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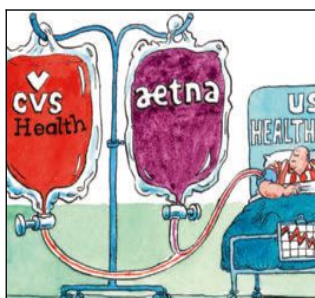
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Principal commercial offices:

The Adelphi Building, 1-11 John Adam Street,
London WC2N 6HT
Tel: +44 (0) 20 7830 7000

Rue de l'Athénée 32
1206 Geneva, Switzerland
Tel: +41 22 566 2470

750 3rd Avenue, 5th Floor, New York, NY 10017
Tel: +1 212 541 0500

1301 Cityplaza Four,
12 Taikoo Wan Road, Taikoo Shing, Hong Kong
Tel: +852 2585 3888

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THE EXTRAORDINARY CAN BE WITNESSED
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Be it the Northern Lights or The Louvre, there are some experiences that are so enriching that their grandeur can only be witnessed by one and can never be truly described in all their essence. Then again, there are some experiences that are above and beyond the wonders of the world, that even those used to the finest luxuries will feel privileged to experience.



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Politics



A 29-year-old immigrant from Uzbekistan ploughed a pickup truck into pedestrians along a cycle path in **New York**, killing at least eight people in a terror attack apparently inspired by Islamic State. The man was detained by police after being shot. Although vehicles have become a familiar weapon of choice for jihadists in Europe, these are the first fatalities from such an attack in America.

The first charges were laid in the investigation led by Robert Mueller, the special counsel looking into **Russian interference** in last year's election. Paul Manafort, Donald Trump's former campaign manager, and his business associate, Rick Gates, were charged with conspiracy and money-laundering. Both pleaded not guilty. George Papadopoulos, a junior adviser on foreign policy in the Trump campaign, pleaded guilty to lying to the FBI about trying to forge links with Russian officials.

A judge blocked Mr Trump's ban on **transgender** people serving in the armed forces from coming into effect, at least until a lawsuit brought by a group of plaintiffs has been resolved. The Pentagon is currently working out how to put the ban into place.

A pyrrhic victory

Uhuru Kenyatta was declared the winner in **Kenya's** disputed presidential election, which was boycotted by his main opponent, Raila Odinga. Turn-out was low at less than 40%, around half of that in the poll held in August, which was annulled by the supreme court

because of irregularities. Mr Odinga said the result was a sham.

Liberia's supreme court halted a presidential run-off election that was to be held on November 7th, after complaints of fraud by a losing candidate in last month's first round. George Weah and Joseph Boakai are the two candidates in the run-off vying to replace Ellen Johnson Sirleaf.

Rating agencies criticised **South Africa's** latest budget, warning that debt may soar to as much as 60% of GDP.

Hamas, an Islamist party that took control of **Gaza** in 2007, started handing control over the territory's border crossings to the Palestinian Authority as part of the reconciliation deal between the two Palestinian factions.



Masoud Barzani, the president of Iraq's **Kurdish** region since 2005, resigned in the aftermath of a referendum on independence that led to Iraqi government forces taking back control of key oilfields and the city of Kirkuk.

The fall of Lenin

Ecuador's ruling Alianza PAIS party kicked out its leader, Lenin Moreno, who is also the country's president. The move is the latest in a battle between Rafael Correa, a former president, and Mr Moreno, who has distanced himself from the populist party by pursuing reform and building bridges with the opposition.

A recently elected governor was sacked in **Venezuela** after he refused to swear loyalty to the all-powerful constituent assembly aligned with Presi-

dent Nicolás Maduro's ruling socialists. Three opposition parties announced that they will boycott municipal elections in December.

A team of international lawyers concluded that a network of businessmen and state officials helped plan and cover up the murder in 2016 of Berta Cáceres, an environmental activist in **Honduras**.

Contestants in **Peru's** Miss Universe pageant surprised the audience by reciting statistics about violence against women rather than their bust, waist and hip measurements.

Peaceable diplomacy

China and South Korea agreed to restore normal relations. The two countries' ties have been strained by South Korea's deployment of an American anti-missile system known as THAAD, which China describes as a threat to its security. China says its position has not changed, but it will ease its pressure on South Korean businesses.

China's **internet censors** announced new regulations aimed at curbing the spread of "illegal information". Staff at news websites will be required to undergo training in "the Marxist view of journalism". Those who fail to promote "a positive and healthy...online culture" face dismissal.

The courts in **Australia** removed five MPs from parliament because they hold dual nationality. They include Barnaby Joyce, the deputy prime minister. His dismissal has cost the government its one-seat majority. Mr Joyce has renounced his New Zealand citizenship and is contesting the by-election for his seat.

An official American watchdog reported that 43% of **Afghanistan** was either contested territory or under the control of the Taliban, slightly more than six months ago. The American army barred it from releasing details about the numbers, casualty rates and readiness of Afghan forces.

Spain reasserts control



Spain imposed direct rule on Catalonia, hours after the region's parliament had approved a unilateral declaration of independence. Catalonia's president, Carles Puigdemont, was stripped of his office and fled to Brussels to escape proposed charges of sedition and rebellion, which could carry a 30-year jail sentence. New elections have been set for December 21st, one reason why there was little protest against Madrid's action.

In **Britain**, Sir Michael Fallon resigned as defence secretary amid allegations of inappropriate sexual behaviour, admitting that his conduct had "fallen short". Parliament is awash with rumours and speculation of many more accusations from women, and some men, of sexual harassment by MPs. Britain's deputy prime minister has also been accused of inappropriate behaviour by a Tory activist, which he denies.

France ended a two-year state of emergency, imposed following the terror attack on Paris in 2015. A tough new security law is now in place.

Cycle racked

Amsterdam's district court ruled that officials can ban **beer bikes**, a popular way for tourists to enjoy occasions such as stag parties, ruling that they are a public-order offence. Operators of the beer-chuggers' chariots successfully challenged a previous ban. But now the city's residents, fed up with freewheeling, drunken louts on their streets, have worked in tandem to pressure the council to act. There is no indication that it will back-pedal on this latest ruling. ▶▶

Business

The **Bank of England** raised its benchmark interest rate by a quarter of a percentage point to 0.5%, its first rate increase in a decade. After the Brexit referendum last year the bank cut the rate from 0.5% to 0.25%, but inflation, at 3%, is now well above the bank's 2% target and the economy is proving to be more robust than expected. For example, data out this week suggest that manufacturing is thriving.

Markets were unfazed in their reaction to the first steps by the **European Central Bank** to ease its monetary-stimulus programme. On October 26th the ECB announced that it will cut in half the amount of bonds it buys each month to €30bn (\$35bn) from January, but said its programme remained open-ended. Mario Draghi, the ECB's president, stressed that this was not "tapering...just a downsize".

America and the euro zone reported solid **economic growth** for the third quarter. America's GDP increased at an annualised rate of 3%. The economy has now expanded by 3% or more in two consecutive quarters for the first time since 2014. The euro zone recorded growth of 2.5% year on year.

The new normal?

Oil prices continued to rally, buoyed by support from officials at OPEC and in Russia for extending the deal to cut output that has reduced a global glut in the commodity. The price of Brent crude rose by 9% in October and this week was trading close to \$62 a barrel, the highest level in two years.

BP said it was planning its operations on the expectation that oil prices will average between \$50 and \$55 a barrel next year. No longer hindered by payouts related to the Deepwater Horizon oil spill in 2010, the oil company is reporting healthy earnings again, doubling its headline profit in the latest quarter to \$1.9bn. It has

commenced a share buy-back programme for the first time since 2014.

Carsten Kengeter decided to step down as chief executive of **Deutsche Börse** at the end of the year, amid allegations of insider trading. Prosecutors are investigating him over shares that he bought in the German exchange before it announced that it was seeking a merger with the London Stock Exchange, a deal that eventually fell apart. Mr Kengeter denies any wrongdoing.

Peter Hain, a Labour peer, told the House of Lords in Britain that he had information about illicit transfers of large sums of money out of South Africa made through a **British bank** by the Gupta business family, which is at the centre of a political scandal in the country. Lord Hain has sent a letter to the Treasury asking it to investigate the bank, which is reported to be HSBC.

The electronic industry's huge appetite for memory chips drove **Samsung Electronics** to another bumper quarterly profit. Its semiconductor business made an operating profit of 10trn won (\$8.8bn) from July to September, up from 3.4trn won in the same three months

last year. Meanwhile, the South Korean company shook up its senior management, replacing all three co-chief executives. The de facto head of Samsung Group, Lee Jae-yong, was convicted in August of corruption.

CVS Health, America's largest chain of pharmacies, was reported to be in talks to buy **Aetna**, a big health-insurer, for \$66bn. An important part of CVS's business is as a pharmacy-benefit manager, negotiating drug prices for health plans. If the pair strike a deal it will face intense scrutiny from trustbusters.

In a deal that creates America's largest homebuilder, **Lennar** agreed to buy **CalAtlantic**, a smaller competitor, for \$9.3bn. The combined company will operate in 21 states.

Huntsman, an American chemical company, and **Clariant**, a Swiss rival, scrapped their \$20bn proposed merger, following opposition from activist investors.

Tesla Motors pushed back its target of producing 5,000 Model 3 cars a week, from the end of this year to March. The Model 3 is the electric-carmaker's newest and cheapest

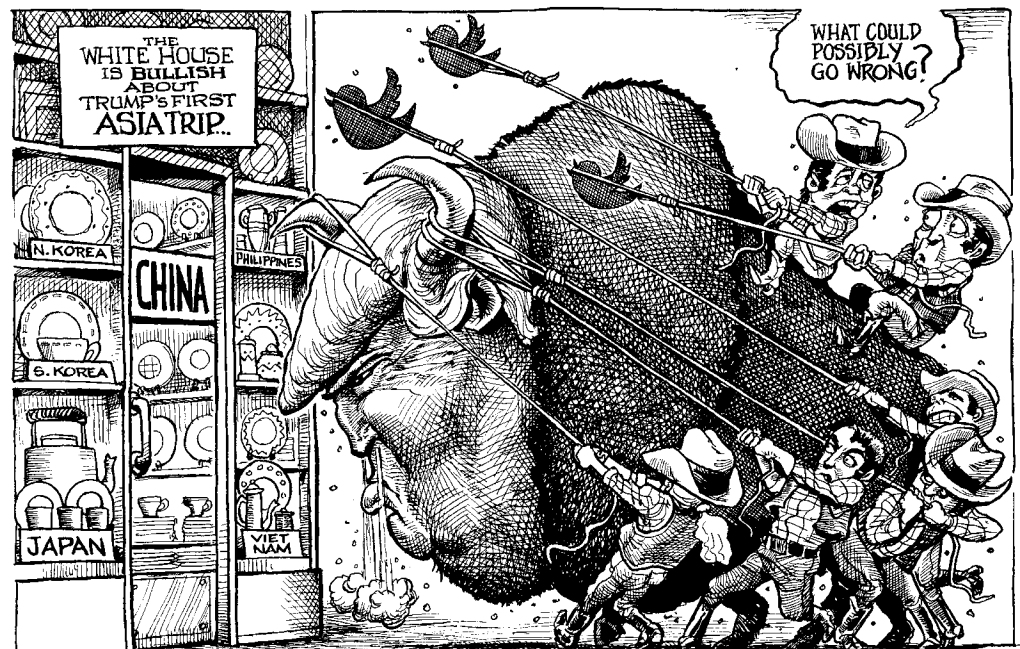
vehicle. It ran into production snags during the third quarter, which the company blames on assembling battery packs at its factory in Nevada.

Social that



Executives from **Facebook**, **Google** and **Twitter** were grilled in Congress about why they had not spotted the political ads from Russian provocateurs placed on their websites during last year's election. The politicians demanded more action from the social-media giants to monitor such activity. Mark Zuckerberg (who was not at the hearings) said he was "dead serious" about rooting out "bad content", but warned that Facebook's costs would rise sharply as a result. He was speaking as Facebook reported a year-on-year 79% jump in profit for the third quarter.

Other economic data and news can be found on pages 88-89



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Do social media threaten democracy?

Facebook, Google and Twitter were supposed to improve politics. Something has gone very wrong



IN 1962 a British political scientist, Bernard Crick, published “In Defence of Politics”. He argued that the art of political horse-trading, far from being shabby, lets people of different beliefs live together in a peaceful, thriving society. In a liberal

democracy, nobody gets exactly what he wants, but everyone broadly has the freedom to lead the life he chooses. However, without decent information, civility and conciliation, societies resolve their differences by resorting to coercion.

How Crick would have been dismayed by the falsehood and partisanship on display in this week’s Senate committee hearings in Washington. Not long ago social media held out the promise of a more enlightened politics, as accurate information and effortless communication helped good people drive out corruption, bigotry and lies. Yet Facebook acknowledged that before and after last year’s American election, between January 2015 and August this year, 146m users may have seen Russian misinformation on its platform. Google’s YouTube admitted to 1,108 Russian-linked videos and Twitter to 36,746 accounts. Far from bringing enlightenment, social media have been spreading poison.

Russia’s trouble-making is only the start. From South Africa to Spain, politics is getting uglier. Part of the reason is that, by spreading untruth and outrage, corroding voters’ judgment and aggravating partisanship, social media erode the conditions for the horse-trading that Crick thought fosters liberty.

A shorter attention spa...oh, look at that!

The use of social media does not cause division so much as amplify it. The financial crisis of 2007-08 stoked popular anger at a wealthy elite that had left everyone else behind. The culture wars have split voters by identity rather than class. Nor are social media alone in their power to polarise—just look at cable TV and talk radio. But, whereas Fox News is familiar, social-media platforms are new and still poorly understood. And, because of how they work, they wield extraordinary influence.

They make their money by putting photos, personal posts, news stories and ads in front of you. Because they can measure how you react, they know just how to get under your skin (see page 19). They collect data about you in order to have algorithms to determine what will catch your eye, in an “attention economy” that keeps users scrolling, clicking and sharing—again and again and again. Anyone setting out to shape opinion can produce dozens of ads, analyse them and see which is hardest to resist. The result is compelling: one study found that users in rich countries touch their phones 2,600 times a day.

It would be wonderful if such a system helped wisdom and truth rise to the surface. But, whatever Keats said, truth is not beauty so much as it is hard work—especially when you disagree with it. Everyone who has scrolled through Facebook knows how, instead of imparting wisdom, the system dishes out compulsive stuff that tends to reinforce people’s biases.

This aggravates the politics of contempt that took hold, in

the United States at least, in the 1990s. Because different sides see different facts, they share no empirical basis for reaching a compromise. Because each side hears time and again that the other lot are good for nothing but lying, bad faith and slander, the system has even less room for empathy. Because people are sucked into a maelstrom of pettiness, scandal and outrage, they lose sight of what matters for the society they share.

This tends to discredit the compromises and subtleties of liberal democracy, and to boost the politicians who feed off conspiracy and nativism. Consider the probes into Russia’s election hack by Congress and the special prosecutor, Robert Mueller, who has just issued his first indictments. After Russia attacked America, Americans ended up attacking each other (see next leader). Because the framers of the constitution wanted to hold back tyrants and mobs, social media aggravated Washington gridlock. In Hungary and Poland, without such constraints, they help sustain an illiberal, winner-takes-all style of democracy. In Myanmar, where Facebook is the main source of news for many, it has deepened the hatred of the Rohingya, victims of ethnic cleansing.

Social media, social responsibility

What is to be done? People will adapt, as they always do. A survey this week found that only 37% of Americans trust what they get from social media, half the share that trust printed newspapers and magazines. Yet in the time it takes to adapt, bad governments with bad politics could do a lot of harm.

Society has created devices, such as libel, and ownership laws, to rein in old media. Some are calling for social-media companies, like publishers, to be similarly accountable for what appears on their platforms; to be more transparent; and to be treated as monopolies that need breaking up. All these ideas have merit, but they come with trade-offs. When Facebook farms out items to independent outfits for fact-checking, the evidence that it moderates behaviour is mixed. Moreover, politics is not like other kinds of speech; it is dangerous to ask a handful of big firms to deem what is healthy for society. Congress wants transparency about who pays for political ads, but a lot of malign influence comes through people carelessly sharing barely credible news posts. Breaking up social-media giants might make sense in antitrust terms, but it would not help with political speech—indeed, by multiplying the number of platforms, it could make the industry harder to manage.

There are other remedies. The social-media companies should adjust their sites to make clearer if a post comes from a friend or a trusted source. They could accompany the sharing of posts with reminders of the harm from misinformation. Bots are often used to amplify political messages. Twitter could disallow the worst—or mark them as such. Most powerfully, they could adapt their algorithms to put clickbait lower down the feed. Because these changes cut against a business-model designed to monopolise attention, they may well have to be imposed by law or by a regulator.

Social media are being abused. But, with a will, society can harness them and revive that early dream of enlightenment. The stakes for liberal democracy could hardly be higher. ■

Robert Mueller's investigation

Filtering out the noise

When thinking about the special prosecutor's investigation, start by recalling his job description



ACCORDING to NATO's handbook, the preferred tactics in Russian information warfare can be summarised as "dismiss, distort, distract, dismay". That is a fair description of the response in America when Robert Mueller, the special counsel, unsealed charges against Donald Trump's former campaign manager, Paul Manafort, and two others. The president's most enthusiastic supporters denounced Mr Mueller, saying he should be fired or, failing that, redirected to investigate Hillary Clinton instead. Meanwhile, some of the president's opponents took Mr Mueller's move as the prelude to impeachment. Both views are wrong and unhelpful.

To think clearly about what Mr Mueller is up to, it helps to recall the terms of his appointment. The special counsel has been told by the Justice Department to investigate links or coordination between the Russian government and individuals associated with Mr Trump's presidential campaign, and any other matters that arise directly from that endeavour. Unlike the three separate congressional inquiries into Russian government meddling in last year's election, Mr Mueller is authorised to prosecute anyone who committed a federal crime (see page 34). The purpose of Mr Mueller's investigation is not to take down Mr Trump. It is to make it harder for foreign governments to interfere in future elections.

That is an aim all Americans should be able to unite behind. Instead, Mr Mueller's probe has become the latest territory for an uncomprehending shouting match between partisans. The keyboard warriors at the Internet Research Agency in St Petersburg, Russia's best-known troll farm, might like to imagine that this is all their doing. In reality, though, the Russian meddling in America which, in the judgment of the intel-

ligence services, took place last year is now being followed by open season for Americans to turn on each other.

To gauge the degree of partisan intoxication, recall that, as recently as 2012, the Republican presidential candidate identified Russia as America's number one foreign-policy threat. Mr Trump's election has turned this on its head. Republicans are now half as likely to say that Russia poses a big threat to national security as Democrats are. Around 35% of Republicans express "confidence" in Vladimir Putin. No, that is not a misprint. The power of partisan thinking has created a favourable audience for the idea of firing Mr Mueller.

The Mueller meter

However, getting rid of Mr Mueller would be an act of presidential self-harm (unless, of course, Mr Trump would suffer even more from the truth coming out). Had Mr Trump not fired James Comey, Mr Mueller's predecessor as head of the FBI, earlier this year, there would be no special counsel's investigation. If the president were to sack Mr Mueller, too, there is a chance that he would once again set off a chain of events he cannot predict or control. If Mr Trump acts against Mr Mueller, Congress must reinstate him.

Step back, and the special counsel's investigation looks like a test case for the country's political system. In a staged democracy like Russia's, someone who chaired the president's victorious election campaign would never be arrested for money-laundering by an independent prosecutor just a year later, as Mr Manafort has been. Even in America the separation of powers, the principle that no citizen is above the rule of law, and the integrity of future elections are all now being put under strain. Roll over on any of them and the information warriors working for the Kremlin, who want the world to believe that America's democratic institutions are no different from Russia's, really would have something to celebrate. ■

Catalonia

After a month of madness

Catalans have accepted direct rule from Madrid for now. Time for Spain to work towards a new deal



A SECESSIONIST leader flies into exile, seeking protection after being threatened with a 30-year prison sentence for sedition and rebellion. In the capital the government takes emergency powers, suspending a regional parliament after it illegally declares independence, assuming direct control of its police and civil service. Pinch yourself. This is not some poor, decrepit country but, incredibly, a modern western European democracy—Spain.

Nobody emerges well from the sorry tale of arrogance, in-

flexibility and even violence in Catalonia (see page 53). Although the immediate crisis seems, thankfully, to be over, the impact of the October madness will be felt for years to come. Nearly 2,000 businesses have moved their headquarters out of Barcelona and other Catalan cities. For many people, Spanish politics has become harsher and more divisive than at any time since the death of the dictator, Francisco Franco, in 1975.

How to repair the damage? The first thing is to recognise that there have been grave faults on both sides. The worst mistakes have been those of Carles Puigdemont, the president of Catalonia until he was removed on October 27th. His extra-constitutional referendum, held on October 1st, was legally flawed even in its own terms, conceived without proper Cata- ▶▶

▶ Ian parliamentary debate. In the brief campaign Mr Puigdemont failed to explain how independence would come about, falsely suggesting that Catalonia could swiftly become an EU member. That idea has been shot down in Brussels. Finally, he issued a hollow declaration of independence, even though it was clear that this would force the hand of the central government in Madrid. Having cooked up a mess, Mr Puigdemont has fled the scene and left others to clean it up.

But the Spanish government has made mistakes, too. Mariano Rajoy, the prime minister, inflamed the situation on October 1st, when he sent in police to break up Mr Puigdemont's referendum, injuring peaceful Catalans taking part in a democratic exercise that he would have been better advised to ignore. Although he was right to respond to the declaration of independence by suspending the Catalan government, the attempt by the attorney-general to threaten Mr Puigdemont with a long prison term is another error. Mr Rajoy is also guilty of the original blunder that set the course for today's collision. Back in 2006, when he was leader of the opposition, he demanded revisions to Catalonia's autonomy statute, rolling back concessions that had given the Catalan language preferential status and had defined Catalonia as a nation. The resulting sense of betrayal galvanised the secessionists.

Of late, Mr Rajoy has learned to temper his firmness. He has sought consensus with opposition parties in Madrid and expressed a readiness to review the constitution. In reimposing central authority on Catalonia, he ensured that direct rule

would be as short as possible by calling a snap election for December 21st, sparing Catalonia's streets from protests.

Mr Rajoy now has a valuable breathing space before December's vote. He must use it. The causes of the discontent will not suddenly disappear. A large minority of Catalans are unhappy with the current dispensation and want to break away. So a political solution is needed, not merely a legal one. Mr Rajoy needs to sketch out the contours of a new deal he could offer in future talks. They will take time and the courage to confront his own party; any new constitutional settlement will have to involve all of Spain. For now, Mr Rajoy should indicate a willingness to offer concessions in those talks. These could include something like a return to the 2006 statute; mechanisms to let Catalonia, one of Spain's wealthiest regions, keep more of its tax revenues; and the possibility of a future referendum on independence after a new deal has been concluded.

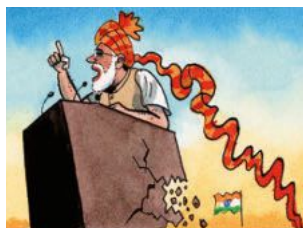
How to support loyalists

Some will say that talk of concessions would reward bad behaviour. In fact, it would give voice to the majority of Catalans who want to remain in Spain. That is what Britain did with Scotland and Canada with Quebec. If Mr Rajoy can woo the decisive middle ground—the perhaps one-third of Catalans who want reform rather than secession—he will handily see off the separatists at the ballot box. If not, they might even win again, and claim another victory for independence. That could portend an even deeper crisis after December. ■

India's superficial government

Modi blues

The prime minister focuses too much on grandstanding, and not enough on substance



THE change in mood is remarkable. Earlier this year Narendra Modi, India's prime minister, had an air of invincibility. His government, although more than halfway into its five-year term, seemed more popular than ever. In March his Bharatiya Janata Party (BJP) won the most lopsided electoral victory since the 1970s in the country's most populous state, Uttar Pradesh. In July he launched a reform that had eluded his predecessors for decades: a national goods-and-services tax (GST). Later that month he persuaded an ally of the main opposition party, Congress, to defect to the BJP's camp, securing control of yet another state government.

Until recently another landslide at the next national election in 2019 seemed inevitable. The BJP is still likely to win, but Mr Modi is losing his sheen—and for that, he has only himself to blame (see page 26). All governments have their ups and downs. Mr Modi's recent setbacks, however, stem in large part from his preoccupation with presentation over substance.

Start with the economy. Growth has slowed, from 9.1% year-on-year in the first quarter of last year to 5.7% in the second quarter of this year. That is in part because of his policy of “demonetisation”, in which 86% of the banknotes in circulation were abruptly voided. Mr Modi presented it as a crushing blow to gangsters and tax-dodgers, but in fact it caused great

hardship and disruption, without any clear benefit.

The shambolic implementation of the GST is likely to make matters worse. The government convened a midnight session of parliament to herald its adoption—something that had previously been staged only to mark India's independence and associated anniversaries. Mr Modi triumphantly declared the GST a “good and simple tax”. But he did not listen to his own advisers' suggestions on how to make it so. He plumped for six rates instead of three, burying small businesses in paperwork and allowing politics to seep into the rules (the government recently cut the rate on *khakras*, a popular snack from his home state of Gujarat, from 12% to 5%). He is now suffering the consequences, as businessmen across India howl at the complexity.

Unfunny business

It does not help that the government bridles at criticism and harries its critics. Media firms are anxious not to offend it; journalists who take it on often lose their jobs. The press has been asking awkward questions about the finances of a firm owned by the son of Amit Shah, the BJP's number two; they were greeted with rebukes from ministers and a lawsuit. Even comedians who imitate Mr Modi have mysteriously disappeared from the airwaves. The resulting culture of adulation means that the government's proposals seldom receive the sort of scrutiny and debate that might improve them.

In fact, the BJP is not that interested in policy. It offers voters mainly distraction. The new government in Uttar Pradesh, for ▶▶

▶ example, has painted buildings and buses saffron—a shade associated with Hinduism—and picked fights with Muslims, leaving the Taj Mahal (built by a Muslim emperor) off a list of the state's main attractions.

The party's overriding focus is extending its own authority. Earlier this year the defence minister, Manohar Parrikar, resigned to become chief minister of the tiny state of Goa. The BJP had lost ground there in recent state elections, and the allies it needed to form a government insisted they would join it only if Mr Parrikar, a former chief minister, returned. The finance minister, for whom making the GST work was apparently not a full-time job, took on the role of defence minister as well for the next six months—a period of tension with both

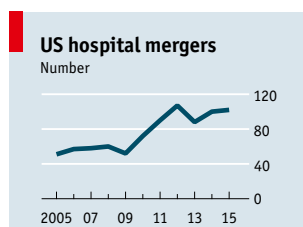
China and Pakistan. In other words, a government that prides itself on its muscular nationalism left defence policy rudderless amid rows with its main military rivals, simply to retain power in a state with just 0.1% of the population.

Politically, relentless electioneering has served Mr Modi well. The BJP and its allies control 18 of India's 29 states; just one big one is left with Congress. But the drawbacks, in terms of inept and inconsistent policymaking, are beginning to tell. There is even talk that the party may have a fight on its hands in elections in December in Gujarat. If Mr Modi wants to keep winning votes, he must concentrate not just on campaigns; he must also show that he knows how to run the country. Sooner or later, voters will tire of grandstanding. ■

American health care

Prescription debate

Should regulators block CVS Health from buying Aetna?



AMERICA has a competition problem. Market concentration has risen in more than three-quarters of industries since the late 1990s. Concentration has led to higher profits and higher returns for shareholders at the expense of consumers.

Antitrust authorities have become more supine: between 1970 and 1999, regulators brought an average of 16 cases a year in order to prevent big firms from becoming even bigger; between 2000 and 2014, that number fell below three.

Health care is one of the industries that has been marked by bouts of consolidation. The annual number of hospital mergers in America doubled between 2005 and 2015; the national market share of the four largest insurers went from 74% in 2006 to 83% in 2014. Trustbusters have recently showed more teeth. In February a federal judge blocked a proposed tie-up between Aetna and Humana, two health insurers. Antitrust authorities pruned an acquisition by Walgreens of Rite Aid, America's second- and fifth-largest pharmacies respectively.

They may soon face another big test. CVS Health, the largest pharmacy, is reportedly in talks to buy Aetna for \$66bn (see page 63), in what would be the country's biggest-ever health-insurance deal. At first glance, it is hard to see why trustbusters would wave through this deal if they have balked at others. But look closer and the picture becomes more complex.

Trustbusters have been clamping down on "horizontal" mergers between direct rivals, such as Aetna and Humana. The CVS-Aetna deal would be a different animal. It is an example of "vertical integration", in which separate bits of a supply chain are brought together under one roof. This tie-up would reach across three distinct layers of the health-care industry: the retail pharmacies for which CVS is famous; the pharmacy-benefit managers (PBM), intermediaries which negotiate drug prices on behalf of medical plans and whose number again includes CVS; and the insurers, like Aetna. Supporters of the deal argue that aligning the interests of insurers and pharmacies would reduce costs and improve life for consumers. An insurer that could send patients to walk-in clinics of the sort CVS owns would be better placed to monitor and improve results.

Antitrust types are usually less worried by the vertical integration of powerful firms than they are by horizontal mergers between them. The more market power a firm has, the greater its ability to set prices above the level that would prevail in a competitive market. If two such firms exist along a supply chain, prices are inflated at each stage. A tie-up between supplier and customer can solve this problem of "double marginalisation". As a result, vertical integration can achieve lower prices for consumers.

In the case of CVS-Aetna, the incentive for the pharmacy-benefit manager to fatten its profits would disappear. The question then is would that benefit accrue to the consumer? That depends on whether firms are dominant in their respective markets. The benefits to consumers of a vertical merger disappear if one of the parties has a monopoly. The proposed deal between AT&T and Time Warner, for instance, fails this test. The monopoly that AT&T wields as a broadband provider in many parts of America means that rivals to Time Warner have no simple options for getting their content distributed there. Uncontested markets would have a similar impact on the CVS-Aetna deal: a combined entity would be free to restrict insured customers to CVS medications and clinics, for example, if it had no rivals to fear.

Bitter pill or better pill?

That seems unlikely. CVS has about 23% of the pharmacy market, and 24% of the PBM market; Aetna has about 6% of the insurance market. And more competition may be on the way in the pharmacy business: the prospective entry of Amazon lies behind CVS's hunt for Aetna. But the deal would require close scrutiny and may need conditions attached. A proposed agreement with Anthem, another insurer, which would give CVS an even bigger slice of the PBM pie would need to be ditched. And the local picture matters. In the median American state, for example, the two largest health insurers have 66% of the market. Trustbusters might need to insist on the sale of some local assets to smaller rivals before approving a tie-up.

Make no mistake, America's competition problem is real, and its messed-up health-care system would not be fixed by any single deal. But the bar to blocking a vertical tie-up like CVS-Aetna is high. It is not obvious that this bar is met. ■

TIME, A HERMÈS OBJECT.



Cape Cod
Time beyond time.

When the price is right

You are right to argue that it would be clever for central banks to adopt a temporary price-level target if inflation is too low, the lower bound on interest rates has been reached and a recession hits (Free exchange, October 21st). That idea first came from William White, a former economic adviser at the Bank for International Settlements, and figures prominently in the bank's 69th annual report, from June 1999.

Bill wrote the report with the assistance of a staff team (I helped him with the chapter on monetary policy). He was worried that falling prices in Japan would engender expectations of further price declines and raise real interest rates. To shift expectations, he argued that central banks should make up any price shortfalls by switching to a price-level target. To be credible, the possibility of such a switch would have to be announced well in advance of prices falling.

Although Bill is best known for warning before the financial crisis that rapid credit growth, rising leverage and opaque markets would end in tears, those who worked for him can testify that that was only one of his many insightful analyses.

STEFAN GERLACH

Former deputy-governor at the Central Bank of Ireland
Zurich

Land reform in Asia

Noting the connection between equitable, high-yield household farming and successful economic development, Banyan (October 14th) lauded Japan for its early and peaceful land-reform programme in 1945 and 1946, carried out under American occupation.

In that same period North Korea conducted what was at first a very successful, and peaceful, land-reform programme using little more than the remarkable persuasive powers of Kim Il Sung. If and when Kim Jong Un resolves the political chal-

lenges that face his country, and continues incipient moves to de-collectivise agriculture and return to the high-yield household farming his grandfather started with, it is likely that agriculture will underpin another of those growth "miracles" that Banyan praised.

In Ethiopia and Rwanda, meanwhile, land reforms and infrastructural, extension and financing support for high-yield household farming are underpinning the best development stories in Africa today.

JOE STUDWELL

Cambridge, Cambridgeshire

Land reform has indeed played an important role in Asia's leading development successes, including, as Banyan observed, Japan, Taiwan, South Korea and mainland China. But the list is not complete without Vietnam, where the successful "land to the tiller" programme in the south from 1970 to 1973 ultimately led the pragmatists to break up all collective farms.

The resulting agriculture dominated by small farmers showed farm productivity and income gains similar to those in China.

ROY PROSTERMAN

Founder
Landesa
Seattle

Efficiency test

I would venture that the current Mr Bagehot confuses his predecessor's "efficient" element of the British constitution—the prime minister, government ministries and so on—with smooth administration (Bagehot, October 21st). In 1877, the year that Walter Bagehot died, Irish nationalists embarked on a political quest for Irish home rule that over the next 50 years reflected the deeply held aspirations of a large portion of the Irish population. This was something that the "efficient" part of the constitution proved unable to resolve, leading to non-parliamentary and sometimes violent means to find a partial solution.

Today, some political issues require big answers. Managing

the status quo is sometimes not enough, and an unsustainable status quo needs to be remade. The Brexit referendum was another extra-parliamentary action that involved the widest participation by the public on an issue of profound constitutional importance, one which the efficient machinery of government also had not been able to solve.

JONATHAN MOORE

London

Rescued from obscurity



The mistaken notion of Johannes Vermeer as an isolated genius cannot simply be ascribed to "a 19th-century art-historian" who nicknamed him "the Sphinx of Delft" ("Answering the riddle", October 14th). The anonymous art-historian in question was in fact Théophile Thoré, a political journalist, art critic and historian best-known for his rediscovery of Vermeer.

His pioneering research into Vermeer began in the late 1850s during his exile from France at a time when only about five or six paintings securely attributed to Vermeer were generally known. Recognising Vermeer's exceptional artistic qualities, Thoré was puzzled that so few paintings were identified and that virtually nothing was known about his life. This mysterious paucity of information about Vermeer led to Thoré's sobriquet *mon Sphinx*.

Thoré's championing of the artist prompted the rise in Vermeer's posthumous historical and critical fortunes, but he never presented Vermeer as a lone genius, isolated from his contemporaries. On the contrary, Thoré studied Vermeer in the context of other 17th-cen-

tury Dutch genre painters, such as Gabriël Metsu, Gerard ter Borch and Pieter de Hooch. The difference was that many of Vermeer's superb paintings had been variously wrongly attributed to these contemporaries, and his identity had become unjustly neglected. Vermeer was an exceptional artist, but not a lone genius.

FRANCES SUZMAN JOWELL

Independent art-historian
London

Equal before the law

The news about the sexual abuse of women in the workplace ("Sex and power", October 21st) made me reflect on an initiative that male politicians in America might want to reconsider to show the other half that we're disgusted by what's happening: reintroduce the proposed Equal Rights Amendment to the constitution. This was front-page news in the 1970s, passing Congress but just falling shy of ratification in the states. It declares that "Equality of rights under the law shall not be denied or abridged by the United States or any state on account of sex." Its time is now.

PAUL FEINER

Greenburgh, New York

A lifestyle choice

Oliver Reif remarked that "telling Americans to buy fewer guns is like telling Germans to drink less beer" (Letters, October 14th). Germans are drinking less beer. From 1980 to 2016 annual consumption per head drooped from 146 litres to 104. This probably isn't because of exceptionally rational behaviour on the part of Germans. I guess it is rather a lifestyle issue. Maybe that's the angle to try for reducing gun deaths in America as well.

KARL BARTELS

Potsdam, Germany ■

Letters are welcome and should be addressed to the Editor at The Economist, The Adelphi Building, 1-11 John Adam Street, London WC2N 6HT
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Executive Focus



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The International Chamber of Commerce (ICC) is recruiting a Secretary General to lead the work of the World Business Organization based in Paris.

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ICC seeks a dynamic chief executive who has successfully led a major international business, organization or initiative—ideally with extensive experience working with multilateral organizations on economic policy issues.

Applicants are invited to visit our web page for more information on the role requirements: <https://iccwbo.org/secretarygeneral>.

Deadline: 24 November 2017.

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The Centre for Progressive Policy is a new think tank, which will launch in early 2018. The Centre believes that, within the framework of a market economy, there is a vital role for government to combine economic efficiency, individual liberty and social justice. The Centre will help to identify key policies to promote these objectives, and will seek to influence policy makers and support stakeholders to implement them.

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- **Senior Analyst - Redesigning Britain's approach to managing public finances (Ref: 1008)**
- **Senior Analyst - Regulation of natural monopolies (Ref: 1009)**
- **Data & Economic Analyst (Ref: 1005)**

Successful candidates will have excellent quantitative skills, capable of devising innovative research methods to bring new light onto public policy issues. Candidates should also have good qualitative skills and be adept at communicating their insight for specialist and non-specialist audiences. An interest in the role and complexity of government policy to effect positive economic and social change is essential.

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For further details see: <http://progressive-capitalism.net/careers/>

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The Department of the Treasury, Office of Technical Assistance (OTA) is recruiting individuals on a competitive basis to serve as resident and/or intermittent (short-term) advisors, under personal services contracts, for its Banking & Financial Services Program. *This recruitment is for assignments in the Western Hemisphere and significant international travel is required.*

The Banking & Financial Services Program is charged with promoting financial sector development that efficiently intermediates between savers and investors. To achieve this, the program works with central banks, ministries of finance, banking regulatory and supervision agencies, deposit insurance agencies, banking associations, and related entities in countries with emerging or transition economies.

Treasury is seeking candidates who possess expertise in banking supervision (on-site and off-site). Ideal candidates would have experience with the Office of the Comptroller of the Currency, Federal Reserve System, FDIC, state banking commissions/departments, or other regulatory agencies overseeing commercial banking sectors. **Professional level fluency in Spanish is required.** Prior overseas experience working in challenging environments would be a distinct advantage, but is not mandatory.

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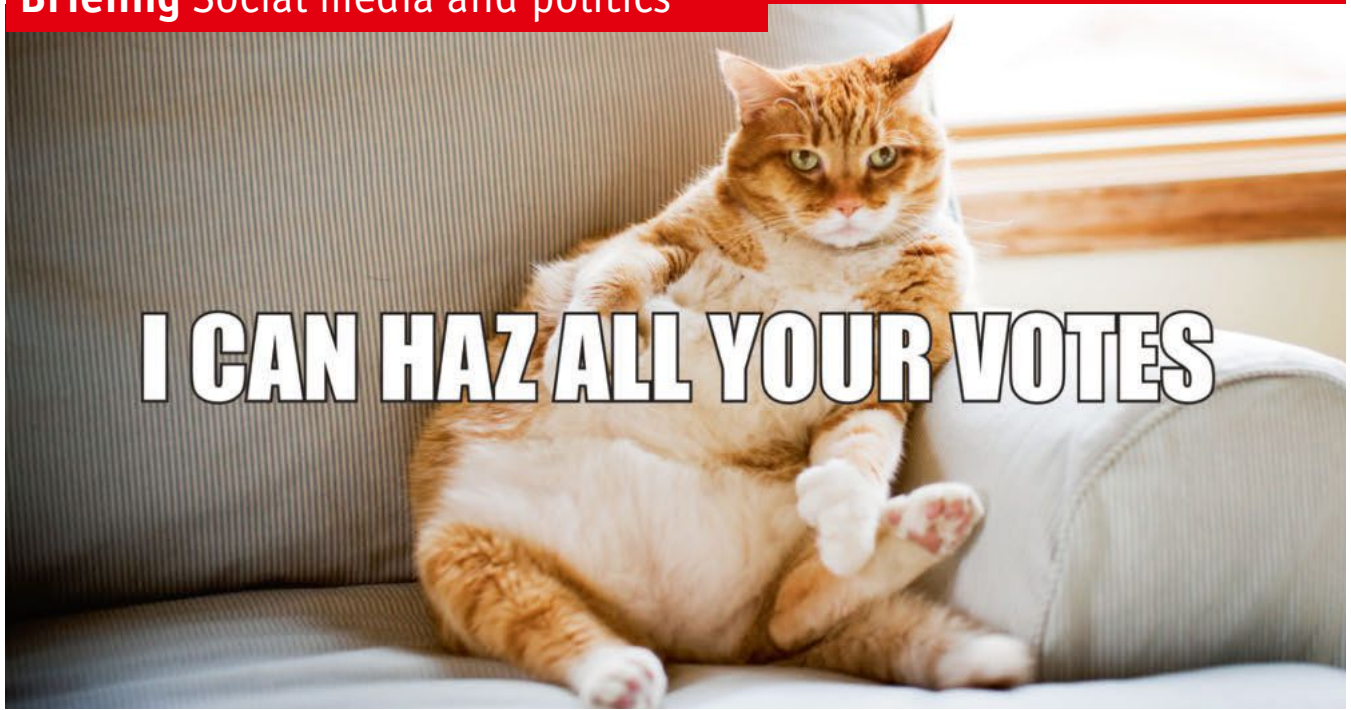
The Johns Hopkins University seeks to appoint the inaugural Director of the SNF Agora Institute at JHU, a collaboration between the University and the Stavros Niarchos Foundation to forge new ways to facilitate the restoration of open and inclusive discourse that is the cornerstone of healthy democracies. Established with a \$150 million gift from the Foundation and housed in the University's Krieger School of Arts and Sciences, the Institute will become a leading academic and public forum bringing together experts from a range of fields in order to design and test mechanisms for improving dialogue, decision-making, and social engagement. The Director will have an extraordinary opportunity to build and shape the Institute's faculty, programs, physical space, and reputation.

The Director will report to the Dean of the Krieger School and will work with the President and Provost and an international advisory board to fulfill the potential of the Agora vision. The Director will be a tenured member of the Arts and Sciences faculty and may have additional appointments elsewhere at Hopkins.

Candidates must possess academic stature worthy of appointment as full professor and a reputation that will attract attention to the Institute. The Director will exemplify both the inter-disciplinary and trans-national ethos of the Institute and will have a track record of academic leadership and effective development and management of human, financial, and programmatic resources. S/he will have shown a strong commitment to enhancing diversity and inclusion. See <http://krieger.jhu.edu/agora-search/> for more information.

Johns Hopkins University has retained Opus Partners to support this recruitment. Please send recommendations, nominations, or questions to lead Partner Craig Smith, PhD, via email: craig.smith@opuspartners.net. The search will continue in confidence until the Director is appointed, but candidates should submit their materials (c.v. and cover letter as separate PDF files) before December 1, 2017. The University intends to make this appointment effective no later than July 1, 2018.

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How the world was trolled

NEW YORK, SAN FRANCISCO AND WASHINGTON, DC

Once considered a boon to democracy, social media have started to look like its nemesis

“COME on guys, let’s be serious. If you really want to do something, don’t just ‘like’ this post. Write that you are ready, and we can try to start something.” Mustafa Nayem, a Ukrainian journalist, typed those words into his Facebook account on the morning of November 21st 2013. Within an hour his post had garnered 600 comments. That prompted Mr Nayem to write again, calling on his followers to gather later that day on the Maidan square in Kiev. Three months later Ukraine’s president, Viktor Yanukovich, was removed.

At the time, this did not seem all that remarkable. From the protests around the Iranian elections of 2009 onwards, the role of Facebook and Twitter in political uprisings in dodgy countries had been prominent and celebrated. The social-media-fuelled movements often failed, in the end, to achieve much; five months before Mr Nayem put up his post the army had re-established its power in Egypt, where social media had been crucial to the downfall of General Hosni Mubarak in 2011. But the idea had taken hold that, by connecting people and giving them a voice, social media had become a global force for plurality, democracy and progress.

A few months after the “Euromaidan” protests brought down Mr Yanukovich, a less widely noticed story provided a more disturbing insight into the potential politi-

cal uses of social media. In August 2014 Eron Gjoni, a computer scientist in America, published a long, rambling blog post about his relationship with Zoe Quinn, a computer-game developer, appearing to imply she had slept with a journalist to get favourable coverage of her new game, “Depression Quest”. The post was the epicentre of “Gamergate”, a misogynistic campaign in which mostly white men keen to bolster each other’s egos let rip against feminists and all the other “social justice warriors” they despised in the world of gaming and beyond. According to some estimates, more than 2m messages with the hashtag #gamergate were sent in September and October 2014.

The campaign used the entire spectrum of social-media tools. Videos, articles and documents leaked to embarrass enemies—a practice known as doxing—were posted to YouTube and blogs. Twitter and Facebook circulated memes. Most people not directly involved were able to ignore it; crucially, the mainstream media, when they noticed it, misinterpreted it. They took Gamergate to be a serious debate, in which both sides deserved to be heard, rather than a right-wing bullying campaign.

Looking at the role that social media have played in politics in the past couple of years, it is the fake-news squalor of Gamergate, not the activist idealism of the Euro-

maidan, which seems to have set the tone. In Germany the far-right Alternative for Germany party won 12.6% of parliamentary seats in part because of fears and falsehoods spread on social media, such as the idea that Syrian refugees get better benefits than native Germans. In Kenya weaponised online rumours and fake news have further eroded trust in the country’s political system.

This is freaking some people out. In 2010 Wael Ghonim, an entrepreneur and fellow at Harvard University, was one of the administrators of a Facebook page called “We are all Khaled Saeed”, which helped spark the Egyptian uprising centred on Tahrir Square. “We wanted democracy,” he says today, “but got mobocracy.” Fake news spread on social media is one of the “biggest political problems facing leaders around the world”, says Jim Messina, a political strategist who has advised several presidents and prime ministers.

Governments simply do not know how to deal with this—except, that is, for those that embrace it. In the Philippines President Rodrigo Duterte relies on a “keyboard army” to disseminate false narratives. His counterpart in South Africa, Jacob Zuma, also benefits from the protection of trolls. And then there is Russia, which has both a long history of disinformation campaigns and a domestic political culture largely untroubled by concerns of truth. It has taken to the dark side of social media like a rat to a drainpipe, not just for internal use, but for export, too.

Vladimir Putin’s regime has used social media as part of surreptitious campaigns in its neighbours, including Ukraine, in France and Germany, in America and elsewhere. At outfits like the Internet Research ►►

▶ Agency professional trolls work 12-hour shifts. Russian hackers set up bots by the thousand to keep Twitter well fed with on-message tweets (they have recently started to tweet assiduously in support of Catalan independence). Sputnik and RT, the government-controlled news agency and broadcaster, respectively, provide stories for the apparatus to spread (during the French election this year Sputnik reported on a totally fictitious poll purporting to put conservative candidate François Fillon at the head of the field).

These stories and incendiary posts bounce between social networks, including Facebook, its subsidiary Instagram, and Twitter. They often perform better than content from real people and media companies. Bots generated one out of every five political messages posted on Twitter in America's presidential campaign last year. The RAND Corporation, a think-tank, calls this integrated, purposeful system a "firehose of falsehood".

On November 1st representatives of Facebook, Google and Twitter fielded hostile questions on Capitol Hill about the role they played in helping that firehose drench American voters. The hearings were triggered by reports that during the 2016 campaign Russian-controlled entities bought ads and posted content about divisive political issues that spread virally, in an attempt to sow discord. Facebook has estimated that Russian content on its network, including posts and paid ads, reached 126m Americans, around 40% of the nation's population.

Given the concentration of power in the market—Facebook and Google account for about 40% of America's digital content consumption, according to Brian Wieser of Pivotal Research, a data provider—such questions are well worth worrying about. But the concerns about social media run deeper than the actions of specific firms or particular governments.

Social media are a mechanism for capturing, manipulating and consuming attention unlike any other. That in itself means that power over those media—be it the power of ownership, of regulation or of clever hacking—is of immense political importance. Regardless of specific agendas, though, it seems to many that the more information people consume through these media, the harder it will become to create a shared, open space for political discussion—or even to imagine that such a place might exist.

Years ago Jürgen Habermas, a noted German philosopher, suggested that while the connectivity of social media might destabilise authoritarian countries, it would also erode the public sphere in democracies. James Williams, a doctoral student at Oxford University and a former Google employee, now claims that "digital technologies increasingly inhibit our ability to

pursue any politics worth having." To save democracy, he argues, "we need to reform our attention economy."

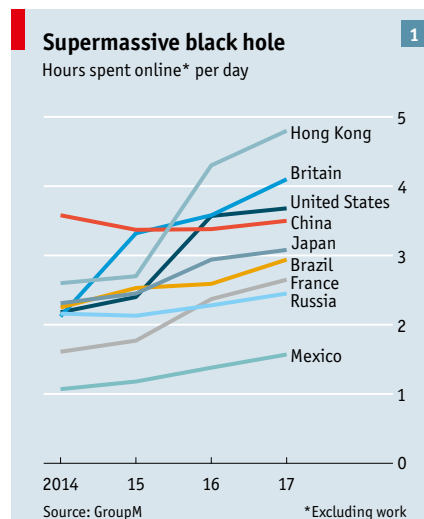
The idea of the attention economy is not new. "What information consumes is rather obvious: it consumes the attention of its recipients," Herbert Simon, a noted economist, wrote in 1971. A "wealth of information," he added, "creates a poverty of attention." In "The Attention Merchants", published in 2016, Tim Wu of Columbia University explains how 20th-century media companies hoovered up ever more of this scarce resource for sale to advertisers, and how Google and its ilk have continued the process.

What are you paying with?

Social media have revolutionised this attention economy in two ways. The first is quantitative. New services and devices have penetrated every nook and cranny of life, sucking up more and more time (see chart 1). The second is qualitative. The new opportunity to share things with the world has made people much more active solicitors of attention, and this has fundamentally shifted the economy's dynamics.

Interface designers, app-makers and social-media firms employ armies of designers to keep people coming back, according to Tristan Harris, another ex-Google and co-founder of an advocacy group called "Time Well Spent". Notifications signalling new followers or new e-mails beg to be tapped on. The now ubiquitous "pull-to-refresh" feature, which lets users check for new content, has turned smartphones into slot machines.

Adult Americans who use Facebook, Instagram and WhatsApp spend around 20 hours a month on the three services. Overall, Americans touch their smartphones on average more than 2,600 times a day (the heaviest users easily double that). The population of America farts about 3m times a minute. It likes things on Facebook about 4m times a minute.



The average piece of content is looked at for only a few seconds. But it is the overall paying of attention, not the specific information, that matters. The more people use their addictive-by-design social media, the more attention social-media companies can sell to advertisers—and the more data about the users' behaviour they can collect for themselves. It is an increasingly lucrative business to be in. On November 1st Facebook posted record quarterly profits, up nearly 80% on the same quarter last year. Combined, Facebook and Alphabet, Google's parent company, control half the world's digital advertising.

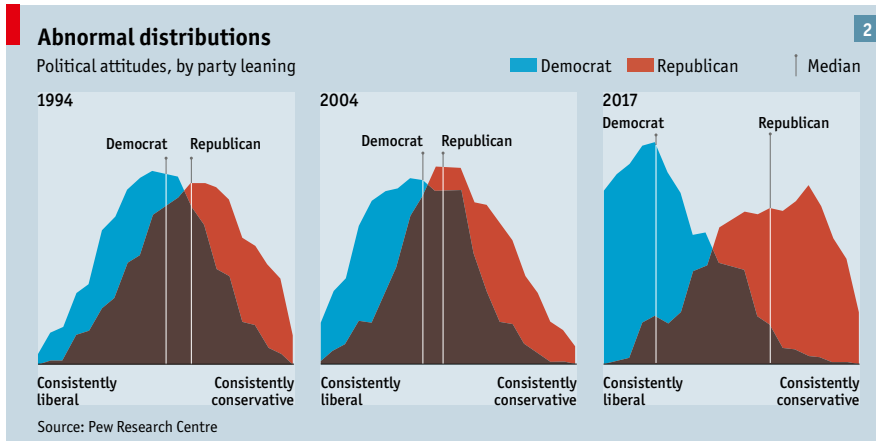
In general, the nature or meaning of the information being delivered does not matter all that much, as long as some attention is being paid. But there is one quality on which the system depends: that information gets shared.

People do not share content solely because it is informative. They share information because they want attention for themselves, and for what the things they share say about them. They want to be heard and seen, and respected. They want posts to be liked, tweets to be retweeted. Some types of information spread more easily this way than others; they pass through social-media networks like viruses—a normally pathological trait which the social-media business is set up to reward.

Because of the data they collect, social-media companies have a good idea of what sort of things go viral, and how to tweak a message until it does. They are willing to share such insights with clients—including with political campaigns versed in the necessary skills, or willing to buy them. The Leave campaign in Britain's 2016 Brexit referendum was among the pioneers. It served about 1bn targeted digital advertisements, mostly on Facebook, experimenting with different versions and dropping ineffective ones. The Trump campaign in 2016 did much the same, but on a much larger scale: on an average day it fed Facebook between 50,000 and 60,000 different versions of its advertisements, according to Brad Parscale, its digital director. Some were aimed at just a few dozen voters in a particular district.

Perhaps the most subversive techniques, though, are those developed in somewhat obsessive and technically astute coterie of amateurs whose main motivation is fun and recognition, sometimes—but not necessarily—spiked with malice. The internet has always benefited from the attention of such people. In an article entitled "Hacking the Attention Economy" danah boyd (she spells her name in lower case letters), the president of Data & Society, a think-tank, looks at their impact on social media.

In the mid-2000s members of 4chan, a messaging board first used to share manga, anime and pornography, started to explore ▶▶



▶ new ways to manipulate nascent social media. They took particular pleasure in generating “memes”: funny images—often of cats, combined with a clever caption (a genre known as LOLcats)—which could spread like wildfire. They gamed online polls such as the one organised by *Time* to find the world’s most important people. Ms Boyd describes the ways in which such hacks turned political. On and around 4chan, groups which had mostly been excluded from the mainstream media, from white nationalists to men’s rights activists, developed the dark arts they would use to further their agendas. Gamergate was their coming-out party.

The pressure to go vegan

To work at the level of the population as a whole, such social-media operations cannot stand alone. They need mechanisms which can amplify messages developed online, provide the illusion of objectivity, and validate people’s beliefs. Analysis of sharing on Twitter and Facebook, and direct links between stories, shows that a specific subset of America’s media now performs this role for the country’s right wing. Centred on Breitbart, a publication now again run by Steve Bannon, a former adviser to President Donald Trump, and Fox News, a cable channel, this “ecosystem” includes hundreds of other online-only news sites, from Conservapedia, a right-wing Wikipedia, to Infowars, which peddles conspiracy theories. There is a left-wing media ecosystem, too, but it is much less diversified and dominated by mainstream publications, such as the *New York Times* and CNN.

In France the right-wing ecosystem is called the *fachosphere* and includes such sites as *Fdesouche* and *Égalité et Réconciliation*. Nearly half the links shared during the presidential campaign led to “alternative” sources, according to Bakamo.Social, a consultancy. Although smaller, Germany’s right-wing *Paralleluniversum*, populated by the likes of *Epoch Times* and *Kopp Online*, is gaining ground, says Stifting Neue Verantwortung, a think-tank.

Such ecosystems are a symptom of political polarisation. They also drive it further. The algorithms that Facebook, YouTube and others use to maximise “engagement” ensure users are more likely to see information that they are liable to interact with. This tends to lead them into clusters of like-minded people sharing like-minded things, and can turn moderate views into more extreme ones. “It’s like you start as a vegetarian and end up as a vegan,” says Zeynep Tufekci of the University of North Carolina at Chapel Hill, describing her experience following the recommendations on YouTube. These effects are part of what is increasing America’s political polarisation, she argues (see chart 2).

When putting these media ecosystems to political purposes, various tools are useful. Humour is one. It spreads well; it also differentiates the in-group from the out-group; how you feel about the humour, especially if it is in questionable taste, binds you to one or the other. The best tool, though, is outrage. This is because it feeds on itself; the outrage of others with whom one feels fellowship encourages one’s own. This shared outrage reinforces the fellow feeling; a lack of appropriate outrage marks you out as not belonging. The reverse is also true. Going into the enemy camp and posting or tweeting things that cause them outrage—trolling, in other words—is a great way of getting attention.

Outrage and humour are thus politically powerful; indeed, they played big roles in mobilisations such as that of Tahrir Square and the Euromaidan. They are also easily integrated into rumour campaigns, such as the one about Hillary Clinton’s health in 2016. In August 2016 far-right bloggers started circulating theories that she was suffering from seizures and was physically weak but that, outrageously, the Democrats and their allies in the mainstream media were covering this up.

Video clips mocking her past coughing fits made the rounds online. Conservative media, such as the *Drudge Report* and *Fox News*, picked up the story, mainly by asking there’s-smoke-is-there-fire questions.

From there it made it into more liberal mainstream outlets. Ms Clinton saw herself compelled to deny the rumours—only to see them gain strength when she indeed developed pneumonia. As the campaign went on, the amount of play such stories got on social media increased (see chart 3).

It would be easy to dismiss such hacks as mere pranks, as misfits showing off their hacking capabilities to one another and the world, just as they did ten years ago on 4chan. But backed up by an alternative media ecosystem keen to support them, and with judicious help from foreign powers capable of organising themselves a little more thoroughly than ragtag mobocrats, they can become powerful. Although the facts quickly supersede the fictions, once an idea is out there, it tends to linger. Efforts to debunk fake news often don’t spread as far, or through the same networks: indeed, they may well be ignored because they come from mainstream media, which many no longer trust. And even if they are not, they are never as engaging as the rumours they seek to replace.

The biggest attention hacker is none other than Mr Trump himself. When he sends one of his outrageous tweets, often adroitly timed to distract from some other controversy, the world pays pathological levels of attention. The president is today’s attention economy made flesh. He reads as little as possible, gets most of his news from cable television, retweets with minimal thought, and his humour makes it very clear what in-group he is in with. Above all, he loves outrage—both causing it and feeling it.

Being this thoroughly part of the system makes Mr Trump eminently hackable. His staff, it is said, compete to try and get ideas they want him to take on board into media they know he will be exposed to. Outsiders can play the game, too. In 2015 enterprising enemies set up a Twitter bot dedicated to sending him tweets with unattributed quotes from Benito Mussolini, Italy’s fascist dictator. Last year Mr Trump finally retweeted one: “It is better to live one day as a lion than 100 years as a sheep.” Cue Trump-is-a-fascist outrage.

The tension of history

Social media are hardly the first communication revolution to first threaten, then rewire the body politic. The printing press did it (see our essay on Luther). So did television and radio, allowing conformity to be imposed in authoritarian countries at the same time as, in more open ones, promoting the norms of discourse which enabled the first mass democracies.

In those democracies broadcasters were often strictly regulated on the basis that the airwaves they used were a public good of limited capacity. One strong argument for not regulating the internet, heard a lot in the 1990s, was that this scarcity of ▶▶



▶ spectrum no longer applied—the internet’s capacity was limitless. Seeing things through the lens of the attention economy, though, suggests that this distinction may not be as sharp as once it seemed. As Simon said, people’s attention—for which, in internet-speak, bandwidth is often used as a metaphor—is scarce.

But there is a raft of problems with justifying greater regulation on these grounds. One is ignorance, and the risk of perverse outcomes that flows from it. As Rasmus Nielsen of Oxford and Roskilde universities argues, not enough is known about the inner workings of social media to come up with effective regulations.

This is in part the fault of the tech companies, which have been less than generous with information about their business. For a firm which used to say its mission was to make the world more open and connected, Facebook is strikingly closed and isolated. It collaborates with researchers looking at the dynamics of social media, but only allows them to publish results, not underlying data. It has been even less willing than Google to share details about how it decides to recommend content or

target ads. Both firms have also lobbied to avoid disclosure rules for political ads that conventional media have to comply with, arguing that digital ads lack the space to make clear who paid for a campaign.

Correctly perceiving that public opinion is turning, the companies now say they will be more forthcoming. Facebook and Twitter have volunteered to show the source of any ads that appear in subscribers’ news feeds and develop tools so people can see all the ads that the social-media companies serve to their customers. Whether that is enough to head off legislation remains to be seen: in America a group of senators has introduced the “Honest Ads Act”, which would extend the rules that apply to print, radio and television to social media. Proponents hope it will become law before the 2018 mid-term election.

Some, such as Mr Ghonim, the former Egyptian activist, say that the “Honest Ads Act” does not go far enough. He wants Facebook and other big social-media platforms to be required to maintain a public feed that provides a detailed overview of the information distributed on their networks, such as how far a piece of content has spread and which sorts of users have seen it. “This would allow us to see what is really happening on these platforms,” says Mr Ghonim. Such demands for transparency would extend to requirements to label bots and fake accounts, so users can understand who is behind a message.

Other proposals go beyond transparency. Increased friction is one suggestion, offering users pop-ups with warnings along the lines of: “Do you really want to share this? This news item has been found to be false.” Social-media firms could also start redirecting people to calmer content after they have been engaging with stories that are negative or hostile. YouTube has

experimented with redirecting jihadists away from extremist videos to content that contradicts what they have been watching.

Other proposals aim less at dynamics, more at content. As of this October Germany has required social-media companies to take down hate speech, such as Holocaust denial, and fake news within 24 hours or face fines of up to €50m (\$58m). The sheer volume of content—more than 500,000 comments are posted on Facebook every minute—makes such policing hard. It is possible, though, that a mixture of better algorithms and more people could achieve something. Facebook has already agreed to hire a few thousand people for this task; it may need a lot more.

Free-speech advocates cringe at the thought that Facebook should be allowed to become the “ministry of truth”—or, for that matter, that companies might surreptitiously steer users activity to quieten them down when they have been angry. As Mr Habermas argues, there is a real value to the openness social media and the internet can bring in restrictive societies. And being angry and unsettled—even outraged—should be a part of that. Some point to China, where it is reported that more than 2m moderators, most employed by social-media firms, scour the networks, erring on the side of caution when they see something that may displease official censors.

A more far-out proposal, which Ms Tufekci favours, is to require social-media firms to change their business model in some way, making their money, perhaps, directly from users, rather than from advertisers. Others argue that the social-media platforms which dominate the attention economy have become utilities and should no longer be run as profit-maximising companies. Mr Wu, the author of “The Attention Merchants”, wants Facebook to become a “public benefit corporation”, obliged by law to aid the public. Wikipedia, an online encyclopedia, could be seen as the model: it lives off donations and its host of volunteers keeps it reasonably clean, honest and reliable. None of this, though, offers a truly satisfactory response to the problem.

Another of Mussolini’s sayings—not yet retweeted by Mr Trump—was that “Democracy is beautiful in theory; in practice it is a fallacy.” As with his preference for the leonine over the sheepish, it is sometimes hard not to sympathise with this, at least a bit. But if, like all political systems, democracy has proved eminently fallible, it has shown itself robustly superior to the rest when it comes to fixing those failings and making good when faced by change. On that basis, history suggests it should be able to weather the storms of social media. But it will not be easy. And, as with books and broadcasts, the process is likely to transform, at least in part, that which it seeks to preserve. ■

Making it up as they go along

Total Facebook engagements* for top 20 2016 US election stories, m



Source: BuzzFeed News *Shares, reactions and comments



Donald Trump's Asian tour

Fore!

BEIJING, TOKYO AND WASHINGTON, DC

America's president is about to descend on Asia. His agenda is a mystery

FOR those concerned about American neglect of Asia, it is an accomplishment of sorts that Donald Trump is coming to the region at all. A creature of habit, America's president is uncomfortable spending nights away from his own bed. And now, with the first indictments in Robert Mueller's investigation into Russian interference in the election that put Mr Trump in office, foreign policy is likely to have fallen even lower down his list of priorities. Yet on November 3rd Mr Trump begins a 12-day trip, his longest foreign excursion as president and his first to Asia. He will take in (via Hawaii) Japan, South Korea, China, Vietnam and the Philippines.

The first rule in Asian politics, where form trumps content, is just showing up. So far, so promising. What is more, although one of Mr Trump's first moves as president was to pull out of the Trans-Pacific Partnership (TPP), a 12-country free-trade deal—"the greatest self-inflicted wound on American regional influence since the Vietnam war," as Michael Green of the Centre for Strategic and International Studies in Washington puts it—little has yet come of Mr Trump's threats to erect barriers to imports from Asian countries running surpluses with America (ie, nearly all of them). Nor has Mr Trump followed through on his vow to stop Japan and South Korea free-riding, as he saw it, on America's defence guarantees.

America's relationships in Asia remain vulnerable to Mr Trump's Twitter feed. But as Aaron Connelly of the Lowy Institute in Sydney points out, Mr Trump and the bomb-throwers who promised a radical shift to an "America First" approach to foreign policy have made little headway. He puts that down to inexperience, the president's feeble grasp of foreign affairs, the ease with which he is distracted and his failure to fill important foreign-policy positions with fellow travellers (or, often, with anyone at all). As a result, policy on Asia remains largely in the hands of centrists steeped in America's long-standing alliances. Most notably, they believe in more or less the same approach—deterrence—as the previous administrations towards an increasingly troubling North Korea. American policy in Asia is on autopilot.

Golf and gas

Some Asian leaders think they have the measure of Mr Trump. In Japan the prime minister, Shinzo Abe, intends everything to be sweetness and light. That starts with flattery, something Mr Abe understood from the start of his personal relationship with the American president. Mr Trump will learn that Tokyo's department stores have stocked (exorbitantly marked-up) bottles from his Virginia winery to honour the visit. There will, of course, be golf. And Mr Abe will give Mr Trump trade goodies

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to take home, promising not only to buy liquefied natural gas from America but also to promote a network of terminals for its distribution across Asia.

Mr Abe's aims are twofold. One is to prevent Mr Trump's hostility to multilateral trade deals from poisoning the region's trading relationships. Mr Abe is pushing hard to preserve TPP as a regional free-trade grouping without America. Its 11 surviving members gathered outside Tokyo shortly before Mr Trump was due there.

North Korea is the other pressing issue. As Japanese strategists see it, the North's rapid development of an intercontinental ballistic missile capable of striking American cities has made America as worried about an attack as Japan and South Korea, which have long been vulnerable to one. Mr Abe has just fought and won a general election partly on a platform of standing up to the rogue state. He is likely to push for changes to Japan's pacifist constitution that legitimise Japan's armed forces. To Mr Trump, he will present this as evidence that Japan is doing its bit, and as an inducement for America to continue to provide security and to pursue unflinching deterrence against the North.

Mr Trump's Japan visit will probably go well. But his unpredictability still worries Japanese strategists. At least rhetorically, he has lurched between wildly different approaches to North Korea, at times suggesting that he could resolve all his differences with Kim Jong Un over a hamburger and at others implying he was ready to launch a pre-emptive attack. For now, Mr Abe's mantra is, hold Mr Trump close.

Moon Jae-in, South Korea's new president, intends to pursue the same approach, offering Mr Trump a state visit with all the trimmings. Yet, in contrast to Mr Abe, his personal relationship with Mr Trump is ►►

▶ not easy-going. That is a concern to Mr Moon's advisers. Though no sandal-wearing leftie—Mr Moon served in the special forces, and calls for stronger defences against the North—his progressive cast does not endear him to Mr Trump. Many of his countrymen are alarmed at the American president's loose talk of pre-emptive war against the North, and think diplomacy should be given much more of a chance. Mr Moon's people are nervous about what Mr Trump might say or tweet while in the country. Meanwhile, Mr Trump's threats to tear up the five-year-old United States-Korea Free Trade Agreement undermine the assurances of solidarity made by his national-security team.

This equivocation is all the more striking because China seems to be trying to repair relations with South Korea. For months it has bullied the South for installing American anti-missile defences known as THAAD. Rather than accepting that they were needed to counter North Korea, China argued, solipsistically, that they were aimed at it. China punished South Korea with boycotts of its products and a ban on Chinese tour groups visiting South Korea.

But China's president, Xi Jinping, has emerged from the five-yearly Communist Party congress with his authority cemented. Immediately afterwards, his government moved to restore cordial relations with South Korea. Mr Xi is due to meet Mr Moon on the sidelines of the Asia-Pacific Economic Co-operation (APEC) summit, a pow-wow in Vietnam on November 10th and 11th that Mr Trump is also attending. Mr Moon will affirm that South Korea does not plan more THAAD batteries for now, and will not join any wider security initiative aimed at China. Mr Xi might, in other words, be able to drive a bit of a wedge between America and South Korea.

As for Mr Trump's stop in Beijing, flattery will prevail there, too. Mr Xi has prepared a reception fit for a monarch (China's ambassador to Washington calls it a "state-visit-plus"). Mr Trump, who seems to get along well with strongmen, appears in awe of Mr Xi's power. He referred to him as "the king of China" last month.

In truth, Mr Xi can afford to humour Mr Trump, once a China hawk, in part because Mr Trump has not been very hawkish in his dealings with China. Instead, Mr Trump has cosied up to Mr Xi, apparently in the hope that he would bring Chinese pressure to bear on North Korea. The American president has praised China for enforcing new UN sanctions barring North Korea from exporting textiles and limiting its imports of oil. Yet there is little sign that China is willing to take the one step that might change North Korea's behaviour: cutting off its oil supply altogether.

As for trade, American business in China is agape at the skimpy agenda the administration has crafted for the trip. China

America and South-East Asia

Meet and retreat

SINGAPORE

Donald Trump has friends, but few plans, in the region

AMONG recent guests to the White House, Donald Trump has welcomed Prayuth Chan-ocha, the Thai general who overthrew an elected government in 2014, and Najib Razak, the prime minister of Malaysia, whom America's Justice Department has accused of participating in the theft of as much as \$3.5bn from a Malaysian government fund. Mr Trump has referred to Mr Najib as "my favourite prime minister". Mr Trump's presidency has coincided with a lurch towards authoritarianism around South-East Asia. Such matters seem to be far less of a concern to him, however, than they were to his predecessor, Barack Obama. For the region's democrats, the discrepancy stings.

On his visit to Asia next week, Mr Trump will call on Rodrigo Duterte, the president of the Philippines, who has boasted about killing people and has instituted a campaign against drug dealers and users that has led to perhaps 9,000 deaths. Mr Trump apparently

commended Mr Duterte in a phone call earlier this year for doing an "unbelievable job" fighting drugs. Mr Trump will also visit Vietnam to attend a big international summit in Danang next week, ahead of which the Communist Party is repressing dissent especially fiercely.

Cambodia, Malaysia and Thailand are all expected to hold elections in the next year, which their current leaders are preparing to manipulate in various ways to prolong their grip on power. American pressure might have helped restrain them; the lack of it seems likely to embolden them. They can certainly count on China for support. As the region becomes increasingly illiberal, journalists and opposition politicians are suffering. Mere social-media posts land government critics in court and in jail.

Admittedly, America has never been especially forceful about promoting human rights and democracy in South-East Asia. Its diplomats continue to condemn abuses in much the manner they always have. But these days, they say, they struggle to convince locals that their country cares.

American warships do still conduct freedom of navigation operations in the South China Sea, helping to resist China's expansive territorial claims there, points out Ian Storey of the ISEAS-Yusof Ishak Institute, a think-tank in Singapore. But America does not seem to have a broader plan to counter Chinese influence in South-East Asia, or to promote its own values in the region. One of Mr Obama's tools for doing that had been the Trans-Pacific Partnership (TPP) trade deal, which would have obliged Vietnam, for example, to allow independent trade unions. Mr Trump's first big Asian initiative was to withdraw from TPP. In its place, he seems to imagine a system of warm personal ties with the region's many strongmen.



Mr Trump and his favourite prime minister

is expected to announce some energy investments in Texas and the Virgin Islands. There might be orders for passenger planes, along with concessions on American credit cards, long in the works. But this would be small stuff. Instead of the American side bringing a list of specific demands, it is asking for a broad attitudinal shift by the Chinese government (ie, stop giving Chinese firms an "unfair advantage"). American bureaucrats, at Mr Trump's behest, are conducting a formal investigation of predatory Chinese trade practices, but it

is not due to report for months. No wonder China's leaders deem the bilateral relationship to be as good as it has ever been—"a blessing to the world", as the *People's Daily*, a state-run newspaper, puts it.

Mr Trump's trip is a missed opportunity. As Douglas Paal of the Carnegie Endowment for International Peace argues, the point at which Mr Xi has consolidated his power would have been the right one for an American president to explain how his country wants to preserve its interests in Asia without bringing on a clash. A discuss- ▶▶



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invention and ingenuity.

We see a hive of creativity and a new home of culture.
A roadmap for the future of civilization.

We see a new way, a new era.

We see Neom.



sion could have involved contingencies on the Korean peninsula, and avoiding conflict in the South China Sea. An administration more clear-eyed about what is at stake for America might have taken more seriously China's "belt-and-road" initiative, linking Asia by land and sea to the Middle East and beyond.

Possibly, Mr Trump will offer a competing vision in the coming days along the lines proposed last month by his secretary of state, Rex Tillerson, of a "free and open Indo-Pacific", in which Australia, India, Japan and even Vietnam will help America counter China's maritime expansion. But the idea is bankrupt if America is against free and open trade. What is more, Mr Trump has decided to cut his Asia trip short and so will miss the East Asia Summit in Manila, the main annual get-together for the region's leaders. Mr Xi is attending. ■

Dual citizenship in Australia

Ignorance is no excuse

SYDNEY

An antiquated rule undermines the government's parliamentary majority

WHERE will it end? On October 27th the High Court stripped four senators and an MP of their seats, adopting a strict interpretation of the rules on eligibility for parliament. The MP was Barnaby Joyce, the deputy prime minister, whose ejection has cost the government its majority in the lower house. Then on November 1st Stephen Parry, the president of the Senate, announced that he, too, suffered from the same affliction: he was a dual national, able to claim British citizenship as well as Australian. He resigned the following day.

Mr Joyce was one of the "citizenship seven", parliamentarians who discovered that they were deemed to be citizens, variously, of Britain, Canada, Italy and New Zealand, even though they had not formally claimed citizenship. Australia's constitution bans from parliament anyone who is under "acknowledgment of allegiance, obedience or adherence to a foreign power", or who is a citizen of a "foreign power".

The government's lawyers argued that the ban should apply only if someone actively laid claim to a foreign nationality, not if they were ignorant that they were considered a citizen of another country, as the "citizenship seven" claimed to be. But the judges pointed out that parliamentary candidates must complete a nomination form that asks whether they might be ineligible because they are dual citizens. This, they said, is "manifestly an occasion for serious reflection on this question".

As a result, the court removed five of the

seven parliamentarians. It let off Matt Canavan, a senator from the Nationals, the junior party in the governing coalition, because it was unclear whether he was really an Italian citizen. Nick Xenophon, another senator, escaped because his form of British nationality, "a British overseas citizen", conveyed so few rights that it was unworthy of the name, in the court's view.

Mr Joyce's ejection is a headache for the government. Although he was born in Australia, he learned in August that he was also considered a New Zealander because his father had been born in New Zealand before moving to Australia in 1947. Having renounced his Kiwi citizenship, Mr Joyce will try to reclaim his constituency at a by-election on December 2nd. Opinion polls suggest he has a good chance. In the meantime the government will control only 74 of the 150 seats in the lower house, not counting that of the speaker. It hopes to soldier through the final session of the year with the help of independents.

The government already lacks a majority in the Senate, so the dismissal of the senators will not affect its functioning. Nevertheless, Mr Parry's case matters because he is the first member of the Liberal Party of the prime minister, Malcolm Turnbull, to fall foul of the citizenship rules. It transpires that he is a British citizen through his father, who emigrated to Australia in 1951. Mr Turnbull had sneered at the "incredible sloppiness" of some of the "citizenship seven" for not checking their status. Mr Parry says he waited to do so until after the High Court's ruling because it had now provided "absolute clarity".

The drama has hastened calls to reform the rules. Australians were considered British subjects when the constitution came into force 116 years ago. Australian citizenship was created only in 1948. High levels of immigration since then have given plen-



A fair dinkum battling ex-Kiwi

ty of people unwitting claims to foreign nationality. Some constitutional lawyers reckon all 226 federal parliamentarians should now have their backgrounds audited in a bid to clear up the mess. A parliamentary committee 20 years ago called for the constitution to be changed to allow any Australian citizen to serve in parliament. That would require a referendum, few of which succeed.

Mr Turnbull has bravely asked a parliamentary committee to suggest a way forward. Meanwhile he insists that "the business of government goes on." Perhaps—but it has definitely become harder. ■

Indian politics

Tax brake

DELHI

The previously unstoppable ruling party loses a little momentum

IF SUCCESS is the sweetest revenge then the makers of "Mersal", a Tamil-language action-romance, must be feeling smug. Supporters of the Hindu nationalist Bharatiya Janata Party (BJP) vented fury when the film was released in mid-October. Some shouted that it should be banned, unless a scene mocking government policy was cut. Others sniffed that the film's lack of patriotic spirit might reflect the fact that its star, Thalapathy Vijay, is Christian. But for "Mersal" all this ugly talk was just good publicity: it has already grossed over \$32m, close to a record for Tamil cinema.

The backfiring of this attack might be read as a parable for the troubles facing the BJP. It had seemed an unstoppable juggernaut, set to roll through a string of state polls up to the next general election in 2019 and beyond. It still holds trumps that any party would envy: a network of more than 110m members, generous funding, a largely sympathetic press and an energetic, charismatic leader in Narendra Modi, the prime minister. His government can also claim solid achievements: it is currently trumpeting India's 30-rung climb up the World Bank's Ease of Doing Business ranking in a year, to 100th place. Besides, the opposition remains feeble and divided.

Yet a series of costly policy flops, along with an accumulation of dents to the party's clean image, have combined to put Mr Modi on the defensive. For six weeks last winter Indians scrambled to make ends meet when the government abruptly scrapped 86% of the country's cash. Many suffered cheerfully, believing they were helping Mr Modi chase money-hoarding bad guys. But as time has passed, few can see any gain from the pain.

Eight months after "demonetisation", ►►

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▶ the government launched a national goods-and-services tax (GST) with fanfare. It is meant to unify and simplify India's bewildering array of state and local taxes, thereby helping business and boosting revenue. So far, it has done neither. To its credit, Mr Modi's government has responded to complaints by exempting more of the tiniest firms from the tax and pushing back filing deadlines. Even so, the complex, six-tiered tax, requiring multiple filings and hefty upfront payments on inputs with only sluggish reimbursement, has proved so burdensome to small businesses that many have scaled back work. Consumers, meanwhile, are cross about high rates on certain items (28% on shampoo).

As with demonetisation, the GST roll-out appears to have been sloppy and hasty. A more recent reform, a big bail-out of state-owned banks saddled with some \$150bn in rotten loans, is neither of those things. The rescue package is cleverly devised, but woefully late: Mr Modi had ignored repeated warnings, notably from Raghuram Rajan, his own central-bank chief who was sacked last year, that the debt pile was smothering investment.

For the Indian public, policy foibles would be more forgivable if they were not accompanied by so much hype, as well as by aggressive attacks on critics. A scene in "Mersal" that the BJP found offensive, for instance, included a rant against GST. Within hours of airing a report suggesting that the son of the BJP's powerful president, Amit Shah, has profited in business since the party came to power, the Wire, an online news magazine, was fiercely attacked by ministers and slapped with both a gag order and a criminal lawsuit. Authors of books investigating wealthy patrons of the party have been similarly assailed. Such pressures, as well as threats to advertising, have prompted wary media groups to fire critical editors. Ordinary citizens have also been hauled to court after posting jokes about Mr Modi on social media.

One person who is joking more at Mr Modi's expense is Rahul Gandhi, a scion of the Nehru-Gandhi family who is expected to be anointed head of the opposition Congress Party soon. Mr Gandhi, who until recently was widely regarded as a political weakling, has begun offering a steady barrage of acerbic barbs, to growing effect. In the past few months his following on Twitter has grown by two-thirds, threatening the BJP's dominance of social media.

Congress is also mounting an unexpectedly strong challenge to the BJP in Mr Modi's home state of Gujarat, which holds elections in December. The BJP has reigned there for nearly 20 years, and few expect it to be unseated. Yet Mr Modi is taking no chances. He has campaigned furiously and showered the state with handouts. If the BJP loses even a little ground, some will say its efforts backfired. ■

The Kazakh language

Apostrophes on the march

ALMATY

The government wants Kazakh to be written in Latin, not Cyrillic script

RARELY has the humble apostrophe caused such commotion. Nursultan Nazarbayev, Kazakhstan's president, wants the punctuation symbol to play a much bigger part in public life. Ordinary Kazakhs are objecting. Some feel so strongly that they have launched an anti-apostrophe campaign on social media, adorning their Facebook pages with crossed-out apostrophes.

At issue is the apostrophe-peppered alphabet that the government wants to introduce over the next eight years, to replace the current rendering of the Kazakh language in Cyrillic—the alphabet used to write Russian, among other languages. The new script is a modified form of the Latin alphabet, which is used to write not only English but many other languages, including Turkic ones related to Kazakh, such as Turkish.

Officially, the switch is about equipping Kazakhstan for the digital age. (The new script should be easier to type and to render online.) But the change is also to do with decolonisation. Kazakhstan was a part first of the Russian empire and then of the Soviet one, for over 250 years all told. Over that time, Russian administrators promoted the Russian language; Kazakh nearly died out. To this day only 62% of the population speaks Kazakh well, whereas nearly all speak Russian.

In 1940 the Soviet authorities decreed that Kazakh should be written in Cyrillic. (The only indigenous alphabet is a system of ancient runes; Arabic and Latin letters had also been used previously.)

But the version of Cyrillic the Soviets adopted was unnecessarily cumbersome, with 42 letters, including several representing sounds that do not occur in Kazakh, such as *shch* and *ts*. The new script will have a mere 32 letters: 23 ordinary Latin ones (*c*, *w* and *x* did not make the cut), and nine with apostrophes.

Many Kazakhs support the idea of changing the alphabet, but are irritated by the lack of any formal public consultation and puzzled that the government seems to be reinventing the wheel, rather than adapting the version of the Latin alphabet that Turks use, say. The government floated another version of a Latin script, featuring digraphs (pairings of letters to represent a single sound, such as *sh* or *ch* in English), but it was mercilessly lampooned. Delighted critics pointed out that the rendering of the Kazakh word for carrot in that alphabet would have been *saebiz*, which looks a bit like a transliteration of the Russian for "fuck off". More substantively, some argued that it would be simpler to represent each distinct sound with a single letter.

In theory, that is what the new alphabet does, with the help of all those apostrophes. But it is far from elegant. Aktau, a hub of the oil industry, will become Aq'tay'. Kazakhstan will become Qazaqstan. It is not clear that the shift will help Kazakh supplant Russian, which remains the *lingua franca* and retains its protected status, to the relief of the fifth of the population who are ethnically Russian. But it will at least look more distinct.



Apostrophe-free but humiliating



Trafficking women

Fear on the border

BEIJING AND LAO CAI

Demand for wives is fuelling the abduction of women from abroad

HUONG was only 15 when she went out to meet a friend in Lao Cai, a city in northern Vietnam on the Chinese border (see map on next page). She thought she would be gone a few hours, but it was three years before she managed to return home. Her friend had brought with her two acquaintances—young men with motorcycles. They squirmed the girls around town and took them to a karaoke bar, where their drinks were spiked.

When the girls grew drowsy they were hoisted back onto the bikes, each sandwiched between two male riders. They were driven into the hills and across the Chinese border to a remote house in the countryside. There they were told they would be sold. The girls screamed and cried but were subdued by two men, one of them wielding a stick. The traffickers told Huong that by crossing the border she had sullied her reputation, but that if she behaved well they would find her a Chinese husband. After marrying she might find a way home, they said. If she refused she would stay stranded in the hills.

Huong—a pseudonym, to protect her identity—is now 20 years old. She lives in a large bungalow in Lao Cai, which she shares with a dozen women aged between 15 and 24 (an occupant is pictured). They are all survivors of trafficking networks that smuggle girls across the Vietnam-Chi-

na border, sometimes to be sold as prostitutes but more often as brides. Their house, with its enormous teddy bears and fleet of fuchsia-pink bicycles, is a shelter run by Pacific Links Foundation, an American charity, which helps victims finish their education and cope with their trauma.

Around the world some 15m people are living in marriages into which they were forced, including some who were abducted, according to a recent study by the International Labour Organisation, a UN body, and human-rights groups. In China the trafficking of women is particularly acute, in part because a preference for sons has left the country with a severely skewed sex ratio. Between 1979 and 2015 the imbalance was aggravated by a one-child-per-couple policy, which prompted many to abort females before they were born. The Chinese Academy of Social Sciences has estimated that by 2020 there will be 30m-40m Chinese men who will be unable to find wives in their own country.

One consequence of this is booming business for matchmakers who offer to import women from China's poorer neighbours, particularly Laos, Myanmar, Cambodia, Vietnam, Mongolia and North Korea. Some of these women, seeking a route out of poverty at home, freely choose a Chinese marriage and gain the necessary approvals. But along China's borders, kid-

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31 Banyan: The rise of Wang Huning

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napping is rife.

The stories told by trafficking survivors and Vietnamese officials in Lao Cai shed light on this grim trade. Each year between 100 and 150 trafficked Vietnamese women return to their country through the town's border gate, says an official there—probably only a small proportion of the total who are lured or abducted the other way. Some of the victims' ordeals begin when, like Huong, they are drugged or kidnapped. Others are duped into thinking they are going to a party or to meet a potential boyfriend. Sometimes members of their own families are complicit.

Groomed online

Diep Vuong of Pacific Links thinks victims are getting younger (in China, women have to be at least 20 to get married, but marriages to abducted foreigners are often unregistered). The spread of cheap smartphones and improvements in mobile networks are making it easier for traffickers to use social media to befriend schoolgirls in Vietnam's hills. These criminals earn as little as \$50 for each woman they bring into China, where they are often resold far inland by middlemen. Chinese police report that at their final destination Vietnamese women fetch prices of between around 60,000 and 100,000 yuan (\$9,000-15,000).

Some snatched women and girls return home swiftly. A 17-year-old who lives at the bungalow with Huong says she was gone for only two days before a woman on the Chinese side of the border helped her to escape. A fellow resident, who returned from China a month ago, walks with a limp. She says she broke her leg leaping from the house in which her traffickers were holding her. Chinese police later found her lying in the street. ▶▶

▶ Huong's story is longer. She was kept at her traffickers' house and threatened for two months. When she finally agreed to be married she was driven for two days to a city in Anhui, a province north-west of Shanghai. She was warned not to let her new family find out that she was Vietnamese. She was to pretend to be a Chinese citizen belonging to an ethnic minority with cross-border cultural links.

The man to whom she was sold into marriage was in his early 20s. He was from a wealthy family, which had paid 90,000 yuan for her. Her husband explained that he had not really wanted to get married, but that his parents were keen. They had told him that an ethnic-minority bride would be more obedient than someone from the ethnic-Han majority. Such claims are commonly made by matchmakers. One Chinese mail-order marriage site says Vietnamese women are cheap, obedient and unlikely to run away: they are "so gentle and loving they will make you melt".

The greatest demand for foreign wives is in the countryside, particularly among men who are poor or disabled, says Jiang Quanbao of Xi'an Jiaotong University. In rural areas not only is the sex ratio an impediment to finding a bride, so too is the migration of women to the cities in search of work and higher-status males. Impoverished villages sometimes end up with dozens of foreign wives, as word spreads of their availability.

Villagers often have sympathy for the buyers—they may even help to prevent trafficked women from fleeing. Escape is not at all simple for women without money of their own and with limited Chinese-language skills. North Koreans who contact the authorities risk being repatriated



Heading home

and then sent to concentration camps. That makes them particularly vulnerable to traffickers. Amid rising tensions on the Korean peninsula caused by North Korea's nuclear tests, police in nearby Chinese provinces are becoming more watchful for unauthorised migrants from across the border, including North Korean women who have been sold into marriage.

Once victims become mothers, their decisions about whether and how to leave China become even more difficult. So it was for Huong. She had been taken to Anhui with another Vietnamese girl who was being sold into the same district. The pair agreed that they would find a way home together. But their plan had to be post-

poned soon after arrival, because Huong's friend became pregnant. By the time the baby was delivered Huong was expecting a child, too. Less than a month after she gave birth, Huong's in-laws sent her to live and work at a textile factory nearly four hours away, leaving her baby behind. Her husband would turn up on payday to collect most of her wages—about 6,000 yuan a month. Eventually Huong concluded that the family meant to keep her estranged from her daughter. She resolved to escape back to Vietnam.

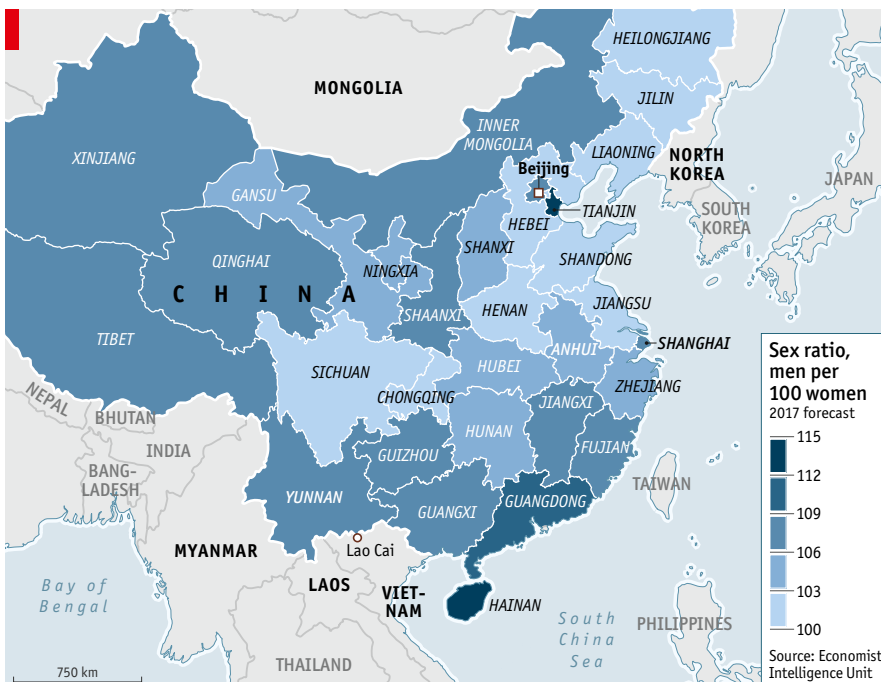
Huong scraped together enough money to travel independently. Her own parents, whom she had managed to contact a few months after reaching Anhui, helped her work out where best to present herself to the authorities. The Chinese police kept her for three months while they investigated her story, after which they arrested some of the people involved in trafficking her. Then they sent her back to Vietnam, though her baby remained in China.

In June the American government reported that China was "not making significant efforts" to tackle human trafficking. It relegated China to the ranks of countries, such as Venezuela, Turkmenistan and South Sudan, which it rates as the worst for their record in dealing with the problem. But Chinese police say they are not sitting on their hands. They report that between 2009 and the middle of last year, they "rescued several thousand women of foreign nationality" in anti-trafficking operations that involved co-operation with their counterparts in Vietnam, Myanmar and Laos (pictured are victims being sent back to Vietnam by Chinese police in 2015). More than 1,000 people were arrested for related crimes.

In some provinces government registrars are trying to spot unwilling foreign brides by hiring staff with knowledge of regional languages. The government says that stricter policing last year in the borderlands reduced trafficking from Vietnam.

It is difficult, however, to prosecute people for buying abducted women. In 2015 the law was revised to make legal action easier. But the law says that, in cases where the woman wants to return and the buyer does not try to prevent it, punishment can be lighter or the sentence can be commuted. Cross-border operations remain hostage to China's relations with its neighbours. Ties with Vietnam, an age-old rival, are often frosty.

Huong is now finishing high school, and hopes to study medicine. She says she "will not regret" having to leave her daughter in China. A baby would have been a burden on her family in Vietnam, and she worried that having no father would thrust the child into a legal limbo. Her in-laws were wealthy, at least, and seemed devoted to her daughter, she says. They were "good people." ■



Banyan | The rise and rise of Wang Huning

The meaning of the man behind the Communist Party's ideology



There is really only one intellectual pursuit as unhealthy as a burning drive to reach the Standing Committee of the Politburo of the Chinese Communist Party, and that is a morbid fascination with the apparatchiks—their faces pasty and most of their hair unnaturally black—that compose it. But bear with this column. For in the new seven-man line-up at the top of China's leadership that was unveiled last week is a striking character: a 62-year-old, Wang Huning.

It is probable that Mr Wang will be put in charge of the party's ideology and propaganda. He, along with Huang Kunming, the head of the propaganda department, whom Mr Wang will oversee, are loyal supporters of China's paramount leader, Xi Jinping. Perhaps that is not a surprise, but it is worth stating, because through Mr Wang, Mr Xi now has even greater control of a vast and essential part of the Communist Party apparatus, something that is not foreordained for the ruler.

The fascinating part is that Mr Wang is not himself a creation of the propaganda system. He is not like his predecessors in the job, who spouted party-speak in their sleep. He has a mind of his own. And it has already done much to help reshape official thinking, putting ideology—broadly defined—at the heart of what the party is attempting to do.

In the 1980s and early 1990s, as a precocious law professor at Fudan University in Shanghai, Mr Wang grappled with the political consequences of Deng Xiaoping's liberalising reforms. They had led to a swift rise in living standards as peasants left collectives and profitably farmed their own plots, jumped into business or left to work in the cities. But that contributed to "a hollowing-out of Beijing's control over its far-flung territories", as Jude Blanchette of the Conference Board, an American research organisation, explains in a blog post about Wang Huning. Mr Wang set about justifying a new political approach.

A notable aspect of Mr Wang's intellectual history is that, unlike any other senior leader's since Mao Zedong, it has been surprisingly well documented, through numerous writings—at least until he was plucked from academia in the mid-1990s for higher things. He once described Mao's Cultural Revolution (from which, as a youth, ill health largely spared him) as "an unprecedented political catastrophe". By the 1980s even Chinese of a rela-

tively liberal bent were attracted to the notion that profound social and economic change required a central authority to oversee it. Mr Wang provided the intellectual justification for "neo-authoritarianism", with political liberties and democracy coming much later. This notion gained added salience after the chaos of 1989, the year of the massacre around Tiananmen Square. Mr Wang's thinking helped to convince leaders that they should re-centralise power and exert it more forcefully.

In the early 1990s Mr Wang also delved more deeply than most into the political consequences of corruption. Graft at the highest levels, he wrote, was far more corrosive than that lower down, since it undermined trust in government. He warned that it could lead China to the same fate as the Soviet Union. In focusing on this threat he presaged the phenomenon of Xi Jinping, who has fought against graft with unprecedented zeal.

In fact, Mr Wang helped to mould Xi Jinping's thinking—as well as, remarkably, that of Mr Xi's two predecessors, Hu Jintao and Jiang Zemin. By 1995 Mr Wang had come to the attention of Mr Jiang, who drafted him into the Central Policy Research Office, the party's highest think-tank, which to this day has no public website or telephone number. There, he devised Mr Jiang's "Three Represents", which acknowledged the need for the party to appeal to more Chinese, including private businesspeople and managers. Mr Wang later provided a similar service for Mr Hu with his theory of "Scientific Development". And his was the brain behind "Xi Jinping Thought", which was enshrined in the party constitution late last month. Central to Xi Thought is the notion of a "Chinese dream" of the country's "great revival"—a dollop of nationalism on top of Deng's pro-market rhetoric.

Clash of civilisations

Before his elevation to the Standing Committee, Mr Wang was rarely absent from Mr Xi's side on his trips abroad—a foreign-policy adviser and crafter of China's external messaging too (including the ballyhooed "Belt and Road Initiative"). Haig Patapan and Yi Wang of Griffith University argue that only during periods of wrenching change and transition do idea-mongers become advisers, and advisers come to wield such authority.

It may sound encouraging that Mr Wang studied in America in the late 1980s. He is the first senior leader since the generation of Deng and Zhou Enlai to have had such Western exposure. But Mr Wang's experience there did not entirely inspire him. As Niv Horesh of the University of Nottingham has shown, Mr Wang's book on his American sojourn, "America Against America", published in 1991, lacks reflective qualities. While deploring America's individualism and self-interest, Mr Wang fails to see the reach of philanthropy and voluntary organisations. And when he points to native Americans' lack of political power, he seems blind to the parallel with Tibetans and Uighurs.

But in ways that would be understood by another adviser who reached the pinnacle of power, Donald Trump's former strategist, Stephen Bannon, Mr Wang sees a world divided by fundamentally different values and cultures. Mr Wang's book prophesies that, following the rise of Japan, other races would challenge American primacy, and the American system based on "self-defeating" notions such as liberty and democracy would find itself in crisis. Mr Xi does not yet say this. But he has started to claim that China should "take centre stage in the world" and that its model of development presents "a new choice for other countries". That is Wang-think. Don't say you were never warned. ■

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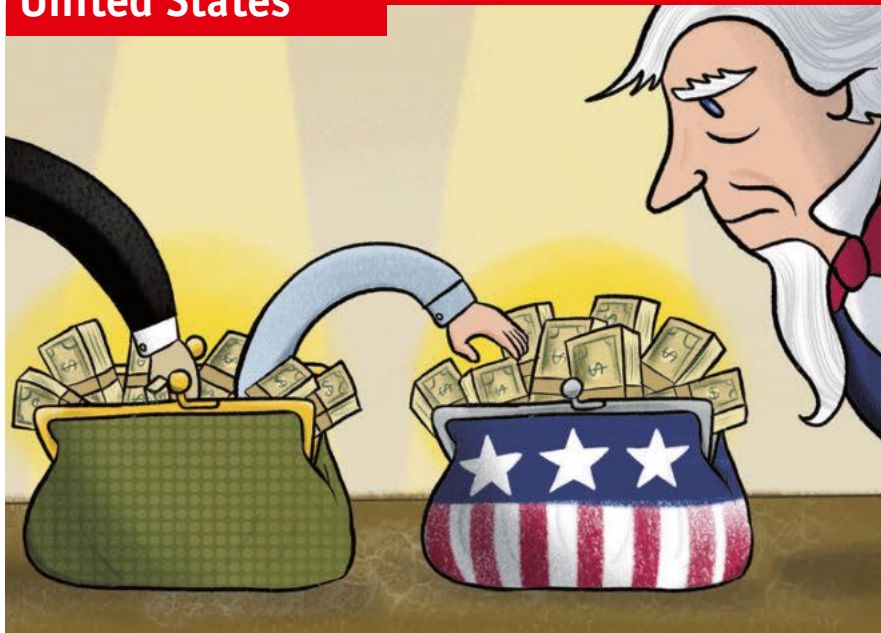
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Tax reform

Deducting deductions

WASHINGTON, DC

Scrapping the state and local tax deduction will be difficult. But it is a good idea

REPUBLICANS have spent years talking about the need to cut and simplify taxes. In June 2016 Paul Ryan, the Speaker of the House of Representatives, released a plan to do so. President Donald Trump released no fewer than three tax plans during his campaign for office. In September the administration championed an outline sketch it had agreed with Republican leaders in Congress. Yet as *The Economist* went to press, Republicans had delayed the release of their tax bill by a day, having failed to iron out the details.

The main problem the party will face as the legislation moves through Congress is finding the money to pay for tax cuts. Republicans like to talk about abolishing tax deductions, but every loophole has a lobbyist to defend it. Having given up on deficit-neutral reform, Congress has budgeted for the tax package to increase the deficit by \$1.5trn. But the Tax Policy Centre, a think-tank, puts the likely cost of the package at \$2.4trn. The main source of revenue Republicans hope to bank comes from scrapping the “state and local” deduction. This exempts, from federal taxes, money used to pay state and local tax bills. Even getting rid of this is proving difficult.

As long as there have been federal income taxes, there has been a state and local deduction. It first appeared in the Revenue Act of 1862, which financed the civil war, according to Jared Walczak of the Tax Foundation, a think-tank. Federal income tax

was eventually found to be unconstitutional. When, after a constitutional amendment, lawmakers recreated it in 1913, they recreated the deduction, too. The idea was to stop the federal government from monopolising states’ tax revenue.

Republicans have since come to view the state and local deduction as something that encourages big government, rather than deterring it. It subsidises Democratic-leaning states that set their taxes high. (In New York the deduction is worth about 9% of taxable incomes, compared with just 2.5% in Texas.) In 1985 President Ronald Reagan proposed getting rid of the deduction, while acknowledging its status as “the most sacred of cows” in the tax code.

Oiling the wheels

Yet the deduction survived Reagan’s tax reform in 1986. Lawmakers from highly taxed states formed an unlikely alliance with the oil lobby, which was concerned about losing its own tax breaks. Each special interest supported the other. The state and local deduction stayed, and the oil lobby won some concessions.

Will today’s Republicans succeed where Reagan failed? An analysis by *Bloomberg* in September found that there are 52 Republican lawmakers whose constituents benefit disproportionately from the deduction. Concern about scrapping it is one reason the Republican’s budget outline, which opened the door to tax reform,

only squeaked through the House by four votes (Republicans have a majority of 45). In an attempt to pacify dissenters, Kevin Brady, chairman of the Ways & Means committee, has since proposed keeping the deduction in place for property taxes.

That would reshape, rather than eliminate, the distorted incentives the deduction causes. These are twofold. First, the deduction encourages states to tax and spend more than they otherwise might, because when they do, some of the costs fall on the federal taxpayers. Second, in its current form the deduction encourages states to use property and income taxes when sales taxes might be better. (Taxpayers can only deduct one of income and sales taxes, and generally it is easier and more beneficial to pick income taxes.)

Property taxes account for about one-third of state and local deductions taken, by cost. Whereas seven states have no income tax at all, all 50 levy significant property taxes, so the benefits of this part of the deduction are more spread around. Maintaining it would disproportionately benefit some Republican-leaning states like Texas. But that limits the attraction of Mr Brady’s offer to Republican lawmakers from Democratic-leaning states like California, New York and New Jersey.

Eliminating the state and local deduction would, all else equal, make federal taxes more progressive. In 2014 nearly 90% of the benefits of the state and local deduction as a whole flowed to those with incomes over \$100,000. The deduction’s regressive effects has more to do with income than property taxes, according to the Tax Foundation. This is because as high-earners get richer, they tend to pay a higher proportion of their earnings in local income taxes, but a lower proportion on property taxes. So the deduction for income taxes is more important to them. ►►

Despite its regressive nature, many on the left like the state and local deduction, income taxes included. The Centre on Budget and Policy Priorities, a left-leaning think-tank, argues that the deduction makes it politically easier for states to levy higher taxes on the rich, thereby increasing government spending. Moreover, local taxes fund services such as education and roads, which are already under strain because of tight budgets.

Yet states are surely capable of balancing their budgets without receiving a federal subsidy for doing so. There is no real justification for distorting their fiscal decisions one way or the other. For that reason, the Republicans' final tax bill will be better if it curbs the state and local deduction. And a partial repeal would be better than none at all. ■

Terrorism in New York

A faint echo

NEW YORK

New York is attacked again, but remains remarkably safe

JUST a few blocks away from where around 2,750 people were killed on September 11th 2001, New York suffered another deadly attack on October 31st. This time the attacker used a low-tech, less lethal method, illustrating how the threat from terrorism is changing. Children were about to be dismissed from school and tourists were enjoying the afternoon sun when Sayfullo Saipov, a 29-year-old immigrant from Uzbekistan, mounted the curb in a pickup truck and drove along the pedestrian and cycle path between the West Side highway and the Hudson River, hitting people on the mile-long stretch. He rammed into a school bus, injuring those inside. In all he killed eight people. Most were tourists from Argentina.

Ray Kelly, New York's former police commissioner, told NPR, a radio station, that he was surprised this had not happened before, "because it is so easy to do". The incident mimicked recent attacks in Europe, in which vehicles were used as weapons. Ever since Islamic State (IS) encouraged supporters living in the West to use this method, the NYPD has been preparing. Barriers had been placed around soft targets, including Times Square. The NYPD worked with truck-rental companies, visiting 150 locations to talk about suspicious signs. After the attacks in Nice and Berlin, the police repeated those visits.

The NYPD has invested heavily in counter-terrorism. It has posted detectives to Abu Dhabi, Amman, London and elsewhere. Among the rank-and-file are speak-

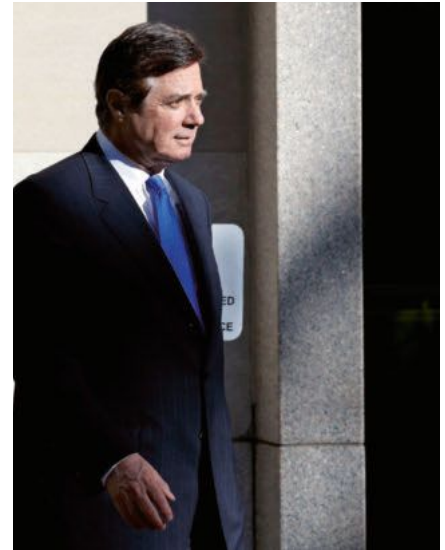
ers of Arabic, Dari, Urdu and Pushtu. Some 500 officers are trained in behaviour analysis and how to detect explosives and radiation. Hundreds more are assigned to counter-terrorism units. The city has been the target of about two dozen plots. Most have been foiled by police and intelligence agents, or by civilians who spoke up when they saw something suspicious.

Despite those efforts at vigilance, the driver appears to have hired a truck easily. Authorities say it appears he acted alone. Big plans with multiple plotters who chat and can be monitored are easier to foil than low-tech ones by lone wolves. One recent plot that aimed to kill thousands and make an "ocean out of their blood" by targeting Times Square and the subway was thwarted by an undercover agent. John Miller, who heads up the NYPD's intelligence arm, says that Mr Saipov has never been part of an NYPD or FBI investigation. Mr Saipov appears to have closely followed IS instructions on how to carry out such an attack. Police found notes written in Arabic near the truck which indicate he had declared allegiance to IS. Andrew Cuomo, New York's governor, told CNN that Mr Saipov became "radicalised domestically". After spells in Ohio and Florida, he settled with his wife and children in Patterson, New Jersey, about 20 miles from New York City. He worked for Uber, the ride-hailing firm, which said that he had passed all its background checks.

Unlike in 2001, when politicians came together, the attack was quickly politicised. President Donald Trump tweet-ordered the Department of Homeland Security to step up its vetting process and picked a fight with Chuck Schumer, New York's senior senator. Mr Cuomo said Mr Trump's tweets were unhelpful. They play "into the hands of the terrorists", he said. "The tone now should be the exact opposite." ■



IS in NY



Robert Mueller's investigation

Manafort overboard

WASHINGTON, DC

The former Trump campaign chief is indicted. Cue calls to jail Hillary Clinton

BLAME it on "The Godfather". For days the political village in Washington, DC has been consumed by the wrong argument about Robert Mueller, the special counsel tasked with investigating Russian interference in the 2016 election. It began on October 30th when Mr Mueller, a former FBI boss, unveiled his first criminal charges against members of Donald Trump's presidential campaign. Partisans and pundits responded by squabbling about who is the bigger villain: Mr Trump, or his erstwhile rival, Hillary Clinton?

Mr Mueller's investigation charged the former Trump campaign chairman, Paul Manafort, and his business partner, Rick Gates, with a scheme to conceal some \$20m, much of it earned for lobbying work in Ukraine undertaken for pro-Russian interests. The indictments—to which both men plead not guilty—allege Mr Manafort spent millions on Range Rovers and landscaping at properties in Florida, Manhattan and the Hamptons (he also dropped \$934,000 at an antique rug shop, \$849,000 on clothing in New York and \$520,000 at a men's outfitters in Beverly Hills).

A second set of charges concerns a young campaign operative, George Papadopoulos, who has pleaded guilty to lying to federal officials. Mr Trump tweeted that "few people knew the young, low level volunteer named George, who has already proven to be a liar." Alas for the Trump campaign, the plea deal relates that after being flipped and turned into a "proactive co-operator" by prosecutors, young ▶▶

▶ George disclosed months of contacts with a London-based academic with Russian ties, “the Professor”, and a mysterious “Female Russian National” who were keenly interested in his role with Team Trump, and told him in late April 2016 that the Russian government had “dirt” on Mrs Clinton in the form of “thousands of e-mails.”

Though the provenance of those e-mails is not clear, the outside world did not learn until June 2016 that embarrassing e-mails had been stolen from the Democratic National Committee (DNC), and learned only in October that e-mails had also been hacked from the account of John Podesta, head of the Clinton campaign. American intelligence chiefs blamed those hacking attacks on Russian military intelligence.

The federal filings do record Mr Papadopoulos being rebuffed on occasion by senior Trump campaign officials as he pushed for a meeting between the candidate and the Russian government. But they also quote a “Campaign Supervisor” telling him in August 2016 to meet Russian officials off the record “if it is feasible”.

Mr Trump observed, accurately, that the money-laundering and tax-fraud charges laid against his former campaign chairman predate the presidential campaign. He further noted, in a flurry of intemperate tweets, that the indictment against Mr Manafort makes no mention of collusion with Russia. This led him to complain: “But why aren’t Crooked Hillary and the Dems the focus?????” Drawing on recent reports that the DNC paid for opposition research about Mr Trump, involving sources in Russia, his White House press secretary, Sarah Huckabee Sanders, declared: “There is clear evidence of the Clinton campaign colluding with Russian intelligence to smear the president,” adding that “it might not be a bad idea” for Congress to investigate Mrs Clinton. Conservatives were cock-a-hoop when Tony Podesta, a Democratic super-lobbyist (and brother of John Podesta), stepped down after his firm was questioned over about late reporting work on Ukraine, commissioned by Mr Manafort.

A former prosecutor who knows Mr Mueller and his team sees a two-pronged strategy, involving “pure pressure” on Mr Manafort and Mr Gates to turn and co-operate, and the plea deal with Mr Papadopoulos to “telegraph that they are on to the Russia thing” and scare anyone who had dealings with the campaign aide, some of whom may now be re-interviewed. “Slow and steady,” says this source.

Samuel Buell, another former federal prosecutor, now at Duke University School of Law, suggests that too many are treating the Mueller investigation like a “Mafia family case”, in which prosecutors are trying to pin known crimes on a known crime boss, by working their way up a pyramid. “This case doesn’t look like a pyramid to me, it looks like a mosaic with different pieces.”

The real villain in this puzzle is Russia. If Mr Trump and his supporters are anxious to talk about Mrs Clinton instead, that may be because Russia’s meddling was, in the judgment of American intelligence agencies, intended to help Mr Trump. Moreover, the Trump camp was unusually pro-Russian in its policies, and careless about contacts with Russian proxies. E-mails already made public show Donald Trump

junior, the president’s son, being told in June 2016 that the Russian government had scuttlebutt on Mrs Clinton and wanted to use it to help his father. “I love it,” replied the younger Trump. A senior adviser to another Republican presidential campaign says that if his team had been offered dirt on an opponent by someone claiming Russian government connections, “We’d have gone straight to the FBI.” ■



High-stakes health care

Chipped away

NEW YORK AND WASHINGTON, DC

Congressional inaction threatens health insurance for poor children

CONGRESS seldom agrees on health care, as is shown by the Republicans’ fruitless attempts to rip up the Affordable Care Act, or Obamacare. A longtime exception to partisan feuds was the Children’s Health Insurance Programme (CHIP), established in 1997. The scheme, which covers some 9m American children, has been credited, along with Medicaid, health insurance for the poor, and Obamacare, with reducing the share of children without health insurance from 14% to a record low of 5% over the past 20 years. But on September 30th federal funding for CHIP expired. State agencies, which administer the programme with federal grants, are running short of cash and are on the cusp of issuing notices cancelling policies.

Lawmakers, who must offer a fix to restore the funds, are dithering while Republican leaders concentrate on grander legislation. Senators Orrin Hatch of Utah, a rock-ribbed Republican and a grandfather of CHIP, and Ron Wyden, a Democrat from

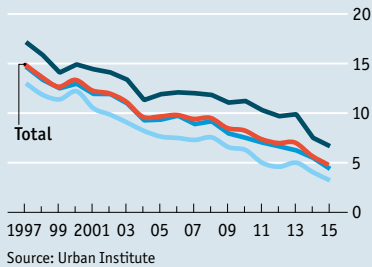
Oregon, have offered a bipartisan patch to fund the programme for the next five years. Over the next ten the proposed fix would cost \$8.2bn, a paltry sum for a Congress also pondering a tax cut of \$1.5trn. But the bill has become stuck in the House, where committee members have attached contentious offsets tinkering with Medicaid and Medicare—health insurance for the elderly—which are unlikely to be approved by Democrats. This brinkmanship “breaks the history of bipartisanship” that CHIP has long enjoyed, says David Blumenthal, the president of the Commonwealth Fund, a health-policy think-tank. “We’re setting ourselves up for a game of chicken.”

As yet, no state has been forced to suspend coverage or issue cancellations. State CHIP programmes have instead run on fumes, subsisting on unspent funds and emergency injections of federal funds from the Centres for Medicare & Medicaid Services. These jerry-rigged funding mechanisms will not last long. By the end of the ▶▶

CHIP chopUnited States, children without health insurance
% of total

Age, years:

5 and under 6-12 13-18



▶ year six states, including California and Ohio, expect to be completely out of cash. Most will have blown through reserves by the first quarter of 2018. In Utah, where 19,000 children are covered by CHIP, cancellation notices were supposed to go out this month, though the health department is trying to delay them as long as possible.

Because CHIP is financed through block grants, large cash transfers with few restrictions, the scheme is administered differently from state to state. Some create stand-alone programmes, but almost every state enrolls children in Medicaid to reduce administrative burdens. Because a provision of Obamacare requires states to maintain their insurance-eligibility standards until the end of 2019, states with children in Medicaid may be legally on the hook for their medical bills. Those with separated programmes may freeze enrolment, create more stringent eligibility rules or discontinue their operations altogether. Perhaps because of turmoil at the Department of Health and Human Services—the secretary has been sacked for using private planes at the public’s cost—the Trump administration has been quiet on the matter, not issuing public guidance to the states.

Besides wasting administrative resources, winding down CHIP programmes might reverse the steady increase in insured children. Without federal funds, 1.2m children would lose their health insurance because alternative coverage would be too expensive, according to the Urban Institute, a think-tank.

Even if funding is eventually restored, serving cancellation notices to families is like unfurling an “unwelcome mat” before them, says Joan Alker of Georgetown University. Arizona temporarily stopped accepting new children in December 2009. By July 2011, enrolments had dropped 60%. Continued congressional inaction will have disparate impacts: around 45% of currently uninsured children are Hispanic. So-called mixed families, with undocumented parents but children who are American citizens, may be especially wary of enrolling for fear of alerting the immigration authorities. ■

Hasidic Jews in upstate New York

The parting of Monroe

KIRYAS JOEL, NEW YORK

A Palm Tree grows in the woods

KIRYAS JOEL is not like other New York suburbs. Although surrounded by bucolic winding roads and stunning vistas of the wooded foothills of the Catskill mountains, there are few stand-alone houses with big back gardens or picket fences. Almost everyone lives tightly packed in a square-mile labyrinth of multistorey condominium complexes. The population of the village, which forms part of the town of Monroe, about 40 miles (65km) north of New York City, has grown by 5% a year since 2000. For the past few years, its surging population and the resulting demands for land have put it at odds with long-time locals. After lawsuits and tense negotiations, Monroe voters will decide in a referendum on November 7th whether to separate Kiryas Joel, add some land and create a new town, to be called Palm Tree.

Kiryas Joel was founded in the 1970s by Joel Teitelbaum, the grand rebbe of the Satmar Hasidic sect. The community has grown from 500 in 1977 to more than 22,000 today. Many of the new arrivals were priced out of their old neighbourhoods in trendy Brooklyn. Part of the growth is driven by Hasidic custom: women marry young and have big families. But many of the families are struggling, with more than half below the poverty line.

Like other Brooklyn-ites, Hasids like to live within walking distance of synagogue and kosher delicatessens and butchers, and close to ritual bathhouses and *yeshivas* (schools). The rural footpaths are

packed with women in long skirts, who cover their hair with hats, wigs or scarves, and are usually pushing a pram while holding a few more children by the hand. Bearded men, wearing black coats and brimmed hats, walk purposefully. Street and shop signs are often in Yiddish or Hebrew. The conversations are conducted in Yiddish. There is little interaction with their non-Hasidic neighbours.

“The tension [between the two groups] is not coming from a place of anti-Semitism,” says Samuel Heilman, an expert on Orthodox Judaism and a professor at Queens College. But tensions there are. A “Welcome to Kiryas Joel” sign asks visitors to wear long skirts and sleeves past the elbow and to “maintain gender separation in all public areas”. It would be illegal to pass a law to this effect, but such a rule is already enforced by custom. Kiryas Joel already has its own school district, where boys and girls receive a religious education in separate classrooms.

The village also has increasing political muscle. Four years ago, Kiryas Joel showed itself to be a strong voting bloc, when most of its votes went to the winner in an election to choose Monroe’s town supervisor. More than half of all voters will be Hasidic by 2021, according to one estimate.

Some of Monroe’s non-Hasids see the split as a way to restore their political voice, and end years of feuding. Others see the split as just delaying the inevitable end of Monroe. Although the referendum’s terms dictate that no further annexation will be permitted for ten years, Kiryas Joel is already bursting at the seams and residents are spilling into other parts of Monroe and into neighbouring towns. Monroe will see a drop of 10% in tax revenues if the referendum passes, requiring either spending cuts or tax increases. If Monroe votes to split itself next week, the new town of Palm Tree will be founded in 2020. ■

**Cheaper by the dozen**



Texas politics

Thus spake Joe

AUSTIN

The powerful Speaker of the Texas House of Representatives, a champion of moderation and good government, steps down

SIX days after upending Texas politics by suddenly announcing his retirement, Joe Straus sounds like a man at peace. “I feel confident it was the right decision,” says Mr Straus, who has served as House Speaker since 2009, longer than any other Republican. “I didn’t want to be one of those people who held on to an office just because he could... There are new players and they deserve to have their voice heard.” Not everyone believes his reasons for leaving are so high-minded. Mark Jones, a political scientist at Rice University, believes that Mr Straus “grew weary and tired of saving the Republican Party from itself, and not only not getting thanked for it, but getting blasted and attacked for it.”

During Mr Straus’s dozen years in office, Texas Republicans have marched further right. Mr Straus, by contrast, is a moderate. Though he worked for Ronald Reagan, Mr Straus drives a hybrid car and his wife served on the board of Planned Parenthood, which provides birth-control services (including abortions) in their hometown of San Antonio—both serious demerits in today’s Republican Party. He won repeated speakership elections with bipartisan support. As his state’s first Jewish Speaker, he weathered anti-Semitic attacks: one member of the state’s Republican executive committee urged members to support “a true, Christian conservative”. His departure illustrates the waning power of his party’s business wing, and presages

a bruising intra-party fight in Texas—for which much of the South ought to start preparing.

The party’s right wing is already celebrating. Matt Rinaldi, a member of the House Freedom Caucus who represents a suburban Dallas district, called Mr Straus “a terrible Speaker...almost totalitarian. He silenced the voices of the majority in the House.” Michael Quinn Sullivan, who heads a powerful conservative advocacy group called Empower Texans, said he was “happy...maybe now some pro-taxpayer initiatives can finally move forward.”

Straus’s blue period

Conservatives blame Mr Straus for failing to pass a bill that would have made it easier for citizens to veto a property-tax increase (because Texas has no income tax, local governments rely on property and sales taxes). In this year’s legislative sessions, he successfully opposed a school-voucher programme, measures to limit state- and local-government spending, a bill telling transgender people where they can pee and a bill that would have banned organisations that also provide abortions from receiving any tax money. Greg Abbott and Dan Patrick, the state’s governor and lieutenant-governor respectively, championed these measures, and fumed at Mr Straus after the session ended. With Mr Straus gone, these measures may pass in Texas’s next legislative session in 2019, as could a version of the bathroom bill.

Yet his retirement may put them in the same awkward position. With Mr Straus wielding the gavel, they could advocate—or in the case of Mr Patrick, who heads the Senate, pass—harmful legislation to burnish their social-conservative credentials, knowing it would never pass the House. Indeed, rumours in Austin suggest that Mr Abbott offered precisely that assurance to business leaders on the bathroom bill: Don’t worry, Joe will never let it through. If a social conservative runs the House, they will no longer be able to play both sides; they will have to disappoint either Republican activists or business.

Whoever replaces Mr Straus will probably be more conservative, if only because the median Republican has moved rightward. But his replacement is unlikely to be a bomb-thrower. Hard-right candidates may find themselves challenged early and strongly in next year’s elections. Mr Straus has a \$10m war-chest, and vows to “speak out [and] support responsible Republicans.” The business lobby looks likely to break with habit, and get involved in primary campaigns. Chris Wallace, president of the powerful Texas Association of Business (TAB), complains that this year’s radical agenda spearheaded by Mr Patrick was “among the most anti-business legislative sessions we can remember”.

While previously TAB only endorsed candidates, providing no financial support, it has realised its brand no longer carries the weight it did among Republicans. The association has revived its political-action committee to disburse funds to pro-business candidates, even if they challenge Republican incumbents. It is backing a challenger to a north Texas Republican senator who believes, among other things, that bike paths are part of a United Nations plot, that public schools provide “communist indoctrination” and that a previous opponent was controlled by Satan. Mr Wallace even left open the possibility of supporting a Democrat in the general election—a rarity for a business lobby.

Texas is so heavily Republican and redistricted that most races are won in the primaries. Republicans in Texas, and in much of the South, have become what Democrats were for most of the 20th century: the only party that matters. The biggest political fights are within, rather than between, the parties. Low primary-voter turnout gives outside power to committed activists. Mr Straus and other moderate Republicans identify reversing that trend as their biggest challenge.

Like Bob Corker and Jeff Flake, conservative but non-Trumpist US senators, Mr Straus had found himself on the edges of a party he once fitted solidly into. He leaves elected office without regrets. “I spent my time trying to promote good ideas and reaching across the aisle. I don’t apologise for that. More people ought to try it.” ■

Lexington | The great switcheroo

The Democrats will struggle to rebuild their white working-class base. But they must try



IT IS WORTH underlining, in a week dominated by reminders of the skulduggery that helped send Donald Trump to the White House a year ago, that the main reason for his victory was democratic. Mr Trump persuaded about 7m people who voted for Barack Obama in 2012, most of them white, working-class and malcontent, to vote for him. Many had not voted Republican before.

In north-eastern Pennsylvania, where Lexington went to talk to some of these switchers, the rush to Mr Trump was dramatic. A birthplace of trade unionism, the region's main towns, Wilkes-Barre and Scranton (which was also the birthplace of Hillary Clinton's father), were so Democratic that Republican gerrymanderers designed the 17th congressional district that contains them as a Democratic sink. Mr Obama won the district in 2012 by double digits. So did Mr Trump. "Soon as I went to vote and saw like 50 people queueing up, I knew it was over," says the barman at the Anthracite Café, a popular joint in Wilkes-Barre, with mining memorabilia on its walls and a vast lump of coal out front.

Obama-Trump voters represented only about 4% of the electorate. But because they were concentrated in the swing states of the industrial north-east and mid-west, they outweighed Mrs Clinton's more modest gains with groups such as the college-educated whites who migrated from the Republicans to the Democrats. They are the main reason Mr Trump won Michigan, Pennsylvania and Wisconsin, the states that sealed his victory. Both parties are now obsessed with them.

Republican strategists say that if they stay with Mr Trump he will be president until 2025. Considering the electoral advantages incumbents enjoy (and the improbability that he will be forced from office, no matter what Robert Mueller finds), they may be right. The Democrats are focused on the switchers in part for psychological reasons. Like amateur investors, political parties mourn their losses more than they look forward to future gains. Yet their concern is justified. In the mid-term elections, the Democrats need to pick up 24 seats to take the House of Representatives, and many of their likeliest gains are in places, such as Iowa and Pennsylvania, thick with Obama-Trump voters.

Democrats are planning a fusillade of messaging on the bread-and-butter economic issues they believe switchers care about most. A set of moderately populist economic positions floated by

Democratic senators (the party's nearest thing to a post-poll reckoning) was an early salvo. "These voters turned to Trump because they were desperate for economic change," says Matt Cartwright, the 17th district's Democratic representative. "Take away the economic anxiety and the bigotry and misogyny go away." Yet polling data offer little support for that.

Some switchers do seem open to persuasion. Almost 30% voted for a Democratic House candidate in 2016, which suggests both a residual tie to the party and how singularly Mrs Clinton was disliked. "She was the status quo and we wanted change," says Mark Mackrell, owner of a Scranton barbershop. The data also suggest Obama-Trump voters are less pessimistic and more regretful of their choice than the average Trump supporter—but only a bit. Just 16% lament their vote, compared with 6% of Trump supporters overall. As this might suggest, Trump fans' economic and cultural worries are not as separable as the Democrats hope.

Economic privation does not explain why so many working-class whites chose Mr Trump. The poorest picked Mrs Clinton. Indeed, analysis by the bipartisan Voter Studies Group finds no unifying attitude among Trump voters on any economic issue. Much likelier indicators of support for him were cultural and not pretty. They included support for his promised Muslim ban and a belief that white Americans were discriminated against.

As Arlie Russell Hochschild, a sociologist, has written, such biases are fuelled by anxiety about socioeconomic status in a changing America. Even as working-class whites find themselves working harder, for less reward, they look around and see women and non-whites on the rise—presumably at their expense, some conclude. This helps explain why there has been a steady flow of working-class whites from the Democrats, the champion of those rising groups, over the past two decades. Mr Trump's success was based on supercharging that pre-existing change, through his attacks on immigrants, Muslims and the trade deals that working-class Americans also decry.

For love or money

For Democrats to unwind their recent losses they would have to succeed where they have failed for two decades, against a party that has learned to press its advantage with crude brilliance. Even in the mid-terms, when Mr Trump will not be on the ballot, this may be harder than they think, judging by the campaign Ed Gillespie is running in Virginia's gubernatorial race. Formerly known as a pro-business conservative, he is airing ads that accuse his equally inoffensive Democratic opponent of being an enabler for a Salvadorean drug gang.

Even without Mrs Clinton weighing on their appeal, the Democrats will need more than a new economic message to respond to that. They must show they are sufficiently in touch with their lost voters' cultural worries to warrant a fair hearing. In a rematch against Mr Trump, that would be hard; the Democrats cannot refrain from condemning his bigotry without offending their other supporters. Yet they can promote more candidates with socially conservative views. They can try articulating the concerns of their constituent groups in the broadest terms: equal pay for women matters for economic competitiveness as well as fairness; criminal-justice reform would be fiscally responsible as well as just. It is a daunting task. But the alternative is to ask Obama-Trump voters to choose between cultural and economic anxieties, because neither party can address both. And, on recent evidence, culture wins that fight every time. ■

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Venezuela's debt crisis

Staying afloat, somehow

CARACAS

South America's insolvent left-wing champion has been the star of sovereign-bond markets. How long can it keep paying up?

THE mere mention of Venezuela should make most investors shudder. Its president, Nicolás Maduro, says that capitalism has “destroyed the planet” and vows to build a socialist Utopia. The country's economic output has shrunk by more than a third since 2014, and it is suffering from dire shortages of food and medicine.

Nonetheless, one class of Venezuelan assets has delivered returns in recent years that would leave any investor licking his chops: bonds issued by the government and by PDVSA, the state oil company. Since January 2015 they have risen in value by nearly 60%, while every coupon has been paid at sky-high interest rates. “There has never been a bondholder's better friend than Venezuela,” says Ray Zucaro of RVX Asset Management, a Florida-based investment firm.

The spectacle of foreign creditors growing fat off Venezuelan debt while the country's people go hungry—on average, respondents to a recent survey said their weight had fallen by 9kg (20lbs) during the past year—should eventually prove both politically untenable and financially unsustainable. Mr Maduro's government is indeed teetering ever closer to the brink of default. On October 27th PDVSA said it had made an \$842m principal payment. However, investors did not start to receive the money until November 1st, and intermediaries handling the transaction told clients to expect a transfer on November 2nd—

four days after the due date. Nomura, an investment bank, calls the episode a “near miss”. Another instalment, worth \$1.2bn, was also due on November 2nd. To fulfil these obligations, Venezuela has delayed more than \$700m of other payments, making use of a 30-day grace period.

As the insolvent government shuffles money from one pocket to another to stave off bankruptcy, investors expect the worst. The pricing of Venezuelan credit-default swaps corresponds to a 75% likelihood of some form of default within the next 12 months, and a 99% chance during the next five years. However, the markets have long underestimated Mr Maduro's commitment to paying up: in March 2015 they put the odds of a default in the following year

at 60%. And the same factors that have enabled Venezuela to stay afloat so far could help it to hang on for far longer than markets think is possible.

It is a testament to the magnitude of mismanagement in Venezuela that a country with more oil reserves than Saudi Arabia has reached such dire straits. During the presidency of Hugo Chávez, which began in 1999, the government systematically dismantled the private sector. He expropriated thousands of businesses, established byzantine controls on consumer prices and foreign exchange, let cronies loot the public purse and turned PDVSA, once a cash cow, into a make-work scheme. When he died in 2013 high petroleum prices still covered up the economy's rotting foundations. But the oil boom ended the following year, leaving Mr Maduro, a former bus driver whose main qualification for office was his loyalty to Chávez, to run a country in economic free-fall. Mr Maduro doubled down on Chávez's policies, turning a grim situation into a humanitarian crisis.

To finance the government's domestic bills, Mr Maduro has revved up the printing presses, setting off a bout of hyperinflation. Venezuela's foreign creditors, however, require payment in hard currency. As the country's export revenues collapsed from \$98bn in 2012 to a mere \$29bn this year, the government has let the brunt of the adjustment fall on imports—even of necessities such as bread and toilet paper.

Venezuela's surprising rectitude as a debtor stems from an unlikely confluence of factors. No democratic government could ever plunge its people into penury and hope to stay in power. Mr Maduro, however, has dispensed with any pretence of legitimacy: in August he installed a “constituent assembly” as a sham parliament to replace the opposition-controlled national assembly. His security forces have re-▶▶

Good while it lasts



Sources: Central Bank of Venezuela; Thomson Reuters



sponded harshly to street protests: according to the UN, they have killed at least 46 people in 2017. In general, cash-strapped countries turn to the International Monetary Fund for loans during financial crises. However, Chávez withdrew from the Fund in 2007, and it would presumably require Mr Maduro to institute sane policies in exchange for its assistance.

Given the president's leftism, his most ideologically consistent option would be to stop paying, as Argentina did in 2001. Unlike Argentina, however, Venezuela is a petro-state, with valuable assets abroad. PDVSA owns Citgo, an American refiner, as well as tankers that dock at foreign ports. If Venezuela defaults, international creditors will try to seize those assets. That in turn could bring PDVSA's operations—and by extension whatever remains of the Venezuelan economy—to a halt.

Even though Mr Maduro appears dead-set on avoiding default, he is still struggling to cobble together enough hard currency. The biggest reason the government has stayed current so far is largesse from foreign patrons. During the past decade China has lent Venezuela more than \$50bn, and accepts repayment in oil. Russia has also made a series of emergency loans to PDVSA, often just before sovereign-bond payments were due. In April Rosneft, an oil company whose majority owner is the Russian government, lent PDVSA \$1bn. In return, according to an investigation by Reuters, a news agency, it has been offered partial-ownership of as many as nine Venezuelan oil projects.

What can't go on

How long can Venezuela continue to make good on its obligations? On one hand, the country appears to be running out of financial wriggle room. Its foreign-currency reserves have dwindled from a high of \$43bn in 2008 to just \$10bn now, much of it in the form of solid gold ingots. By next year, they are expected to fall to just \$2.4bn.

Moreover, the logistics of payment are growing increasingly difficult. As Mr Maduro has pushed the country into overt dictatorship, the United States has responded with sanctions. American entities are banned from doing business with dozens of senior government figures, including

the president, vice-president, attorney-general and economy minister. They are also prohibited from dealing in new bond issues by Venezuela and PDVSA. Both measures appear to have spooked compliance officers in international banks, the more cautious of whom are advising against all dealings with Venezuela.

Nonetheless, if Venezuela had to live within its domestic means, it would have gone bust already. The recent recovery in oil prices, which now exceed \$50 a barrel, could delay the government's day of reckoning. And if Venezuela does fall behind on payments, its creditors may prove surprisingly flexible. Seeking redress from a Venezuelan default would be extraordinarily complicated. The complex ownership structure of PDVSA, a sprawling conglomerate, is likely to cause long legal battles over which assets belong to which entities. And because PDVSA has become indistinguishable from the Venezuelan state, even small holders of its bonds—which lack “collective-action clauses” that prevent individual creditors from holding the majority to ransom—might be able to press cross-claims against the government.

In Argentina's case, litigious bondholders managed to block Argentina's payments on its restructured debt nine years after those bonds were issued. With that experience fresh in mind, many creditors may prefer to cut Venezuela some slack and continue to collect what they can.

Even if bondholders do play tough, Venezuela's allies could come to its rescue. According to Monica de Bolle of the Peterson Institute, a think-tank in Washington, both China and Russia “want to string this along”. The cost of maintaining Venezuela's debt performance is trivial relative to the size of those governments' budgets. In exchange they both gain a lasting foothold in a country with vast energy reserves, and get to vex Donald Trump by propping up an anti-American regime just 1,300 miles from the mainland United States.

That geopolitical equation might change if Mr Maduro were toppled. But bets on his ousting have so far proven just as fruitless as bets on default. His constituent assembly may draft a new constitution that will secure him in power. And the opposition, a fragile coalition of parties united only in their determination to defeat him, began to fracture visibly last month, following a rout in elections for state governorships (which appear to have been partly rigged by the government). Two of its best-known leaders, Henry Ramos Alup and Henrique Capriles, exchanged insults during consecutive press conferences.

Mr Zucaro predicts that the opposition's “cannibalistic” tendency will keep Mr Maduro in office, and that investments in the black sheep of sovereign-debt markets will continue to pay off. He declares: “I don't think the party is over yet.” ■

Innovation in Canada

The founding of Maple Valley

TORONTO

How Canada's unique research culture has aided artificial intelligence

ROBOTS controlled by remote supercomputers. Self-driving cars on narrow, winding streets. Board-game players of unimaginable skill. These successes of artificial intelligence (AI) rely on neural networks: algorithms that churn through data using a structure loosely based on the human brain, and calculate functions too complex for humans to write. The use of such networks is a signature of firms in Silicon Valley. But they were largely invented not in California but in Canada.

How did this breakthrough emerge from the land of moose and maple syrup? Canada cannot compete with America in research funding. Instead, it has made a virtue of limited resources, developing an alternative model of innovation based on openness to unorthodox ideas.

The roots of Canada's contributions to AI reach back decades. In 1982 Fraser Mustard (pictured, centre), a doctor, founded the Canadian Institute for Advanced Research (CIFAR). He envisioned it as a “university without walls”, in which researchers could work across disciplines. Funded by the Canadian government, CIFAR encouraged its fellows to share their best ideas rather than guarding them jealously.

Five years later Geoffrey Hinton, an English polymath, joined CIFAR and began work on the primitive field of neural networks. After a long hiatus, he returned in 2003 to set up a CIFAR group dedicated to neural networks, called Neural Computation and Adaptive Perception (NCAP). NCAP included Sebastian Thrun, who later founded the arm of Google that researches “moonshot” technologies; Terry Sejnowski, a prominent neuroscientist; and Jeff Hawkins, who invented the Palm Pilot. ▶▶



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▶ NCAP, now called Learning in Machines and Brains, funds researchers from all over the world, not just Canada. It does not require them to work in the same place. But by providing them with modest financing and a framework for collaboration, it has created a breeding ground for out-of-the-box ideas. Mel Silverman, who ran NCAP for CIFAR, remembers a young member scrawling equations on a whiteboard that were intended to be a mathematical description of consciousness.

Before long, NCAP began to produce a stream of the most cited research in AI, and its members spread to leading firms. In

2006 Mr Hinton published a paper with Ruslan Salakhutdinov, who now leads Apple's AI efforts, showing that neural networks can simplify complex models down to just a few variables. Six years later, two of Mr Hinton's students used neural networks to win an image-recognition contest with a system twice as accurate as the runner-up. Google hired both of them.

Canada's open-information strategy makes it hard for the government to measure the return on its investment. Nonetheless, the soft benefits are clear. In June a new research lab called Element AI raised \$102m. In recent months Google has set up

an office in Toronto, and Facebook and Samsung have opened AI labs in Montreal.

CIFAR's model has worked for topics other than AI, though not to the same extent. One project is exploring how interactions between genes and the environment affect human development; another focuses on the network of bacteria in the human gut, which is important for health. Neither has yet yielded an industry-changing technology like neural networks, but both have that potential. The coming years will show whether Canada got lucky with NCAP, or whether its unique approach to innovation will continue to bear fruit. ■

Bello | Learning from Lázaro

Mexico's presidential front-runner misunderstands his leftist role model

WHEN Latin America zigs, Mexico seems to zag. In the mid-2000s a political "pink tide" swept left-of-centre leaders into power across the region, while Mexico elected two conservative presidents. Now that tide has ebbed, as Brazil, Argentina, Peru and others have swung to the right. But Mexico may again prove an exception. The front-runner in its presidential contest in 2018 is Andrés Manuel López Obrador, a left-wing populist.

He is no policy wonk, and prefers fiery speeches to ten-point plans. As mayor of Mexico City from 2000 to 2005, he focused on motorways and local pensions. Even so, it is hard to predict how he might govern as president. He lists three former presidents—Benito Juárez, Francisco Madero and Lázaro Cárdenas—as his heroes. Of these, Cárdenas, Mexico's foremost leftist, appears uppermost in his mind.

Tata ("Papa") Lázaro is remembered above all for two achievements. In 1938 he seized British- and American-owned oil fields, and nationalised the industry. He also enacted large-scale land reform, breaking up big estates into *ejidos*, or peasant collectives. These policies have proved durable. The state still controls almost all of Mexico's oil, and *ejidos* remain throughout the countryside.

Both issues sit near the top of Mr López Obrador's agenda. He denounces recent reforms to open the energy industry to private firms as the work of traitors, and has called for a referendum on fully returning the oil sector to the state. In his book, "2018: The Way Out", he lauds the price floors Cárdenas set for basic crops, which he hopes to reinstate in order to make Mexico self-sufficient in agriculture.

Yet Mr López Obrador seems to misunderstand how his idol left such a lasting legacy. Cárdenas had a keen sense of what his son, Cuauhtémoc, has called



"the distinction between the popular and the populist". Tata Lázaro sought to reduce social division, not augment it. He seldom incited hatred against rivals, and pardoned 10,000 people who had risen up against the state. Mr López Obrador, in contrast, is less fond of unifying gestures. As mayor, he mocked anti-kidnapping protesters as *pirruris* ("rich kids").

Cárdenas was also a proud institution-builder. When he took office, his party was little more than a clique of generals from the Mexican Revolution. He transformed it into a movement with 4.3m members, which would become the Institutional Revolutionary Party (PRI) and hold power until 2000. In 1940, rather than cling to power or appoint a radical ally, the Marx-reading president picked a moderate successor. That set the stage for decades of political stability and economic growth, and entrenched the principle of a single presidential term with no re-election that Mexico still abides by. The PRI was certainly corporatist and undemocratic. But as a system stronger than the people who ran it, it was unique in Latin America—at least until it unravelled into corrupt incompetence.

Mr López Obrador could not be more different. He has undermined Mexico's democratic institutions. After a narrow defeat in the presidential election of 2006, he refused to concede, claiming without evidence that the result was fraudulent. He declared himself the "legitimate president" and led protests for weeks.

He also has little use for political parties. After twice running as the presidential candidate of the Party of the Democratic Revolution, which was founded by Cuauhtémoc Cárdenas, he ditched it in 2012 to form Morena, a new left-wing party, purely as a vehicle for his candidacy. He is unlikely to enjoy a legislative majority if elected, and his confrontational manner will make it difficult for him to find allies for his policies.

Abroad, Mr López Obrador pledges to act "like the older brother in Latin America", not the obedient younger brother of the United States. However, Cárdenas based his oil expropriation on cool calculation as well as nationalist zeal. He correctly anticipated that Franklin Roosevelt would be wary of driving Mexico towards Germany, ensuring that any retaliation would be limited. If elected, Mr López Obrador will face a much tetchier antagonist. In February he described Donald Trump as an "irresponsible neo-fascist", a slight the thin-skinned American president is unlikely to forget.

If efforts to revise the North American Free-Trade Agreement somehow satisfy Mr Trump, Mr López Obrador still vows to revisit any deal he finds "unfair". And not all Mexican presidents have enjoyed Cárdenas's good luck in tussles with Uncle Sam. A border dispute manufactured by the Americans in 1846 ended with Mexico losing half of its territory. The longer view shows that picking fights with the United States carries risks as well as rewards.



The stand

ALMOLONGA, GUATEMALA

Protestantism shaped the development of the modern liberal West. What does its current revival mean for the developing world?

IN THE summer of 1974, a 26-year-old Mayan villager lay drunk in a town square in the Guatemalan highlands. Suddenly he heard a voice that was to change the course of his life and that of his home town, Almolonga. “I was lying there and I saw Jesus saying, ‘I love you and I want you to serve me’,” says the man, Mariano Riscajche. He dusted himself down, sobered up and soon started preaching, establishing a small Protestant congregation in a room not far from the town’s ancient Catholic church.

Half a millennium earlier, a 33-year-old German monk experienced something similar. At some point between 1513 and 1517, Martin Luther had a direct encounter with God and felt himself “to be reborn and to have gone through open doors into paradise”. His moment of being born again was private. The day on which he is said to have nailed a list of 95 complaints about ecclesiastical corruption to the church door in Wittenberg, Saxony—widely thought to have been October 31st 1517—made the private public and, soon, political. A mixture of princely patronage, personal stubbornness and chance led what could have ended up as just another minor protest in a remote corner of Europe to become a global movement.

At the heart of this Protestant faith were, and are, three beliefs resting on the Latin word for “alone”: *sola fide* (that people are saved by faith in Jesus alone, not by anything they do); *sola gratia* (that this faith is given by grace alone, and cannot be earned); and

sola scriptura (that it is based on the authority of the Bible alone, and not on tradition or the church). In a way that complemented the broader themes of the Renaissance, Luther wanted Christianity to go back to the “pristine Gospel”: the teachings of Jesus and the apostles. This return offered a new sort of freedom, one centred on the individual, which helped pave the way for modernity. “The separation of powers, toleration, freedom of conscience, they are all Protestant ideas,” says Jacques Berlinerblau, a sociologist at Georgetown University.

A safe stronghold

Protestantism continues to change lives today; indeed, over the recent decades the number of its adherents has grown substantially. Since the 1970s, about three-quarters of Almolonga’s 14,000 residents have converted; more than 40% of Guatemala’s population is now Protestant. Its story is a microcosm of a broader “Protestant awakening” across Latin America and the developing world. According to the Pew Research Centre Protestants currently make up slightly less than 40% of the world’s 2.3bn Christians; almost all the rest are Roman Catholics. The United States is home to some 150m Protestants, the largest number in any country.

In Luther’s native Germany roughly half the Christians follow his denomination. But today Europe accounts for only 13% of the world’s Protestants. The faith’s home is the developing world. Ni- ▶▶



“It insists on an act of personal decision”

For some sociologists, such ideas evoke the ghost of Max Weber, whose book, “The Protestant Ethic and the Spirit of Capitalism”, published in 1905, posited that modern capitalism was the unintended consequence of an “inner-worldly asceticism” in early modern Protestantism. Such people made money but did not spend it, creating a thrifty, hard-working, literate, self-denying citizenry who drove forward the economies of their countries.

Few economists these days put much stock in Weber’s views. They point out that there was plenty of proto-capitalism—in 13th-century Italian city-states, for instance—before the Reformation, and the development of its modern form was influenced by many other factors. Today the idea seems out of date: the borders that once ensured an overlap between national markets and economic moralities have given way to capital flows and a consumer culture in which unrestricted gratification seems to be the norm.

Yet some hear echoes of Weber’s ideas in Pentecostalism’s growing social influence. “In Guatemala the Pentecostal church is just about the only functioning organisation of civil society,” says Kevin O’Neill of the University of Toronto. Almost all the drug-rehabilitation centres in Guatemala City, of which there are more than 200, are run by Pentecostal volunteers. Throughout Latin America, there are hints of the faith’s socioeconomic impact. A recent study of Brazilian men by Joseph Potter of the University of Texas and others found that Protestant faith was associated with an increase in the earnings of male workers over a 30-year period, especially among less educated people of colour.

In Almolonga itself, in the first decade of this century, farmers on average earned twice as much as those in the next village, where Protestantism had not taken off. Sceptics attribute this to the more fertile soil or new methods of farming. But according to Berger, “Max Weber is alive and well and living in Guatemala.”

geria has more than twice as many Protestants as Germany. More than 80m Chinese have embraced the faith in the past 40 years.

There are many ways to be a Protestant, from the quietist to the ecstatic. The fastest-growing varieties tend to be the evangelical ones, which emphasise the need for spiritual rebirth and Biblical authority. Among developing-world evangelicals, Pentecostals are dominant; their version of the faith is charismatic, in that it emphasises the “gifts” of the Holy Spirit, held to be a universally accessible and sustaining aspect of God. These gifts include healing, prophecy and glossolalia. According to the World Christian Database at Gordon-Conwell Theological Seminary in Massachusetts, Pentecostals and other evangelicals and charismatics account for 35% of Europe’s Protestants, 74% of America’s and 88% of those in developing countries. They make up more than half of the developing world’s Christians, and 10% of all people on Earth.

Changed lives change places. Almolonga’s Pentecostal believers have brought new energy to their town. Where once the prison was full and drunks slumped in the streets, there is now a buzz of activity. A secondary school opened in 2003; it sends some of its graduates, all members of the indigenous K’iché people, to national universities. “We want one of our students to work at NASA,” says Mr Riscajche’s son, Oscar, who chairs the school board.

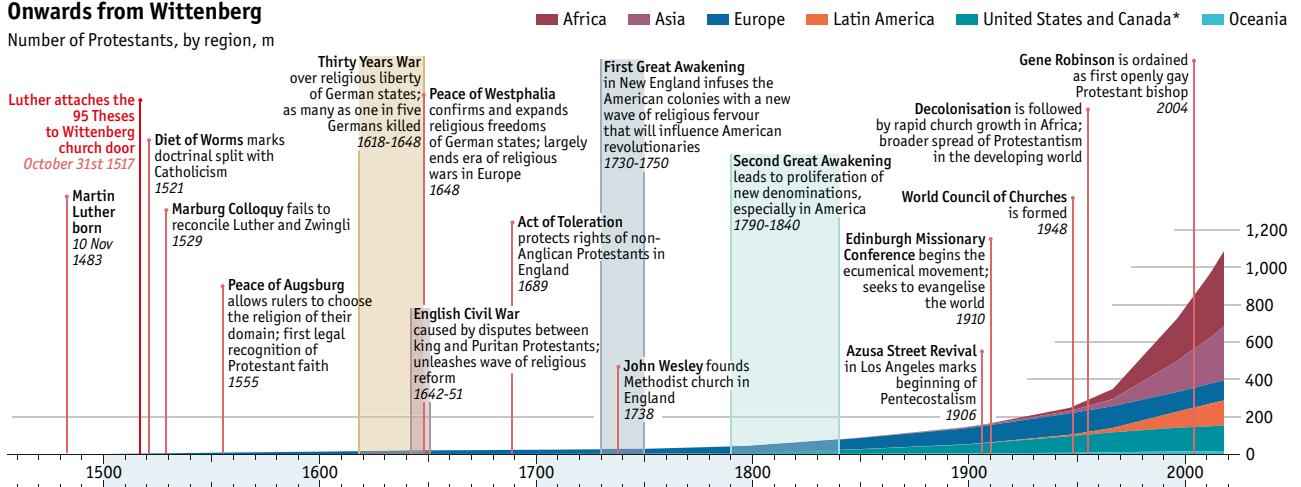
Scholars have been surprised by the developing world’s Protestant boom. K.M. Panikkar, an Indian journalist, spoke for many when he predicted in the 1950s that Christianity would struggle in a post-colonial world. What might survive, he suggested, in both Protestant and Catholic forms, would be a more modern, liberal form of the faith. The Pentecostal expansion proved him quite wrong. Peter Berger of Boston University, a leading sociologist of religion (who died this summer), saw it as a key part of a wider “desecularisation” of the world.

To some extent, this growth of Pentecostalism among the global poor marks a loss of faith in political and secular creeds. As Mike Davies, an American writer and activist, put it in 2004, “Marx has yielded the historical stage to Mohammed and the Holy Ghost.” But it is worth noting that between 2000 and 2017 the 1.9% annual growth in the number of Muslims was mostly due to an expanding population, whereas a significant part of Pentecostalism’s expansion of 2.2% a year was due to conversion. Half of Latin America’s Protestants did not grow up in the faith.

Their emphasis on personal experience makes Pentecostalism and similar beliefs culturally malleable; their simplicity and ability to dispense with clergy gives them a nimbleness that suits people on the move. They tend to erode distinctions of faith based on ethnicity or birthplace. To Berger, that made this sort of Protestantism a modernising force. It is, he argued, “the only major religion which, at the core of its piety, insists on an act of personal deci-

Onwards from Wittenberg

Number of Protestants, by region, m



Sources: World Christian Database; The Economist

*Includes Greenland and Bermuda

II How a turbulent monk turned the world upside down

LUTHER was an accidental revolutionary. He was not trying to modernise his world but to save it. Had he become a lawyer, as his father wanted, Christendom—the European order organised by its rulers along lines largely set by the church—might have evolved very differently. The church might have reformed more from within; it might have fractured even more deeply than it did.

It was change from within that Luther wanted. Having entered an Augustinian monastery, he went on to teach at the University of Wittenberg. He still believed in Christendom, but his experience of God persuaded him that the church was getting it wrong.

In 1521, at the Diet of Worms—an assembly called to discuss Luther's teachings presided over by the Holy Roman Emperor, Charles V—Luther was asked to recant his heretical view that men and women are saved by the grace of God alone. He replied that he could do so only if the Bible could be shown to prove him wrong. "My conscience is captive to the word of God. I cannot and I will not recant anything, for to go against conscience is neither right nor safe." He may or may not have then said the words "Here I stand. I can do no other." But that is the phrase that went on to define him and his faith.

Some who of those who took Luther's Reformation further were better at systematising the faith. By the 1550s John Calvin had turned Geneva into a model Protestant city. Others were holier and shrewder. But few were such prolific agitators. Luther was responsible for more than a fifth of the entire output of pamphlets from the empire's newfangled printing presses during the 1520s. "Every day it rains Luther books," sighed one churchman. "Nothing else sells."

Cantankerous and fiercely anti-Semitic, Luther was far from otherworldly. He abandoned his vows of chastity and entered an affectionate marriage, swore freely, drank eagerly and referred frequently to the state of his bowels. He was by no means a democrat, but his ideas had a huge political impact. In 1596 Andrew Melville, a Scottish Presbyterian, explained Luther's doctrine of the "two kingdoms" to his king, James VI. In one kingdom James was a king, ruling in earthly pomp. But in the other, the kingdom of Christ, James was "not a king, nor a lord, nor a head, but a member"—the same as anyone else.

To begin with, Luther and other Protestants were keen that church and state should continue to be bound together—just with much clearer lines between their realms of authority. Keeping the state out of the church's business meant clerics lost the power to suppress heretics by force. But Luther was content with that. He insisted that heresy should be fought from pulpits and in pamphlets, not by coercion. "Let the spirits collide," he wrote. "If meanwhile some are led astray, all right, such is war."

The result was a fissile movement. Protestantism's first split was between the "magisterial" reformers, such as Luther and Calvin, who believed in national churches backed by state power, and the "radical" reformers, such as Anabaptists—men and women who wanted to form their own separate, perfect communities without waiting for the world to catch up with them. Those in the second group were often millenarians who believed in the imminent return of Jesus, John Milton's "shortly expected King". It is partly from this wing of the faith that the Pentecostal, evangelical and charismatic strands of modern Protestantism have grown.

The division in Protestantism had political repercussions. The German Peasants' Revolt in 1524-25 was led by men who denounced serfdom as incompatible with Christian liberty and said they would desist only if they could be proved wrong on Biblical grounds. Luther was shocked at what he had unleashed, penning a pamphlet entitled "Against the Robbing and Murdering Hordes of Peasants". But it was too late. The sects would not do as they



were told. If God had spoken to them directly through his word, what was there to fear from kings and bishops?

Though the magisterial reformation triumphed in the transformation of northern European establishments from Catholic to Protestant, it was the longer-term triumph of the radical reformation that arguably had the deepest effects, in northern Europe and elsewhere. The new Protestant sects' insistence that they be free to practise their faith did not extend to others—notably Catholics—seeking to practise theirs. But it did open up some space for the toleration and freedom of conscience that eventually helped create the principle of limited government. Milton's "Areopagitica" of 1644 urged freedom of thought and freedom to publish. Uncensored printing offered the possibility of choice, ending the state church's monopoly on opinion-forming.

Protestant toleration was good for business, too. The Calvinist Netherlands of the late 16th century became the world's richest society as Huguenots, Jews and other hard-working refugees from Catholic lands flooded in. "The really radical twist that Protestantism added was the idea of human spiritual equality having a political consequence," says Alec Ryrie of Durham University, author of "Protestants", the best recent history of the faith.

This played out in the aftermath of the English civil war when religious groups such as the Diggers and the Levellers demanded universal male suffrage and common ownership of the land. In 1647 one of them, Thomas Rainsborough, said in the Putney debates with Oliver Cromwell, the Puritan who had led parliament, that "The poorest man in England is not at all bound in a strict sense to that government that he hath not had a voice to put himself under." The Diggers were dispersed, but the idea that equality before God implied full democracy took root.

The dispossessed, reclaiming what was theirs

The resistance of dissenters impressed John Locke, an English philosopher with strong Protestant roots. Their stand influenced his writings on freedom of conscience, which were to form the foundation for English liberalism, and the Toleration Act of 1689, which formalised the legal acceptance of nonconformist sects. The participatory ways in which nonconformist churches often chose their leaders eventually filtered through to society in general. "Churches were schools of democracy," says David Martin, a British sociologist of religion.

If people were to find Bible-based salvation independent of the clergy, literacy was indispensable. By 1760 about 60% of England's men, and 40% of its women, were able to read. Protestant ►►

education provided opportunities for social mobility, improved the status of women and fostered economic growth. Elie Halévy, an influential early 20th-century French historian, believed that Methodism helped 18th-century England avoid a revolution of the sort that later befell France by educating the lower classes and bringing about social reform. This admiration was not universal: Britain's pioneering Marxist historian of the working class, E.P. Thompson, considered Methodism to be a "ritual form of psychic masturbation".

Before the Toleration Act and other developments made Britain and northern Europe more amenable to radical Protestantism, many seeking religious freedom had crossed the Atlantic to secure it. A strong tradition of radical Protestantism became a feature of the American colonies and the subsequent history of the United States, refreshed from time to time by revivalist "great awakenings". That America became the fullest example of limited government enshrined in law is in large part a consequence of its Protestant settlement. The truths the Founding Fathers held to be self-evident had not seemed so to anyone before the Reformation.

Like Roman Catholics, Protestants sought to bring their faith to other peoples, too. The motives for this were mixed, the respect for indigenous cultures often scant and frequently nonexistent and some of the results disastrous. That said, Robert Woodberry of Baylor University in Texas has mounted statistical arguments that former colonies where evangelical (what he calls "conversionary") Protestant missionaries were active have become more democratic. He attributes this to mass education, religious liberty and a legacy of voluntarism.

In the colonies and Europe alike, Protestant Christianity brought bloodshed and persecution aplenty. Protestants and Catholics burned each other at the stake. During the Thirty Years War, fought mainly between Protestant and Catholic states, 8m people died. Britain, with its established Protestant church, did more than any other country to build up the trade that shipped some 12m people across the Atlantic in chains; Protestant America whipped the slaves thus delivered to work. In the 20th century the

apolitical attitude inherent in Luther's "two kingdoms" approach led German Protestants to believe they should not interfere with the state even when power fell into Nazi hands. Many were "either complicit or indifferent as unimaginable crimes were committed around them", says Mr Ryrice.

Throughout, Protestants had an almost comical capacity for hypocrisy of all kinds. It could be seen not just in their vices, but also their virtues—particularly a rather selective toleration. The respect for their religious rights that 16th-century Mennonites demanded from the Dutch Republic was not extended to dissenters within their own ranks. By 1600 there were at least six Mennonite groups in the country. They hated each other with a passion.

III How far from the tree can the fruits of the spirit fall?

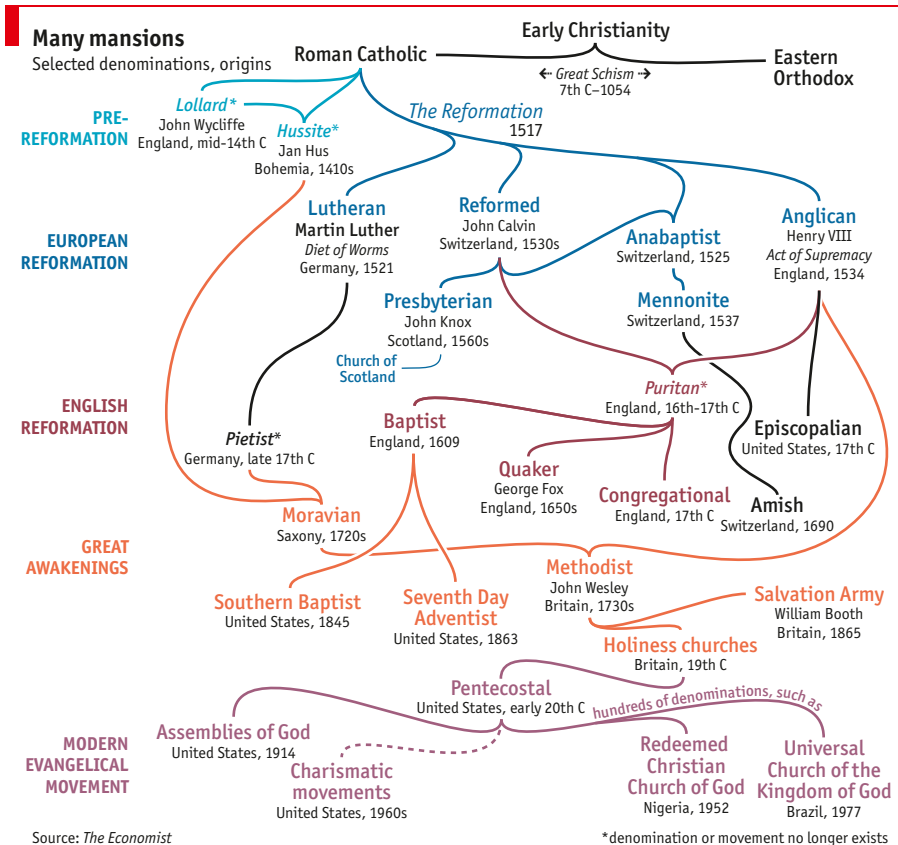
PROTESTANTISM'S fissiparous tendencies persist. When searching for Mr Riscajche's church in Almolonga, the Evangelical Church of Calvary, your confused correspondent thought he had arrived when he discovered the Mount Calvary Church. Not at all the same thing, it turned out. Almolonga, small though it is, has at least a dozen Pentecostal churches. But if the individual congregations for each are small, their cumulative effect is not.

Until the 1970s Guatemala was a staunchly Catholic country. When Protestant aid agencies rushed in after a massive earthquake in 1976, the faith gained a substantial foothold. After the country's bloody civil war ended in 1996 it spread as if unshackled. Guatemalans took to the faith for many reasons, says Virginia Garrard of the University of Texas, but upheaval had a lot to do with it. The civil war represented a definitive break with the past: when so much had been destroyed anyway, losing your Catholic heritage meant less. At a time of painful economic dislocation, people who felt that Catholicism and liberation theology had

failed them turned to an aspirational faith that promised a new upward mobility. With a low bar to entry and almost no hierarchy, new Pentecostal churches matched the entrepreneurial spirit of the times.

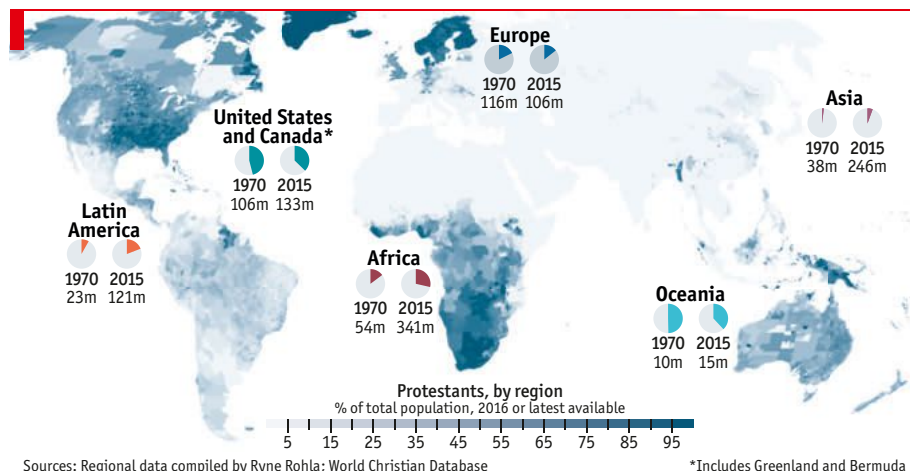
The message has resonated elsewhere. In South Korea, the Protestantism that accompanied the country's dizzying economic rise was an expression of Korean nationalism. In China, a modernising population is looking for a moral framework to go with its new mobility. Yang Fenggang of Purdue University predicts that there could be at least 160m Protestants in China by 2025. He expects the country will soon be home to more Protestants than America.

As in early modern Europe, women in developing countries have often been especially affected by Protestantism. Having studied churches in Colombia, Elizabeth Brusco, author of "The Reformation of Machismo", was surprised to find that evangelicalism was a women's movement "like Western feminism", explaining that "it serves to reform gender roles in a way that enhances female status." Male Colombian converts had previously spent up to 40% of their pay in bars and brothels; that money was redirected to the family, raising the living standards of women and children. Tem- ▶▶



Source: The Economist

*denomination or movement no longer exists



▶ perance helped employment, too. Scholars also argue that the voice this has given women helps consolidate democracy; Mr Martin sees parallels with England's 19th-century Methodists.

That does not mean the faith is egalitarian. Pentecostalism reforms traditional gender roles rather than abolishing them; it tends to be robustly patriarchal, and profoundly intolerant of homosexuality. But a sober patriarch committed to a moral code that, crucially, treats domestic violence as sinful can provide stability. An acceptance of birth control also eases women's lot.

More stable, economically active households and well-knit communities have undoubtedly made places like Almolonga more agreeable for most who live there. But what effect do they have on a grander scale? Can they remake not just villages but whole countries and their economies?

Pentecostals have traditionally been suspicious of politics as too "worldly" and of development work as too long-term. But in Guatemala and elsewhere some are now mobilising for social change. Witness a rap battle in a community hall in one of the areas of Guatemala City known as "red zones". Teenagers take it in turns to get up on stage and rap against each other, with judges deciding who goes through to the next round. The event has been organised by Angel, a local man who joined one of the city's notorious gangs when he was 14. By the age of 22, he had shot "a lot of people", he says. When he found himself about to be executed by a rival gang, he called out to God for help; he escaped death and was born again. For the past ten years, in a typically Pentecostal bottom-up initiative, he has been saving kids from gangs.

As yet, it is hard to see a broader impact from these individual transformations. Guatemala remains poor and desperate. Many people do not vote or pay tax; only a tiny fraction of murder investigations lead to convictions. The country lags behind the rest of Latin America on many development indicators. "Guatemala tests the limits of religion as an agent of change," says Kevin O'Neill of Toronto University. "It's not that the religion is ineffectual. It has changed a lot in society. It's just that it has not changed things measurable by the metrics we use, such as security, democracy and economy."

Perhaps the sort of change that can be measured will arrive in due course. Guatemala's history has left it poor and oligarchic. "Five percent of the population controls 85% of the wealth," says Mr O'Neill. More than three-quarters of the cocaine from South America heading for the United States now passes through it; many gang members have been deported from Los Angeles. Any soci-



"The leaders of the opposition were churchmen"

ety, never mind one recovering from a 36-year civil war, would struggle. "Guatemala is like a 400lb man who has lost 100lb in weight. He is getting better, but he is still in a bad state," says Ms Garrard, who first visited in 1979. She ascribes much of the progress to the churches.

But it may also be that there are limits to 21st-century Protestantism's capacity for large-scale reform. For one thing, it is largely a faith at the margins of society. In the places where Protestantism made its clearest mark in early modern Europe it took root in the bourgeoisie, among people of influence. A classic example is William Wilberforce, a British politician whose legislation banning the slave trade stemmed from his evangelical beliefs. Moreover, northern Europe's Protestants lived in countries that already had clear property rights and the rule of law. By contrast, Protestants in the developing world are often among the poorest members of society, living in places with endemic corruption.

The otherworldly nature of Protestantism does not help. Believing in imminent apocalypse militates against strong social engagement. The ship is sinking; rather than try to fix it, Pentecostals want to get as many people as possible into the lifeboats. "What Guatemala needs is tax reform, voter registration, microloans, community organising," says Mr O'Neill. But "people are just sitting there praying."

That is not entirely true. "We know we need to change the system," says Cash Luna, pastor of Casa de Dios, one of Guatemala's half-dozen megachurches. "We pay our taxes and we encourage our congregation to do the right thing," he says. The church also tries to mediate in the city's gang warfare (Angel is a member) and holds classes for policemen on how to engage better with the public. Pentecostals took part in the anti-corruption movement that brought down the country's president in 2015. But Protestant involvement in Guatemalan politics has been messy, and plentiful compromises have dragged the faith into disrepute.

Protean politics

Unlike Catholics, Pentecostals have no unified theology of the state, nor any well-formulated programme for sociopolitical reform. To the extent that they are political at all, they merely think that their co-religionists should be elected and that their countries should be Christian.

In many places they lean to the right. Efraín Ríos Montt, who took control of Guatemala in a coup in 1982—and thus became the country's first Protestant leader—waged the civil war as a fierce anti-Communist. He was responsible for the deaths of tens of thousands of people, 80% of them indigenous Mayans; for some, Protestantism became a survival strategy. At the same time many Nicaraguan evangelicals supported the left-wing Sandinista government. In Brazil many of the country's new evangelicals supported Lula, a left-wing president, in the 2000s. The movement's political engagement there has not gone well. One pastor talks of the problem being "a church without a tradition... and an incapacity to think Christianly about society."

It might be argued that the faith has been politically more successful in opposition than in power. Protestant churches, in particular the historic denominations established by missionaries, were instrumental in apartheid's downfall in South Africa. Similar stories abound. "In Kenya during the 1980s, when all opposition activity was banned, the leaders of the opposition were, in effect, churchmen," says Paul Gifford, emeritus professor of religion at the School of Oriental and African Studies in London.

But there were Protestants on the other side, too: apartheid was underpinned by the Dutch Reformed Church. Besides, the time ▶▶

► for such opposition has largely passed, and the churches that offered it have not themselves become more democratic. Their leaders, including Desmond Tutu, a South African clergyman and theologian, have admitted that they have not adapted as well as the less hierarchical Pentecostal churches to the post-apartheid order. “We knew what we were against,” says Mr Tutu. “It is not nearly so easy to say what we are for.”

Early Protestantism tended to play down possessions. Luther himself called worldly success a sign of God’s displeasure. The wealth observed by Weber was treated to some extent as an unintended consequence of its possessors’ Calvinist faith. But in the “prosperity Gospel”, a recent export from the United States, wealth is very much the intention. Many of the new generation of pastors tell their flocks that God does not want them to be poor.

In Africa, many Pentecostal churches are concerned with “this-worldly” victory, says Mr Gifford. In Nigeria congregations with names like the “Victory Bible Church” hang banners saying things like “Success is my Birthright”. One of Nigeria’s best known pastors, David Oyedepo, whose church has been attended by the country’s presidents, says that Christians must be rich. Such preachers suggest that “planting seeds” (giving money to the church) will bring a harvest of its own, and that wealth is proof of God’s love. God must love Mr Oyedepo a lot; the Nigerian press reports that he is worth more than \$150m and owns four private jets.

IV What Protestants do best is protest

IN 1882 Friedrich Nietzsche, a philosopher raised in Saxony as the son of a Lutheran minister, declared that God was dead. The vibrant spiritual lives of billions would seem to give this the lie. But in 20th-century Europe, at least, there seemed to be some truth to it; and a fair bit of the blame, or credit, fell to the Reformation. In helping to shape the West, Protestantism sowed the seeds of its own destruction. In giving people space to believe what they wanted and choose what sort of life to lead, it allowed them to stop believing at all and choose something else. And it has not fought as hard to resist this trend as some faiths might. After all, the whole point of Protestantism is that, in Mr Ryrie’s words, “it values the personal and the private over the political and the public.”

One effect of European (and, to some extent, American) secularisation is that old religious divisions are healing. There is still sectarian prejudice in parts of Europe, but much less than there

was. And Protestantism is also less distinct than it was. According to the Pew Research Centre, 46% of American Protestants say faith alone is needed to attain salvation—the basis of Luther’s stand—but more than half now believe that good deeds are needed, too.

As interdenominational divisions have healed, some individual churches have started to fall apart. In the Anglican communion, which contains the Church of England and many of its offshoots, homosexuality is driving a wedge between believers in the northern hemisphere, many of whom increasingly support gay rights, and those in developing countries, who mostly do not.

Even in America, the proportion of Protestants is declining. Mainline, often more liberal, denominations fell from 18.1% to 14.7% between 2007 and 2014, according to the Pew Research Centre. The proportion of evangelicals dropped less drastically, from 26.3% to 25.4%. Meanwhile, the religiously unaffiliated rose from 16.1% to 22.8%. In future, churches “that disdain the corruption of public life and offer spiritual rather than political power may find that their message resonates most,” predicts Mr Ryrie. But the faith will no doubt continue to be used as a weapon in the culture wars.

As for the developing world, the growth of Protestantism in Africa and Latin America does not seem to be just a way-station on the road to secularisation. But nor does it yet look like something that will transform the economy or politics on a large scale. Its effects may be strong, but they may also be largely indirect.

In some places Protestantism may settle down, with Pentecostals perhaps shifting to more staid denominations—or, indeed, fading into secularism. Some Protestants have understood that when they become the dominant religion, their faith’s power—its here-I-stand refusal to accept orders from any source but God or conscience—tends to seep away.

The places where Protestantism is most alive and seems politically most salient—where its churches continue to argue about who is right and what the Bible means, issuing statements and counterstatements just as Luther did—are often those where it has retained its outsider status. The growth of evangelical faith in China, for example, is taking place in a context of disapproval from which it seems to draw strength. In 2015 Wang Yi, a leading pastor, issued his own 95 theses on “Reaffirming our Stance on the House Churches”—the congregations outside the control of the government. It reiterated the need for freedom of conscience and for house churches to be allowed their independence, while protesting against the distortion of scripture and attacking state-approved churches for collusion with the Communist Party authorities. Wherever overweening rulers clash with people demanding their right to religious freedom, Luther’s divisive, dynamic spirit will remain an inspiration for a long time to come. ■



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Illiberal liberalism

The new Arab cosmopolitans

CAIRO

Despots are pushing the Arab world to become more secular

DURING Friday prayers the congregation of Muhammad Yousef, a young puritanical preacher in the Egyptian town of Mansoura, once spilled out into the alleys surrounding his mosque. Now Sheikh Muhammad counts it a good week if he fills half the place.

In Cairo, 110km (68 miles) to the south, unveiled women sit in street cafés, traditionally a male preserve, smoking water-pipes. Some of the establishments serve alcohol, which Islam prohibits. “We’re in religious decline,” moans Sheikh Muhammad, whose despair is shared by clerics in many parts of the Arab world.

According to Arab Barometer, a pollster, much of the region is growing less religious. Voters who backed Islamists after the upheaval of the Arab spring in 2011 have grown disillusioned with their performance and changed their minds. In Egypt support for imposing sharia (Islamic law) fell from 84% in 2011 to 34% in 2016. Egyptians are praying less, too (see chart). In places such as Lebanon and Morocco only half as many Muslims listen to recitals of the Koran today, compared with 2011. Gender equality in education and the workplace, long hindered by Muslim tradition, is widely accepted. “Society is driving change,” says Michael Robbins, an American who heads Barometer.

But so, too, is a new crop of Arab lead-

ers, who have adjusted their policies in line with the zeitgeist. They are acting, in part, out of political self-interest. The region’s authoritarians, who once tried to co-opt Islamists, now view them as the biggest threat to their rule. By curbing the influence of clerics they are also weakening checks on their own power. Still, many Arab leaders seem genuinely interested in moulding more secular and tolerant societies, even if their reforms do not extend to the political sphere.

The United Arab Emirates (UAE) has led the way in relaxing religious and social restrictions. While leading a regional campaign against Islamist movements, Mu-

hammad bin Zayed, the crown prince of Abu Dhabi and the UAE’s de facto leader, has financed the construction of Western university branches and art galleries. He has encouraged young women out of domestic seclusion and into military service, his daughter included. Female soldiers often walk the streets in uniform. In marked contrast to the region’s post-independence nationalist leaders, who purged their societies of Armenians, Greeks, Italians and Jews, he has embraced diversity, though tough restrictions on citizenship persist.

In Egypt President Abdel-Fattah al-Sisi has not only banned the Muslim Brotherhood, the region’s pre-eminent Islamist movement, but denounced al-Azhar, the Muslim world’s oldest seat of learning, for “intolerance”. He has closed thousands of mosques and said that Muslims must not sacrifice sheep in their homes during festivals without a licence. On some beaches burkinis—body-covering swimwear for conservative women—are banned. In a break from his predecessors, Mr Sisi has attended Christmas mass in Cairo’s Coptic cathedral three years in a row (though he doesn’t stay long). “We’re becoming more European,” explains an Egyptian official.

The most remarkable, albeit nascent, transformation is in ultra-conservative Saudi Arabia, where Muhammad bin Salman, the young crown prince, has curbed the religious police, sacked thousands of imams and launched a new Centre for Moderation to censor “fake and extremist texts”. Women will soon be allowed to drive cars and enter sports stadiums. They are already encouraged to work. Now Prince Muhammad wants to create a new city, Neom, that seems modelled on free-wheeling Dubai. Its promotional videos show women without headscarves party- ▶▶



ing with men. “We are only returning to what we used to be, to moderate Islam, open to the world and all religions,” he told foreign investors in October.

This move to moderation is far from ubiquitous. In countries with less dynamic governments, such as Algeria, Jordan and Palestine, polls show that support for sharia and sympathy for Islamist movements is high and growing. But secularists can be found in even the most conservative quarters. Freed from the grip of Islamic State (IS) jihadists, residents of Mosul, in Iraq, congregate in revamped cafés that have sprouted around the city’s wrecked university. Many profess to be atheists. The fine-arts department is reopening after it was closed by IS three years ago, with twice its previous intake of students.

Economic hardship, long seen as fueling Islamist opposition movements, may also be eroding traditional views on women’s role in society. Amid soaring inflation and subsidy cuts in many countries, one salary is rarely enough to support a family. So husbands encourage their wives to work. Daughters are leaving their homes in rural areas to study or work in cities. Health workers say premarital sex is more common, in part because the age of marriage is rising (many blame high living costs).

Moderation without representation

All of the change is bittersweet for the region’s liberals, who want more political openness, too. But Arab leaders are acting much like Kemal Ataturk, Turkey’s dictator in the early 20th century, who abolished the caliphate and sharia, and banned traditional garb, all while consolidating his own power.

In implementing his modernising agenda, Prince Muhammad has downgraded his family’s 250-year-old alliance with the Wahhabist clergy, who enforced a puritanical version of Islam and seemed to rule Saudi Arabia alongside the House of Saud. Now clerics who push back too hard against decrees are muzzled—or arrested. Dozens of public figures (including liberals) who were critical of the prince’s policies were detained in September.

Similarly, Mr Sisi fans criticism of religious movements, while censoring even indirect barbs of his rule. He has banned hundreds of newspapers and websites, and muzzled artists and musicians who might provoke opposition.

Yet many Arabs seem ready to forfeit political rights in exchange for personal liberties. A poll this year named the UAE as the state Arabs most want to live in, despite its dearth of democratic rights. But secularisation may last only as long as the despots pushing the plan. And even they may not go as far as activists want. No sooner had Saudi women won the right to drive than some took their bicycles out on the roads, testing the limits of official tolerance. ■

Jews in Morocco

Shalom alaykum

ESSAOUIRA

A little idyll of Jewish-Muslim coexistence

ONCE a year the little seaside town of Essaouira, in Morocco, reclaims its lost Jewish community. Sephardic trills echo from its whitewashed synagogues. The medieval souks fill with Jewish skullcaps. Rabbis and cantors wish Muslims “Shabbat Shalom” and regale them with Hebrew incantations. “It’s our culture,” says a merchant from Marrakech, who travelled 200km (124 miles) to hear them this year.

The revival is the initiative of André Azoulay, a 76-year-old Jew from Essaouira (one of just three) and a former counsellor to Morocco’s kings. Each autumn he stages a colourful festival of Andalusian music aimed at bringing hundreds of Jews and Muslims together for a week-end of concerts and dialogue. Locals pack the small stadium to watch Hebrew cantors and Koran-reciters sing arm-in-arm. Israelis and Palestinians flock there, too. “Essaouira is what the Middle East once was and might yet be again,” says Mr Azoulay.

When Jews were expelled from Spain and Portugal in the 15th century, many fled to Morocco. The Jewish population in the kingdom rose to over 250,000 by 1948, when the state of Israel was born. In the ensuing decades, as Arab-Jewish tensions increased, many left. Fewer than 2,500 remain—still more than anywhere else in the Arab world.

No Arab country has gone to the lengths of Morocco to revive its Jewish heritage. The kingdom has restored 110 synagogues, such as Slat Lkahal, which opened in Essaouira during the festival. A centre for Judeo-Islamic studies is set to open in the old kasbah later this year. The kingdom also boasts the Arab world’s only Jewish museum. “We used to have a six-pointed star on our flag and coins, like Israel,” says Zhor Rehihil, the curator (who is Muslim). “It was changed under French rule to five.”

Morocco and Israel have no formal diplomatic relations, but over 50,000 Israelis visit the kingdom each year. A new charter flight from Tel Aviv to Casablanca, Morocco’s largest city, began operating this summer. It stops in Malta for half an hour to maintain the pretence that there are still no direct flights between the countries. Morocco also issues hundreds of passports each year to Israeli Jews of Moroccan descent, of whom there are almost half a million—“the better to travel in the Arab world,” says a recent recipient. It takes a month, no security questions asked.

Mr Azoulay urges Israeli visitors to spread word of his idyll of coexistence when they return home. Some doubt the warmth is transferable. One visiting Israeli official puts it thus: “Morocco’s Arabs are different to ours.”



Striking a harmonious note



Land grabs in Syria

Bulldozing over the revolution

BEIRUT

The regime has put property at the heart of its campaign against the rebellion

YOUSOF AKASHEH, a rebel fighter, was astonished to find out that the regime of Bashar al-Assad in Syria was planning to seize his wife's property. For one thing, she is dead, killed three years ago when a war-plane bombed her apartment block. For another, she never owned property.

Such is the arbitrariness of the regime's counter-terrorism court, which has branded tens of thousands of opponents of Mr Assad enemies of the state and sent them to the country's hellish prisons. Those lucky enough to escape arrest are tried in absentia. As punishment, the court routinely seizes their property.

The civil war in Syria has driven more than 12m people from their homes, contributing to the largest refugee crisis in recent history. But in his typically appalling way, Mr Assad has spied opportunity amid the tragedy. "We have lost the best of our young people...but in return we have gained a healthier and more harmonious society," the dictator said in August of a war that has killed more than 400,000 of his countrymen.

Mr Assad is determined to keep it that way by making it exceedingly hard for those who have left to return to their homes. Property registries have been deliberately bombed, title deeds are seized at military checkpoints and new laws have been passed to make it easier for the regime to grab land, businesses and homes. In some parts of the country the regime has rewarded loyalists with property confiscated from its opponents. In other parts, bulldozers have simply flattened neighbourhoods that sided with the rebels. Large tracts of public land in cities are also quietly slipping into the hands of officials

and connected businessmen.

Some of Syria's poorest areas, where many of the first anti-regime protests flared in 2011 and where most of the destruction has occurred, will be rebuilt without their unruly residents. The regime hopes to move forward with projects that were deeply unpopular before the war, raising skyscrapers, hotels and restaurants from the rubble. Lacking enough cash of its own, it has passed laws to encourage private investors to pay for the reconstruction. But few investors will build residences if there are no people to live in them.

Half of Syria's pre-war population is scattered. Many have already sought new homes abroad, away from a ruler who has systematically bombed, starved and tortured his own people. Even if the displaced return to their neighbourhoods, few will be able to afford the regime's housing, exacerbating inequality that has grown worse during the conflict. Experts predict that 2m lawsuits will be filed after the war by people seeking restitution for damaged or stolen property. The courts may buckle under the burden.

The regime is not the only side to have grabbed land during the war. Kurds in northern Syria have claimed Arab lands freed from the Islamic State group, which itself used stolen property to buy loyalty. "The destabilising potential of all this is pretty fearsome," says Rhodri Williams of the International Legal Assistance Consortium. "Few things stay in the minds of people longer than the property that was taken away from them." ■

Polarised politics in Kenya

Kenyatta's hollow victory

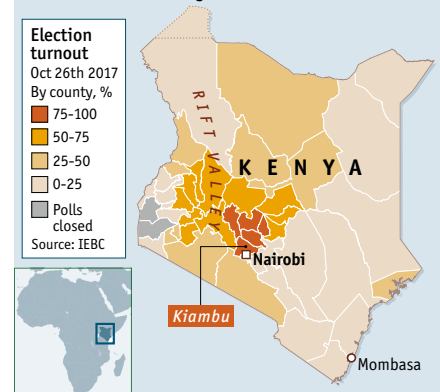
NAIROBI

A landslide re-election is marred by an opposition boycott

KENYA, according to its deputy president, William Ruto, "is not the type of country where you find a president getting 99% of the vote". That statement, made on October 16th, was tested just a week later when Kenyans went to the polls for a re-run of the election on August 8th, which the country's supreme court annulled. When the final results were announced by the electoral commission on October 30th, Uhuru Kenyatta, the incumbent, had won (again) with 98.3% of the vote. Yet the sweeping victory seems unlikely to bring to an end Kenya's political and emerging economic crises.

The reason for Mr Kenyatta's huge victory was that his main opponent, Raila Odinga, an opposition stalwart and perennial candidate, withdrew from the race and

Another country



called on his supporters to refuse to vote. Turnout collapsed to just 38% from almost 80% in the annulled poll of August. In two of Kenya's 47 counties—both strongholds of Mr Odinga in western Kenya—voting did not happen at all, as Mr Odinga's supporters prevented officials from opening polling stations.

In the end, turnout strongly reflected Kenya's political (and ethnic) make-up. In the central region, where Mr Kenyatta's tribe, the Kikuyu, are most concentrated, voters still crowded the polls (see map). In Kiambu, his home county, turnout was 78%, compared with 83% in August. A similar pattern held in Mr Ruto's Kalenjin heartlands in the Rift Valley. By contrast, in pro-Odinga areas, dominated by the Luo, the boycott was clearest. In Mombasa, Kenya's second-largest city, turnout fell from 59% to just 14%.

The worry for Mr Kenyatta is what happens next. After the results were declared, Mr Odinga gave a speech in which he denounced the "sham election" and called for a "people's assembly" to resist the government. He has said he will not go back to court, but if he does, the logic of the previous annulment suggests he has a chance of winning. Mr Kenyatta acknowledged as much in his victory speech, saying that his re-election "is likely to be subjected to a constitutional test through the courts". His allies talk nervously about a Kafkaesque situation where Kenya keeps holding elections that are repeatedly rejected in court.

Yet most Kenyans have a more urgent worry. In the days after the second election protesters fought against police in Mr Odinga's strongholds in western Kenya and Nairobi, the capital. Worse still, in parts of Nairobi tension between Luos and Kikuyus spilled into street battles. In Kawangware, a slum in the west of the city, shops and homes belonging to Kikuyus were set on fire, apparently in retaliation for attacks by a Kikuyu militia. At least a dozen people have died since October 26th. If the violence persists, Mr Kenyatta's victory could end up feeling very hollow, no matter what the courts say. ■

Zimbabwe's deepening crisis

Surviving under Mugabe

HARARE

A ruined country is waiting for the old man to go

A MONEY-CHANGER deftly flicks through a brick of bills, her fingernails a sparkly purple that matches her eye-shadow. She keeps the stack of “bond notes” (Zimbabwe’s ersatz money) bundled inside a sock in a plastic carrier bag. Real American dollars are hidden in her bra. Although bond notes are officially worth the same as American dollars, here on a pavement in Harare, the capital, greenbacks trade at a premium of 20-30% to the bills printed by Mr Mugabe’s government. Those wanting to buy dollar bills with mobile money, which is also supposedly denominated in the American currency, must pay a further premium of 30%.

Such a range of values for Zimbabwe’s money ought not to be possible since, officially at least, it does not have a currency. The country adopted the American dollar almost a decade ago after the central bank’s profligate printing of Zimbabwe dollars led to hyperinflation that peaked at 500,000,000,000%. At the time, notes with a face value of 100trn Zimbabwe dollars could barely pay for a loaf of bread.

Yet last year, when the government found it could no longer pay its bills using real dollars, it started issuing bond notes, claiming they were interchangeable. So insistent is it in this assertion that it has outlawed the street trading of ersatz dollars for the real thing: money-changers can face a decade behind bars if convicted. But this money-changer says that some of her best customers are government officials who Hoover up greenbacks to spend or stash abroad. The value of real dollars spikes whenever Robert Mugabe, who has ruled Zimbabwe since its independence in 1980, goes abroad with his bloated entourage. “As long as there are bond notes, they will never stop us hustlers,” says the money-changer. “They need us. We are the people who are running the economy.”

After nearly two decades of lurching from one economic crisis to the next, life in Zimbabwe somehow still grinds on. Mr Mugabe, old and frail, presides over a fragile economy yet still controls his party, Zanu-PF. At 93, he is running yet again for president, with an election planned for the first half of next year. Though physically weak and forgetful (in 2015 he read the same speech in parliament twice) he still plays factions of the party off against each other to stay in control.

At a party conference in December he is expected to strengthen a faction aligned

with his wife, Grace, at the expense of Emerson Mnangagwa, who previously ran the security services and had been Mr Mugabe’s presumed successor. Mr Mnangagwa, one of two vice-presidents, lost his post as justice minister in a recent cabinet shuffle. “When you become a threat to the centre of power, he disposes of you,” says Temba Mliswa, an independent member of parliament and former Zanu-PF provincial chairman who is considered close to Mr Mnangagwa. Mr Mugabe “is very old but he still understands power”.

Most Zimbabweans think nothing will change until Mr Mugabe dies. In the meantime they must scramble and adapt to survive. As many as 95% of working people hustle for a living in the informal sector. On the streets one finds professionals and graduates working as unlicensed traders. Sten Zvorwadza, who leads a street-vendors’ union, reckons there are 100,000 such traders in Harare.

Some sell goods in the tiniest of quantities—a squeeze of toothpaste, a teaspoon of sugar—because that is all many buyers can afford. Mr Mugabe thinks hawkers make the city look dirty, and wants them moved to a dusty patch in a depressed industrial area of Harare where there would be fewer customers. Riot police known as “black boots” have used water cannons to try to remove the hawkers. But they are fighting back. “Not a vendor by choice,”

says a sign posted in central Harare. “If not this, what?” says another.

Everywhere you feel a sense of impending economic collapse. Many in the country fret that hyperinflation will return, fuelled by the government’s printing of electronic dollars. Since it cannot get real ones, and is running large fiscal deficits (about 8% of GDP last year and probably more this year) it has been issuing dollar-denominated treasury bills, or IOUs, to banks. The banks in turn credit it with electronic dollars, which it uses to pay civil servants, whose wages consume about 90% of government revenues. But that money cannot be withdrawn.

The queues that once snaked around the block outside banks have disappeared, but only because there is hardly any cash to be had. Nearly everyone pays with swipe cards linked to Zimbabwean bank accounts, or EcoCash, a popular form of mobile money. But the lack of foreign exchange means that imports may become scarce. In late September a shiver of panic over shortages of food and fuel rippled through the capital, sparking a round of panic-buying. And prices are rising.

John Robertson, an economist, reckons that the money supply expanded by 36% in the 12 months to August, six times more than the rate a few years earlier. “What’s behind that money? Nothing,” says Rob Davies, another economist in Harare. “It’s a Ponzi scheme.”

In October Mr Mugabe replaced his pragmatic finance minister, Patrick Chinamasa, with a loyalist. Mr Chinamasa lost his job while attending the annual meetings of the World Bank and International Monetary Fund where he was pleading for debt relief and new loans to restart the economy. Zimbabwe is unlikely to get either as long as Mr Mugabe is in charge. ■



Do you take electronic dollars?



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Catalonia

The man who wasn't there

BARCELONA AND MADRID

Government intervention and a snap election have defused, but not settled, a crisis that goes to the essence of Spanish democracy

ON THE morning of October 30th five police vans staked out the Palace of the Generalitat, the part-medieval seat of the government of Catalonia on the Plaça Sant Jaume in Barcelona's gothic quarter. But there was no sign of Carles Puigdemont, Catalonia's now ex-president, nor of any demonstrators protesting against his dismissal by the Spanish government. Instead, there were foreign journalists waiting for the clash that didn't happen.

Three days earlier, Plaça Sant Jaume overflowed with a euphoric crowd celebrating a declaration of independence by the Catalan parliament. "Freedom", they chanted. "It's a dream, it's marvellous," said David Regalos, an estate agent who had brought his teenage daughter for what he saw as a historic occasion. "It may hurt the business I work in," he admitted, "but I'm thinking of the future of my children."

But as dusk fell with an autumnal chill, the dream was revealed to be delirium. Even as the crowd caroused, in Madrid Mariano Rajoy, Spain's prime minister, announced that the government was taking direct charge of Catalonia, using extraordinary powers under Article 155 of the constitution of 1978. The move was approved by Spain's Senate minutes after the vote in the Catalan parliament. The government

swiftly sacked Mr Puigdemont and his government, and replaced the commander of the Catalan police. And, to the surprise of many, Mr Rajoy called a regional election in Catalonia for December 21st.

By abbreviating direct rule to the minimum, he removed much of its sting. Mr Puigdemont called for "democratic opposition", but he opted not to organise resistance on the streets of Barcelona. Instead, he fled to Brussels. Spain's National Court is to investigate him and his colleagues over charges of rebellion, which carries a sentence of up to 30 years. Summoned to appear on November 2nd, he said he would stay in Belgium until he receives guarantees of a "fair trial".

Enabling Catalans to vote swiftly may help to release the tension that accumulated in the region before and after the unauthorised referendum on independence held on October 1st by the Generalitat. But it cannot hide the gravity of Spain's underlying constitutional crisis. Article 155, which is an almost exact copy of a provision in the German constitution, has never before had to be invoked.

"This is a momentous decision," said a senior official in past Socialist governments. "It supposes the breakdown of the constitution's territorial model" under

which Spain decentralised many powers and revenues to 17 self-governing "autonomous communities". The constitution, which ushered in democracy after Franco's long dictatorship (and was approved overwhelmingly by Catalans), has given Spain the best years of its modern history. Since 1978 the country's income per person has doubled in real terms while regional inequalities have narrowed. Spain has built an advanced democracy, created a welfare state and cast off its past isolation to join the European Union. Although the slump that followed the bursting of a housing bubble in 2008 inflicted much hardship, Spain avoided social conflict.

The aftermath of austerity eroded but did not break the two-party system, in which the Socialists and Mr Rajoy's conservative People's Party (PP) have alternated in government. Despite the emergence of Podemos, a populist far-left party, Mr Rajoy, who governed alone in 2011-15, managed to form a minority administration last year with the support of Ciudadanos, a new centre-right party. But having held Podemos at bay, Mr Rajoy has found that populism in Catalonia poses an even bigger problem, notes a former minister.

In the land of make-believe

Mr Puigdemont called the application of Article 155 "the worst attack on the institutions of Catalan self-government" since Franco. His critics say he precipitated it, starting with laws his parliament approved in September to call the referendum and begin the transition to an independent state. As well as violating the Spanish constitution, these implicitly abolished the Catalan autonomy statute. ►►

▶ The government was not “suspending autonomy but...returning Catalonia to self-government and legality as soon as possible,” declared Mr Rajoy.

According to the Generalitat, 43% voted in the referendum (90% of them Yes), though the numbers cannot be verified. Buoyed by a wave of international sympathy, which was brought about by the government’s disastrous deployment of riot police who tried and failed to stop the vote, Mr Puigdemont took the result as a mandate for a unilateral declaration of independence. That prospect has prompted more than 1,800 companies to move their legal domicile out of Catalonia since October 1st. Tourist bookings and consumer confidence have both fallen. Alarmed, moderate nationalists pressed Mr Puigdemont to draw back. On October 26th he was poised to do so by calling a fresh regional election himself, which would have stalled Article 155.

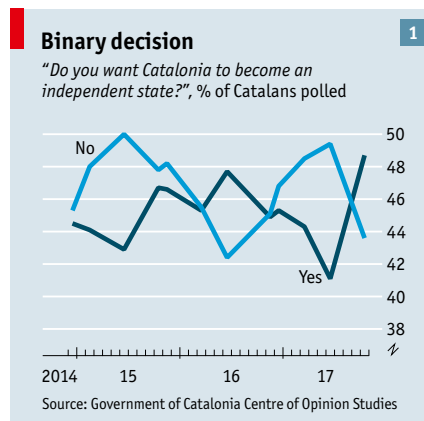
But faced with accusations of treachery from hardline nationalists, he instead pushed the Catalan parliament to pass a resolution “constituting the Catalan republic as an independent and sovereign state”. Approved by 70 votes out of 135 (the opposition walked out), it was a hollow declaration. No country recognised it. Privately, officials of the Catalan government admitted they were completely unprepared for statehood. Evidently, they were also unprepared for the consequences of declaring independence.

Things fall apart

So why did it happen? Mr Puigdemont, an affable former journalist and mayor of Girona, blamed the government’s refusal to talk. Mr Rajoy’s riposte was that Mr Puigdemont only ever wanted to talk about holding a referendum, although the constitution, in line with the continental European norm, does not recognise a right of self-determination for regions.

In the end Mr Puigdemont was as much the prisoner as the leader of the grass-roots independence movement the Catalan government has promoted. After the referendum, separatists were further inflamed by the jailing, pending trial for obstructing a police raid, of the leaders of two secessionist social movements. They formed part of what in Barcelona was called “the general staff of the independence process”, seeming to co-govern with Mr Puigdemont.

While the government underestimated the strength of the independence movement, its leaders overestimated it. Josep Borell, a Catalan former Socialist minister and opponent of independence, says that he has “lifelong friends with whom I can no longer talk”. Some bookshops in small-town Catalonia now refuse to stock his best-selling book questioning the secessionists’ arguments. In this conflict, propaganda is the key weapon, he adds, and



“they use it very well and the government and unionist groups very badly.”

However, the Generalitat fell into the trap of believing its own propaganda. First, it denied that companies would leave, and then minimised their departure, saying they would return. “That is not so easy,” says a Catalan business leader, citing the parallel with Quebec. Montreal never recovered its position as Canada’s leading business centre after the secessionist scare in the 1980s and 1990s. That may be Barcelona’s fate: companies will gradually transfer head-office functions and jobs, predicts Antón Costas, an economist at the University of Barcelona.

Second, Catalan officials always thought that the EU would embrace their cause, although there was no reason to believe that. They failed to appreciate that outsiders were left open-mouthed by their comparison of Catalonia’s plight within Spain to Lithuania’s liberation from the Soviet Union or Kosovo’s from Serbia.

Third, they seemed to believe their populist claim to speak for “the Catalan people”. No sooner had they stated that 2.3m people voted on October 1st than they started claiming that police had “stolen 700,000 votes”, for which there is not a scrap of evidence. After the independence vote in the parliament, Mr Puigdemont declared that “the immense majority” of Catalonia’s political representatives “have fulfilled a mandate validated by the ballot box”. The reality is that independence has never commanded a majority, despite a post-referendum spike in a poll this week (see chart 1). The ruling coalition won only 48% of the vote in the 2015 regional election; it had a bare majority of seats in the dissolved parliament only because of the over-representation of the region’s interior. Catalonia is more divided and angrily polarised than at any time since 1978. The better-off, and those in smaller towns or with Catalan-speaking parents, favour independence; poorer Catalans, and those living in greater Barcelona or immigrants from the rest of Spain do not.

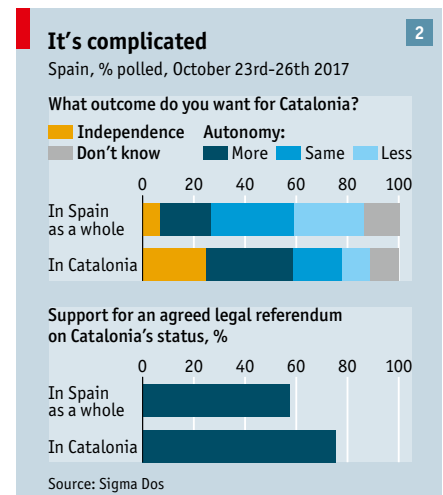
Plaça Sant Jaume has seen it all before. In the 1930s the Second Republic granted

self-government to Catalonia. Yet on October 6th 1934—two years before Franco started the civil war—Lluís Companys, the Catalan president, appeared on the balcony of the Generalitat to declare a “Catalan state”. It lasted just ten hours. “Even if we lose,” Companys had said, “Catalonia will win because we need martyrs who will tomorrow assure definitive victory.”

It is easy to see a parallel in Mr Puigdemont’s conduct. By the same token, he sees himself as the inheritor of a long tradition. He styles himself “the 130th president of the Generalitat”. But if nations are “imagined communities”, as Benedict Anderson, a historian, wrote, Catalonia is more imagined than most.

“Before the 20th century, there was no nation called Catalonia,” writes Jordi Canal, a Catalan historian. The Generalitat began as a feudal institution in the Frankish County of Barcelona. This was absorbed first into the Crown of Aragon and then that of Spain. The region’s emergence as the industrial powerhouse of Spain brought social upheaval and immigration—and a cultural renaissance centred on the revival of the Catalan language, which in turn spawned a nationalist movement among the powerful Catalan bourgeoisie. According to Mr Canal “It was the nationalists who, from the late 1890s, set out to build a nation and to nationalise Catalans.” Something similar happened in the Basque Country and to a lesser extent Galicia, which each have their own language.

These regional exceptionalisms challenged a weak Spanish state, whose impulse was to centralise. In the parliamentary debate on the Catalan statute of 1932, José Ortega y Gasset, Spain’s foremost 20th-century philosopher, argued that Catalonia was a “perpetual” problem that “cannot be settled, it can only be lived with”. Manuel Azaña, the prime minister (later president) of the Republic, replied that Spain should positively embrace its regional diversity as part of its “spiritual wealth”, recognised in self-government. ▶▶



▶ That was the spirit, too, of the 1978 constitution, albeit flawed by the dilution of regional exceptionalism with decentralisation for the whole country. Nevertheless, the constitution was approved by 91% of voters in Catalonia on a 68% turnout. For years, it satisfied the nationalists. But then several things came together to ignite the drive for independence.

The first was an ill-fated attempt in 2006 by a Socialist-led regional government to reform the Catalan statute, giving the Generalitat more powers (over the courts, for example) and in tortuous phrasing recognising Catalonia as a nation. “The whole process was unfortunate,” says the Socialist former official, who was involved in it. “Nobody had demanded a new statute, the negotiation was very chaotic and they came up with a jigsaw puzzle that didn’t fit.” Approved by 73% in a referendum (with a 49% turnout) in Catalonia, the 2006 statute was then partially rejected by the Constitutional Tribunal in 2010. That turned it into a *casus belli*.

The tribunal’s ruling coincided with the onset of the economic slump. Artur Mas, the nationalist president of the Generalitat, at first had no compunction about applying austerity. In June 2011 several thousand *indignados* surrounded the Catalan parliament to protest against his budget cuts. That prompted him to demand fiscal concessions from Mr Rajoy, just when Spain was on the brink of having to seek a European bail-out. Rebuffed, he launched the drive for an independence referendum.

Umbrage in Catalonia

Another red rag to Catalan nationalism was the PP. It had campaigned against the new statute. Many Catalans see the party as the embodiment of Castilian centralism, and feel marginalised by its drive to aggrandise Madrid. The Spanish state has failed to base any important institutions in Barcelona, for example. Many PP politicians in turn blame the rise of secessionism on what they see as the disloyal abuse of self-government by the Generalitat systematically to build a nation. This has had “very effective levers” in “the education system, the public and subsidised private media, and the gradual acceptance of the disappearance of the symbols of the state and of Spain in Catalonia”, Josep Piqué, a Catalan former PP minister, told *El País*, a Madrid newspaper.

Mr Puigdemont’s flight to Brussels marks the end of what Catalans call the *procés*, the drive for an independence referendum. “Now the movement will concentrate on defending its leaders,” says Andreu Mas-Colell, the economic councillor in Mr Mas’s government. Even if the separatist coalition stays together and wins the election, after the October debacle it is unlikely to do so on a platform that gives priority to independence.



The no-longer silent majority

Must Spain “live with” an unresolvable Catalan problem? On paper, it is not hard to sketch a new solution: Catalans would probably settle for a bit more money, guarantees for the Catalan language and symbolic recognition of Catalonia as a nation. Another approach would be federalism, which would clarify responsibilities. Since change to the constitution and Catalonia’s statute requires a referendum, it could offer the vote the nationalists want.

But is any of this politically doable? In return for Socialist support over Article 155 Mr Rajoy agreed to a congressional committee to discuss constitutional reform. Mr Mas-Colell is sceptical that it will produce anything useful. In the past two months, Catalan nationalism has awakened its dormant Spanish counterpart. Many Spaniards see Catalans as tight-fisted whingers. Supporters of the PP and of Ciudadanos, formed to oppose Catalan nationalism, want to roll back decentralisation.

The underlying task is the restoration of

mutual trust between Catalonia and the rest of the country. “This is an emotional problem, and the solution has to be emotional,” says Javier Vega de Seane of the *Circulo de Empresarios*, a business group.

The Catalan crisis is merely the most dramatic sign that Spain’s constitution needs updating. Decentralisation across the country has added complexity and thrown up regulatory barriers. And Spain’s entry into the EU in 1986 removed powers from the central government. “The important thing is that constitutional reform doesn’t become a price to be paid but rather is a shared project,” says José Maria de Areilza, a law professor at ESADE, a business school.

The transition to democracy generated a sense of purpose in Spain that has recently been missing, despite the country’s vigorous economic recovery. Spain’s leaders now have a choice. They can let the Catalan problem fester, or they can use it as the spur for national renewal. ■

Russia

The ride of the mercenaries

MOSCOW

Soldiers captured in Syria shed light on the work of a shadowy group

“I AM Roman Sergeyevich Zabolotny, born in 1979, and I have been taken prisoner,” says a Russian-speaking man in a video released last month by the jihadists of Islamic State (IS). A second soldier, his right eye swollen shut, sits silently in grey robes. Both were reportedly captured during a battle near Deir ez-Zor, a city in Syria’s east and the site of a recent offensive by Russian and Syrian government forces. Yet

the Russian defence ministry denied that any of its soldiers had gone missing. Friends and relatives told Russian media that the men had gone to Syria not with the Russian army, but as part of a shadowy mercenary force known as “Wagner”.

The group has come to play a key role in Russian operations in Syria. Though Russian law officially bans private military companies (PMCs), a St Petersburg-based ▶▶

▶ independent news site, Fontanka.ru, reported in late 2015 that ex-soldiers were being recruited to serve in Wagner by a former special-forces officer, Dmitry Utkin. Numbering as many as 2,500 men, the group is believed to have figured heavily in operations around Palmyra in 2016, serving as “shock troops” alongside the Syrian army, says Mark Galeotti, an expert on Russian security at the Institute of International Relations in Prague. Though the Russian army has not acknowledged Wagner’s existence, Mr Utkin was photographed late last year alongside President Vladimir Putin at a Kremlin reception for military officers in honour of Day of Heroes of the Fatherland. This summer America added him to its list of officials sanctioned for involvement in the Ukraine conflict of 2014, where the group is said to have got its start.

When Russia launched its intervention in Syria in September 2015, the government spoke of a short air operation. Boots on the ground were seen as taboo, especially to a population still haunted by memories of the costly Soviet war in Afghanistan. (Nearly half the population would now like to see the Syrian operation wrapped up.) But having a nominally independent cadre of fighters to deploy as ground forces gives the Russian army plausible deniability. “They serve to solve a concrete problem: have no casualties,” says Alexander Golts, a military analyst. Officially Russia’s armed forces have in fact reported some 41 deaths in Syria, including a general killed in shelling near Deir ez-Zor in September while commanding Syria’s Fifth Corps of volunteers. However, investigative journalists and bloggers reckon scores more Wagner-linked mercenaries have died in combat. On the ground, the force functions as a “pseudo-private” military company, taking direction from the Russian army, says Alexander Khramchikhin, deputy director of the Institute for Political and Military Analysis.

The model was first tested in the war in eastern Ukraine, where a patchwork of forces operated with differing degrees of distance from the Russian government. Alongside local separatists and regular Russian army units were groups of Russian volunteers and mercenaries, among them Mr Utkin and an early iteration of the Wagner force. “The rumours are that they fought, and fought well,” says one former senior separatist commander, with a sly smile. As fighting slowed in 2015, mercenaries and volunteers returned home or sought employment elsewhere. It is no secret that many of them have since left for Syria, says another former separatist leader.

The emergence of such groups revived talk in Russia of legalising Russian PMCs to create companies in the vein of American security contractors such as Academi (formerly called Blackwater). Mr Putin ex-

pressed tentative support for that idea back in 2011, calling it “a way of implementing national interests without the direct involvement of the state”. In late 2014 Genady Nosovko, a lawmaker with the Just Russia party, submitted a bill that would have laid the legal groundwork, only to see Russia’s powerful Security Council snuff it out. Resistance was also strong from within the military and security services, which worried about losing their monopoly of violence. Other specialists, Mr Nosovko says, worried that powerful busi-

nessmen would ultimately seek to control their own private armies, with dreadful implications.

For now, the Wagnerians still operate in a grey zone. Fontanka.ru recently reported that their role has expanded to include seizing oil wells held by IS for a newly formed Russian company, Evro Polis. As for the two captives, their fates are probably sealed, says an MP from the home region of one of them. “There’s a 99% chance that Roman and the second prisoner are no longer among the living.” ■

France’s croissant crisis

Sacré beurre

PARIS

Why the French are fretting over a sudden butter shortage

“IT’S A true catastrophe, *monsieur*,” says a baker in central Paris as she places warm, flaky croissants in a paper bag. The price of local butter has soared in the past year, she says: “We are used to costs going up, but this is really extreme.” Her pastry counter is well stocked, but margins per croissant are squeezed.

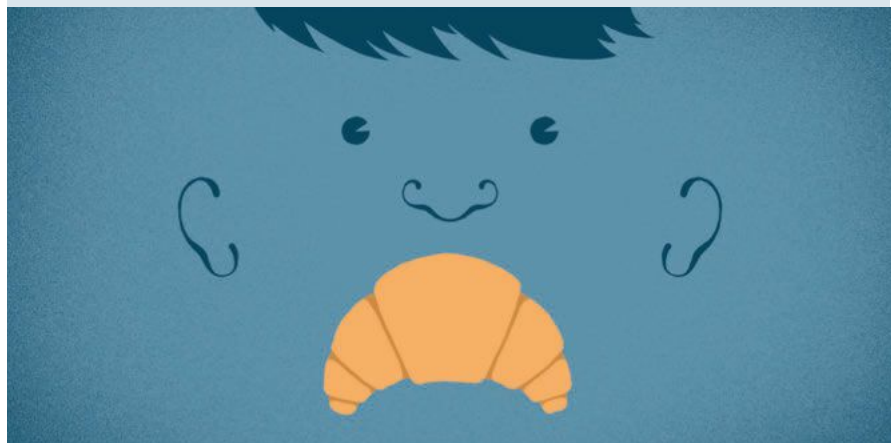
Elsewhere it is shortages that bite. In a nearby Carrefour supermarket, fridges that are usually crammed with packets of butter are mostly empty. Social-media users around France share photos of bare shelves using the tag #BeurreGate. A prankster on an online-auction site offered to sell a slice of buttered toast. Press reports talk of hoarding. Because butter is essential for much local cuisine—the French eat more of it than anyone—scarcity spreads dismay.

Various factors explain the current churn. Global appetite for dairy products is rising. “China has discovered croissants,” notes Emmanuelle Auriolle of the Toulouse School of Economics. Westerners fret that sugar is unhealthy but are relearning the joys of full-cream milk, cheese and butter. A global dairy-price index of the Food and Agriculture Organisation is up by 27% in a year. In Europe

butter recently sold on wholesale markets for a record €6,500 (\$7,600) a tonne, says Bloomberg. Yet suppliers have responded slowly. Subsidy reforms and the end of production quotas for dairy farmers in 2015 led to the melting away of Europe’s butter mountain. Bad weather and earlier price fluctuations made it harder for producers to plan.

These changes are global, yet France alone suffers empty supermarket shelves. Blame that on rigid local conditions, notably a lack of competition among big retailers who refused to pay more for the product. A handful of these have monopsonistic power, negotiating with suppliers only once a year, in February; regulatory barriers keep challengers out. No wonder French producers now prefer to sell to Germany, where butter prices in supermarkets rose by 72% in the year to August, rather than France where they rose by just 6%, according to one industry worker.

As for the baker, if supplies become too pricey, could there be alternatives? Might she even try to bake with—whisper it—margarine? Fat chance. “We use French butter or nothing,” she admonishes, wagging a finger.



Charlemagne | The ghost at the banquet

Well before it happens, Brexit is already changing the rest of the EU



SCRATCH your head and the memory flickers into life. Britain was once an influential member of the European Union. Its politicians were infuriating but effective, its diplomats skilled at crafting alliances, its officials adept at the push-me-pull-you of shaping EU law. This is how Britain earned a budget rebate, an opt-out from the euro, and, under David Cameron, a “renegotiation” of its membership (since voided by the Brexit vote). Nor were its energies devoted solely to carving out special treatment. Vital EU achievements like the single market and post-1989 enlargement owe their existence to dogged British diplomacy.

How things change. British officials describe a chill that set in the moment voters elected to leave. Ostensibly Britain remains fully signed up to the EU, with voting rights, representation and all the paraphernalia of membership. In reality, its influence has largely evaporated. That has a potent effect on the remaining 27 members. “The balance of power is changing every day,” says a diplomat from a country friendly to Britain. “You can feel it.” Almost 18 months before Britain is due to leave, Brexit is changing the EU in a way that unsettles some, inspires others and affects all.

Few countries wanted Britain to leave, but for some the stakes are especially high. Assembling compromises inside the EU is a delicate dance often dominated by the positions of a few big beasts. Like-minded countries were delighted to rally behind the British on matters like trade, regulation and the single market. Smaller governments often appreciated Britain blocking Franco-German stitch-ups. Now few care to hear the views of a country that has one foot out of the door, and few British officials seek the opprobrium they would attract if they offered them.

Take trade, where fresh fault-lines are emerging. Countries like the Netherlands, Denmark and even Spain are casting a suspicious eye on Emmanuel Macron, France’s president, whose calls for a “Europe that protects” are starting to sound a little like protectionism. At a recent summit Mark Rutte, the Dutch prime minister, questioned Mr Macron’s attempts to slow down EU trade talks with Mercosur, a Latin American bloc; in the past, say Dutch officials, they might have left it to Britain to take on the French. On the increasingly modish topic of “trade remedies” (anti-dumping measures, investment screening and so on), the absence of a sceptical British voice also tilts the scales against the free-traders.

Low-tax economies like Ireland and Luxembourg fear a fresh Franco-German assault on their fiscal independence, another issue on which they could once rely on stout British resistance. The European Commission has already announced that it wants to remove governments’ rights to veto EU tax proposals. On foreign policy, the EU’s carefully co-ordinated sanctions on Russia over its incursions in Ukraine may have been shepherded by Angela Merkel but were energised by a group of hardliners led by Britain. The measures must be rolled over every six months; Britain’s departure could hasten their eventual end. Fellow Russia hawks, like the Baltic states, worry about what Brexit will mean for the EU’s ability to stand up to bullies.

But others spot opportunities created by the departure of the irascible Brits. Grand federalist schemes, such as replacing the British contingent of European parliamentarians with transnational lists presented to all EU voters, will go nowhere (for now). But Brexit has also inspired those who never liked the model of endless exceptionalism pioneered by Britain but welcomed by many others. On the single currency, for example, Britain’s presence once served as a reassuring reminder to countries outside the euro zone that they could not be sidelined. Now the commission is quietly reminding euro “outs” that most of them have a legal obligation to join.

Yet Britain’s departure also forces some tricky questions on the rest of the EU. British governments used to veto anything that even sniffed of defence co-operation inside the EU, for example, claiming it would undermine NATO. Now it is back on the table: Mr Macron wants other countries to share France’s military burdens in the Sahel and the commission wants a bigger common defence fund. Brexit calls the bluff of leaders who said discussing such issues was useless while Britain was in the room. The loss of one of the two members, along with France, with genuine military clout should also trigger concern over the EU slipping into geopolitical irrelevance. But are Europe’s defence shirkers really prepared to pull their weight now that Britain is on the way out? A summit in December will test the water.

Future imperfect

It is harder still to predict the long-term implications of Brexit for the EU. Immediately after last year’s referendum some of the more gung-ho Brexiteers argued that the example of Britain’s departure would inspire floods of imitators. A series of electoral setbacks for anti-Europeans over the past year has killed off that idea for now. Perhaps these prophecies will eventually be fulfilled if Britain manages to make a success of life outside the club, although the chaotic process of Brexit seems to have given the EU’s popularity a bump everywhere else. A more plausible outcome, gently entertained by Mr Macron, is that over time the EU adopts a more flexible model of membership, reassembling itself into “tiers” that allow countries to choose the level of integration to which they are best suited.

Such notions, notes a disinterested British official, run up against the centripetal forces that drive many EU countries to remain as close to the core as possible. At present it suits everyone in Europe to treat Brexit as a *sui generis* case from which no broader lessons can be drawn. Perhaps that is right. But it should not preclude creative ideas that can accommodate a variety of preferences, including an outer tier for laggards, stragglers and those countries that simply seek a looser relationship with the EU. Perhaps it might even one day find room for Britain. ■



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The National Health Service

Policy transplant

MILLOM

A quiet counter-revolution in the NHS could signal the end of three decades of market-based reforms

CLAIRE MORRIS used to work as an ambulance paramedic in Lancaster, in north-west England. But as part of recent changes in the National Health Service, last year she moved 50 miles away to Millom, a town of 8,500 people that has struggled since the closure of its ironworks half a century ago. There she became part of a new system that continues to handle 999 calls, but now also liaises with other health workers to ensure vulnerable residents receive good enough care that they do not have to call the emergency services in the first place.

Such an approach may seem like common sense, but it is far from the norm. Despite its name, the NHS is not a single service. It is a mish-mash that involves nearly 7,500 general practices (clinics of GPs, or family doctors, which are independent contractors); 233 “trusts”, as hospitals and other direct providers of care are known; and some 850 companies and charities that provide care on behalf of the NHS. All of these entities have their own contracts, budgets, employees and incentives. None is responsible for social care, the residential support for elderly or disabled folk that is mostly left to local authorities.

The project in Millom and its surrounding area of Morecambe Bay is one of 50 experimental “vanguard” sites set up by the NHS in England to piece together this fragmented system, which is increasingly

struggling to cope with growing numbers of elderly people with multiple chronic conditions. Although the scope of each vanguard varies, all aim to break down silos by combining budgets and having staff from different parts of the health service work more closely together. Simon Stevens, head of NHS England, wants these sites to be models for the rest of the service.

At last, almost unnoticed, the NHS is starting to change at its core. It is a shift that indicates the end of an era of thinking about health care. In 1990 Ken Clarke, then Conservative health secretary, created an “internal market” by separating the parts of the NHS that pay for services from those that provide them. From 1997 Labour added a vast set of targets and a tariff for each procedure, to reward the most active hospitals. The Tory-led coalition of 2010-15 devolved more of the NHS budget to local groups of clinicians; today two-thirds of its spending is done via 207 “clinical commissioning groups”, which buy services from trusts and other providers.

Vanguards deliberately undermine this history. In February Mr Stevens told MPs that the reforms would “effectively end the purchaser-provider split,” adding for those parliamentarians unfamiliar with NHS-speak: “This is pretty big stuff.”

In Millom the stuff seems to be working. Between 2014 and 2016 the town reduced emergency admissions to hospital

by 23% and elective admissions by 16%. Emergency admissions from care homes were cut by 10%. Between April 2015 and December 2016, the whole Morecambe Bay region saw small drops in emergency hospital admissions and occupancy rates, even as most of the country saw increases.

Those running the vanguard ascribe the results to co-operation. The NHS is “a bit like ‘Game of Thrones,’” says John Howarth, one of the vanguard’s clinical leaders. “We’re a set of tribes who are often at war... We need to rejoin the tribes into one NHS tribe.” Millom’s one GP practice is in the same building as the community hospital and the ambulance service but, until Ms Morris started there, they barely spoke and never shared data. Now they are in constant touch, with workers going through phone logs to identify pensioners who call 999 because they do not know what else to do, then liaising across the services to work out how best to care for them at home.

Morecambe and wise

GPs in Millom can now phone or video-link with specialists at regional hospitals. Though this takes a specialist’s time (which under the usual NHS model means the hospital billing for a consultation fee under the NHS tariff), it can save more time and money later. In Morecambe Bay, this change avoided 1,400 unnecessary outpatient referrals in the 11 months to February 2017—no small achievement, since a bus journey from Millom to Lancaster can take more than two hours.

A scheme allowing people with minor eye conditions to see a local optometrist avoided 1,600 unnecessary referrals in its first 18 weeks. Some GP practices are hiring nurses and paramedics to screen patients who need not see a doctor. Other van- ▶▶

Political funding

Following the money

A multimillionaire Brexit-backer faces investigation over his donations

ARRON BANKS, the biggest financial backer of last year's Brexit campaign, sounded unbothered when news broke on November 1st that the Electoral Commission had launched an investigation into his donations. "Gosh I'm terrified," he tweeted.

The probe concerns Better for the Country Ltd, which doled out £2.4m (\$3.2m) to organisations that campaigned for Brexit. The Electoral Commission, which regulates political spending, will examine whether the company, of which Mr Banks was a director, was the "true source" of these donations. At the heart of the investigation is the question of whether these donations in fact came from outside Britain, in breach of the law.

Recipients of the money—which included the UK Independence Party and Grassroots Out, an organisation set up by a Conservative MP—will also be investigated, to see if they carried out appropriate checks on the donations. Although the Electoral Commission is empowered to hand out only puny fines of up to £20,000 per breach, it can pass on information to the police if it comes across criminal behaviour. Bob Posner, who is leading the investigation, justified it by arguing that persistent questions over funding in the referendum risked harming "voters' confidence".

The move was seized on by MPs who have campaigned for a closer look at how the Leave campaign was financed. "At last!" proclaimed Ben Bradshaw, a Labour MP, who linked the investigation with efforts by American congressmen to examine Russian interference in last year's presidential election.

Mr Banks dismissed the idea of a link between Russia and Brexit as "complete bollocks". The only interaction he has had with the Russians was a "boozy six-hour lunch with the ambassador where we drank the place dry", he wrote. Mr Banks added that the brandy and

vodka provided was "cracking" and that he had already written about the encounter in his book, "The Bad Boys of Brexit".

Mr Banks set up Leave.EU, which campaigned for Brexit in parallel with the official Vote Leave campaign. Leave.EU benefited from £6m in loans from Mr Banks, making him the biggest individual backer of Brexit. This generosity was made possible by a personal fortune—built up via investments in banking, insurance and a diamond mine, among other interests—which has been estimated at £250m. Yet some, including Mr Bradshaw, have suggested that Mr Banks's true net worth may be much lower. Leave.EU's funding is also being examined by the Electoral Commission as part of a second probe.

Since the referendum, Mr Banks has entertained himself by toying with the idea of setting up a new populist party. For now, the Russia allegations seem not to have perturbed him much. He signed off his statement with a single word: "Nostrovina" ("Cheers").



Banks v regulators

guards have GPs in their emergency departments to filter those who do not need urgent treatment. Morecambe runs weekly drop-in "café" clinics: the Airways Café for respiratory diseases; the Serenity Café for mental-health problems; and the self-explanatory Leg Ulcer Café (Professor Howarth concedes it may need a new name).

Before the general election in June was announced, Mr Stevens updated his five-year blueprint for the NHS. He announced that the models of care in the vanguard ar-

eas would be imitated throughout the system, via 44 similar local agreements known as Sustainability and Transformation Plans (STPs). A pioneering eight areas will go further still, becoming what he termed Accountable Care Systems (ACSS). These bodies are based on Accountable Care Organisations, an increasingly common way of organising care in America, where most involve one or more health-care providers signing a contract with a health-care payer (such as Medicare, the

public scheme for retirees) to deliver specific health outcomes for a defined population over a number of years. ACSS are ersatz versions of this model. They largely formalise what the vanguards are already doing: joining providers in one area together, with the aim of coming under one integrated budget which pays hospitals and clinics for how healthy they keep people, not how many procedures they carry out.

"This is a complete reversal of the Health and Social Care Act of 2012 and the reforms under Andrew Lansley [the health secretary in 2010-12]," says Ben Collins of the King's Fund, a think-tank. If the experiment were expanded, he says, it could in effect lead to the end of the internal market, since it blurs the line between provider and buyer. "We are finally building a model of care based on the actual needs of the population," says Ranjit Gill, clinical leader of a vanguard in Stockport.

Vanguards and STPs are "workarounds", in the words of one doctor. Though he supports them, Andrew Haldenby of Reform, another think-tank, says that STPs have "mad geography, no executive authority and inconsistent vision". To change this would require new legislation, which is beyond the paralysed government. So the NHS is pushing on, trying to prove the plans' worth before any legal changes are required. It is betting that the benefits of integration will exceed the costs of eroding the internal market.

Will they? True, the current system wastes millions of pounds on an unwieldy commissioning process. And fragmentation is an incentive for employees to optimise their own performance with little thought for the rest of the system. Nevertheless, the imperfect market-based reforms of the past 30 years have helped to cut waiting times, give patients more choice and instil financial discipline.

Three challenges face the NHS as it makes the case for change. The first is that although integration may help patients, it does not always mean savings for the system, since the overall budget is predetermined. Reducing hospital occupancy rates from 95% to 93% is great, says Professor Howarth, but it does not save money. The second, articulated by many doctors, is that the reforms will not be given time to work. The Labour Party is sceptical of STPs, which it sees as vehicles for cutting spending. It wants to halt the plans and give local areas more money before asking them to figure out how to proceed.

The final issue, says Mr Collins of the King's Fund, is accountability. "The whole reason the purchaser-provider split was introduced was because of unaccountable local monopolies," he notes. Although the internal market brought only imperfect accountability, what if the new models fail to deliver improvement? "We could find ourselves back in the 1970s," he warns. ■

Bagehot | The Palace of Pestminster

Accusations of sexual predation have shaken Parliament. About time



IT WAS only a matter of time before Hurricane Harvey reached the Palace of Westminster. The Weinstein storm has ripped through a succession of institutions that combine male power with blurred lines between professional and social life. Few institutions combine these two things quite as explosively as the Houses of Parliament.

Now it has struck with a vengeance, shaking Brexit off the front pages and even raising questions about the future of the government. Sir Michael Fallon, the defence secretary, has resigned on the grounds that his past personal conduct has “fallen below the high standards that we require of the armed forces”. A senior civil servant is conducting an inquiry into the conduct of two other ministers: Damian Green, the deputy prime minister, who denies accusations that he made unwanted advances to a woman 30 years his junior, and Mark Garnier, a trade minister, who nicknamed his assistant “sugar tits” and dispatched her to buy sex toys. Unnamed people in politics are accused of far worse. Bex Bailey, a Labour activist, has said that she was raped by a “party figure” and then discouraged from reporting it by Labour apparatchiks. The Westminster gossip mill, never idle even at the quietest of times, is whirring madly, aided by leaked party dossiers on MPs, insinuating photographs in newspapers and snippets from private WhatsApp groups.

The revelations are destabilising an already wobbly government. Sir Michael was one of its most experienced figures. He provided ballast against political storms and a bridge between ideologies on both sides of the Brexit divide. Based on what was known at the time of his resignation, his departure has lowered the bar for career-ending conduct. It has also reinforced the sense that the government is at the mercy of events that it cannot control: future revelations could force more ministers to resign or compel the government to withdraw the whip from erring MPs. The focus is now on Mr Green, Theresa May’s oldest friend in politics and another emollient figure who has provided political sense in a cabinet that is lacking it.

The scandal raises broader issues about how women are treated in British politics. Parliament has all the characteristics of other male-dominated institutions in spades: family-hostile (and bachelor-friendly) hours, pack behaviour, a culture of drinking.

No women sat in Parliament until 1919; as recently as 1997 they made up less than 10% of MPs. When Margaret Thatcher got into the cabinet in 1970 she was only the sixth woman to rise so high.

Politics is also a peculiar business. Social functions and political functions are fused. Campaigns are all-consuming. Pressing the flesh is a way of life. MPs have enormous power over whom they hire, but little guidance in how to manage them. They are not just representatives of the public but businesspeople who run their own offices. MPs who are not lucky enough to have London seats have no choice but to live double lives, spending their weekends in their constituencies and their weeks in the capital. They live double lives in another way, too, arriving in Westminster thinking that they might be the next Winston Churchill or Nye Bevan, but ending up as lobby fodder. The combination of loneliness and frustrated ambition, vanity and disappointment, encourages aberrant behaviour.

Erring MPs are accountable to their parties rather than to more formal bureaucratic structures. And parties have every incentive to keep secret any information that reflects badly on them, since exposing it could cause a scandal or a by-election. Parties can also use such information to keep their MPs in line. Whips’ offices maintain “black books” of their own MPs’ secrets, to dangle over members threatening to rebel.

There is still a question as to how widespread the most serious offences are. Rumours ranging from consensual affairs, to unspecified “inappropriateness”, to serious sexual assaults have been unhelpfully lumped together. Some of the MPs accused of inappropriate behaviour have said they fear a witch hunt that will blur the distinction between facts and gossip, affairs and transgressions, and misjudged passes and coercion. Yet there is a difference between keeping a clear head and downplaying the scandals. Parliament is grappling with two problems: a cultural one of how women are treated in political life and a criminal one of sexual assault. But these two problems can blur into each other. MPs are more likely to abuse their power over their subordinates if they operate in a world of casual sexist banter.

A blast of fresh air

MPs already have a net trust rating of -74%. The latest revelations may entrench contempt for politicians, encouraging the harmful populist rage against “the establishment” and discouraging talented people from working in the Pestminster swamp. Yet this week also gave some cause for optimism. The debate has highlighted how far women have advanced in recent years. They now make up a third of MPs and run three of the four countries of the United Kingdom. Digital forums such as WhatsApp give them tools to share their experiences privately and organise resistance. Parliament’s debate on sexual harassment on October 30th was notable for its maturity and good sense. John Bercow, the speaker, Andrea Leadsom, the leader of the House, and Harriet Harman, Labour’s representative, promised to tackle the problem swiftly. They also demonstrated that they recognise how doing so means addressing attitudes as well as setting up complaints systems.

The MPs’ expenses scandal of 2009 diminished Parliament’s reputation because MPs collectively failed to deal with the problem quickly and convincingly. There is a chance that, if properly handled, the sexual-harassment scandal could help clean up behaviour in Parliament, improve its reputation and persuade more young people, particularly women, to make a career in politics. Some hurricanes wreak a creative kind of destruction. ■



Lawsuits against climate change

New green advocates

The battle against global warming is increasingly being waged in courtrooms

IN FEBRUARY a tribunal in Kirkenes, in Norway's far north, ruled that oil extraction in the Barents Sea was illegal. The courtroom—an auditorium sculpted from 190 tonnes of ice, pictured above—and the verdict were fictitious, staged as part of a festival. But the legal question is real.

On November 14th a district court in Oslo, Norway's capital, will begin hearing the case that inspired the theatrics. Greenpeace and another pressure group, Nature and Youth, allege that by issuing licences to explore for oil in the Arctic, Norway's government has breached its constitutional obligation to preserve an environment that is "conducive to health" and to maintain environmental "productivity and diversity". Their case rests not on local harms, for example to wildlife or water quality, but on the contribution any oil extracted will make to global warming which, under the Paris accord of 2015, Norway and 195 other countries have pledged to keep to "well below" 2°C compared with pre-industrial times.

As policymakers prepare for the annual UN climate pow-wow in Germany, starting on November 6th, activists who think too little is being done to meet that goal are turning to the courts. Cases where the negative effects of carbon emissions are central, not tagged on to more direct environmental damage, such as oil spills or the release of noxious chemicals, are on the

rise. Joana Setzer of the Grantham Institute, a think-tank in London, has found 64 such cases in countries other than America in the past 15 years. Twenty-one were lodged since 2015 (see chart 1 on next page). In litigious America around 20 are now filed each year, up from a couple in 2002.

The targets are governments, which campaigners argue are doing too little to avert climate change, and big energy firms, which they hold responsible for most greenhouse-gas emissions. A day before the Oslo hearings, for instance, a German tribunal will consider an appeal by Saúl Luciano Lliuya, a Peruvian who sued RWE, a big German electricity producer. He argues that it is partly liable for melting Andean glaciers that have raised the level of water in a lake that threatens to flood Huaraz, his home town.

Making it stick

The legal obstacles are formidable. Like the lower court in *Lliuya v RWE*, many courts have peremptorily dismissed climate lawsuits as groundless. Climatologists deal in probabilities, so it is hard to establish a causal link between a country's or company's emissions and the damage wrought by greenhouse gases. Singling out one among countless emitters is a stretch.

Even so, the occasional case succeeds. Two years ago a court in the Netherlands agreed with Urgenda, an environmental

group, that the Dutch government's target of a 17% cut in carbon emissions by 2020, compared with the level in 1990, fell short of its constitutional "duty of care" towards Dutch society. It ordered a cut of at least 25%. The same year a high court in Pakistan upheld an earlier decision in a case brought by Ashgar Leghari, a farmer, that "the delay and lethargy of the State in implementing [its climate policies] offend the fundamental rights of the citizens". It directed the government to make a list of priorities and create an independent commission to monitor progress.

The prospect for climate-friendly verdicts is improving, says Sophie Marjanac of ClientEarth, an advocacy group, for two reasons. The first is the growing volume of climate-related commitments for which governments can be held to account. The second is advances in climate science.

Globally, the number of national climate-change laws and policies has swelled from around 60 in 1997 to nearly 1,400 (see chart 2 on next page). A survey in 2012 found that 177 countries had laws, regulations or court rulings guaranteeing the right to a clean or healthy environment. In at least 92 that right was constitutional. *Greenpeace v Norway* was made possible by a change to the country's basic charter in 2014, which in effect converted preserving a healthy, productive and diverse environment from a suggestion into an obligation. It would have been harder for Mr Leghari to win had the Pakistani government not spelled out 734 "action points", 232 of which deserved priority.

The Paris accord is playing a role. Like many environmental treaties, it does not bind signatories to fulfil their obligations, merely enjoins them to do so. But plaintiffs can assess governments' and firms' actions against the 2°C goal. ▶▶

Such assessments are aided by a growing understanding of Earth's climate and humanity's effects on it. Scientists are increasingly confident that they know roughly what shares of the greenhouse gases in the atmosphere were emitted by individual countries, and even by the biggest corporate polluters. The Carbon Majors Database, compiled by Richard Heede, a geographer, tallies historical emissions by fossil-fuel firms and other heavy carbon emitters such as cement-makers. He finds that just 90 belched out 63% of all greenhouse gases between 1751 and 2010. Campaigners seek to argue that these deep-pocketed firms, and not their customers, are ultimately responsible for the emissions, just as cigarette-makers were held liable for their products whereas retailers who sold them on to consumers were not.

Splitting the bill

Mr Heede's calculations, which most scientists accept, mean that responsibility for past and future warming can be apportioned—at least in principle. Mr Lliuya's claim of €17,000 (\$19,800) against RWE corresponds to 0.5% of the cost of protecting his town against the glacial melt. That 0.5% is the utility's estimated share of cumulative global greenhouse-gas emissions, chiefly from all the coal it has mined. Likewise San Francisco, Oakland and three other Californian counties have sued dozens of carbon majors, including BP, Chevron, ExxonMobil and Royal Dutch Shell, for damages proportional to their share.

Scientists are also becoming more willing to blame carbon emissions, not just for global warming, but for specific natural disasters such as heatwaves, floods and superstorms. But so far no plaintiff has been awarded damages on the basis of such attribution arguments. After a legal battle that lasted from 2005 to 2012, an American federal court threw out a case brought by residents of Mississippi against 34 big carbon emitters for damages suffered as a result of Hurricane Katrina, which they argued had been made more devastating by climate change. The court decided that the plaintiffs lacked "standing", in other words

that they could not prove that they had suffered an injury, that the injury could be traced back to the defendant, and that the court could redress it (for instance by ordering damages to be paid).

But "attribution research" has made strides in the 14 years since Myles Allen of Oxford University introduced the notion of "climate liability" for calamities. The first *Bulletin of the American Meteorological Society* devoted to attribution studies, in 2012, contained just six papers. Last year's edition contained 26, and many more were turned down for lack of space.

Researchers are even beginning to combine individual emitters' climate impacts with event attribution. In a paper just published in *Nature Climate Change*, for instance, Friederike Otto of Oxford University and colleagues (including Professor Allen) conclude that carbon emissions from America and the European Union each raised the frequency of a particularly devastating heatwave in Argentina by roughly a third. This increased chance, the scientists argued, could be interpreted as their share of responsibility for a scorcher four years ago. Many courts already accept probabilistic arguments, for example in cases of occupational hazards. In Britain and America judges have ruled that firms "caused" workers to be exposed to toxic substances if the risk of exposure doubled.

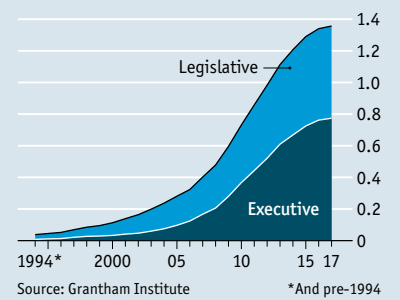
Ms Marjanac expects attribution suits on similar grounds as the science develops. In the meantime most plaintiffs are sticking to settled science. In Norway, Greenpeace is relying on the widely accepted findings of the Intergovernmental Panel on Climate Change, which says that, to meet the Paris goal, oil production should be wound down, not ramped up. The Californian counties have taken care to sue only those carbon majors with operations in the state.

Plaintiffs are also using established legal arguments, albeit in novel ways—alleging, for instance, that rising sea levels caused by companies' carbon emissions constitute trespass on county land. They are learning from one another. A lawsuit modelled on Urgenda's is under way in Belgium. On October 23rd an Irish court agreed to hear another. A court in Oregon will hear a similar one in February. A group of Brazilian NGOs hopes to file its own by April. Following successful lawsuits against cigarette manufacturers, courts are putting new stress on the fact that energy firms have long known about the harm caused by carbon emissions but have done nothing about it.

Defendants, for their part, usually argue that, whatever the climate science or the harms caused by greenhouse gases, they are simply not liable. Climate treaties presume that each country is responsible for its own emissions, says Fredrik Sejersted, Norway's attorney-general, who will ar-

Laws of nature

Global number of climate-change laws and executive policies, cumulative total, '000



gue the case against Greenpeace. "So Norway does not have a legal responsibility for emissions from oil and gas it exports." No one denies that the Netherlands emits carbon dioxide, says Edward Brans, an environmental lawyer who is representing the Dutch government in its appeal against the Urgenda ruling. The question is: "Are the government's actions unlawful?"

America's Supreme Court is highly unlikely to discover "a constitutional right to a stable climate" any time soon, says Michael Burger of Columbia University's Sabin Centre for Climate Change Law. Its courts hesitate to rule on issues generally regarded as the preserve of the legislature or the executive branch. Federal courts often decline to consider lawsuits regarding negligence, nuisance, trespass and the like stemming from carbon-dioxide emissions, arguing that these are already regulated by the Environmental Protection Agency (EPA) under a federal law, the Clean Air Act of 1963, which prevails over common law in its remit.

For now, plaintiffs approach state courts because federal statutes do not displace common law at the state level. In climate-friendly jurisdictions such as California, a jury could conceivably find in their favour, says Tracy Hester of the University of Houston. But he adds that, if President Donald Trump or Republicans in Congress relieved the EPA of its obligation to regulate greenhouse gases, the way may be opened for lawsuits in federal courts.

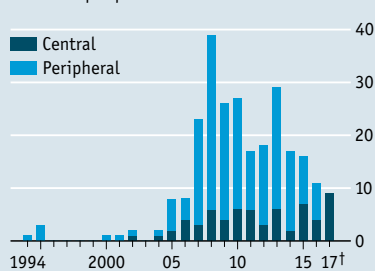
Courting the public

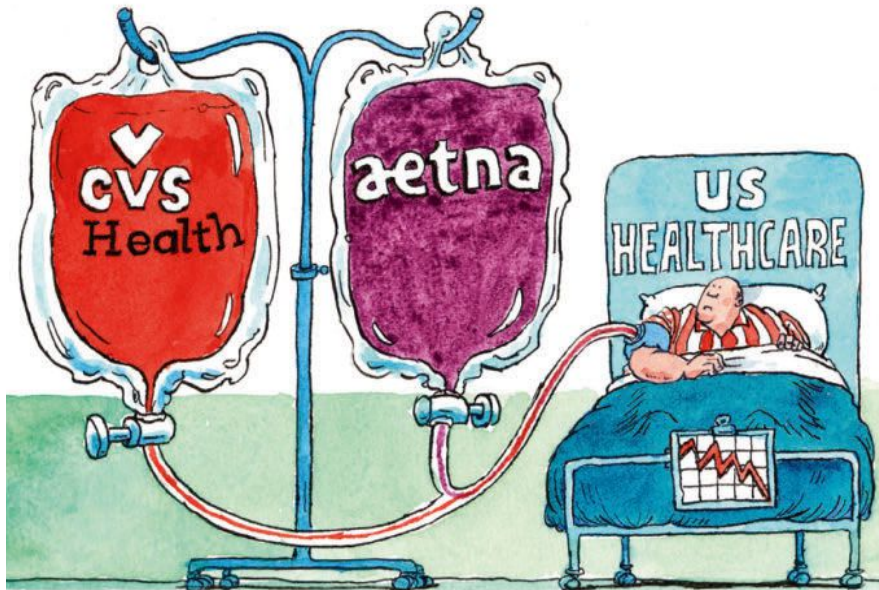
In Norway an opinion poll in August found for the first time that more people would prefer to leave some oil in the ground in order to limit emissions than to extract it all. This may not influence the Oslo court's decision. But as citizens' concerns about climate change grow, so will the prospect of real-life verdicts that resemble Kirkenes's fictional one. ■

Correction: In "Looking the other way" (October 28th) we said that the budget for the UN Development Programme is \$12bn a year. In fact, this is the sum spent by the UN on all forms of economic development. Sorry.

Natural justice

Global lawsuits* where climate change is central or peripheral to the claim





Health care in America

The right dose?

NEW YORK

A merger between CVS Health and Aetna might help curb the unsustainable rise in American health-care costs

STANLEY and Sidney Goldstein would scarcely recognise their creation. In 1963 the brothers opened a humble storefront in Lowell, Massachusetts, selling health and beauty products. Determined to put customers first, they named their enterprise Consumer Value Stores. Today the Goldsteins' startup, soon afterwards sold to a bigger firm, is nothing short of a health-care Goliath.

Revenues at CVS Health reached \$177bn last year, riches which come from 9,700 retail pharmacies and from its operations in mail-order drugs and sales of more expensive speciality medicines. The firm commands nearly a quarter of the American market for prescription drug sales (see chart on next page). It is also the biggest pharmacy-benefit manager (PBM) in America, a type of middleman that negotiates bulk discounts on drugs with large pharmaceutical firms on behalf of employers and insurers.

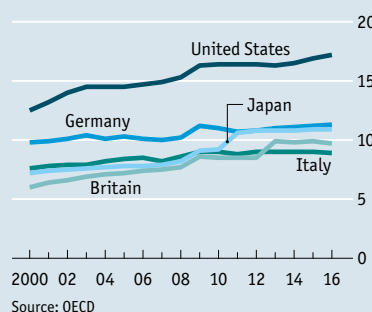
Yet even that formidable position is not enough. CVS is reported to have made a bid for Aetna, a big American health insurer (both firms have refused to comment publicly). Aetna, which had revenues last year of about \$63bn, is in a different business, serving mainly corporate clients by providing health insurance for their employees. The two companies already have a relationship, however, since CVS has a contract to serve as Aetna's PBM. If con-

summated, the transaction would be one of the biggest ever in American health care (and a tie-up between the two would doubtless encourage other transactions of a similar nature). That raises two questions. Why would the two be contemplating a deal? And crucially, given the tendency of prior mergers to fatten profit margins rather than lower prices, would such consolidation yield benefits to consumers?

Start with the reasons for a deal. Health care is becoming increasingly unaffordable for American consumers. Since 2014, total health-care cost inflation has been 6-7%, owing to growth in the cost of everything from doctors and hospitals to medical devices and drugs. Such large rises cannot

In need of close monitoring

Health spending as % of GDP
Selected countries



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continue indefinitely.

Drug retailers in particular fear the prospect of Amazon entering their business. The e-commerce titan was recently reported to have sought regulatory approval to distribute pharmaceutical products in a dozen or so states. That news, which broke in October, prompted sharp falls in the shares of several firms in the pharmaceutical supply chain.

Selling drugs would be harder for Amazon than out-competing department stores, in part because consumers do not typically pay much of the cost of drugs (insurers do). If it has serious ambitions in health care, it might even be forced to build or buy a PBM. Even so, history suggests that the firm's relentless focus on consumers and willingness to forgo profits for years make it a huge potential threat to incumbent pharmacies.

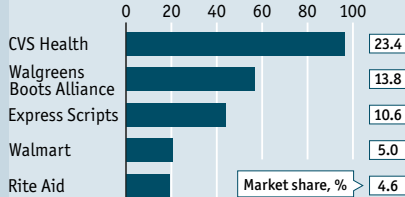
PBMs, once seen as cash cows, also face an uncertain future. These middlemen took off in the 2000s by promising to cut drug prices through aggregating demand and negotiating discounts with Big Pharma. Pembroke, an industry consultancy, estimates that the total value of drug rebates and discounts soared from \$39bn in 2008 to \$125bn in 2015. Some PBMs used questionable practices, including secret rebates (in addition to the discounts negotiated upfront on drug prices, that were passed on to PBM customers), which allowed them to pocket much of the savings rather than pass them on to insurers and employers and in turn, to consumers.

Anthem, a big health insurer, sued Express Scripts, which it fired as its PBM, for \$15bn last year, alleging that the latter firm had withheld savings and overcharged it by huge sums (Express Scripts denies the allegations). In October Anthem unveiled plans to launch its own in-house PBM with ▶▶

Doctors' bills

United States, pharmacy revenues*, 2016

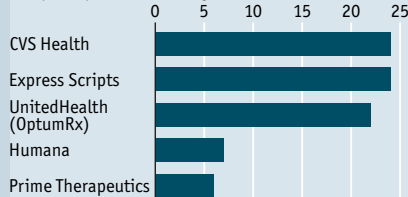
\$bn



Source: Drug Channels Institute

United States, pharmacy-benefit managers, 2016

% of prescription claims managed



*Excluding pharmacy-benefit-manager-related revenues

▶ help from cvs. UnitedHealth, another giant health insurer, acquired Catamaran, a big PBM, in 2015, and merged it into OptumRx, its in-house PBM.

Greater transparency in pricing is coming, argues Viren Mehta of Mehta Partners, an industry consultancy, be that through vertical integration (as in the purported deal between cvs and Aetna) or via the entry of a titan like Amazon. “If opacity is reduced, the PBMs lose market power and profits,” he says.

This combination of forces explains why a cvs-Aetna merger might make sense: to make cvs a more formidable competitor against possible new entrants, such as Amazon, into the bit of the business started by the Goldsteins, and to extract efficiencies by cutting out the middlemen in the health-care supply chain. Other such deals are easy to imagine. Analysts reckon that insurance firms including Well-Care, Centene and Humana are potential targets for acquisition. As the biggest stand-alone PBM, Express Scripts is thought to be a potential target, too. Anthem, which may lose cvs as a partner if antitrust authorities prize the two firms apart as a condition of approving a cvs-Aetna deal, may soon be shopping for a new PBM.

The specific nature of these sorts of tie-up offers some reason to hope that the answer to the second question—whether consolidation will benefit consumers—will turn out to be positive. In the past, firms have typically joined horizontally within a market segment. This has generally led to oligopolies that enjoy fat profits but do little to lower prices and lift quality for patients. Such horizontal mergers have been increasingly frowned upon by regulators in recent years.

Up and down, not across

The cvs-Aetna deal is an effort at vertical integration, which by removing rent-seeking middlemen can, in theory at least, lead to more choice, better health outcomes and lower prices for consumers. If this seems far-fetched, consider the example of United's pioneering use of data analytics and artificial intelligence at its in-house PBM. As costs spiral upwards, insurers' interest in ensuring the good health of consumers deepens. Because United can now

analyse both a patient's medical files and her pharmacy records, it can track how medications are taken and whether or not they work well. A small group of integrated health-care systems in America, such as Kaiser Permanente, Intermountain and the Mayo Clinic, has been shown to have delivered better care and lower costs.

By creating a much more integrated firm, the cvs-Aetna deal could do the same. cvs already has more than a thousand MinuteClinics (cheap and cheerful health centres) at its pharmacies offering affordable medical care seven days a week. The combined firm would offer everything

from basic health services to diagnostics to drug-infusion centres. It would have a strong incentive to make sure that customers have good access to primary care, including vaccinations, medical information, prescriptions, and follow-ups. “Consumers would save through lower premiums, lower out-of-pocket spending at preferred cvs outlets, or both,” reckons Adam Fein of Pembroke. Moreover, the accumulation of data on what interventions work best in similar patients would speed the personalisation of medicine.

In truth, no one knows how a cvs-Aetna deal would affect consumers of health care, as this structure of transaction, at this scale, has not been tried. The concern for patients—and for trustbusters—is what would happen if customers of a combined firm wanted to receive care from other clinics or buy drugs from other pharmacies, perhaps because it was restricting choice or increasing co-payments. The reason for hope is that this vertical deal could become a template for a new sort of health-care firm, which offers a lower-cost ecosystem of quality health care. That could be a boon to consumers; it would have pleased the Goldstein brothers, too. ■

Trends in tourism

Fatal attractions

SALEM

Dark tourism spooks its way into the mainstream

ONE recent morning in Salem, in the state of Massachusetts, a witch ran out of wands. Teri Kalgren, the owner of Artemisia Botanicals, an apothecary and magic shop, attributed the shortage to a boom in visitors. People have long flocked to Salem to learn about the infamous witch trials of 1692, in which Puritan hysteria led to the executions of 20 people (and two dogs). But since 1982, when the city introduced Haunted Happenings, a day-long Halloween festival for local families, the event has expanded into a celebration that lasts for a month and attracts 500,000 tourists. In 2016 tourism pumped \$104m into Salem and funded some 800 jobs.

On America's opposite coast, Scott Michaels can also attest to the allure of the macabre. He has watched his Hollywood-based company, Dearly Departed Tours, grow from a one-man gig to an operation with seven employees who take tourists to celebrity grave sites every day of the week. “Just a few years ago, we were just the quirky ones doing tours in an old hearse,” says Mr Michaels.

The fact that tourism is soaring is well-known—between 1999 and 2016 the num-

ber of people opting for a foreign holiday doubled, according to the UN World Tourism Organisation (UNWTO). As travellers embrace experiences, rather than just heading to the pool, visits to “dark tourism” sites have risen in tandem. This ▶▶



The new Bali

▶ catch-all term includes sites of atrocities such as Auschwitz or Cambodia's killing fields; nuclear disaster zones such as Chernobyl in Ukraine and the Fukushima Dai-ichi power plant in Japan; and other morbid locations, such as the house where O.J. Simpson's ex-wife was killed. The internet has raised awareness of such places; cheap flights have made them easier to get to.

Take Chernobyl. The nuclear disaster at a power plant in what is now Ukraine, in 1986, killed more than 30 workers, afflicted thousands with radiation poisoning and forced 180,000 Soviet citizens to abandon their homes. A decade ago Dominik Orfanus, a Slovakian journalist, visited Pripjat, a modern city turned into a ghost town by the explosion, and founded a tour company. The number of visitors to the "exclusion zone" has since jumped (from 7,191 in 2009 to 36,781 in 2016). An easing of government restrictions in 2011 and Ukraine's hosting of the 2012 European football championship helped numbers swell further. CHERNOBYL.wel.com, Mr Orfanus's company, is one of three such firms which, collectively, have more than 2,000 reviews on TripAdvisor, a travel-review website. It hands out shirts with slogans such as "Enjoy Chernobyl, die later".

Commodifying Chernobyl can be justified by the passage of time and the fact that tourism is seen by locals as a boon to their stunted economy. Salem is also easy to commercialise because the deaths occurred so long ago. But recent tragedies demand greater sensitivity. Japanese authorities have banned tours to the vicinity of Fukushima Dai-ichi nuclear power plant, which went into meltdown after an earthquake caused a tsunami that engulfed the coast in 2011, killing nearly 19,000 people. Local guides still take over 2,000 tourists each year to villages near the reactors.

Michael Frazier, of the National September 11 Memorial & Museum in New York, bristles at the word "attraction," even though the museum charges admission, sells souvenirs and markets itself on its website as TripAdvisor's "#2" of 1,055 Things to Do in New York City. It is also "#6" of the World's Most Instagrammed Museums. Last year more than 3m visitors brought in \$67m for the non-profit foundation that runs the museum.

At the 9/11 museum and at Auschwitz, crowds are controlled with carefully timed tours. At Chernobyl, however, sometimes "there are so many buses that all of a sudden the ghost town feels like Disneyland," says Mr Orfanus. Carolyn Childs of MyTravelResearch.com, a research firm, sees plenty of room for thoughtful architecture firms and design consultancies to help sites walk the fine line between commemoration and commercialisation.

Death sells, says Philip Stone of the Institute for Dark Tourism Research at the University of Central Lancashire. But most

dark tourists seek meaning, not merely the macabre. His research into their motives reveals not so much oddballs ticking atrocities off a list as amateur scholars of human nature. The Salem Witch Museum tries to cater to such cerebral interest, casting witch-hunts as a staple of America's political culture. It cites cases such as Japanese internment after the attack on Pearl Harbour in 1941, and Senator Joe McCarthy's scapegoating of alleged communists in the 1950s. A guide asks a crowd clad in black and orange to come up with modern parallels. The visitors leave deep in thought. ■



IKEA and the internet

Frictionless furnishing

The furniture giant undertakes some home improvements

ON A Sunday afternoon, just beyond London's M25 ring road, shoppers participate in the ritual that is a trip to IKEA. Fuelled by a lunch of Swedish meatballs, they negotiate their way around the 400,000-square-foot maze of a store, past children playing hide and seek and couples arguing over the merits of a PAX over a HEMNES wardrobe. Hours later, they emerge, wearily pushing trolleys loaded with flat-pack furniture and far more tea lights than they had intended to buy. The joy of assembly still awaits them.

This experience has changed remarkably little since the late 1950s, when IKEA, which is still privately owned, set up its first store in southern Sweden and found that people would travel long distances for low-cost, self-assembled goods. IKEA has become the world's largest seller of furniture, with over 400 shops around the world and €38bn (\$42bn) of revenue.

But now it is acknowledging that customers might want to shop in new ways. In what Torbjörn Lööf, chief executive of Inter IKEA, which owns the brand, has described as its biggest change in interacting with customers since the IKEA concept was founded, it has said it will experiment with selling furniture on third-party online platforms (it already sells items on its own site). It is not yet known whether it will sell on Amazon or China's Alibaba, the biggest names in e-commerce.

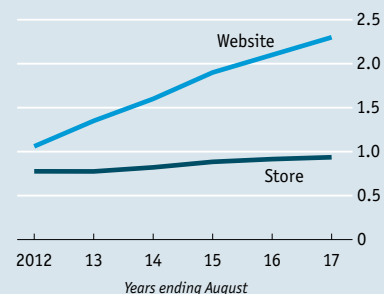
The firm also recognises that DIY labour does not always make people fonder of their purchases. In September IKEA Group, which runs most of the retail outlets, announced its acquisition of TaskRabbit, an app that, among other things, connects handymen to customers with odd jobs to be done. Taken together with other changes introduced in recent years—such as a handful of click-and-collect sites in some city centres, home delivery and a new augmented-reality app for smartphones to help customers visualise furniture in their homes—it is clear that the company is keen to create alternatives to its vast suburban outlets.

Such steps seem overdue. According to a survey of 29 countries by PwC, a consulting firm, around 30% of respondents would rather buy furniture on the internet than in shops. Although footfall at individual IKEA stores has been falling since 2015, the number of visits to the group's website has increased by over a fifth (see chart). Yet in 2016 online sales accounted for only 4% of the firm's total revenue. IKEA has doubtless noticed that an American competitor, Ashley Furniture, successfully sells its goods on Amazon, and that Alibaba, too, carries several ranges of furniture.

The new strategy carries the usual risks faced by firms going online. Customers are not shifting entirely to e-commerce, notes Marc-André Kamel of Bain & Company, a consulting firm, but wish to mix and match channels. Mr Lööf therefore has little choice but to offer customers both physical and digital options, which could raise costs. IKEA is still planning bricks-and-mortar expansion both in established mar- ▶▶

Internet of flat-packed things

IKEA, customer visits, bn



Source: Company reports

▶kets, such as Britain, and in new ones, such as India next year and South America and South-East Asia in the future.

Its plan to experiment with using big third-party online sellers such as Amazon is surprising, says Mr Kamel, because it would need to cede some control over its branding. Being on Amazon or Alibaba would also invite direct comparison with other furniture manufacturers on price and quality. The Swedish giant is betting

that it can win new customers online who would never trek to its superstores. But if it simply substitutes offline demand for online sales it could lose out, because it would have to hand over a big chunk of its profit margin to third parties (at least there is plenty to go round; IKEA Group's gross profit margin averaged 40% between 2012 and 2016).

Another risk comes from the demands of a new type of customer. IKEA is used to

people who are willing to spend time on assembly in return for low prices, but will now try to appeal to online buyers who demand cheap, quick delivery. Keeping them happy will be hard. Online reviews of IKEA's new-style click-and-collect store in London complain of long lead times and slow service. Constructing a sturdy new sales model, rather like a flat-pack cupboard, could turn out to be trickier than IKEA claims. ■

Driving in Myanmar

On the other hand

YANGON

Japanese-made cars enjoy an afterlife in Myanmar. Not for much longer

THE Japanese make cars that last but replace them relatively quickly. The average car in Japan is three years younger than in America. This combination of durable manufacturing and dutiful consumption of a prized national product works out well for the rest of the world; many countries import older Japanese cars in bulk. Secondhand vehicles fill vast parking lots in Japan's port cities, awaiting shipment to New Zealand, the United Arab Emirates and elsewhere.

The third-most-popular destination is Myanmar, which imported over 80,000 used Japanese vehicles in the first nine months of this year, according to Japan's International Auto Trade Association. Drivers believe that Toyotas, Hondas and Nissans can stand up to the country's pockmarked roads, a faith not yet shown in South Korean and Chinese cars.

There is only one problem, which is that Japan drives on the left, Myanmar on the right. As a consequence, most of Myanmar's drivers sit on the wrong side of the car, where it is harder to see oncoming traffic. Settle into the passenger seat of a Honda taxi on a narrow rural road and you may be called upon to perform unexpected duties like telling your driver when it is safe to overtake a slow-moving lorry, without hitting a scooter, gaggle of children or bonnet-less jalyol travelling in the other direction.

Not everyone executes these responsibilities successfully. Myanmar has the highest rate of deaths per vehicle among the ten members of the Association of South-East Asian Nations (ASEAN), according to the World Health Organisation. Evidence of accidents litters the roadside outside Yangon: a silver Toyota that has lost everything in front of its windscreen and a red Suzuki hatchback that also now has a hatchfront.

Myanmar's government periodically tightens the import rules to keep older and less safe cars off the country's roads. In October it said it will allow individuals

to import only cars built in 2016 or after. And after this year, it will no longer grant import permits for right-hand-drive cars.

The tighter policy may encourage local car assembly. Suzuki will open a new factory for left-hand-drive cars outside Yangon next year, adding to its existing plant in the city's east. But the change will oblige drivers to buy cars that are either more expensive or less authentically Japanese. The new left-hand-drive Corolla on display in the Toyota "Mingalar" dealership in Yangon, for example, was made in Thailand and is listed at \$33,900, over 26 times the country's national income per person.

One other constituency may also come to regret the altered rules. Many poorer residents of Yangon, where motorcycles are banned, ride bicycles or sit in three-wheeled "trishaws", trundling alongside the kerb. As more of Myanmar's drivers shift to the left seat, oncoming traffic will be easier to spot; but these kerbside pedal pushers will be more exposed than ever.



Gridlock in Yangon

Japanese business

The wa forward

TOKYO

Japan Inc gingerly embraces more foreigners

MICHAEL WOODFORD, the first non-Japanese president of Olympus, likened the camera-maker's board members who sacked him in 2011 to "children in a classroom". Mr Woodford had confronted Tsuyoshi Kikukawa, the company's imperious chairman, over a \$1.7bn hole in its finances. Mr Kikukawa responded by orchestrating a show of hands in a boardroom coup that sent the Englishman packing. It all fitted a cliché of Japan's boardrooms as an all-Japanese, all-male club where wizened bosses ruthlessly enforce wa, or harmony.

Gradually, the serenity is being disrupted. Nearly 15% of companies in the Nikkei 225 stock index now have at least one non-Japanese on their boards. That is still less than half the share in Britain's FTSE 100, but it is up from 12% in 2013 and the trajectory seems set. Japan's biggest bank, Mitsubishi UFJ, and Takeda, its largest pharmaceuticals company (which in 2015 appointed its first foreign chief executive, a Frenchman) announced the appointment of foreign directors this year. Of the ten directors at SoftBank, a telecoms and internet giant, seven are non-Japanese.

When Japanese firms buy Western competitors, they often absorb foreigners into their higher echelons. Suntory, a drinks company, put the British chief executive of Beam, a spirits-maker, onto its board in 2014 when it acquired the American company. SoftBank's embrace of foreigners reflects a diverse portfolio that includes ARM, a British chipmaker, and Sprint, an American telecoms firm. Greater outside influence over Japanese firms also stems from more overseas investors, who hold about 30% of Japanese shares, up from 23.5% in 2008.

But more still needs to be done, and quickly, if large Japanese firms are to maintain global relevance, says George Buckley, an outside director of Hitachi, a conglomerate. Many boards continue to be rubber- ▶▶

stampers, not vigilant overseers of the sort that foreigners expect to sit on, agrees William Saito, a venture capitalist who advises the government. Elderly ex-chairmen and chief executives often wield considerable power even after retirement. (And if corporate giants are excluded, the number of foreigners on boards of listed firms has barely inched up, from 0.6% in 2001 to 0.8% last year.)

Livelier boardrooms might help prod Japan's risk-averse companies to invest more of their ¥214trn (\$1.9trn) of cash, and boost the economy. Their foreign operations would also benefit from appointing more non-Japanese as business heads. In the past the easiest way for Japan's manufacturers to control subsidiaries abroad was to send people they knew. That may not work for services, warns Masahiko Uotani, president of Shiseido, a cosmetics company. "You need people who can really understand local tastes," he counsels.

Unless Japanese business changes its ways, firms risk staying dangerously out of touch, agrees Christina Ahmadjian, a non-executive director at Mitsubishi Heavy Industries, another conglomerate. The number of Japanese companies in the Fortune Global 500, a scorecard for big business, has dropped from 149 in 1995 to 51. A bit of disharmony can be productive. ■

Qatar Airways

Plane diplomacy

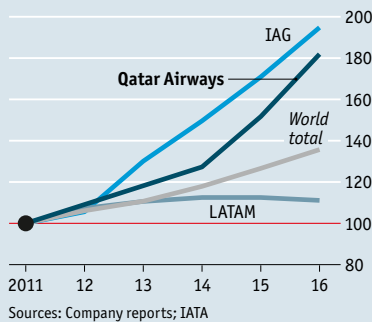
Akbar al-Baker, the airline industry's most outspoken boss, goes global

AIRLINE bosses are often household names due to their attention-seeking behaviour—from the foul-mouthed rants of Michael O'Leary, chief executive of Ryanair, to the model-flanked antics of Richard Branson of Virgin Atlantic. But even in an industry filled with characters, Akbar al-Baker, Qatar Airways' chief executive, stands out. He is known in the industry for behaving unpredictably at press conferences and for his colourful attacks on rival airlines. The word "crap" often comes up, as a description for new jets from Airbus and Boeing, and also (in a quote from July): "there is no need to travel on these crap American carriers" on which "you will be served by grandmothers".

Mr Baker could do with some allies just now. Since June, Saudi Arabia, the United Arab Emirates, Bahrain and Egypt have imposed a blockade on Qatar, banning its flag carrier's jets from their skies. That has resulted in the cancellation of over 50 daily flights to these countries, costing the airline a tenth of its business and \$500m in

What blockade?

Passengers carried, 2011=100



profit this year, calculates Diogenis Papiomytis of Frost & Sullivan, a consultancy.

A shock on this scale would kill many private-sector airlines. But Qatar Airways has been fully state-owned since 2013. Analysts think its airline operations are loss-making, and that they are cross-subsidised by other parts of the group, including Doha's airport, hotels and a monopoly on alcohol and duty-free shopping. That suggests the airline's main function: to put the tiny emirate on the world stage.

In 1996 Qatar's then emir, Sheikh Hamad bin Khalifa al-Thani, put Mr Baker in charge to transform Qatar Airways from a startup with a few jets into a global airline. He was previously a civil servant at Qatar's civil-aviation regulator. Despite a lack of experience, passenger numbers have risen from almost nothing to over 32m in 2016; the carrier has come first in Skytrax's awards for service quality four times.

Rivals retort that its heavy reliance on state support is what makes it special. America's three biggest carriers claim that Qatar Airways has violated a US-Qatari open-skies treaty by receiving \$25.5bn in state subsidies since 2004. Peter Carter, Delta's chief legal officer, reckons that the airline's long-term plan is to push rivals out of business and raise fares later on. In June the Qatari carrier said it wanted to buy 10% of shares in American Airlines, but its chief executive, Doug Parker, fought Mr Baker off, fearing that his bid was a ploy to force it to lobby in favour of, rather than against, state-backed Gulf carriers.

Nor does the airline have friends at home in the Gulf, where Emirates and Etihad, its biggest regional rivals, may be benefiting from the blockade against Qatar. It is often forgotten, notes Andrew Charlton of Aviation Advocacy, a Geneva-based consultancy, that the Qatari and Emirati airlines "care more about competing with each other than against the Americans". The damage to Qatar Airways from the blockade is no accident, say former executives from the two Emirati carriers.

Surrounded by foes in the Middle East, Mr Baker is obliged to make investments further afield. "It looks like he is plotting

Gulf domination through world domination," says Mr Charlton. Instead of buying airlines outright, to feed traffic into a hub—a strategy that led Etihad to lose billions of dollars when Alitalia and Air Berlin, its two big buys, went bust this summer—Mr Baker plans to build a network of hub airlines across the world. Qatar Airways has built a 20% stake in IAG, a group of airlines that flies 100m passengers a year, and a 10% stake in LATAM, Latin America's biggest carrier. After being snubbed by American Airlines, in September Mr Baker bought 49% of Meridiana, an Italian carrier.

He might seem to lack the diplomatic skills for such dealmaking. Most airline managers, after all, are globe-trotting experts in the mould of Sir Tim Clark, president of Emirates. Mr Baker is known for a tough management style at Qatar Airways as well as for abrasive public comments. Yet he is not to be underestimated. In 2013 Qatar Airways became the first and only Gulf carrier to join an international airline alliance, oneworld, which includes BA, American Airlines and LATAM. Executives at some of the other members say that Mr Baker is in fact much easier to deal with than they expected.

As a former watchdog, he also knows how to handle aviation regulators. In September he lent aircraft to Britain's aviation authority to help repatriate thousands of holidaymakers after the collapse of Monarch Airlines, the country's fifth-biggest carrier, and in October Qatar made a deal with the EU on closer co-operation on regulation and safety. He has also been invited by India's government to set up an airline with 100 jets. It is no wonder that some analysts compare him to an arcade-game mole: hit him hard in one part of the world, and he soon appears elsewhere. ■



Akbar al-Baker on a high

Schumpeter | Making Europe great again

Remember corporate Europe? It wants to be noticed again



WHEN Emmanuel Macron first started work as a mergers-and-acquisitions banker at Rothschild in Paris in 2008, technicians of the trade were not impressed. “He did not know what EBITDA was,” sniffed a former colleague, according to the *Financial Times* (it is a measure of company profits). Yet Mr Macron had ideas and made things happen, and four years later persuaded Nestlé to spend \$12bn buying Pfizer’s nutrition business.

Now that he is France’s president, Mr Macron is trying to revive the grandest idea of all in European business: creating continental champions capable of taking on American and Chinese firms. It is an ambitious mission that will prove highly frustrating.

Mr Macron laid out his vision at the Sorbonne in Paris in September, promising a “re-foundation of Europe”, and that he would bolster its “industrial and monetary power”. The same day Alstom, a French transport firm, agreed to merge with the transport arm of Siemens, a German rival. The combination will have \$18bn of sales, placing it second only to CRRC, a Chinese state-run monster that sells locomotives around the world. Joe Kaeser, Siemens’s boss, spoke of putting “the European idea to work” to create a “European champion”.

That label sounds corny but it used to make bosses tingle with excitement. A wave of intra-European deals followed the creation of the single market and the euro, accounting for 31% of global M&A activity between 2000 and 2005, according to Dealogic, a data provider. Some were orchestrated by governments—for example, the creation of EADS, a plane manufacturer (now Airbus) in 2000. Others were backed by investors—such as Vodafone’s takeover of Mannesmann in the same year, which created a mobile-phone giant. But the common thread was that having a huge home market would give European firms the kind of economies of scale enjoyed by American companies.

Europe’s long crisis, which began when European bond yields spiked in 2010 (and which, hopefully, ended with Mr Macron’s election in May) paralysed this urge to consolidate. Pan-European deals were just 12% of global M&A last year. Worried about the euro’s stability and enticed by faster growth in emerging economies, European companies have invested more elsewhere. Meanwhile, American and Chinese firms have used deals and organic expansion to get even bigger in their domestic markets.

It is bad enough that Europe does not have any technology giants on the scale of an Amazon or Alibaba, but these trends mean that even the region’s bog-standard old-economy firms are relatively small. The median listed European company is 78% as big as the median American one (these figures are for the top 500 firms in each geographical area, and use a blend of profits, book value and market value to measure size, using Bloomberg data). If you exclude Switzerland and Britain, which have lots of large companies and which either are not, or soon will not be, in the European Union (EU), the median EU firm is just 48% of the size of the median American one. Chinese firms have almost caught up: the median company there is 94% as big as the median EU firm and within a couple more years will probably be larger.

Europe has a long tail of journeymen in some industries, including banking, media, defence and carmaking. For example, Peugeot produces one third of the cars that General Motors does. ProSiebenSat, a German broadcaster, has sales that are less than a tenth of Disney’s. Ericsson is less than half the size of Huawei, a Chinese telecoms-equipment firm. Size is not everything. But a lack of scale, and the costs of operating in lots of mid-sized countries, may help explain corporate Europe’s weak return on equity, which at 9% lags behind America (13%) and China (10%).

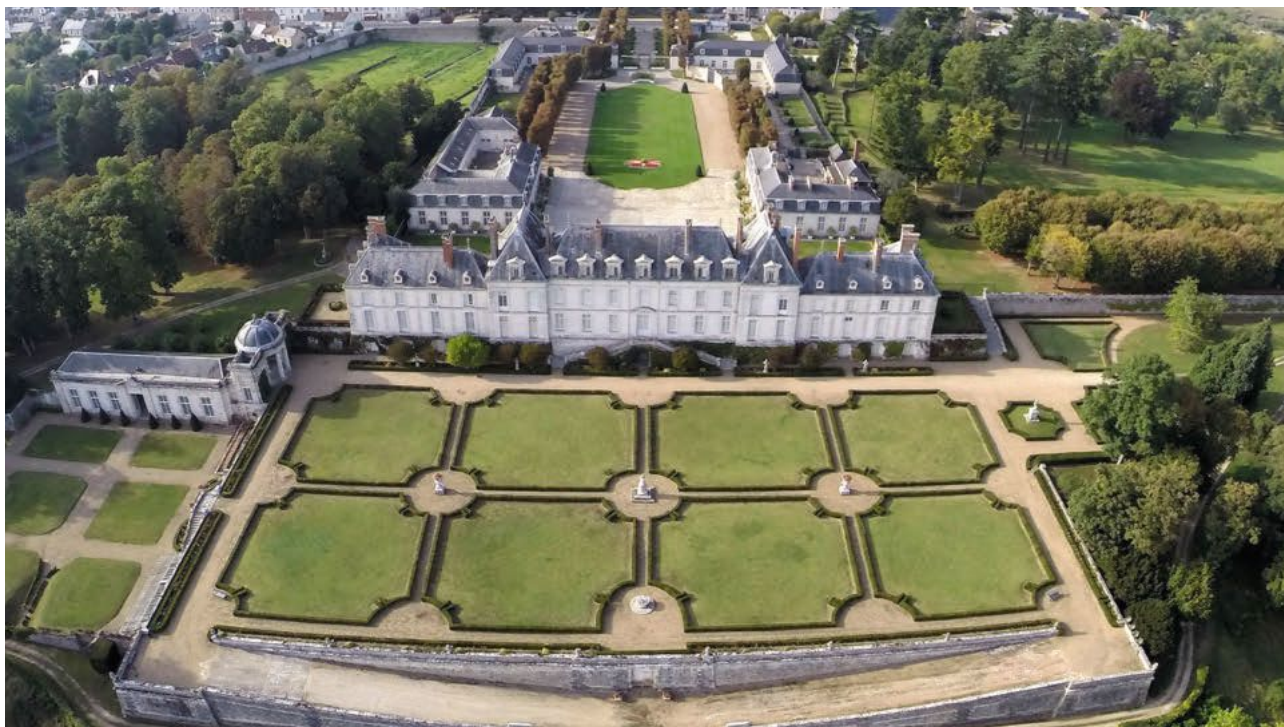
With his aim to foster greater scale, Mr Macron should be pushing on an open door. Profits are rising, making managers bolder, and Chinese and American predators are sniffing around, giving a sense of urgency. And over time the EU may try to deepen the single market by harmonising corporate-tax rates and strengthening its banking union. All this will make pan-European deals more likely.

Yet there are two stumbling-blocks. First, prickly national sensitivities. The Alstom-Siemens combination will have a German controlling shareholder but its headquarters in France. Fingers crossed that this fudge works. Elsewhere, European unity appears scarce. A proposed \$34bn takeover of Abertis, a Spanish company, by Atlantia, an Italian firm, would create the world’s largest toll-road operator. But a blocking counter-bid has been made by ACS, a Spanish firm, with the tacit backing of Spain’s government. Meanwhile, Vincent Bolloré, a billionaire who controls Vivendi, a French media firm, wants to create a continental powerhouse and has tried to make inroads into Italy, buying stakes in Telecom Italia and Mediaset, a media business controlled by Silvio Berlusconi, a former prime minister. But Mr Bolloré has run into a wall of regulatory and political hostility.

Pleasing the people, and shareholders too

The other stumbling-block is winning over shareholders. Pan-European deals are risky. Of the 100 largest bids, 30 have collapsed, often due to political rows. To justify paying a takeover premium, firms need to cut costs, but this can be hard for political reasons. The union of Finland’s Nokia and France’s Alcatel, two telecoms-equipment firms, backed by Mr Macron when he was finance minister in 2015, has since incurred his wrath by trying to cut jobs in France. Lax antitrust enforcement has let American firms form oligopolies and pass the gains to shareholders, not consumers. But European regulators are, rightly, tougher, so deals that create windfalls for investors are harder to get approved.

Mr Macron’s instinct is correct. European firms have lost their seat at the top table of global business. But if the aspiration of creating a new cohort of European corporate champions is desirable in theory, it is daunting in practice. ■



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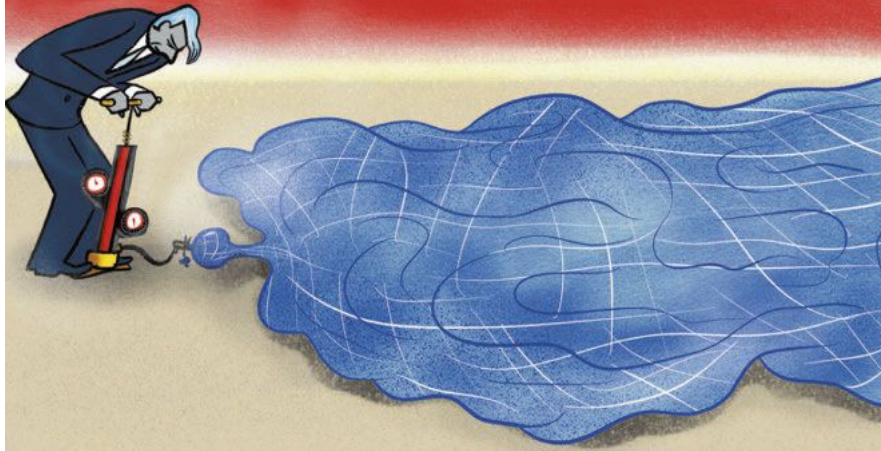
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Global inflation

Gone missing

The world economy is gathering momentum—but where's the inflation?

A FEW years ago, the news about the euro-zone economy was uniformly bad to the point of tedium. These days, it is the humdrum diet of benign data that prompts a yawn. Figures this week show that GDP rose by 0.6% in the three months to the end of September (an annualised rate of 2.4%). The European Commission's economic-sentiment index rose to its highest level in almost 17 years. Yet when the European Central Bank's governing council gathered on October 26th, it decided to keep interest rates unchanged, at close to zero, and to extend its bond-buying programme (known as quantitative easing, or QE) for a further nine months.

The central bank said it would slow down the pace of bond purchases each month, to €30bn (\$35bn) from January. But Mario Draghi, the bank's boss, declined to set an end-date for QE. A hefty dose of easy money will be necessary, he argued, until inflation durably converges on the ECB's target of just below 2%. It shows few signs of doing so, despite the economy's strength. Underlying, or core, inflation, which excludes the volatile prices of food and energy, fell from 1.1% to 0.9% in October, according to data published a few days after the ECB meeting. The euro zone's miseries of 2010-12 were unique. But in its present, happier state of vigorous activity, low inflation and easy monetary policy, it is like many other big economies (see chart).

After a decade of interest rates at record lows, those central banks that are inclined to tighten policy naturally attract attention. The Bank of England's monetary-policy committee raised its benchmark interest rate from 0.25% to 0.5% on November 2nd, the first increase since 2007. On the same day, the Czech National Bank raised interest rates for the second time this year. The Federal Reserve kept interest rates unchanged this week, having raised them in March and June, but a further increase is expected in December.

In Turkey, perhaps the only big economy that is obviously overheating, the central bank—which has been browbeaten by the president, Recep Tayyip Erdogan, who believes high interest rates cause inflation—opted on October 26th to keep interest rates on hold. Yet in most bigish economies, underlying inflation is below target (see chart) and monetary policy is being relaxed. Brazil's central bank cut interest rates on October 25th from 8.25% to 7.5%. Two days later, Russia's central bank trimmed its main interest rate, to 8.25%. This week the Bank of Japan voted to keep rates unchanged and to continue buying assets at a pace of around ¥80trn (\$700bn) a year. These economies are gathering strength. It is a puzzle that, in such circumstances, global inflation is stubbornly low.

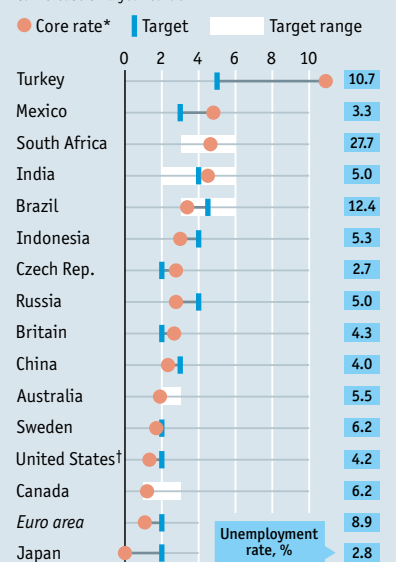
To figure out why, consider the model that modern central banks use to explain

inflation. It has three elements: the price of imports; the public's expectations; and capacity pressures (or "slack") in the domestic economy. Start with imported inflation, which is determined by the balance of supply and demand in globally traded goods, such as commodities, as well as shifts in exchange rates. Commodity prices have picked up smartly from their nadir in early 2016. The oil price, which fell below \$30 a barrel then, has risen above \$60.

This has put upward pressure on headline inflation: in the euro zone it is 1.4%, half a percentage point higher than the core rate. Where inflation is noticeably high, it is generally in countries, such as Argentina ▶

Core values

Consumer prices, October 2017 or latest available
% increase on a year earlier



Sources: Haver Analytics; central banks; Reuters *Excluding food & energy IPI index

▶ (where it is 24%) or Egypt (32%), that have withdrawn costly price subsidies and whose currencies have fallen sharply in value, making imported goods dearer. In Britain, rising import prices linked to a weaker pound have added around 0.75 percentage points to inflation, which is 3%.

A second influence on inflation is the public's expectations. Businesses will be more inclined to push up their prices and employees to bid for fatter pay packets if they believe inflation will rise. How these expectations are formed is not well understood. The measures that are available are broadly consistent with the central bank's

inflation target in most rich economies. Japan is something of an outlier. It has struggled to meet its 2% inflation target in large part because firms and employees have become conditioned to expect a lower rate of inflation. Japan's prime minister, Shinzo Abe, recently called for companies to raise wages by 3% in next spring's wage round to kick-start inflation.

Leave aside the transient effects of import prices, and inflation becomes a tug-of-war between expectations and a third big influence, the amount of slack in the economy. The unemployment rate, a measure of labour-market slack, is the most-used

gauge. As the economy approaches full employment, the scarcity of workers ought to put upward pressure on wages, which companies then pass on in higher prices. On some measures, Japan's labour market is as tight as it has been since the 1970s. America's jobless rate, at 4.2%, is the lowest for over 16 years. Inflation has nevertheless been surprisingly weak.

In other words, the trade-off between unemployment and inflation, known as the Phillips curve, has become less steep. A paper last year by Olivier Blanchard, of the Peterson Institute for International Economics, found that a drop in the unem- ▶▶

Buttonwood | Yielding to temptation

The big risks may be in corporate, not government, bonds

FOR the umpteenth time in the past decade, a great turning-point has been declared in the government-bond market. Bond yields have risen across the world, including in China, where the yield on the ten-year bond has come close to 4% for the first time since 2014. The ten-year Treasury-bond yield, the most important benchmark, has risen from 2.05% in early September to 2.37%, though that is still below its level of early March (see chart).

Investors have been expecting bond yields to rise for a while. A survey by JPMorgan Chase found that a record 70% of its clients with speculative accounts had "short" positions in Treasury bonds—ie, betting that prices would fall and that yields would rise. Meanwhile a poll of global fund managers by Bank of America Merrill Lynch (BAML) in October found that a net 85% thought bonds overvalued. In addition, 82% of the managers expected short-term interest rates to rise over the next 12 months—something that tends to push bond yields higher.

In part, this reflects greater optimism about the global economy. For the first time since 2014, America has managed two consecutive quarters of annualised growth of 3% or more. Forecasts for European growth have also been revised higher. Commodity prices, including oil, have been rising since June, which may be a sign of improving demand.

The BAML survey found that, for the first time in six years, more managers believe in a "Goldilocks" economy (in which growth is strong and inflation is low) than in a "secular stagnation" outlook (in which both growth and inflation are below trend). If those views turn out to be correct, then it might be expected that bond yields would move a bit closer to more "normal" levels. Until the crisis of 2008, the ten-year Treasury-bond yield



had been above 5% for most of the previous four decades.

Investors also expect that, eventually, some kind of fiscal stimulus will be passed in Washington, DC. Of the fund managers polled by BAML, 61% expect tax cuts in the first quarter of next year. Such a package may increase the deficit and induce more economic growth; both factors would push bond yields higher.

Another factor behind the upturn in yields is a shift in central-bank policy. The Federal Reserve has started to wind down its balance-sheet, by not reinvesting the proceeds when bonds mature. The European Central Bank will soon cut the amount of bonds it buys every month by half, to €30bn (\$35bn). The private sector will have to absorb the bonds that central banks are no longer purchasing.

Whether this will trigger the long-prophesied collapse of the bull market in bonds is another matter. Globally, there are no signs of a sustained surge in inflation (see previous article). PIMCO, a fund-management group, thinks that global economic conditions may now be "as good as it gets". The momentum of growth may al-

ready have reached its peak.

Central banks also know that higher bond yields can act as a brake on economic growth. In G20 advanced economies, the combined debt of households, governments and the non-financial corporate sector has been rising steadily and stands at 260% of GDP. Every debt is also a creditor's asset, but higher borrowing costs can create awkward adjustments; in America, for example, 30-year mortgage rates are around half a percentage point higher than they were a year ago. So the pace of tightening will be very slow. And if the economy shows any sign of wobbling, central banks will probably relent.

Perhaps the real area of worry should be the corporate-bond market. Low government-bond yields have pushed investors in search of a higher income into taking more risk. American mutual funds now own 30% of the high-yield bond market, up from less than 20% in 2008. The spread (extra interest rate over government bonds) on these riskier securities is close to its lowest level since before the financial crisis. BlackRock, another fund-management group, says there is "a more favourable environment for issuers at the expense of lenders", especially as the quality of the covenants protecting lenders has been deteriorating.

With the rate of bond defaults falling, and the global economy doing well, investors probably feel there is little to worry about. But there is a problem: the corporate-bond market is less liquid than it was before 2007, as banks have pulled back from their market-making roles. Investors have found it easy to get into the market in search of higher yields. When the time comes, they will find it much more difficult to get out.

► ployment rate in America has less than a third as much power to raise inflation as it did in the mid-1970s.

The central banks that see a need for tighter monetary policy are worried about diminishing slack. There are tentative signs of stronger pay pressures in Britain and America, and firm evidence of them in the Czech Republic, where wage growth is above 7%. Even so, with inflation expectations so steady, the flatter Phillips curve suggests that the cost for central banks in higher inflation of delaying interest-rate rises is rather low. The ECB is quite a way from such considerations. The unemployment rate is falling quickly, but remains high, at 8.9%. There is still room for the euro-zone economy to grow quickly without stoking inflation. The dull routine of good news is likely to continue. ■

Anti-money-laundering technology

Washing whiter

Software is patrolling the financial system, looking for crooks

KEEN, no doubt, to stay alive, drug traffickers tend to be prompter payers than most. For software firms, this is just one of many clues that may hint at the laundering of ill-gotten money. Anti-money-laundering (AML) software, as it is called, monitors financial transactions and produces lists of the people most likely to be transferring the proceeds of crime.

Spending on this software is soaring. Celent, a research company, estimates that financial firms have spent roughly \$825m on it so far this year, up from \$675m last year. Technavio, another research firm, reckons the market is even bigger and will grow at more than 11% annually in coming years. This is partly because authorities are increasingly quick to punish institutions that let down their guard. Deutsche Bank, for example, has been hit with fines worth at least \$827m this year alone. Governments, eager to appear tough on crime, are urging prosecutors to go after not just institutions, but also their employees.

The number of anti-laundering regulations is climbing yearly—by nearly 10% in America, Canada and the EU, and by roughly 15% in Australia, Hong Kong, Malaysia and Singapore, says Neil Katkov, a regulatory analyst at Celent. Even the red-tape-slashing administration of President Donald Trump is unlikely to cut regulation in this area.

David Stewart, head of anti-money-laundering systems at SAS, a software giant based in North Carolina, reckons that efforts to abide by such rules now take from a

The Federal Reserve

Powell empowered?

NEW YORK AND WASHINGTON, DC
Change at the top of the Fed

YOU could forgive Janet Yellen, the chair of the Federal Reserve, for feeling peeved. With unemployment at just 4.2%, and inflation at 1.6%, she is close to achieving the Fed's two goals of curbing joblessness and pinning price rises at 2%. Ms Yellen is a Democrat appointed by Barack Obama in 2014. The tenures of past three Fed chairs were all extended by presidents from the other party. Yet as we went to press, President Donald Trump was expected to nominate Jerome Powell, a Republican on the Fed's board, to replace Ms Yellen.

If picked, Mr Powell—also an Obama appointee—would stand out from recent incumbents. He would be the first Fed chairman since William Miller, who left office in 1979, with no formal economics training; and, according to the *Washington Post*, the richest since the 1940s.

Mr Powell, who is 64, is a lawyer-turned-banker. His first role in Washington was at the Treasury during the presidency of George Bush senior. He had responsibility for financial institutions and helped deal with the collapse of the Bank of New England, then the third-largest bank failure in American history.

On leaving government, Mr Powell joined the Carlyle Group, a private-equity firm, before starting his own business. From 2010 to 2012 he worked for the Bipartisan Policy Centre, a centrist think-tank. There, he made a name by warning Republicans about their threats not to raise the limit on government borrowing.

At the Fed, Mr Powell has occasionally sided with hawks. But recently, his views on monetary policy have hewed close to Ms Yellen's. In June he stressed the need

to tighten monetary policy only slowly. He also mounted a robust defence of the Fed's loose monetary policy after the financial crisis. Mr Powell has, however, recently suggested that there is some room to improve the financial regulations imposed after the crisis.

Critics of the Fed's recent monetary policy include rivals for the chairmanship, such as John Taylor, an economist at Stanford University. The question is whether Mr Trump might appoint hawks like Mr Taylor to other open seats on the Fed's board, of which there are three, including that of vice-chair. One more slot would open should Ms Yellen resign from the board, as is normal but not required for departing chairs. The balance of the committee will give a clearer idea of how much a Powell Fed would differ from the Yellen one.



Heir to the chair?

half to about 70% of most banks' entire spending on compliance. A survey this year by Duff & Phelps, an advisory group, found that financial firms typically spend about 4% of revenue on compliance, a figure expected to reach 10% in 2022.

Many clues that lead software to block a transaction, or to flag it for a human to investigate, are straightforward. Round sums are more suspect than jagged ones. Spikes in transaction volumes and amounts are suspicious. So is cash deposited in an account via multiple branches. An area's culture also matters. Sasi Mudigonda, of Oracle, says its software considers transactions linked to eastern Ukraine riskier than the west of the country, where Russian influence is weaker. Even age counts—crooks who move money disproportionately

steal the identities of old people and young adults, says Michael Kent, chief executive of Azimo, a remittances firm.

Software also hunts for clues that someone on one of hundreds of watch lists has concocted a fake identity—the giveaway could be the opening of an account with a password or phone number once used by a corrupt official. Comply Advantage, a firm based in London, licenses software that generates long lists of suspected criminals by sifting through hundreds of millions of articles, including those in *The Economist*, and then determines which transactions may benefit one of them.

Moving the proceeds of big-ticket crime conventionally involves disguising them as legitimate trade payments. Software from a Singaporean firm, AML360, is de- ►►



Household debt in Asia

Mutable values

Asian consumers shed their prudence and buy on credit

ONE of the more persistent beliefs about the global economy is that Asians are more frugal than others. Explanations have drawn on culture (the self-discipline of Confucianism), history (memories of privation) and public policy (flimsy social safety-nets forcing people to save). For Lee Kuan Yew, the founding father of Singapore, and other theorists of “Asian values”, thrift was one of them. Whatever the true reason, data long supported the basic claim that Asian households were indeed careful with their cash. But over the past few years consumers across the region have done their best to prove that prudence was perhaps just a passing phase.

Household debt in advanced economies has generally declined as a percentage of GDP since the 2008 global financial crisis, according to the Bank for International Settlements. In a number of Asian countries, however, it has been going in the opposite direction (see chart). The biggest increase has been in China, where households have borrowed about \$4.5trn over the past decade. But Chinese households were starting from an extremely low base. Relative to income levels, South Korea, Thailand and Malaysia have reached much loftier heights. Over the same period, consumer borrowing has also risen in Hong Kong and Singapore.

The increase in debt is, to a certain extent, healthy. An oft-heard criticism of Asian economies is that, in terms of global growth, they have been punching below their weight. They produce lots of stuff but rely on profligate Westerners to buy it. The rise in debt has, so far at least, helped change that dynamic, fuelling more consumption. Retail spending in Asia, excluding Japan, has grown by about 10% a year over the past half-decade. Greater access to credit has made it easier to buy homes, cars and clothes.

But debt can also be dangerous. A recent paper by the IMF observed that, in the short term, an increase in household borrowing props up economic growth and keeps unemployment down. After a while, though, these gains are reversed. The IMF study found that a five-percentage-point increase in the household debt-to-GDP ratio over three years tends to result in a 1.25-percentage-point decline in real growth three years in the future. And an increase of a single percentage point in household debt increases the likelihood of

a banking crisis by a similar percentage.

In Asia financial fragility is not the main worry. Even if households have been indulging themselves more freely, most regulators have remained prudent. In South Korea they mandate that mortgages cannot exceed 70% of a property's value. Singaporean homebuyers who borrow from banks must make downpayments of at least 20%—and potentially much more if they already have outstanding loans. Asian banks are also reluctant to pursue the kind of sub-prime lending that made consumer debt so toxic in America a decade ago.

The bigger risk in Asia is interest rates, says Frederic Neumann, co-head of Asian economic research at HSBC. He notes that fixed long-term rates are rare in the region. Most consumer loans have shorter durations, so if central banks start to increase rates, debt-servicing costs for households will quickly rise. That will eat into incomes and act as a drag on consumption.

It is already possible to detect headwinds. Mortgage payments in China have reached about 4.5% of total annual household income, up from 3.6% in 2015, according to Ernan Cui of Gavekal Dragonomics, a research firm. That, in turn, is beginning to weigh on consumption. For the government this entails a trade-off. The increase in mortgages has helped reduce a glut of unsold homes, which posed a graver danger to the economy than does consumer debt.

There is also an uglier side to the rise in household borrowing. As in other parts of the world, unscrupulous lenders prey on the most vulnerable. In South Korea the share of low-income households struggling under heavy debt burdens has been creeping up. Choi Pae-kun, an economist at Konkuk University in Seoul, points out that poorer people may have no choice other than to borrow to cover living and medical costs. In China online lenders have been involved in a series of scandals. Some have demanded exorbitant interest rates and, in a number of cases, forced students to post as collateral naked selfies, with the threat they could be distributed if dues are not paid. Debt can undermine Asian values in more ways than one. ■

signed to flag instances of this. Daniel Rogers, the company's boss, says it monitors “a jigsaw puzzle” of factors such as ship itineraries, the locations of commodity producers and fluctuations in their prices. The software notices if a firm imports expensive stainless steel when a cheaper source of the material is closer at hand, say, or if an importer's spending on copper rises as its price falls.

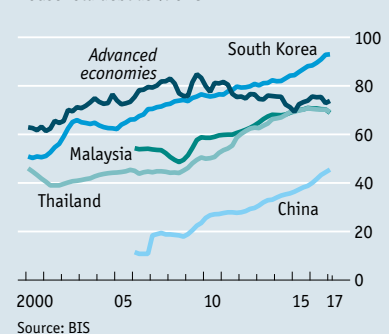
The next step for AML software is a big leap in the amount and types of data it crunches. Last year SAS launched Visual Investigator, developed at a cost of about \$1bn. It links financial transactions with text and even imagery in reams of social media. This could reveal, for example, that a restaurant's cash deposits appear too large for the amount of online “buzz” the business generates; or that a payment recipient skis with a kleptocrat.

With SAS software, rather more than half of flagged transactions lead to the filing of a suspicious-activity report (SAR) with authorities. Monique Melis, head of regulatory consulting at Duff & Phelps in London, argues that, to reduce “false positives” further, regulators should begin systematically to disclose the SARs that lead to a discovery of crime. Software could then be better calibrated to withstand a growing problem highlighted by Sophie Lagouanelle of FircoSoft, a Paris developer of AML technology: savvy launderers are learning how the software works to slip past it.

Should human analysts fear for their jobs? Probably not. They will still be needed to follow up on many flagged transactions. Business has not slowed for Berlin Risk, a German consultancy that discreetly investigates the nature of a person's character and earnings by talking to as many as 20 people who know him. As its senior partner, Carsten Giersch, puts it, “You will never see a robot interviewing sources.” Or is that the next step? ■

Something borrowed, something new

Household debt as % of GDP





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Payments in Japan

A yen for plastic

TOKYO

A slow, awkward shift from cash

BIC CAMERA, a Japanese electronics retailer, accepts payments in so many ways that the list nearly obscures the till: credit, debit and pre-paid cards; mobile wallets; ApplePay and Alipay; and, in some stores since April, bitcoin too.

Efforts are under way to wean Japan off *genkin*, or cash. Handling notes and coins is expensive for businesses; many operate on tight margins because a persistent lack of inflation has inhibited price rises. The government reckons more cashless payments could help the economy, too, encouraging people, including a growing number of tourists, to spend more. (And help it collect more tax.) Entrepreneurs think the data that come with cashless methods could promote new business.

Yet cash still dominates. Thank a preponderance of ATMs in ubiquitous *kombini* (convenience stores), safe cities where people are happy to carry wads of cash, and wariness about handing over personal data. Last year cash accounted for 62% of consumer transactions by value, according to Euromonitor, a market-research firm. That is down from 65% in 2015, but compares with just 22% in Britain, 34% in America, 10% in South Korea and 50% in China.

Of the other methods, pre-paid cards are increasingly popular. They covered 12% more transactions by value in 2016 than the year before, despite mainly being used for payments under ¥3,000 (\$26). Retailers small and large, such as Rakuten, a giant of e-commerce, have launched their own cards. Transport companies' cards are widely used, too.

Tsuneharu Miyake, head of financial research at Mizuho Research Institute, argues that this proliferation of plastic can in large part be attributed to companies wanting to keep their customers. Most cards offer bonus schemes. But because they cannot be used in every outlet, this trend means the slow shift from cash has not brought the convenience and lower costs that were hoped for. Ryosuke Izumida, author of a book on the future of banking, says it is a "real hassle" for businesses to have to fork out for hardware for each system or risk losing customers. Consumers may benefit from this competition for their custom. But there are drawbacks for them, too. Some complain that their favoured card is not accepted universally and, says Mr Miyake, the cost of installing multiple devices is passed on to them.

Meanwhile many businesses still re-

Trade deals

Jolly good

The global system of trade enjoys its 70th birthday

SUPERLATIVES surrounded the General Agreement on Tariffs and Trade (GATT) when it was signed on October 30th 1947. A press release heralded it as "the most far-reaching negotiation[s] ever undertaken in the history of world trade." *The Economist* grumbled it was "one of the longest and most complicated public documents ever issued—and one of the hardest to comprehend." *The Daily Express*, a British newspaper, growled: "The big bad bargain is sealed."

The agreement's complexity matched the tangle of global trade affairs. In the preceding decades a thicket of protectionism had strangled commerce and slowed recovery from the Depression of the 1930s. The GATT's length matched its scope. It included both tariff cuts and promises to forswear new duties. Covering 23 countries responsible for 70% of world trade, it came to embody the rules-based multilateral system.

After 48 years as a provisional ar-



Britain signs up

range credit cards. That is a problem for tourists—and for the 2020 Olympics in Tokyo. In McDonald's fast-food outlets in Japan, for example, 13 different pre-paid cards are accepted, but not Visa or MasterCard. (It is planning to change that this winter.)

The fragmentation of the payments market may get worse as Japan continues to move away from cash. Companies outside the financial sector, such as social-media apps, may launch payment arms, as Tencent's WeChat has done in China. Foreign companies are coming in, too. Some shops accept Alipay, a Chinese e-payment system that can be used by a retailer who

range, the GATT has since 1995 been the World Trade Organisation (WTO). But, 70 years on, some of the GATT's original challenges still loom large. The first is the trade-off between ambition and practicality. In 1947 American negotiators had a grand vision for a bigger International Trade Organisation, with more members and more areas of regulation. Eventually that plan collapsed under the weight of its own ambition. Today, given the challenge of getting consensus among 164 signatories, WTO members are increasingly turning to narrower, plurilateral agreements.

A second trade-off is between control and co-operation. Today British Brexiters want to "take back control" and President Donald Trump thinks past deals have not put America first. While the GATT was brewing, John Maynard Keynes, an influential economist, doubted that Britain should spurn the option of using tariffs to control the level of employment—though he did accept that the benefits of everyone forgoing tariffs could outweigh the costs.

Some trials are new. Today, as the WTO gears up for its 11th ministerial conference, American leadership is absent. Instead, the Trump administration is obsessed with promoting exports. Will Clayton, an American negotiator in 1947, was similarly preoccupied with getting a good deal for American producers. He proposed walking away from talks with the British after they refused to give up lower tariffs for their dominions and colonies. But his political masters stopped him, and compromised. They saw the wider benefits of the GATT, including its effect on European reconstruction and America's geopolitical alliances. They could see that trade deals are about much more than tariff lines.

simply downloads an app. Reports suggest it will launch a Japanese version next year.

Banks, fearful of losing out to newcomers, are also working on e-payments. A consortium (including Mr Miyake's parent company, Mizuho Financial Group) is developing JCoin, a digital currency. It hopes to have the scale needed to squeeze others out. If the government is to fulfil its aim of doubling cashless payments in the next decade, it may have to regulate to curb the use of cash. Back in Bic Camera, that goal seems a long way off, as customers rifle through their purses and wallets for hard-copy yen. ■



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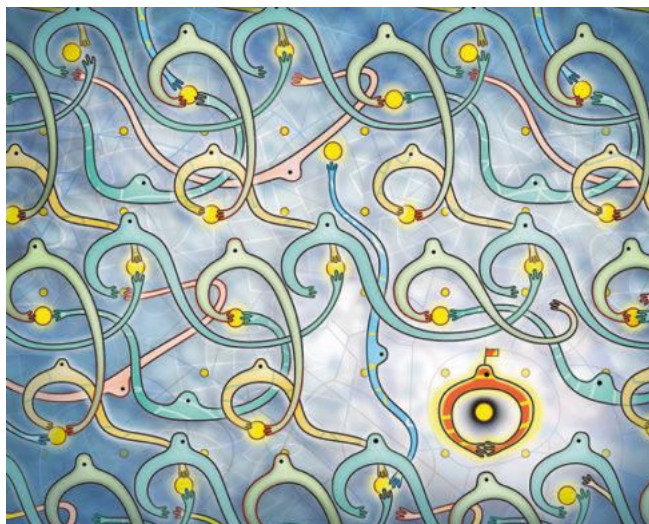
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Free exchange | Who is my neighbour?

When disputes over redistribution fuel separatism, thorny issues arise



POPULISM is the weapon not just of the downtrodden. As the crisis in Catalonia demonstrates, the rich have economic anxieties of their own. Catalonia has an identity distinct, in important ways, from that of the rest of Spain. But the recent drive for independence has been energised by anger over the flow of fiscal redistribution from rich Catalans to their countrymen: people seen, in parts of the restless north-east, as thankless and lazy as well as alien. Paradoxically, globalisation has inflamed separatism around the world by raising the question Catalans now confront: to whom, exactly, do we owe a sense of social responsibility?

Every country or restive region has its own idiosyncratic history. Yet over the long run national borders are surprisingly malleable. Some circumstances offer better prospects for the small and newly independent than others. The smaller the country, the more easily its government can satisfy its people's political preferences. A broadly satisfying compromise is easier among 300,000 people than 300m. But as Alberto Alesina and Enrico Spolaore note in their book, "The Size of Nations", smaller countries also face hardships. They sacrifice economies of scale—they need, for example, to operate their own state agencies, rather than spread the expense of government across a larger population. Borders are bound to add to trading costs, leaving countries with smaller internal markets at an economic disadvantage. At times of foreign-policy tension, smaller countries, with correspondingly constrained armies and defence budgets, are easier to bully.

So the world is more likely to sprout new countries when it is relatively peaceful, and when technology and global co-operation reduce international barriers to trade. Although moves towards independence in East Timor, Kosovo and South Sudan were accompanied by appalling bloodshed, it is no coincidence that over the past half-century the number of sovereign states has increased in tandem with a decline in global violence and an increase in trade. For Catalonia's residents, membership of the Kingdom of Spain brings sacrifices, like the need to share decision-making on some matters with millions of other Spaniards. Were Catalonia able to secede from Spain yet keep its existing trade relationships, leaving would look quite attractive.

Smaller regions' motives for seeking independence are not always high-minded. In rich economies, the better-off subsidise

the poor through an array of welfare programmes. That means richer regions support poorer ones financially. Geographical redistribution is not always a source of tension. Residents of Massachusetts rarely moan about the flow of their federal-tax dollars to Mississippi. Wealth divisions that coincide with stark cultural differences, however, can be more contentious. The financial crisis and its aftermath, by swelling the ranks of the unemployed (and thus of those dependent on government help), was ammunition for politicians in regions keen to cut ties with their national economies. Catalans bridle at the fiscal drag placed on them by the rest of Spain, but they are not alone; just last month, Italians in the richer north also voted to demand greater autonomy.

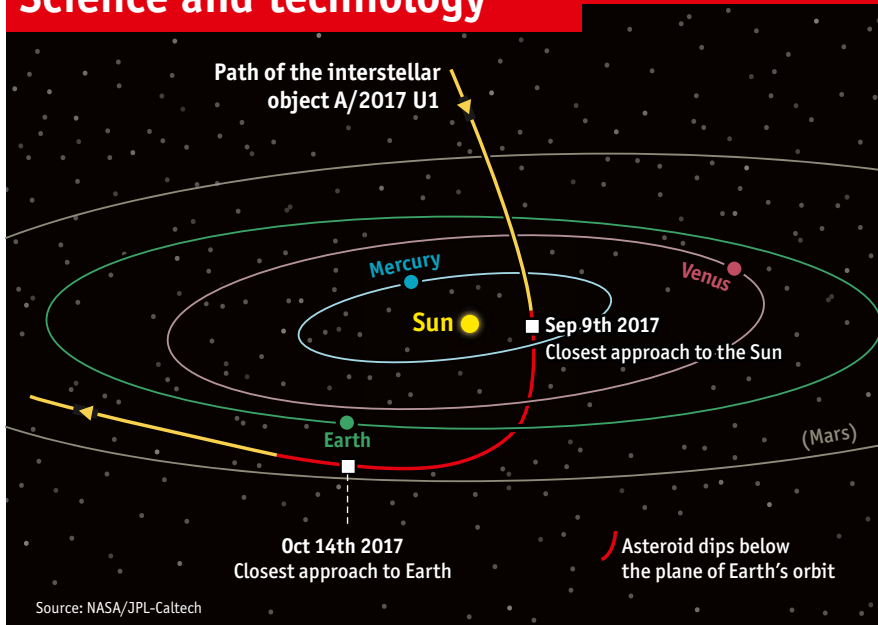
Fearing dismemberment, national governments often use fiscal decentralisation to reduce separatist pressures. Nationalist sentiment lies along a spectrum, and giving unhappy regions more say over their taxing and spending can deflect moderates from a pro-secession stance. Decentralisation has been a part of Britain's (so far successful) strategy for managing Scottish separatism, for example.

Delegating greater authority to regions, however, brings risks. As the capacity of regional governments grows, citizens might become more confident in their prospects as truly independent countries. So governments will sometimes instead tighten the screws on the disgruntled region in order to limit its ability to govern itself. Madrid has used such tactics at times, most recently in 2010, when Spain's right-leaning Popular Party succeeded in rolling back rights previously granted to Catalonia. Similarly, the EU has said that seceding regions will have to reapply for membership—implying a damaging period of economic impairment.

Decentralisation is not a costless concession by the national government. In the short run, it clearly exacerbates inequality within the affected country, since fewer resources flow to poorer people and places. Some economists, like Jason Sorens of Dartmouth College, argue that, over longer periods, by encouraging regional competition for mobile people and capital, decentralisation leads to better economic performance. But if rich places tend to stay rich, because productive firms and people benefit from proximity to other such firms and people, then decentralisation can create lasting hardship for poorer places. Rich regions can support high-quality public goods at low cost because a larger tax base can be tapped to manage fewer of the social ills associated with poverty. In poorer ones the reverse is true, as more health, education and other needs must be met from a smaller tax base. It is just that the alternative—the abrupt, possibly extra-legal secession of the unhappy region—often looks worse.

Closer and closer

For liberals, it is hard to know how to view separatism. Democratic self-determination seems a laudable principle. The threat of secession may even act as a check on the temptation among a poorer majority to saddle a richer minority with economically stifling levels of taxation. But cultural identity is a fuzzy, mutable thing. When it becomes an excuse for dodging responsibilities while enjoying the benefits of open markets, it endangers both social harmony and openness. The geographical scope of redistribution will inevitably be limited by popular ideas about who truly belongs within the national fold. But it is better for everyone if that circle expands over time, rather than shrinks. ■



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Interstellar travel (I)

Rendezvous with Rama

The first visitor from another solar system has just been spotted

AEONS ago, perhaps long before Earth itself existed, a hunk of rock circling a star somewhere in the Milky Way was thrown out of its orbit so violently that it was ejected from its natal system. Thus began a journey that would, in time, take it within an astronomical hair's breadth of humanity's home planet. On October 19th this visitor was spotted by Rob Weryk of the University of Hawaii in pictures produced by Pan-STARRS 1, a telescope on Haleakala. It thus became the first interstellar interloper into Earth's solar system to be spied by astronomers.

Its origin is clear from its speed. When spotted, it was travelling at 25.5km per second. That is too fast for it to have a closed, elliptical orbit around the Sun. Nor could its velocity have been the result of an encounter with a planet giving it an extra gravitational kick, for it arrived from well above the ecliptic plane, close to which all the Sun's planets orbit. Dr Weryk's object, now named A/2017 U1 (the "A" stands for asteroid), thus almost certainly arrived from interstellar space.

Observations from other telescopes have confirmed A/2017 U1's extrasolar origins. After swinging around the Sun, as the diagram shows, it passed about 25m km below Earth on October 14th, before speeding back above the ecliptic plane. It is now heading out of the solar system towards the constellation of Pegasus, at a speed of 44km per second.

Sci-fi buffs may find this tale familiar. One of the great works of 20th-century science fiction, "Rendezvous with Rama", by Arthur C. Clarke, starts similarly. Rama, as the object in the novel is dubbed, turns out to be an uncrewed alien spacecraft, 54km long. It, too, arrives from the void, loops around the Sun, and vanishes into the distance again. Sadly, A/2017 U1 is no spacecraft. It is a rock about 400 metres across. But it still has an interesting story to tell.

Hello and goodbye

Models of planet formation suggest that interstellar objects such as A/2017 U1 are likely to be icy rocks known as comets, formed on the periphery of distant solar systems, rather than dry rocks, known as asteroids, dislodged from such systems' interiors, which are places where any comet-like volatiles will have been driven off by the heat of their parent stars. Indeed, A/2017 U1 was first classified as a comet. But the absence of a tail of gas and dust, produced when comets fly close to the Sun, and analysis by Alan Fitzsimmons of Queen's University in Belfast of sunlight reflected from its surface, suggest that surface is mostly rock.

One explanation is that over many millennia cosmic rays have transformed the icy, volatile chemicals that would be expected to stream off a comet into more stable compounds. Another is that the Sun is not the first star A/2017 U1 has chanced upon, and that the volatile materials have

been boiled off by previous stellar encounters. Or it could be that the object actually was dry to begin with—perhaps once orbiting its parent star in an equivalent of the solar system's asteroid belt and then having been ejected by an encounter with a Jupiter-like planet.

Another puzzle is why nothing like A/2017 U1 has been seen before. Theories of planet formation suggest such objects should be a reasonably common sight. Perhaps the theories are wrong. Or it could be that these interstellar visitors have been overlooked in the past, and that there will be a spate of such sightings in future.

The proof that interstellar wanderers like A/2017 U1 really do exist also touches on the question of how life got going on Earth in the first place. Though most researchers think it evolved *in situ* from non-living chemicals, a few favour the idea that this evolution happened elsewhere and that living things, in the form of bacteria, were carried to Earth fully formed, inside objects of this sort.

Whether life could survive such a journey is moot. Outer space has a temperature close to absolute zero, is full of harmful radiation and is of course a vacuum. But some forms of life are remarkably resilient, even to these sorts of extremity. Experiments that may shed some light on the matter are being planned as part of efforts to send unmanned, miniature space probes to stars close to the solar system (see next article).

As to the rock itself, it surely deserves a more memorable name than the one it sports at the moment. And a quick look at the list of existing asteroid names instantly suggests one. Perhaps in expectation of a discovery like this, the International Astronomical Union, which approves such names officially, has not yet called an asteroid "Rama". How about it, chaps? ■

Interstellar travel (II)

Life in the fast lane

SANTA BARBARA

The first voyager to another star may be a nematode or a tardigrade

SPACE is cold. So, when launching dogs for early space missions, Soviet rocket scientists chose strays like Laika that had survived on the streets during Moscow's freezing winter. Today, in contrast, some researchers working on an ambitious effort to dispatch craft to Alpha Centauri, the nearest solar system to Earth's, see the chill of space not as a hindrance to sending life from one such system to another, but rather as a way to do just that.

Alpha Centauri is an attractive target. It is a cluster of three stars and at least one planet that is only about four light-years away. With money from NASA, America's space agency, and others, the Experimental Cosmology Group at the University of California, Santa Barbara, is designing a system, called Project Starlight, that proposes to use a powerful laser beam to push fleets of lightweight spacecraft, each the size of a DVD, to a fifth of the speed of light.

Even at that blistering velocity, though, a journey to Alpha Centauri would last more than 20 years. And, with a maximum weight of no more than a small coin, these starchy, as they have been dubbed, could not carry enough food, oxygen and waste-removal apparatus to keep even minuscule creatures alive that long. Unless, that is, those creatures could travel in suspended animation, frozen by the chill of space.

This looks possible. A microscopic nematode worm, *Caenorhabditis elegans*, which is much studied and well understood by biologists, can be frozen for years and yet, within minutes of thawing in a drop of warm water, begin to squirm, eat and reproduce as if no time had passed.

If people are going to send spacecraft to the nearest stars, then Philip Lubin, who is in charge of Project Starlight, would like some living creatures to go along for the ride, Laika-like, to see what happens to them. Dr Lubin's team has begun designing miniature chambers in which the frozen worms could travel, be revived with heat from plutonium, a starchy's source of power, and be monitored with tiny cameras and other sensors, data from which would be beamed back to Earth. Joel Rothman, who is in charge of this part of the project, which is called Terrestrial Biomes in Space, points out the advantages for such work that *C. elegans* possesses.

For a start, the worms are hardy. Some of the specimens in Dr Rothman's laboratory have been in suspended animation at -70°C for 33 years. Others are descendants



An ambassador to aliens?

of animals that orbited Earth as part of *Columbia's* last, fatal, mission, in 2003. Though this space shuttle's disintegration on re-entry killed its human crew, the nematodes survived.

On top of this, for a creature composed of fewer than 1,000 cells, *C. elegans* can manifest quite complex behaviour. Individuals will, for example, wriggle toward good smells and away from unpleasant ones. They can, like rats and pigeons, be trained to turn left (or right) in a maze if that is the path that leads routinely to food. And such learned behaviours continue even after an animal has been in suspended animation for decades.

As a backup to *C. elegans* Dr Rothman's laboratory is also studying another group of potential starchy travellers—water-borne micro-animals called tardigrades (pictured) that, when cold and dehydrated, can withstand suspended animation for at least a century and perhaps millennia.

These “water bears”, as they are also known, resist radiation as well as temperatures and pressures, low and high, that would kill nearly all other animals.

The Terrestrial Biomes in Space team thus hopes, if starchy ever do fly, to learn how years of travel through cosmic cold and radiation, and acceleration to a significant fraction of the speed of light, affect life. Once awoken near Alpha Centauri, will the creatures recall behaviour learned on Earth? Will they reproduce, hatch, grow and die differently from their Earth-bound counterparts? The answers may help reveal what might happen to bigger creatures, such as humans, on long star treks.

Some worry about these aims. They fear earthly organisms might contaminate alien worlds. Catherine Conley, in particular, is critical of the idea of putting them on starchy, lest they damage another realm. Dr Conley is the head of NASA's Planetary Protection Office. In light of her concerns, and those of others, NASA's bounty does not extend to paying for the Terrestrial Biomes in Space side of Project Starlight.

In truth, animals are unlikely to contaminate anything. They have to eat, and unless their destination is furnished with living creatures made of molecules more or less identical to those of life on Earth, they will starve. Moreover, if a starchy did encounter a planet, then its near-luminal impact velocity would create an explosion with a yield of about a kilotonne, blasting it into plasma in nanoseconds.

Dr Conley's fears, however, are not unwarranted in the case of creatures that do not need to eat other living things—bacteria that can photosynthesise or extract energy from minerals, for example. Some, indeed, think that life itself may spread around the universe in this way, on rocks that travel from one star system to another. Until recently, there has been no sign of such rocks. But (see previous story) one has just entered the solar system. ■

Egyptology

Pyramid selling

A new chamber has been detected in the Great Pyramid of Giza

ANCIENT Egypt has held the world in thrall for so long that some of those once enthralled are now ancient history themselves. Well-to-do Romans of the early Empire, for instance, would tour the place to look at antiquities older to them than the Colosseum is to a tourist today. Yet Egypt keeps secrets still. Its royal tombs, both those underground and the skyward-reaching pyramids, are rife with stories of

hidden chambers. And, in the most famous tomb of all, the Great Pyramid of Giza, one such has just been shown to be real.

It was discovered by Kunihiro Morishima of Nagoya University, in Japan, and his colleagues. They searched not by the time-honoured archaeological techniques of digging with trowels and knocking down walls with hammers, but by muon tomography—an esoteric way of looking inside ►►

► things using the fallout from cosmic rays that have hit Earth's atmosphere. Muons are heavy kin to electrons. They are able to penetrate solid matter to some degree, but are eventually absorbed by it. By measuring the absorption rate of muons travelling in different directions through a large object, such as a pyramid, it is possible to work out if there is an empty space within. By suitable triangulation, it is then possible to work out where that empty space is. And this, as they describe in a paper in *Nature*, is what Dr Morishima and his colleagues have done for the Great Pyramid.

The pyramid itself, the last-standing of the Seven Wonders of the Ancient World, was built around 2560BC by Khufu, a pharaoh better known in the West by his Hellenised name, Cheops. Several of its internal chambers, including the Queen's chamber, the King's chamber and the Grand Gallery, were robbed in antiquity, and excavated more systematically in the 19th and 20th centuries by various archaeologists. But there has always been a suspicion that, in such a huge pile of stone, more chambers exist—perhaps unlooted.

To look for such chambers Dr Morishima and his colleagues deployed three sorts of muon detector in various places in and around the pyramid. One type were nuclear emulsion films. These are photographic films which capture the tracks of muons passing through them. The second were scintillator hodoscopes. These are made of material that gives off light as a muon passes—again allowing its path to be followed. The third type of instrument, micropattern gaseous detectors, follow the passage of muons from the trails of ionised gas they leave behind.

Combining the results of these approaches revealed a void inside the pyramid some 30 metres long, with about the same volume (800 cubic metres or so) as the Grand Gallery. Its centre is 40-50 metres north of the Queen's chamber. Muon tomography is a low-resolution technique, so the exact shape of this void—or even whether it is actually several smaller voids in proximity to one another—remains to be determined. But it is clearly a large space.

How to examine it in more detail also remains to be determined. Drilling into such an important monument to get at the newly discovered void is out of the question. Camera probes inserted into shafts within the pyramid that are unsafe for human entry have found things that may or may not be unopened doors, but none would debouch directly into the newly discovered space. Muon tomography is not, at the moment, sensitive enough to see such shafts, so unknown ones would not have shown up on Dr Morishima's survey. Presumably there is, somewhere in the pyramid, a corridor of some sort that leads to the new void. But that is still on the list of unrevealed Ancient Egyptian secrets. ■

Palaeontology

Mother knows best

Mammoth society seems to have been like that of modern elephants

ELEPHANTS live in social groups of up to a dozen, led by a matriarch. At least, they do if they are not mature males. But once a male becomes sexually potent, he leaves his native band and sets up shop by himself. The only males present in these groups are therefore juveniles. This arrangement is common to all living species of elephant (of which there are either two or three, depending on which taxonomist you ask). But elephant biologists would like to know if it was also true of extinct elephant species. And for one of those, the mammoth, this week sees the publication of data suggesting that it was.

One advantage elephants gain from living together is that the groups are repositories of information that gets handed down the generations—for example, what parts of a home range are best avoided, because they are dangerous. Males may not have time to learn of all these hazards (for elephants may range over tens of thousands of square kilometres) before they start living alone. It is no surprise, therefore, that males are much more likely than females to fall victim to natural traps, such as boiling-hot springs and sinkholes. If that were also true of mammoths, it would be evidence that they had a similar social system to that of modern elephants. Patricia Pecnerova and Love Dalen of the Museum of Natural History in Stockholm, Sweden, therefore decided to investigate the matter.

They have published their results in *Current Biology*.

Ms Pecnerova and Dr Dalen knew from past work that some of the best-preserved mammoths in the world's fossil collections were thought to have died in mudflows or fallen into pools where they drowned. Moreover, when the skeletons of these beasts were studied, their morphology suggested that almost all of them were male. Paired with studies of fossilised footprints left behind by mammoths when they walked over soft ground, this evidence suggested that female mammoths did, indeed, travel in groups with their young, while adult males were solitary. But, though suggestive, these studies were not large enough to be compelling. The two researchers therefore sought to collect further evidence.

They worked with a team of colleagues to examine the remains of as many mammoths as they could get their hands on. The specimens they looked at came from river basins, coastlines and lake shores, where they had been redeposited after being eroded from frozen sediments and then washed downstream. Though not pristine, these fossils were numerous. In total, the team obtained the remains of 98 animals.

Rather than guess from the bones what sex their owners had been, Ms Pecnerova and Dr Dalen turned to DNA analysis. This showed 66 specimens to be male and 29 to be female (three were unsexable). That clearly suggests a preservation bias in the fossil record—and, since animals that get buried in hot springs, marshes, crevasses and sinkholes are much more likely to be preserved for posterity than those that die in the open air, the data confirm the inference drawn from the well-preserved specimens, that male mammoths walked alone, and suffered as a result. ■



All for one and one for all

Military drones

Back to the unicopter

Why design an unmanned helicopter from scratch, when you can adapt an existing, manned one?

IN THE future, the skies of cities may belong to aerial drones. These are spider-like devices with four or more propellers (thus often known as quadcopters, hexacopters, octocopters and so on) that provide both lift and thrust. The hope is that autonomous, self-guided versions of these will deliver anything from pizzas to passengers from door to door without being held up by terrestrial traffic jams.

Delivering goods, and particularly people, to and from a battlefield is, though, a bit different. Aircraft have to be hardened against enemy action, and also need the capacity to transport large payloads. A flying spider is unlikely to cut the mustard. Instead, Lockheed Martin, the maker of one of the world's best-known military helicopters, the Black Hawk, is working on a drone with those specifications—made from a Black Hawk helicopter.

Turning existing helicopters into drones is not a new idea. Northrop Grumman's RQ-8 Fire Scout, used for reconnaissance in Afghanistan by America's navy, and now being developed for mine hunting and fighting off swarms of small boats, is a modification of the Schweizer 330SP light-utility helicopter. The Kaman K-MAX, a heavy-lifting drone which the country's marine corps tested in Afghanistan for delivering cargo, is a modified version of the Kaman K-1200. A civilian version is now available, for firefighting. And since 2004 Boeing has been flying an unmanned demonstrator version of its H-6 Little Bird, a military-reconnaissance helicopter.

All these aircraft, however, are controlled by ground-based pilots. Lockheed's intention is to build an autonomous craft—one that can sense and avoid obstacles and identify safe landing sites without human assistance. The project, sponsored by DARPA, America's main military-research agency, is known as Matrix. So far, Matrix has been used only as a co-pilot. But, if all goes well, the first helicopter able, in theory, to fly by itself will take off early next year. Though it will not be put to such a test immediately, the intention is that Matrix will eventually take over everything.

Matrix includes several sorts of sensor, so the helicopter can see for itself. It has what Lockheed describes as a supercomputer to interpret input from these sensors and to make decisions based on that input. It also has servo-controlled devices which operate the machine's flight controls.

The main sensor is a form of LIDAR, the

laser equivalent of radar. LIDAR is part of the equipment of driverless cars, but the Matrix version is more powerful. It can detect objects hundreds of metres away. Also, as Chris Van Buiten, vice-president of Sikorsky Innovations, the part of Lockheed running the project, observes, a helicopter must deal with three dimensions, not two, and is likely to be travelling faster than a car. It may, for instance, be flying at over 250kph at low level in what he terms "obstacle-rich terrain", with trees, power lines and buildings, as well as other aircraft to avoid—not to mention enemy fire.

Black Hawk up

Mr Van Buiten is cagey about the other sensors Matrix uses, but says they include various cameras and conventional radars. Presumably, the system will also have digitised terrain maps that will both assist navigation and permit it to spot changes in geographical features that may be the result of enemy activities. As to the flight-controlling servos, these are built into the aircraft itself. Matrix is not like *PIBOT*, a humanoid robotic flight-control system being designed by engineers in South Korea, which sits in an unmodified pilot's seat and manipulates unmodified controls.

The sensors' rapid reactions—milliseconds rather than the two seconds or so a human pilot takes to assess and respond to an unexpected hazard—should make the unmanned system safer than such a pilot. It will take time to reach that level, but Matrix should, almost from the beginning, be able to take the aircraft over and fly it solo

in case of an emergency. If the engine were to fail, for example, it would scan the ground below for the best landing spot and touch down there without human assistance. It will also be able to detect whether the pilot has fallen unconscious and, if so, fly the helicopter safely.

The plan is to expand these sorts of features, moving steadily from assisting the pilot to flying the aircraft autonomously. And though there are what Mr Van Buiten calls "gnarly technical problems" to be overcome, he says the biggest challenge is building trust. Not only passengers, but also pilots and regulators need to have confidence in the safety of Matrix before it can be fully autonomised.

Mr Van Buiten cites a precedent for such trust-building—a recovery system which Lockheed installed in F-16 fighter jets. If an F-16 pilot passes out during a violent manoeuvre, this automatically brings the aircraft into a straight and level flight path. That has already prevented several crashes, shifting pilots' attitudes from indifference to "I want that on board my fighter".

The airframe being used for the first tests is one of the oldest models of Black Hawk, a UH-60A from 1980. This was chosen to demonstrate the ease with which an aircraft can be upgraded. Once the modified aircraft is airborne, it will be a matter of accumulating thousands of hours of reliable operation while steadily expanding the range of tasks that the automated controls can carry out unaided in increasingly challenging environments. Then, from Lockheed's point of view, it will be ready for testing by the armed forces.

Warfare, however, is not the only potential market for Matrix. Mr Van Buiten says the technology may also see early use servicing offshore oil and gas platforms, permitting them to be resupplied in all weather conditions, without risking pilots. Fortunately for those who find even quadcopters noisy and irritating, pizza delivery is not on Lockheed's menu. ■



Look! No hands...



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Literary biography

Restless soul

The first novelist of globalisation

JOSEPH CONRAD was a phenomenon. Born to Polish parents in 1857 in a part of the Russian empire that is now Ukraine, he was christened Jozef Teodor Konrad Korzeniowski. French was his second language, and he did not come to England (or speak a word of English) until he was 21. Yet such was his eventual mastery of the language that he has come to be regarded as one of the greatest writers in English.

In 1948 F.R. Leavis, a well-known literary critic at Cambridge University, listed him in "The Great Tradition" as being up there with Jane Austen, George Eliot and Henry James. Eight years later Walter Allen, another critic, wrote that "Nostromo" was arguably "the greatest novel in English of this century". "Heart of Darkness" gained a new audience through "Apocalypse Now", Francis Ford Coppola's epic war film of 1979.

Yet readers today are often deterred by Conrad's convoluted, prolix style. This is a pity. Many of his novels and short stories richly reward perseverance. As Maya Jasanoff, professor of British and imperial history at Harvard University, argues in a new book that blends history and literary criticism, Conrad wrote "at the turn of the 20th century" of many of the global forces and perils that afflict the world today.

The novelist was orphaned at 11, his parents having succumbed to illness after being exiled for revolutionary activity to "the

The Dawn Watch: Joseph Conrad in a Global World. By Maya Jasanoff. *Penguin Press*; 400 pages; \$30. *William Collins*; £25

gates of Siberia". At 16 he ran away to sea. For nearly 20 years he worked as an ordinary seaman from Marseille where, suffering from debt and despair, he appears to have attempted suicide. Later he became a fully qualified British master mariner, and travelled the world, particularly the archipelagos and peninsulas of South-East Asia, where many of his tales are set. Conrad, Ms Jasanoff writes, "belonged to the last generation of seafarers who worked primarily on sailing ships", which he called "the aristocracy". In his writings he "transformed the British sailing ship into a gold standard for moral conduct".

Sailing to Australia as first mate on the *Torrens*, he befriended John Galsworthy, a young lawyer who went on to write "The Forsyte Saga", which eventually won him a Nobel prize. Then, in 1894, with no command in view, Conrad abandoned the sea and published his first novel, "Almayer's Folly". The journey from native-born Pole to sailor to writer was complete. Two years later, after a short, awkward courtship, he married the seemingly unsuitable Jessie George, settled contentedly in Kent, fathered two sons and dedicated the rest of his life to writing.

In "The Dawn Watch" Ms Jasanoff describes her own journeys in search of Conrad—four weeks on a French cargo ship across the Indian Ocean and a complicated trip to the Democratic Republic of Congo. She skilfully integrates details of Conrad's life and accounts of his four greatest works, linking the challenges and forces that lie behind and within the novels to those of the 21st century.

If not as cosmopolitan as today, London in the 1890s contained 50,000 continental Europeans—"more than all the population of Krakow". (Conrad might be curious to know that Poles are now the largest foreign-born group in Britain.) Russian revolutionaries and militant Irish nationalists inspired "The Secret Agent", set in a grimy, Dickensian London, an ironic treatment of plotting and terrorism and a bomb that goes off at the wrong moment, killing an innocent simpleton. Then, as now, the threats of anarchism and terrorism fuelled anti-immigrant feeling. As Ms Jasanoff writes: "When you think a foreigner might take your job, you protest. When you think a foreigner might kill you, you panic."

If "The Secret Agent" is told in an easily readable manner, "Lord Jim", which had come out seven years earlier, is altogether more exotic and demanding. Captain Marlow, Conrad's recurrent narrator, describes how in a moment of confusion a "powerfully built" young Englishman abandons a ship loaded with pilgrims that appears to be sinking. Conscience-stricken and haunted, Jim repeatedly tries to make a new start, but just when he appears to be prospering he is destroyed. This meander- ▶▶

Correction: Following our review of Ian Black's book, "Enemies and Neighbours" ("1917 and all that", October 28th), the author informs us that the MP who proposed tearing down the Ottoman walls of Jerusalem was not Shimon Peres but David Ben-Gurion.

ing narrative, Ms Jasanoff writes, “spoke in a metaphor [that] imperialists could appreciate”, in particular about the moral uprightness of “the right sort” of Englishman. It was recognised as having great originality and inspired many younger writers, though not everyone was convinced. For E.M. Forster, “the secret casket of his genius contained a vapour rather than a jewel.” But Ms Jasanoff states that “for Conrad, the vapour was the jewel.”

“Heart of Darkness”, which came out in 1902, two years after “Lord Jim”, arose from Conrad’s brief and sickening experience of Belgian exploitation of the then Belgian Congo. He was appalled by the treatment of the Africans and the ivory trade, as exemplified in the novel by Kurtz, the agent who came promising civilisation but turned to vile savagery and eventually expired, uttering the words, “The horror! The horror!”

Conrad expressed similar concerns in the more substantial “Nostromo” of 1904. For the first time he wrote about an imaginary place, the South American republic of Costaguana, but it was “a novel about every place he’d been”. It projected all his political cynicism, his nostalgia for a pre-technological age and his fears for a future dominated by “material interests”.

Ms Jasanoff says she set out to explore Conrad’s world “with the compass of a historian, the chart of a biographer, and the navigational sextant of a fiction reader”, and these have served her well. Anthony Powell, a novelist, once described Conrad as “an enigmatic figure. The more we read about him, the less we seem to know him.” This biography may not fully reveal the mystery behind the man, but it is a powerful encouragement to read his books. ■

Vladimir Putin’s Russia

Degrees and perception

The Future is History: How Totalitarianism Reclaimed Russia. By Masha Gessen. *Riverhead Books*; 528 pages; \$28. *Granta*; £20

HANNAH ARENDT, in “The Origins of Totalitarianism”, cautioned against the glib application of the r-word. The distinction between totalitarianism and authoritarianism in political theory is not one of degree—with totalitarianism at the top of an ascending scale of evil—but one of kind. Totalitarianism combines a system of terror, single-party rule, a centrally planned economy, command over the army and the media, and an all-encompassing ideology. Such states exercise total control of their citizens’ lives, whereas authoritarian ones stipulate the observance

of certain rules and allow limited liberty as long as it does not challenge political power. Where totalitarianism mobilises the people, authoritarianism breeds passivity.

Despite quoting Arendt extensively, Masha Gessen, a Russian-American journalist, seems not to have taken her warning to heart, arguing in a provocative new book that totalitarianism has “reclaimed” Vladimir Putin’s Russia. She effectively demonstrates how Mr Putin restored the Soviet-era apparatus of police control, renewed state domination of media and the economy, and resurrected one-party rule. Terror, she claims less convincingly, may be necessary only to establish a totalitarian foundation, and can be “maintained by institutions that carry within them the memory of terror”. She argues that the conservative nationalism of Mr Putin’s third term has become a powerful ideology.

For all the book’s genuine emotional force, its main argument rings hollow. Mr Putin’s regime is sinister, as this newspaper has long documented. To say that he is an autocrat rather than a totalitarian is not to excuse his methods or misdeeds, but to advocate a clear-eyed assessment of reality.

The insistence on invoking totalitarianism obscures Ms Gessen’s more insightful observations about how Russians continue to be shaped by the trauma of the Soviet past. A fluent storyteller, she follows four main characters and three intellectual heroes from *perestroika* to the present day, tracing the sweep of contemporary Russian history through their eyes. This tactic proves effective for showing how politics, with time, consumed individuals who had initially been more concerned with their personal lives. The sample of characters, frustratingly, consists almost entirely of liberals and intelligentsia types from the elites, yet Ms Gessen ably weaves their lives into a gripping, if grim, tapestry.

Her narrative climaxes with the annexation of Crimea, the moment that she identifies as the crystallisation of Russia’s new totalitarianism. “Crimea was Russia’s ideology,” she writes. “Crimea mobilised the nation.” Although the annexation, and the noxious cocktail of nationalism, conservatism and Orthodoxy that went along with it, did consolidate society, any mobilisation proved illusory. Though many Russians gladly cheer the Kremlin’s wars, whether in eastern Ukraine or Syria, as seen on the television screen, they largely do not aspire to become martyrs for the cause. (In fact, the Kremlin has gone to great lengths to hide news of soldiers’ deaths, in contrast to the glorification of fallen heroes during the Soviet era.) Faced with a passive population, the Kremlin now frets about low turnout at pro-forma elections. The defining features of Russian political life are not mobilisation and politicisation, but apathy and apoliticism.

Nor is state control quite as total as Ms

Gessen makes it seem. Mr Putin has employed coercion, intimidation and selective political violence, but he has stopped short of unleashing a bloody reign of terror. The state exudes an inordinate influence over the economy, yet people are free to consume, earn and travel in ways unthinkable under Stalin, Hitler or Mao. Civil society, embattled though it is, can still push back against the country’s radical Orthodox activists. (Public protests halted recent attempts to transfer the famed St Isaac’s Cathedral in St Petersburg back to church control.)

Alternative sources of information can be found online. And state control is not so complete that opposition has become unthinkable—as shown by the thousands of young people attending the recent rallies of Alexei Navalny, an anti-corruption campaigner. Even Mr Navalny, who has often faced arrest, has seen his brother imprisoned in Siberia and nearly lost his eyesight after being splashed with acid, contends that “despite the curtailment of political and civil freedoms, the past 25 years have been the freest in Russian history.”

Distinguishing between different types of regimes is important. Language, as Ms Gessen has argued elsewhere, matters. Sloppy use robs terms of their meaning. It also shapes perceptions. Ms Gessen, who has a wide following, has become a respected voice on Russia in the era of Donald Trump. Her book has been warmly welcomed in an America that is keen to know more about Mr Putin’s country and inclined to see it as the reincarnation of the Evil Empire. As the American public and policymakers grapple with the threat from Russia, they would be wise to seek a fuller picture than this book alone offers. ■



Strutting his stuff

Writing from Catalonia

Fake man

The Impostor. By Javier Cercas. Translated by Frank Wynne. *MacLehose Press*; 432 pages; £20

AS MINISTERS in Madrid and nationalists in Catalonia swap rival narratives, events in Spain confirm, as Javier Cercas writes, that “the past is merely a dimension of the present.” No Spanish writer has probed the unhealed wounds of the country’s history with more subtlety and rigour than Mr Cercas. In the wake of his prize-winning book, “Soldiers of Salamis” (2001) and “The Anatomy of a Moment” (2009), he returns to the Spanish civil war and its disputed aftermath in another “strange novel-without-fiction”, as he calls it, a true story that even the most fanciful yarn-spinner would blush to invent.

Its subject is Enric Marco: an actual person, now close to 100. In the 1980s, as newly democratic Spain began to recover its public memory of civil war and dictatorship, this Catalan trade unionist emerged as the charismatic spokesman for Spanish survivors of deportation to German concentration camps. In countless talks, Mr Marco brought tragic history to life, bearing witness to Nazi barbarism. Then, in 2005, a historian unmasked him as an impostor, “a compulsive, barefaced liar”. Mr Marco had gone to Germany, but as a volunteer worker, not an inmate. He fabricated his anti-Franco exploits. Yet, after exposure, the “shameless charlatan” justified his pretence as a “noble, altruistic lie” that opened younger eyes to the evils of the Holocaust. Unabashed, this “novelist of himself” continued to “gild his biography with an epic lustre”.

Mixing dogged research and testy, sparing interviews with the charming pretender, Mr Cercas scrupulously tracks Mr Marco’s big lie. As an author who juggles reality and fiction, he interrogates his own attraction to this saga of deceit: “Perhaps only an impostor could tell the story of an impostor.” As he peels away the “onion skin” around this “peerless trickster”, does the narrator also create a saintly fiction of himself as the fearless slayer of falsehoods? Mr Cercas links Mr Marco’s imposture to the “industry of memory” in post-Franco Spain, as “the entire country was reinventing itself.” He shows this contested past, and his interpretations of it, as a play of masks and myths built around “an enormous collective lie”. No heroic rebel, the conformist Mr Marco “always sides with the majority”. Indeed, his “narcissistic and kitsch” hoaxes reveal nothing less than “the true history of Spain”. ■



Living with gods

Transcendental meditation

Why many humans need a spiritual dimension in their lives

THE modern human is by turns intrigued, bewildered, horrified and enraptured by religion. In a world where many people look to science to decipher the universe, there is something fascinating, and a bit frightening, about spiritual systems and codes which have commanded passionate loyalty among millions of people for millennia, but which are still impenetrable to outsiders.

It follows that any successful effort to explain or even just describe religion in broad strokes may be on to a winning streak. With a landmark exhibition, a BBC radio series and a forthcoming book that will sum up both, the British Museum and its collaborators are rising to that challenge.

It promises to be far more successful than any attempt to address the subject in a single medium could be. The project appeals, as most popular forms of religion do, to the mind, the eye and the ear.

A prime mover in this initiative is Neil MacGregor, the institution’s former director whose didactic skills as a lecturer and broadcaster have already redefined the role of great museums. It follows on from “A History of the World in 100 Objects”, his groundbreaking 20-week-long series of radio stories that went out in 2010. Now the BBC has started transmitting his reflections on religious culture in 30 new radio talks of

15 minutes each. The talks draw in part on “Living with Gods”, an exhibition at the British Museum that uses objects to portray the transcendent as it has been conceived throughout human history.

The oldest item, and the subject of Mr MacGregor’s opening talk, is a mammoth-tusk sculpture called the Lion Man dating back to the Ice Age. Even among hunter-gatherers who were struggling to survive, it was worthwhile for someone to spend up to 400 hours fashioning an object that served nothing but a talismanic purpose, connecting people to invisible worlds. The newest object is a cross made by an Italian carpenter from bits of a ship that was carrying refugees when it foundered in the Mediterranean near Lampedusa (pictured). As part of his broadcast, Mr MacGregor goes to the cave where the Lion Man was found and talks to a German scholar. With a remit to travel wherever he needs and speak to anyone who can help, his enquiries take him to, among other places, the Ganges river in India and the Stone Age tomb of Newgrange in Ireland.

Listeners are invited to follow his wanderings, to take jumps between cultures and historical eras and even to leap between the here-and-now and the transcendent. In the same few minutes, Mr MacGregor describes a coat made from seal-gut by the Yupik people of Alaska and a figure of Osiris, an Egyptian deity that is connected with life, death and the underworld. The coat speaks of indigenous hunters’ sacramental relationship with their prey, the Osiris figure of the new life engendered by the Nile.

It takes a deft communicator to pull off such verbal pirouettes. What holds the material together, though, is Mr MacGregor’s interest in the role of religion and ritual in human society. He speaks compellingly of the human mind’s need to find patterns in the universe and to situate itself within those giant matrices.

Jill Cook, who curated an important show at the British Museum in 2013 that explained how the Ice Age made the modern mind, is also the curator of this new exhibition. She shares Mr MacGregor’s desire to present religion as a social phenomenon that has been present in every age of history, cementing and expressing social bonds, and also violently dividing people. By including exhibits related to the communist cult of atheism, she shows that attempts to squeeze religion out of society have sometimes dramatically misfired: anti-religion can easily become a cult.

Mr MacGregor is a social anthropologist on a vast plane, whereas Ms Cook leans more to the neuroscience of religion. By including sounds, such as softly heard bells and flutes, she draws attention to the aural stimuli that can arouse people’s spiritual antennae.

However, they have a common pur- ►►

pose: to bring home the ubiquity, and the social character, of religion to a mainly secular public. To the modern mind, speculating about moral and philosophical questions is something people engage in individually. In most eras of history, and in many parts of the world today, such freedom would be inconceivable.

As the exhibition and the radio series both proclaim, religion has generally been an activity, not a set of true-or-false propositions, and above all a collective activity in which the tribe or nation finds meaning.

Some of the objects that are highlighted have been considered sacred in them-

selves, such as a copy of the Kazan icon of the Mother of God. This depiction of Mary, deemed to have played a role in protecting Moscow from foreign invaders, is credited with such holiness that it can extend to reproductions. Others are spectacular reminders of what has been considered holy, and the efforts which have been made to convey sanctity from one place to another. For example, the radio series ponders giant silver vessels in which a Victorian-era maharajah brought water from the Ganges to London, and the exhibition includes a more modest receptacle in which pilgrims to Mecca gathered water from a sacred

spring and brought it to their families.

Mr MacGregor and Ms Cook do justice to these marvellous objects, at the same time driving home the point that humans are “hard-wired” for religion, a concept they both use. But that well-made point leads on to another one.

Whatever sociologists may say about football as a cult, many people alive today are not religious in the way their forebears were. The hard-wiring seems to have been loosened, even among those who formally adhere to a faith. For anyone interested in the broad sweep of human history, that too is something rather mysterious. ■

Johnson | We was and it ain't

What not speaking proper English teaches you about language—and about life

“LET’S talk properly.” Tom Sherrington had little reason to think that his blog post, so titled, would cause controversy. A British consultant and former head teacher, he had called on educators to work harder at getting their students to stop saying things like “We done lots of great activities” and “I ain’t done nothing.” He recycled the blog post recently on Twitter—to a fierce and (to him) surprising backlash from linguists.

Led by Rob Drummond, a linguist at Manchester Metropolitan University, and joined by Oliver Kamm, a journalist at the *Times*, critics focused in particular on the word “properly”, along with related words like “correct”. The ding-dong perfectly encapsulates the way academic linguists (especially sociolinguists, who focus on things like class) see standard English, and how teachers do.

The biggest misunderstanding is about the nature of dialects, especially urban ones. (Country dialects get a pass, for being quaint.) Teachers see “I ain’t done nothing” as simply wrong. But linguists have found that dialects are rule-governed, coherent and fully expressive, and have written extensive grammars of them. They sound “broken” only to outsiders who don’t know their rules.

The debate, of course, also has a political dimension. The London teens who say “We done lots of great activities” are likely to have other social strikes against them, especially being poor or non-white, with parents who themselves are not highly educated. Poverty and lack of formal education are behind the mistaken belief that these dialects themselves are somehow defective. If the people who speak them are poor, goes the faulty reasoning, their impoverished and fractured language must be part of what holds them back.



In a long follow-up, Mr Sherrington reframed “proper” as “appropriate”: children must speak and write the correct variety of English for school. For their part, Mr Drummond and Mr Kamm agree that of course “standard English” exists, that it is valuable and that children need to learn it—poor children most of all. All sides agree that although it can be spoken with any accent, it does not permit “I done” or “he ain’t”.

What is at issue is how to teach the standard kind of English to children who speak something else at home. For the sociolinguists, there certainly is a place for dialect, even if it ain’t in the job interview or the lecture hall. All language varieties are valuable to their speakers; they give a sense of community and belonging. For a child to come to school and be told that how he speaks and how his parents speak is embarrassing—something he must abandon—is more likely to make him think school is not for him than it is to get him hit-

ting the books trying to learn to speak like Henry Higgins in Shaw’s *Pygmalion* (“*My Fair Lady*” on the big screen). As in that story, contempt for other people’s speech only tends to drive them away.

But a change of mentality can remove a lot of the tension in the debate. All children in Britain and America do need standard English. But they do not need it all the time. Indeed, there is absolutely no need for them to abandon their home speech; people are perfectly able to switch speech varieties. Watch the many talented black American comedians, from Richard Pryor to Eddie Murphy to the duo of Keegan-Michael Key and Jordan Peele, whose effortless swapping between a buttoned-up English and black vernacular is played for laughs. For plenty of people this is a survival skill, one that deserves respect. Fortunately, it can also be taught.

The core of doing so is recognising how language varies naturally by occasion. Both teachers and students should be taught to think about this variation with curiosity. If both dialects and the standard are valuable, what is interesting is just when, and how, people switch between them. Children can learn to recognise the differences, and even translate from one to the other. One classic study in Chicago of “contrastive analysis”—essentially of black students trained to translate their native “we was” into the standard “we were”—found a 59% reduction in the usage of the “we was” style. (A control group drilled in traditional methods showed a slight increase.) The group with contrastive analysis not only discovered something about English. In learning to navigate race, class and the importance of the right words at the right time, they also learned something deeper about the world where they will grow up to use it.

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The Economist November 4th 2017



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Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment rate, %	Current-account balance		Budget balance % of GDP	Interest rates, %	Currency units, per \$	
	latest	qtr* 2017 ⁱ	2017 ⁱ		latest	latest		2017 ⁱ	latest 12 months, \$bn			% of GDP 2017 ⁱ	% of GDP 2017 ⁱ
United States	+2.3 Q3	+3.0	+2.2	+1.6 Sep	+2.2 Sep	+2.0	4.2 Sep	-460.9 Q2	-2.5	-3.4	2.40	-	-
China	+6.8 Q3	+7.0	+6.8	+6.6 Sep	+1.6 Sep	+1.7	4.0 Q3 [§]	+155.3 Q2	+1.4	-4.3	3.92 ^{§§}	6.62	6.77
Japan	+1.4 Q2	+2.5	+1.5	+2.5 Sep	+0.7 Sep	+0.5	2.8 Sep	+192.2 Aug	+3.6	-4.5	0.07	114	105
Britain	+1.5 Q3	+1.6	+1.5	+1.6 Aug	+3.0 Sep	+2.7	4.3 Jul ^{††}	-128.9 Q2	-3.6	-3.3	1.37	0.75	0.82
Canada	+3.7 Q2	+4.5	+2.8	+5.6 Aug	+1.6 Sep	+1.7	6.2 Sep	-45.0 Q2	-2.6	-2.0	1.95	1.29	1.34
Euro area	+2.5 Q3	+2.4	+2.1	+3.8 Aug	+1.4 Oct	+1.5	8.9 Sep	+376.4 Aug	+3.1	-1.3	0.38	0.86	0.91
Austria	+2.6 Q2	+0.4	+2.3	+4.0 Aug	+2.4 Sep	+2.1	5.6 Sep	+6.1 Q2	+2.1	-1.0	0.53	0.86	0.91
Belgium	+1.7 Q3	+1.2	+1.6	+5.0 Aug	+2.0 Oct	+2.1	7.1 Sep	-5.3 Jun	+0.6	-2.0	0.67	0.86	0.91
France	+2.2 Q3	+1.9	+1.7	+1.1 Aug	+1.1 Oct	+1.1	9.7 Sep	-26.0 Aug	-1.3	-3.0	0.76	0.86	0.91
Germany	+2.1 Q2	+2.5	+2.1	+4.5 Aug	+1.6 Oct	+1.7	3.6 Sep [†]	+274.6 Aug	+8.0	+0.7	0.38	0.86	0.91
Greece	+0.7 Q2	+2.2	+1.0	+5.7 Aug	+1.0 Sep	+1.2	21.0 Jul	-1.3 Aug	-1.3	-1.4	5.27	0.86	0.91
Italy	+1.5 Q2	+1.4	+1.4	+5.7 Aug	+1.0 Oct	+1.3	11.1 Sep	+51.2 Aug	+2.5	-2.3	1.80	0.86	0.91
Netherlands	+3.3 Q2	+6.3	+2.7	+3.9 Aug	+1.5 Sep	+1.3	5.7 Sep	+76.0 Q2	+10.0	+0.6	0.47	0.86	0.91
Spain	+3.1 Q3	+3.2	+3.1	+2.2 Aug	+1.5 Oct	+2.0	16.7 Sep	+23.1 Aug	+1.4	-3.3	1.47	0.86	0.91
Czech Republic	+3.4 Q2	+10.3	+4.5	+5.8 Aug	+2.7 Sep	+2.4	2.7 Sep [†]	-1.7 Q2	+0.9	-0.1	1.57	22.0	24.5
Denmark	+1.9 Q2	+2.8	+2.2	+2.1 Aug	+1.6 Sep	+1.0	4.4 Aug	+25.8 Aug	+8.2	-0.6	0.48	6.41	6.74
Norway	+0.2 Q2	+4.7	+1.8	+5.7 Aug	+1.6 Sep	+2.0	4.1 Aug ^{††}	+16.6 Q2	+5.4	+4.2	1.66	8.16	8.20
Poland	+4.6 Q2	+4.5	+4.3	+4.3 Sep	+2.1 Oct	+1.9	6.8 Sep [§]	-1.3 Aug	-0.4	-2.0	3.44	3.65	3.89
Russia	+2.5 Q2	na	+1.8	+0.8 Sep	+3.0 Sep	+4.0	5.0 Sep [§]	+36.9 Q3	+2.5	-2.1	8.13	58.2	63.1
Sweden	+3.0 Q2	+5.2	+3.1	+7.3 Aug	+2.1 Sep	+1.9	6.2 Sep [§]	+22.5 Q2	+4.4	+0.9	0.80	8.40	8.95
Switzerland	+0.3 Q2	+1.1	+0.9	+2.9 Q2	+0.7 Sep	+0.5	3.1 Sep	+68.9 Q2	+9.9	+0.7	-0.04	1.00	0.98
Turkey	+5.1 Q2	na	+4.9	+3.8 Aug	+11.2 Sep	+10.7	10.7 Jul [§]	-37.0 Aug	-4.5	-2.0	11.85	3.82	3.11
Australia	+1.8 Q2	+3.3	+2.4	+0.8 Q2	+1.8 Q3	+2.1	5.5 Sep	-21.8 Q2	-1.5	-1.7	2.70	1.30	1.31
Hong Kong	+3.8 Q2	+4.1	+3.1	+0.4 Q2	+1.5 Sep	+1.6	3.1 Sep ^{††}	+15.0 Q2	+4.2	+0.9	1.82	7.80	7.76
India	+5.7 Q2	+4.1	+6.7	+4.3 Aug	+3.3 Sep	+3.5	5.0 2015	-29.2 Q2	-1.4	-3.2	6.89	64.6	66.7
Indonesia	+5.0 Q2	na	+5.2	+2.3 Aug	+3.6 Oct	+3.9	5.3 Q1 [§]	-14.2 Q2	-1.7	-2.6	6.46	13,582	13,042
Malaysia	+5.8 Q2	na	+5.5	+6.8 Aug	+4.3 Sep	+3.9	3.4 Aug [§]	+8.1 Q2	+2.7	-3.0	3.94	4.23	4.18
Pakistan	+5.7 2017**	na	+5.7	+8.5 Aug	+3.8 Oct	+3.9	5.9 2015	-14.1 Q3	-4.5	-5.9	8.20 ^{†††}	105	105
Philippines	+6.5 Q2	+7.0	+6.6	+2.7 Aug	+3.4 Sep	+3.2	5.6 Q3 [§]	-0.8 Jun	+0.3	-2.7	4.80	51.6	48.4
Singapore	+4.6 Q3	+6.3	+2.9	+14.6 Sep	+0.4 Sep	+0.6	2.1 Q3	+59.0 Q2	+19.6	-1.0	2.16	1.36	1.39
South Korea	+3.6 Q3	+5.8	+2.8	+8.4 Sep	+1.8 Oct	+2.0	3.4 Sep [§]	+83.1 Aug	+5.6	+0.8	2.55	1,115	1,140
Taiwan	+3.1 Q3	+7.4	+2.2	+5.2 Sep	+0.5 Sep	+0.6	3.7 Sep	+70.7 Q2	+13.2	-0.1	1.05	30.2	31.6
Thailand	+3.7 Q2	+5.4	+3.5	+4.2 Sep	+0.9 Oct	+0.7	1.2 Sep [§]	+46.9 Q3	+11.6	-2.5	2.31	33.1	35.0
Argentina	+2.7 Q2	+2.8	+2.7	-2.5 Oct	+24.2 Sep	+25.2	8.7 Q2 [§]	-19.7 Q2	-3.4	-6.3	5.83	17.6	15.1
Brazil	+0.3 Q2	+1.0	+0.7	+2.5 Sep	+2.5 Sep	+3.5	12.4 Sep [§]	-12.6 Sep	-0.8	-8.0	9.00	3.27	3.23
Chile	+0.9 Q2	+3.0	+1.3	+1.0 Sep	+1.4 Sep	+2.2	6.7 Sep ^{§††}	-5.6 Q2	-1.7	-3.0	4.47	635	651
Colombia	+1.3 Q2	+3.0	+1.7	-3.1 Aug	+4.0 Sep	+4.3	9.2 Sep [§]	-12.4 Q2	-3.7	-3.3	6.65	3,039	3,024
Mexico	+1.6 Q3	-0.8	+2.2	-0.5 Aug	+6.3 Sep	+5.9	3.3 Sep	-17.6 Q2	-1.8	-1.9	7.26	19.1	19.1
Venezuela	-8.8 Q4~	-6.2	-9.3	+0.8 Sep	na	+720	7.3 Apr [§]	-17.8 Q3~	-1.2	-19.5	9.51	10.9	9.99
Egypt	+4.9 Q2	na	+4.1	+23.8 Aug	+31.6 Sep	+26.9	12.0 Q2 [§]	-15.6 Q2	-6.6	-10.8	na	17.6	8.88
Israel	+4.0 Q2	+2.4	+3.4	-0.7 Aug	+0.1 Sep	+0.4	4.1 Sep	+10.7 Q2	+3.5	-1.9	1.76	3.52	3.81
Saudi Arabia	+1.7 2016	na	-0.7	na	-0.1 Sep	-0.3	5.6 2016	+7.6 Q2	+2.5	-7.2	3.68	3.75	3.75
South Africa	+1.1 Q2	+2.5	+0.7	+1.4 Aug	+5.1 Sep	+5.3	27.7 Q3 [§]	-7.9 Q2	-2.9	-3.3	9.03	14.1	13.6

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. ^{†††††}Dollar-denominated bonds.

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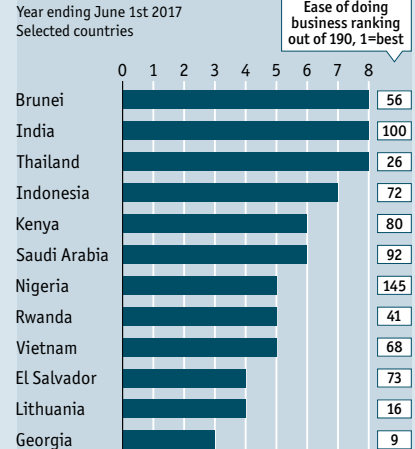
Markets

	Index Nov 1st	% change on		
		one week	in local currency	in \$ terms
United States (DJIA)	23,435.0	+0.5	+18.6	+18.6
China (SSEA)	3,556.4	nil	+9.4	+15.0
Japan (Nikkei 225)	22,420.1	+3.3	+17.3	+20.0
Britain (FTSE 100)	7,488.0	+0.5	+4.8	+12.5
Canada (S&PTX)	16,029.3	+1.1	+4.9	+9.1
Euro area (FTSE Euro 100)	1,264.2	+2.7	+13.7	+25.2
Euro area (EURO STOXX 50)	3,697.4	+2.9	+12.4	+23.8
Austria (ATX)	3,406.1	+1.3	+30.1	+43.3
Belgium (Bel 20)	4,116.5	+1.7	+14.1	+25.7
France (CAC 40)	5,514.3	+2.6	+13.4	+24.9
Germany (DAX)*	13,465.5	+4.0	+17.3	+29.2
Greece (Athex Comp)	767.1	+4.0	+19.2	+31.3
Italy (FTSE/MIB)	22,992.0	+2.4	+19.5	+31.7
Netherlands (AEX)	554.5	+2.4	+14.8	+26.4
Spain (Madrid SE)	1,060.4	+3.6	+12.4	+23.8
Czech Republic (PX)	1,067.7	+0.3	+15.9	+34.8
Denmark (OMXCX)	952.5	+1.5	+19.3	+31.2
Hungary (BUX)	39,611.6	-0.6	+23.8	+35.4
Norway (OSEAX)	900.1	+2.3	+17.7	+24.2
Poland (WIG)	64,866.6	+2.7	+25.3	+43.5
Russia (RTS, \$ terms)	1,126.4	+0.7	-2.2	-2.2
Sweden (OMXS30)	1,672.0	+1.4	+10.2	+19.1
Switzerland (SMI)	9,267.8	+2.0	+12.7	+14.4
Turkey (BIST)	113,024.3	+4.3	+44.6	+33.1
Australia (All Ord.)	6,005.5	+0.5	+5.0	+11.4
Hong Kong (Hang Seng)	28,594.1	+1.0	+30.0	+29.2
India (BSE)	33,600.3	+1.7	+26.2	+32.6
Indonesia (JSX)	6,038.1	+0.2	+14.0	+13.1
Malaysia (KLSE)	1,743.9	+0.3	+6.2	+12.6
Pakistan (KSE)	40,453.6	-2.7	-15.4	-16.2
Singapore (STI)	3,391.6	+1.4	+17.7	+25.0
South Korea (KOSPI)	2,556.5	+2.6	+26.2	+36.7
Taiwan (TWI)	10,806.4	+0.5	+16.8	+24.8
Thailand (SET)	1,714.6	+0.3	+11.1	+20.1
Argentina (MERV)	27,979.8	+0.4	+65.4	+48.3
Brazil (BVSP)	73,823.7	-3.7	+22.6	+22.0
Chile (IGPA)	28,028.4	+1.7	+35.2	+42.5
Colombia (IGBC)	10,763.2	-1.8	+6.5	+5.2
Mexico (IPC)	48,334.5	-1.1	+5.9	+14.0
Venezuela (IBC)	695.5	-2.2	-97.8	na
Egypt (EGX 30)	14,277.3	+2.7	+15.7	+19.0
Israel (TA-125)	1,317.1	+0.5	+3.1	+12.9
Saudi Arabia (Tadawul)	6,948.5	+0.6	-4.0	-4.0
South Africa (JSE AS)	59,514.1	+2.4	+17.5	+14.1

Doing business

The World Bank calculates that in the 12 months to June 2017, 119 countries implemented at least one positive reform to make it easier for entrepreneurs to do business. In all, 264 regulatory reforms were carried out. The greatest number of reforms were designed to help people start a business and get credit. Asian countries have been particularly busy: Brunei, India and Thailand each implemented eight reforms. Among other things, Brunei and Thailand both strengthened the rights of borrowers and creditors by introducing new secured-transaction laws; India reduced border-compliance costs. Rwanda has implemented the most business-friendly reforms over the past 15 years: 52 in all.

Number of business reforms



Source: World Bank

Other markets

	Index Nov 1st	% change on		
		one week	in local currency	in \$ terms
United States (S&P 500)	2,579.4	+0.9	+15.2	+15.2
United States (NAScomp)	6,716.5	+2.3	+24.8	+24.8
China (SSEB, \$ terms)	350.6	-1.0	+2.6	+2.6
Japan (Topix)	1,786.7	+2.0	+17.7	+20.3
Europe (FTSEurofirst 300)	1,559.6	+2.5	+9.2	+20.2
World, dev'd (MSCI)	2,036.8	+0.7	+16.3	+16.3
Emerging markets (MSCI)	1,119.1	+0.4	+29.8	+29.8
World, all (MSCI)	496.6	+0.6	+17.7	+17.7
World bonds (Citigroup)	935.3	nil	+5.8	+5.8
EMBI+ (JPMorgan)	837.7	+0.3	+8.5	+8.5
Hedge funds (HFRX)	1,262.4 [§]	+0.2	+4.9	+4.9
Volatility, US (VIX)	10.1	+11.2	+14.0 (levels)	
CDSs, Eur (iTRAXX) [†]	49.7	-8.9	-31.1	-24.1
CDSs, N Am (CDX) [†]	52.6	-0.9	-22.3	-22.3
Carbon trading (EU ETS) €	7.5	+1.6	+14.1	+25.7

Sources: IHS Markit; Thomson Reuters. [†]Total return index. [‡]Credit-default-swap spreads, basis points. [§]Oct 30th.

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The Economist commodity-price index

2005=100

			% change on	
	Oct 24th	Oct 31st*	one month	one year
Dollar Index				
All Items	148.7	147.6	+1.4	+6.4
Food	150.5	150.2	+0.5	-3.9
Industrials				
All	146.9	144.9	+2.4	+20.2
Nfa [†]	131.2	131.3	+1.7	+3.8
Metals	153.6	150.8	+2.7	+27.8
Sterling Index				
All items	206.2	202.1	+1.2	-2.1
Euro Index				
All items	157.2	157.5	+2.3	+0.9
Gold				
\$ per oz	1,275.0	1,269.5	-0.4	-1.5
West Texas Intermediate				
\$ per barrel	52.5	54.4	+7.9	+16.5

Sources: Bloomberg; CME Group; Cotlook; Darmann & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. ^{*}Provisional [†]Non-food agriculturals.

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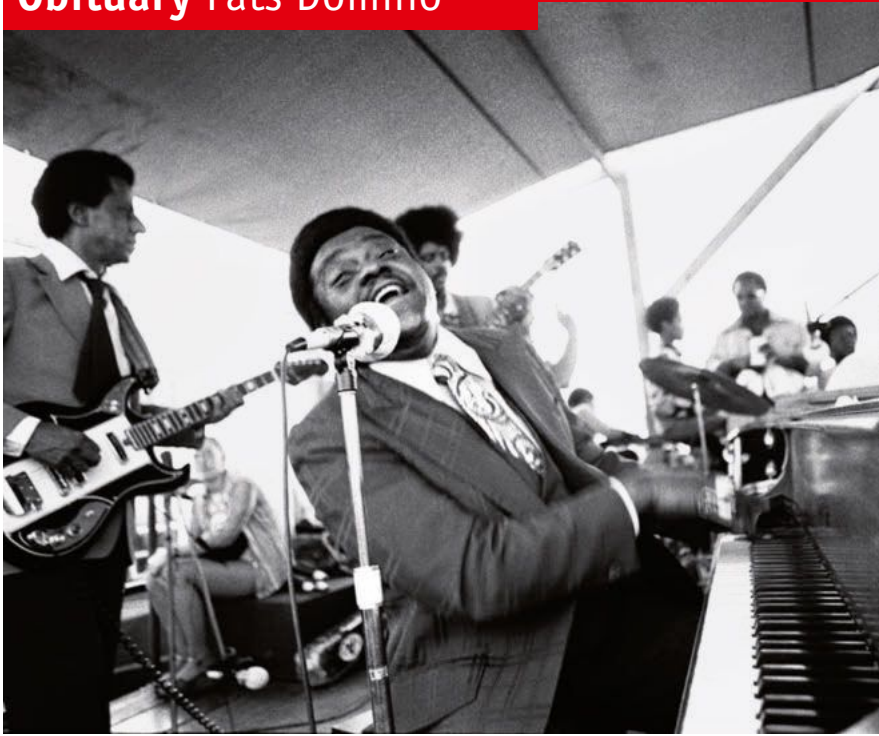


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On Rampart and Canal

Antoine “Fats” Domino, pioneer of rock ‘n’ roll, died on October 24th, aged 89

THE fact that Fats Domino in 1957 played 355 shows in America, travelling 13,000 miles, was misleading. He never left New Orleans, or rather New Orleans never left him. The fact that he was praised by Elvis Presley as the real king of rock ‘n’ roll, named as chief inspiration by Paul McCartney, Led Zeppelin, John Lennon and Neil Young, and hailed as the man who started a cultural revolution deemed so dangerous, in some parts of America, that bottles flew and fights started, was pretty mystifying to him. When the rage took off in the early 1950s, he had been playing that music in the honky-tonks and bars of the Big Easy for fully 15 years.

He was New Awlins through and through, beginning with his girth and the rolling, languid gait it gave him. Both showed such a love of red beans, gumbo and jambalaya that he couldn’t find food worth eating anywhere else, but took his own pots, pans and hot sauce to cook them up wherever he was. One of his stunts was to play standing and, with his belly, gradually push his piano into the wings. At 21, when he was playing at the Hideaway Club on Desire Street for \$3 a week, he already weighed 200lb. His first big hit, cut in 1949 after Dave Bartholemew, a talent scout, had discovered him, was “The Fat Man”. But fat men had fun. All the Creole

girls loved him, he sang, on Rampart and Canal. And together “women and a bad life/They’re carryin’ this soul away.”

There was never any question of leaving. He was born in the Lower Ninth Ward, the youngest of eight children of Creole labourers, and would have stayed put there if Hurricane Katrina in 2005 had not destroyed his house. The house got fancier with his success, but he had no wish to move with the well-to-do. He was satisfied to stay where he had first heard radio songs and copied them for hours on the family’s beaten old upright; on the same streets where, once rid of school, he delivered ice to the people without refrigerators, stopping in their houses, if they had pianos, and practising again. He had a good ear for catching notes, he felt then. He never dreamed of much more.

It happened because of the way he sang and played, so full of joy that everyone just had to dance. Once he started those big fingers diving flat and fast to the keys and that right leg stamping to the beat, once he beamed that thousand-watt smile to the audience on every phrase, no one could stay still. What he thought he was playing was rhythm and blues, though there was not much blue about it: only he, on “Ain’t That a Shame”, could make “my tears fell like rain” sound like the best thing that had

happened all week. But that R&B was also saturated with his home town, from the romping, rolling, accelerating beat to flavours of Mardi Gras bands, Cajun chank-a-chank, Latin rhythms and his own patois. He added his special groove, right-hand triplets on every beat, a hook white folks seemed to like; the drummer gave the back-beat, the horns made bass riffs, and out of that rich pot au feu rock ‘n’ roll somehow emerged. Between 1950 and 1963 he had more hits than Chuck Berry, Little Richard and Buddy Holly combined.

His songs were not often original. Even “Blueberry Hill”, his biggest hit, which sold 5m copies, had been done before by Louis Armstrong. But he thought they would fit him fine, so he sang them in his own style. As he borrowed, so he was borrowed from; it didn’t matter to him, even when white crooners in those segregated times covered his songs and sold more of them. Rock ‘n’ roll was the first music that crossed from black to white worlds, from the “race” Billboard chart to the pop one, but he was no civil-rights campaigner. He let others do that, far too shy to speak out much. (“If you ‘scuse me, I’ll just go back to practisin’, OK?”) He stuck to what he did best, music that made people happy.

It made him happy, too. He could now buy two Cadillacs and a Rolls-Royce in one afternoon, and enough jewellery to light up a stage: a star-shaped diamond watch bigger than a silver dollar, diamond clips for his silk ties and chunky gold-and-diamond rings for every finger. He travelled with 30 suits and 200 pairs of shoes, especially fancy two-tones to thump the beat. His only long spells out of New Orleans were spent in Las Vegas, where he wasted \$2m on the slots before he was cured. He could have saved it for his wife and his eight children, but whatever went up had to come down some way. He still had more than enough. As he sang on his favourite disc, “Blue Monday” (referring, though, to Saturday), “Got my money and my honey/ And I’m out on the stand to play.”

Red-bean stew

After 1963 the hits dried up, eclipsed by Beatlemania. He kept performing for decades, though, buoyed up by the homage of those who stormed past him. High honours came, and he sometimes left New Orleans to fetch them, but not often. In his clubhouse annexe in the Lower Ninth, next to his house with his name in lights outside and marble and chandeliers inside, he would cook up red-bean stew for the neighbours, then invite them in to eat, have a few little beers and watch a Saints game. When Katrina trashed it all, including 20 gold discs and his grand pianos, “I ain’t missed nothing, to tell you the truth.” It sounded like another Fats number, to be sung on a cloud of joy. ■

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