.S. Eliot” to “that frigid snitbag”, Virginia Woolf. Literature may have been his life, but in his darkest moment, it lets him down.

It's a sly turnabout for Mr Gekoski, a British-American academic and rare-book dealer known for chronicling the bookish life in broadcast, and in books such as “*Outside of a Dog*”. His first foray into fiction, at the age of 72, is nonetheless stuffed with literary allusions, along with much wonderful writing. A colleague acts out a Tennyson poem “waving his arms like a drowning fairy”. Darke speaks in “a strangled croak, like a frog singing Wagner”.

So gleefully do Darke and his wife Suzy rip into those they consider beneath them, however, that one is tempted to read the novel as parody. There are many

clever, biting takedowns, a form of sparing greatly enjoyed by those educated at Oxbridge. Yet the reader is also asked to empathise with Darke's “helplessness” and “desperation”, to recognise that “Everyone is a moon, and has a dark side.” Some readers will, others won't; Darke's repellent views and callousness towards his daughter's suffering are egregious. Mr Gekoski gives this modern-day Scrooge three visitations that pry him open bit by bit, but Darke's redemption is nothing like what the “slobberer” Dickens would have conjured. It is partial, and only partially convincing.

Above all, this is an original and bleakly funny portrait of grief. Suffering is something women can stomach and men cannot, Lucy says. Darke flees, entirely solipsistic, magnificently consistent in his scathing, odious arrogance.



► brew scriptures, whose role is to impart inspiration and creative force.

Like many a teller of Istanbul's tale, Ms Hughes suggests that the city's conquest in 1453 by the Ottoman Turks was not quite such a watershed as conventional wisdom holds. By that year, the place had long been reduced to a shrunken shadow of its imperial glory, obliged to parley with the Ottoman emirs entrenched nearby. Nor did the conquest spell instant doom for the city's Greek Orthodox authorities, who initially at least kept many of their finest churches. That argument has some force, but it can be overstated: the fact that a change was gradual does not mean that it was trivial.

Mr Madden is also a skilled narrator, negotiating the twists and turns in the city's destiny without getting hopelessly mired in detail. His book lacks the strong emphasis on the physical and built land-

scape which is a hallmark of Ms Hughes's writing. But it gives a wonderfully vivid and clear account of an episode which Westerners have forgotten: the conquest and desecration of the city in 1204 by crusaders from the Christian West.

Mr Madden brings home both the reckless looting and vandalism perpetrated by the Latin forces, including the accompanying clergy, and the anger laced with arrogance felt by the city's defeated Greek Orthodox, who felt they had been vanquished by their intellectual and cultural inferiors. Reading his book would be a fine way to prepare for a visit to Istanbul, but while actually treading the streets or contemplating the murky waters of the Golden Horn, a traveller would find Ms Hughes's volume a better companion: bulky at over 500 pages but well worth humping up and down the hills. ■

Politics and sentiment

Utopia of reason

Against Empathy: The Case for Rational Compassion. By Paul Bloom. *Ecco*; 304 pages; \$26.99. *Bodley Head*; 290 pages; £18.99

IN an age of partisan divides it has become popular to assert that the wounds of the world would heal if only people made the effort to empathise more with each other. If only white police officers imagined how it feels to be a black man in America; if only black Americans understood the fears of the man in uniform; if only Europeans opposed to immigration walked a mile in the shoes of a Syrian refugee; if only tree-hugging liberals knew the suffering of the working class.

Barack Obama warned of an empathy “deficit” in 2006, and did so again in his valedictory speech in January: “If our democracy is to work in this increasingly diverse nation,” he said, “each one of us must try to heed the advice of one of the great characters in American fiction, Atticus Finch, who said, ‘You never really understand a person until you consider things from his point of view...until you climb into his skin and walk around in it.’”

It is a piece of generous, high-minded wisdom with which few would dare to disagree. But Paul Bloom, a psychologist at Yale University, does disagree. His new book, “*Against Empathy*”, makes the provocative argument that the world does not need more empathy; it needs less of it. People are bingeing on a sentiment that does not, on balance, make the world a better place. Empathy is “sugary soda, tempting and delicious and bad for us”. In its stead, Mr Bloom prescribes a nutritious diet of reason, compassion and self-control.

To be clear, Mr Bloom is not against kindness, love or general good will toward others. Nor does he have a problem with compassion, or with “cognitive” empathy—the ability to understand what someone else is feeling. His complaint is with empathy defined as feeling what someone else feels. Though philosophers at least as far back as Adam Smith have held it up as a virtue, Mr Bloom says it is a dubious moral guide. Empathy is biased: people tend to feel for those who look like themselves. It is limited in scope, often focusing attention on the one at the expense of the many, or on short-term rather than long-term consequences. It can incite hatred and violence—as when Donald Trump used the example of Kate Steinle, a woman murdered by an undocumented immigrant, to drum up anti-immigrant sentiment, or when Islamic State fighters point to instances of ►►

► Islamophobia to encourage terrorist attacks. It is innumerate, blind to statistics and to the costs of saccharine indulgence.

Empathy can be strategically useful to get people to do the right thing, Mr Bloom acknowledges, and it is central to relationships (though even here it must sometimes be overridden, as any parent who takes a toddler for vaccinations knows). But when it comes to policy, empathy is too slippery a tool. "It is because of empathy that citizens of a country can be transfixed by a girl stuck in a well and largely indifferent to climate change," he writes. Better to rely on reason and cost-benefit analysis. As rational arguments for environmental protection or civil rights show, morality is possible without sentimental appeals to individual suffering. "We should aspire to a world in which a politician appealing to someone's empathy would be seen in the same way as one appealing to people's racist bias," Mr Bloom writes. Racism, like anger or empathy, is a gut feeling; it might be motivating, but that kind of thinking ultimately does more harm than good.

That is a radical vision—and like many Utopias, one with potentially dystopian consequences. Unless humans evolve into something like the Vulcans from "Star Trek", guided purely by logic, it is also unimaginable. Reason should inform governance, but people tend to be converted to a cause—gay marriage, for instance—by emotion. Yet Mr Bloom's point is a good one: empathy is easily exploited, marshalled on either side of the aisle to create not a bridge but an impasse of feelings. In a time of post-truth politics, his book offers a much-needed call for facts. ■

Sundance

An inconvenient moment

PARK CITY, UTAH

A vice-president takes a star turn, with coral reefs as best supporting actor

ON DECEMBER 5th Al Gore, the former vice-president who has spent the last three decades warning about the dangers of global warming, took the lift to the top of Trump Tower to meet the world's most powerful climate-change sceptic. The scene, captured in "An Inconvenient Sequel: Truth to Power", which had its debut at this month's Sundance Film Festival, conveys Mr Gore's determination never to stop trying to convert unbelievers, no matter how grim the task seems. The film embodies this sober spirit, showing how much worse matters have become since Mr Gore's "An Inconvenient Truth" was released in 2006. The past three years were the three hottest on record.



Is it hot in here, or is it just me?

The new film was just one of a raft of environmentally themed non-fiction films at this year's Sundance, a mecca for independent movies that draws producers, directors, celebrities and civilians to a ski town in the mountains outside Salt Lake City, Utah. Taken together these documentaries had a powerful effect, depressing audiences with stark visual proof of destruction wrought on the environment, while managing to inspire them a little with humanity's ability to respond.

Not all films were gloomy. "Rancher, Farmer, Fisherman", based on a book by Miriam Horn, shows people in three jobs not always associated with conservation fighting to preserve natural resources. Ranchers in Montana band together to lobby Congress to protect the Rocky Mountain Front from oil drilling; farmers in Kansas stop tilling their soil in an effort to restore it; and commercial fishermen in the Gulf of Mexico, alarmed by the depletion of red snapper, work with environmentalists to institute quotas.

"Chasing Coral", directed by Jeff Orlowsky, was the most visually mesmerising of the bunch. Mr Orlowsky, whose "Chasing Ice" from 2012 documented receding glaciers, follows up to show the threat to coral reefs from warming oceans. Much of "Chasing Coral" is about his team's grappling with the Herculean technical challenge of filming coral in time-lapse under water—succeeding only after relentless, exhausting effort. The result is a triumph of both visual and narrative storytelling. As a coral scientist describes the Great Barrier Reef as the "Manhattan" of the ocean, where fish take up residence as if in apartment blocks, the cameras show clown fish popping out of the equivalent of windows in skyscrapers. As a narrator describes how a moray eel and coral trout join to-

gether to hunt for food, the camera draws the audience into a bizarre buddy-cop tale of co-operation. A companion virtual-reality piece immerses viewers in the ocean in 360-degree video, narrated by Zackery Rago, a diver-cameraman and self-described "coral nerd" who emerges as the breakout star of the documentary.

But the festival's overall star was always going to be Mr Gore. "An Inconvenient Truth" can be said to have spawned the genre of climate-change films. With the new film screening on the eve of Donald Trump's inauguration, the former vice-president's presence was layered with ironies. Here was the last candidate before Hillary Clinton to win the popular vote and lose the presidency. Here was one of the world's most famous climate-change activists taking the stage hours before Mr Trump, who has called climate change a hoax, was to take office.

The film, directed by Bonni Cohen and Jon Shenk, picks up where "An Inconvenient Truth" left off, beginning with a montage of critics of the first film calling Mr Gore an alarmist. It then proceeds to show that the calamities Mr Gore warned about in his famous slideshow in the first film—melting icepacks, rising temperatures, severe flooding—have come about even more quickly than predicted. Mr Gore trudges through the melting ice of the Arctic and walks through flooded streets in Miami, where some roads have been raised in response to rising ocean levels. But the film focuses on progress too, featuring, for example, the Republican-run Georgetown, Texas, which aims to get all its electricity from renewables.

The style of the film is almost that of a biopic, and inevitably, it feels like an earnest appreciation of the earnest Mr Gore. It features leadership-training sessions he began in order to bring recruits to the cause; it describes in detail his lobbying efforts to get India onside at the Paris climate conference, where a far-reaching deal was ultimately struck in 2015; and it ends with Mr Gore giving rousing speeches to never give up the fight, quoting Martin Luther King and Wallace Stevens ("After the final no there comes a yes, and on that yes the future world depends").

The friendly crowd at Sundance gave the film, and then its star, standing ovations. Speaking onstage after the screening, Mr Gore did not reveal what Mr Trump said to him on that day he visited Trump Tower—only that there would be more conversations to come. More than 25 years ago, on a rainy Friday night in a lecture room at Harvard, Mr Gore, then a senator from Tennessee, gave an early version of his global-warming slideshow to a small audience, including this correspondent. He spoke with just as much conviction at Sundance a quarter of a century later. "The will to act is a renewable resource," he said. ■











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Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment	Current-account balance		Budget balance	Interest rates, %	Currency units, per \$	
	latest	qtr*	2016 ⁱ	latest	latest	2016 ⁱ	rate, %	latest 12 months, \$bn	% of GDP 2016 ⁱ	% of GDP 2016 ⁱ	10-year gov't bonds, latest	Jan 25th	year ago
United States	+1.7 Q3	+3.5	+1.6	+0.5 Dec	+2.1 Dec	+1.4	4.7 Dec	-476.5 Q3	-2.6	-3.2	2.44	-	-
China	+6.8 Q4	+7.0	+6.7	+6.0 Dec	+2.1 Dec	+2.0	4.0 Q4 [§]	+264.6 Q3	+2.3	-3.8	2.99 ^{§§}	6.88	6.58
Japan	+1.1 Q3	+1.3	+0.9	+4.6 Nov	+0.5 Nov	-0.2	3.1 Nov	+189.1 Nov	+3.7	-5.6	0.05	114	119
Britain	+2.2 Q3	+2.3	+2.0	+1.9 Nov	+1.6 Dec	+0.7	4.8 Oct ^{††}	-138.1 Q3	-5.6	-3.7	1.42	0.79	0.70
Canada	+1.3 Q3	+3.5	+1.2	+1.6 Oct	+1.5 Dec	+1.5	6.9 Dec	-53.6 Q3	-3.5	-2.5	1.82	1.31	1.42
Euro area	+1.8 Q3	+1.8	+1.6	+3.2 Nov	+1.1 Dec	+0.3	9.8 Nov	+394.6 Nov	+3.3	-1.8	0.47	0.93	0.92
Austria	+1.2 Q3	+2.4	+1.5	+2.3 Nov	+1.4 Dec	+1.0	5.8 Nov	+8.0 Q3	+2.2	-0.9	0.60	0.93	0.92
Belgium	+1.3 Q3	+0.7	+1.2	+0.5 Nov	+2.0 Dec	+1.9	7.6 Nov	+3.4 Sep	+0.9	-3.0	0.88	0.93	0.92
France	+1.0 Q3	+1.0	+1.2	+1.8 Nov	+0.6 Dec	+0.3	9.5 Nov	-28.6 Nov [‡]	-1.2	-3.3	0.90	0.93	0.92
Germany	+1.7 Q3	+0.8	+1.8	+2.1 Nov	+1.7 Dec	+0.4	6.0 Dec	+296.9 Nov	+8.8	+1.0	0.47	0.93	0.92
Greece	+1.6 Q3	+3.1	+0.4	+2.3 Nov	nil Dec	nil	23.0 Oct	-1.0 Nov	-0.3	-7.7	7.00	0.93	0.92
Italy	+1.0 Q3	+1.0	+0.9	+3.2 Nov	+0.5 Dec	-0.1	11.9 Nov	+50.9 Nov	+2.4	-2.6	2.13	0.93	0.92
Netherlands	+2.4 Q3	+3.1	+2.1	+2.9 Nov	+1.0 Dec	+0.2	6.4 Dec	+57.1 Q3	+8.6	-1.1	0.50	0.93	0.92
Spain	+3.2 Q3	+2.9	+3.2	+4.6 Nov	+1.6 Dec	-0.3	19.2 Nov	+23.0 Oct	+1.7	-4.6	1.47	0.93	0.92
Czech Republic	+1.6 Q3	+0.9	+2.4	+7.1 Nov	+2.0 Dec	+0.6	5.2 Dec [§]	+3.7 Q3	+1.5	nil	0.48	25.1	24.9
Denmark	+1.1 Q3	+1.5	+1.0	+13.3 Nov	+0.5 Dec	+0.6	4.2 Nov	+23.9 Nov	+7.5	-1.0	0.51	6.92	6.89
Norway	-0.9 Q3	-1.9	+0.6	+2.6 Nov	+3.5 Dec	+3.5	4.8 Oct ^{††}	+18.0 Q3	+4.4	+3.5	1.71	8.32	8.75
Poland	+2.0 Q3	+0.8	+2.6	+2.4 Dec	+0.8 Dec	-0.7	8.3 Dec [§]	-3.1 Nov	-0.5	-2.7	3.79	4.06	4.12
Russia	-0.4 Q3	na	-0.5	+3.0 Dec	+5.4 Dec	+7.0	5.3 Dec [§]	+22.2 Q4	+2.3	-3.7	8.39	59.1	79.6
Sweden	+2.8 Q3	+2.0	+3.1	+0.1 Nov	+1.7 Dec	+1.0	6.2 Nov [§]	+22.2 Q3	+4.9	-0.3	0.66	8.82	8.57
Switzerland	+1.3 Q3	+0.2	+1.4	+0.4 Q3	nil Dec	-0.5	3.3 Dec	+68.2 Q3	+9.4	+0.2	-0.07	1.00	1.02
Turkey	-1.8 Q3	na	+2.7	+4.6 Nov	+8.5 Dec	+7.8	11.8 Oct [§]	-33.7 Nov	-4.7	-1.8	11.28	3.83	3.02
Australia	+1.8 Q3	-1.9	+2.4	-0.2 Q3	+1.5 Q4	+1.3	5.8 Dec	-47.9 Q3	-3.2	-2.1	2.70	1.32	1.43
Hong Kong	+1.9 Q3	+2.5	+1.6	-0.1 Q3	+1.2 Dec	+2.4	3.3 Dec ^{††}	+13.3 Q3	+2.9	+1.6	1.84	7.76	7.79
India	+7.3 Q3	+8.3	+7.0	+5.7 Nov	+3.4 Dec	+4.9	5.0 2015	-11.1 Q3	-0.6	-3.8	6.43	68.1	67.8
Indonesia	+5.0 Q3	na	+5.0	-2.3 Nov	+3.0 Dec	+3.5	5.6 Q3 [§]	-19.2 Q3	-2.1	-2.3	7.54	13,361	13,873
Malaysia	+4.3 Q3	na	+4.3	+6.2 Nov	+1.8 Dec	+2.1	3.4 Nov [§]	+5.6 Q3	+1.7	-3.4	4.14	4.44	4.30
Pakistan	+5.7 2016**	na	+5.7	+8.0 Nov	+3.7 Dec	+3.8	5.9 2015	-5.0 Q4	-1.4	-4.6	8.20 ^{†††}	105	105
Philippines	+6.6 Q4	+7.0	+6.9	+14.6 Nov	+2.6 Dec	+1.8	4.7 Q4 [§]	+3.1 Sep	+0.9	-2.3	4.94	49.8	47.9
Singapore	+1.1 Q3	+9.1	+1.8	+11.9 Nov	+0.2 Dec	-0.5	2.2 Q4	+63.0 Q3	+22.5	+0.7	2.35	1.42	1.43
South Korea	+2.3 Q4	+1.6	+2.7	+4.8 Nov	+1.3 Dec	+1.0	3.2 Dec [§]	+99.0 Nov	+7.2	-1.3	2.13	1,166	1,194
Taiwan	+2.6 Q4	+1.9	+1.1	+6.2 Dec	+1.7 Dec	+1.4	3.8 Dec	+74.7 Q3	+13.0	-0.4	1.16	31.3	33.5
Thailand	+3.2 Q3	+2.2	+3.2	+3.8 Nov	+1.1 Dec	+0.2	1.0 Nov [§]	+47.9 Q3	+11.8	-2.3	2.66	35.2	36.0
Argentina	-3.8 Q3	-0.9	-2.1	-2.5 Oct	—	—	8.5 Q3 [§]	-15.7 Q3	-2.6	-5.3	na	15.9	13.8
Brazil	-2.9 Q3	-3.3	-3.4	-1.1 Nov	+6.3 Dec	+8.4	11.9 Nov [§]	-23.5 Dec	-1.2	-6.3	10.58	3.17	4.09
Chile	+1.6 Q3	+2.5	+1.8	-1.4 Nov	+2.7 Dec	+3.8	6.2 Nov ^{§††}	-4.8 Q3	-1.9	-2.7	4.18	650	719
Colombia	+1.2 Q3	+1.3	+1.6	+1.6 Nov	+5.7 Dec	+7.5	7.5 Nov [§]	-13.7 Q3	-4.8	-3.7	6.79	2,928	3,363
Mexico	+2.0 Q3	+4.0	+2.1	+1.3 Nov	+3.4 Dec	+2.9	3.7 Dec	-30.6 Q3	-2.8	-3.0	7.65	21.4	18.5
Venezuela	-8.8 Q4~	-6.2	-13.7	na	na	+424	7.3 Apr [§]	-17.8 Q3~	-2.9	-24.3	10.43	9.99	6.31
Egypt	+4.5 Q2	na	+4.3	-1.2 Nov	+23.3 Dec	+13.2	12.6 Q3 [§]	-20.8 Q3	-6.8	-12.2	na	18.9	7.83
Israel	+5.2 Q3	+3.6	+3.3	-4.5 Nov	-0.2 Dec	-0.5	4.5 Nov	+13.3 Q3	+2.8	-2.4	2.40	3.78	3.96
Saudi Arabia	+1.4 2016	na	+1.4	na	+1.7 Dec	+3.6	5.6 2015	-46.8 Q3	-5.5	-11.2	na	3.75	3.75
South Africa	+0.7 Q3	+0.2	+0.5	+0.5 Nov	+6.8 Dec	+6.3	27.1 Q3 [§]	-12.3 Q3	-3.9	-3.4	8.75	13.3	16.5

Source: Haver Analytics. **% change on previous quarter, annual rate. [†]The Economist poll or Economist Intelligence Unit estimate/forecast. [§]Not seasonally adjusted. ^{††}New series. ~2014 **Year ending June. ^{†††}Latest 3 months. ^{††††}3-month moving average. ^{§§§}5-year yield. ***Official number not yet proved to be reliable; The State Street PriceStats Inflation Index, Nov 35.38%; year ago 25.30% ^{†††††}Dollar-denominated bonds.

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Markets

	Index Jan 25th	% change on		
		one week	in local currency	in \$ terms
United States (DJIA)	20,068.5	+1.3	+15.2	+15.2
China (SSEA)	3,298.0	+1.2	-11.0	-16.0
Japan (Nikkei 225)	19,057.5	+0.9	+0.1	+6.0
Britain (FTSE 100)	7,164.4	-1.1	+14.8	-1.8
Canada (S&P TSX)	15,643.8	+1.6	+20.2	+27.6
Euro area (FTSE Euro 100)	1,125.8	+1.1	+2.9	+1.7
Euro area (EURO STOXX 50)	3,326.2	+1.0	+1.8	+0.7
Austria (ATX)	2,738.9	+3.0	+14.3	+13.0
Belgium (Bel 20)	3,605.1	+0.6	-2.6	-3.7
France (CAC 40)	4,877.7	+0.5	+5.2	+4.0
Germany (DAX)*	11,806.1	+1.8	+9.9	+8.7
Greece (Athex Comp)	659.2	+2.4	+4.4	+3.2
Italy (FTSE/MIB)	19,582.2	+1.2	-8.6	-9.6
Netherlands (AEX)	488.0	+0.7	+10.5	+9.2
Spain (Madrid SE)	965.3	+2.0	nil	-1.1
Czech Republic (PX)	938.2	+1.3	-1.9	-3.0
Denmark (OMXCXB)	806.0	+0.1	-11.1	-11.8
Hungary (BUX)	32,807.7	-0.1	+37.2	+38.3
Norway (OSEAX)	788.9	+1.9	+21.6	+29.4
Poland (WIG)	55,484.6	+3.8	+19.4	+16.3
Russia (RTS, \$ terms)	1,159.8	+0.7	+53.2	+53.2
Sweden (OMXS30)	1,546.0	+2.0	+6.9	+2.1
Switzerland (SMI)	8,387.6	+0.9	-4.9	-4.7
Turkey (BIST)	83,128.3	+0.4	+15.9	-11.8
Australia (All Ord.)	5,726.0	-0.1	+7.1	+11.4
Hong Kong (Hang Seng)	23,049.1	-0.2	+5.2	+5.1
India (BSE)	27,708.1	+1.7	+6.1	+3.1
Indonesia (JSX)	5,293.8	nil	+15.3	+18.9
Malaysia (KLSE)	1,683.9	+1.1	-0.5	-3.8
Pakistan (KSE)	49,756.8	+2.3	+51.6	+51.5
Singapore (STI)	3,039.9	+1.3	+5.5	+5.5
South Korea (KOSPI)	2,066.9	-0.2	+5.4	+6.0
Taiwan (TWI)	9,448.0	+1.1	+13.3	+18.8
Thailand (SET)	1,584.3	+1.5	+23.0	+25.6
Argentina (MERV)	19,406.6	+2.8	+66.2	+35.1
Brazil (BVSP)	65,840.1	+2.6	+51.9	+89.4
Chile (IGPA)	21,440.5	+0.8	+18.1	+28.7
Colombia (IGBC)	10,203.8	+0.4	+19.4	+29.4
Mexico (IPC)	48,275.8	+4.1	+12.3	-9.1
Venezuela (IBC)	28,331.5	-6.1	+94.2	na
Egypt (EGX 30)	12,882.9	-3.2	+83.9	-23.8
Israel (TA-100)	1,248.1	-1.0	-5.1	-2.4
Saudi Arabia (Tadawul)	7,128.1	+4.0	+3.1	+3.2
South Africa (JSE AS)	53,250.8	+0.6	+5.0	+22.8

Perceptions of corruption

Corruption is hard to measure. Transparency International, a not-for-profit organisation, surveys experts and business people annually to measure perceived levels of public-sector corruption. In 2016 more than two-thirds of the 176 countries surveyed scored below 50 (100 is very clean). More countries declined, compared with the previous year's scores, than improved. Controversy surrounding the award of the 2022 World Cup may explain why Qatar's score dropped the most of any country. Argentina, at least, is believed to be moving in the right direction: it has moved 12 places up the rankings since Mauricio Macri was elected president at the end of 2015 on a pledge to end corruption.

Selected countries, 2016, 100=maximum score



Source: Transparency International

Other markets

	Index Jan 25th	% change on		
		one week	in local currency	in \$ terms
United States (S&P 500)	2,298.4	+1.2	+12.4	+12.4
United States (NAScomp)	5,656.3	+1.8	+13.0	+13.0
China (SSEB, \$ terms)	338.7	+1.9	-20.6	-20.6
Japan (Topix)	1,521.6	+0.5	-1.7	+4.1
Europe (FTSEurofirst 300)	1,448.1	+1.0	+0.7	-0.4
World, dev'd (MSCI)	1,805.8	+1.1	+8.6	+8.6
Emerging markets (MSCI)	912.2	+1.6	+14.9	+14.9
World, all (MSCI)	436.2	+1.2	+9.2	+9.2
World bonds (Citigroup)	888.8	-0.4	+2.2	+2.2
EMBI+ (JPMorgan)	781.7	-0.5	+11.0	+11.0
Hedge funds (HFRX)	1,210.9 ¹	+0.2	+3.1	+3.1
Volatility, US (VIX)	10.8	+12.5	+18.2 (levels)	
CDSs, Eur (iTRAXX) ¹	68.3	-2.5	-11.5	-12.5
CDSs, N Am (CDX) ¹	63.8	-3.9	-27.8	-27.8
Carbon trading (EU ETS) €	5.0	-4.0	-40.5	-41.1

Sources: Markit; Thomson Reuters. ¹Total return index.¹Credit-default-swap spreads, basis points. ²Jan 24th.

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The Economist commodity-price index

2005=100

	Jan 17th	Jan 24th*	% change on	
			one month	one year
Dollar Index				
All Items	148.1	149.9	+6.5	+21.0
Food	161.0	162.9	+6.8	+12.0
Industrials				
All	134.7	136.3	+6.1	+34.5
Nfa ¹	146.3	145.8	+6.6	+37.1
Metals	129.7	132.3	+5.9	+33.4
Sterling Index				
All items	223.3	218.3	+4.5	+38.8
Euro Index				
All items	173.7	173.4	+3.6	+22.2
Gold				
\$ per oz	1,202.5	1,213.2	+7.0	+8.6
West Texas Intermediate				
\$ per barrel	52.5	52.6	+1.2	+68.3

Sources: Bloomberg; CME Group; Cotlook; Darmann & Curt; FT; ICDO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional

¹Non-food agriculturals.

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Unsettling

Arthur Manuel, a leader of Canada's indigenous "First Nations", died on January 11th, aged 65

THE fine for trespassing on the railway was only \$25, but the 16-year-old knew nobody with that kind of money, so he accepted the 30-day jail sentence instead. He shouldn't have been sent to an adult prison at all, but he lied about his age. Anything was better than the dreaded Child Protection officials, who wrenched children like him from their families.

The inmates at Spy Hill jail were a frightening bunch—made of cement and iron like the building itself, he recalled. But the food was the best he had ever eaten: meat and potatoes, pork chops, broiled chicken, sometimes steak, sausages for breakfast. Better than at home, where the food money all too often went on his father's political campaigns. And so much better than the monotonous "mushy macaroni" at his state boarding school.

Arthur Manuel fumed. Canada treated even its prisoners better than its original inhabitants. He secretly planned a food strike. But his schoolmates, many of them institutionalised since the age of five or six, were too scared of confronting the white man. He wrote secretly to an outfit he had only read about, the Native Alliance for Red Power (NARP). Weeks passed. He began to think nothing would happen. Then he was called for an eye test. He was puzzled. His vision was perfect. But the techni-

cian, a fellow-Indian, whispered. "Don't say anything. I'm from NARP. We will support your strike."

The protest fizzled, but his spirit had fired. Opposition to chicanery and injustice ran in his veins. His father George had been a tribal chief and activist, negotiating in a suit, paid for by a whip-round among the Secwepemc Nation, drawn tight round his tubercular frame.

This land was your land

Mr Manuel went to law school. In his 20s he was leader of the Native Youth Association, four times chief of his home reserve and for six years chief of his tribal council. A wily litigator and effective lobbyist, he supported direct action—occupying buildings, mustering demonstrations, and picketing building work that desecrated sacred sites. But he also knew the game was rigged. Canada's colonial thinking was too entrenched. The answer lay abroad.

That was a masterstroke. A country so conscious of what he called its "boy scout" reputation in international affairs could, with teeth-grinding reluctance, be shamed into righting the wrongs of the past.

Like previous generations of indigenous leaders, he sought help in London: King George III, after all, had proclaimed that Indians should not be "molested or

disturbed". It was later generations of colonists who had so shamefully taken advantage of the original inhabitants' friendliness, weakness and ignorance.

One victory came in 1981, when he drummed up opposition in Britain to a sneaky attempt to omit the Indians' rights—nothing more than "historical might-have-beens"—from the Canadian constitution. That won a promise to "affirm and recognise" the First Nations' status. But in reality, he wrote sadly afterwards, it was more a case of "ignore and deny". Logging and mining continued unchecked; Indians remained dispossessed, with shortened, sickly, jobless lives, tolerated as wards of the state rather than full citizens, paid a pittance, with shrinking rights over their despoiled lands.

Commercial pressure worked better. He pestered Standard & Poor's until the credit-rating agency agreed to a meeting, where he pointed out that Canada's unpaid, unquantified debts to its indigenous peoples were a contingent liability that should affect its sovereign rating.

With allies such as the Nobel prize-winning economist Joe Stiglitz, he turned American protectionism to his advantage, too. It was bad enough that Canada's loggers cut the forests from top to bottom, "scarred the land, changed the course of our streams and rivers, and choked off the salmon runs...with their sluices and booms". They also benefited from a hidden subsidy, he argued to the Commerce Department in Washington, because they cut trees on land that rightfully belonged to the indigenous peoples, without paying them a cent. It seemed a long shot, but America's retaliatory tariffs were upheld in arbitration in NAFTA and the World Trade Organisation. In 2007 came his biggest triumph: a UN declaration on the rights of indigenous peoples, grudgingly signed even by Canada.

He shunned violence and bitter rhetoric, for which he was dubbed Canada's "Nelson Mandela". It was "reductio ad absurdum", he insisted, to portray his demands as a denial of the settlers' rights. They had built a country that was the envy of the world. They could stay. Nor did it make sense to demand "astronomical" sums in compensation for the epidemics of smallpox, measles, influenza and tuberculosis, for the apartheid-style abuses and repression, and for the actions of officials who had aimed to rid the country of the "weird and waning" Indian race.

But Canada could treat his people justly. It could give them their fair share of profits made on their land, and above all it should drop "discovery": the obnoxious notion that a white man, merely by sailing past a river mouth, could legally claim ownership of an empty space, as if it had no human inhabitants. ■

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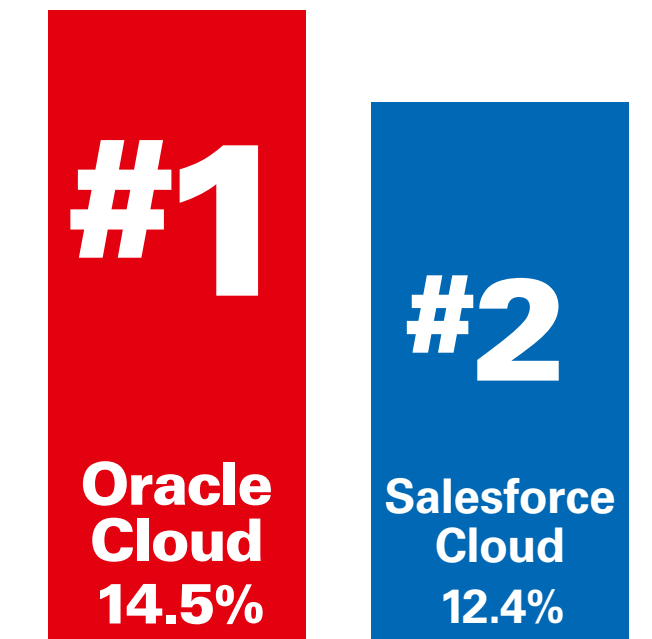
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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4.
For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.
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