

The Economist

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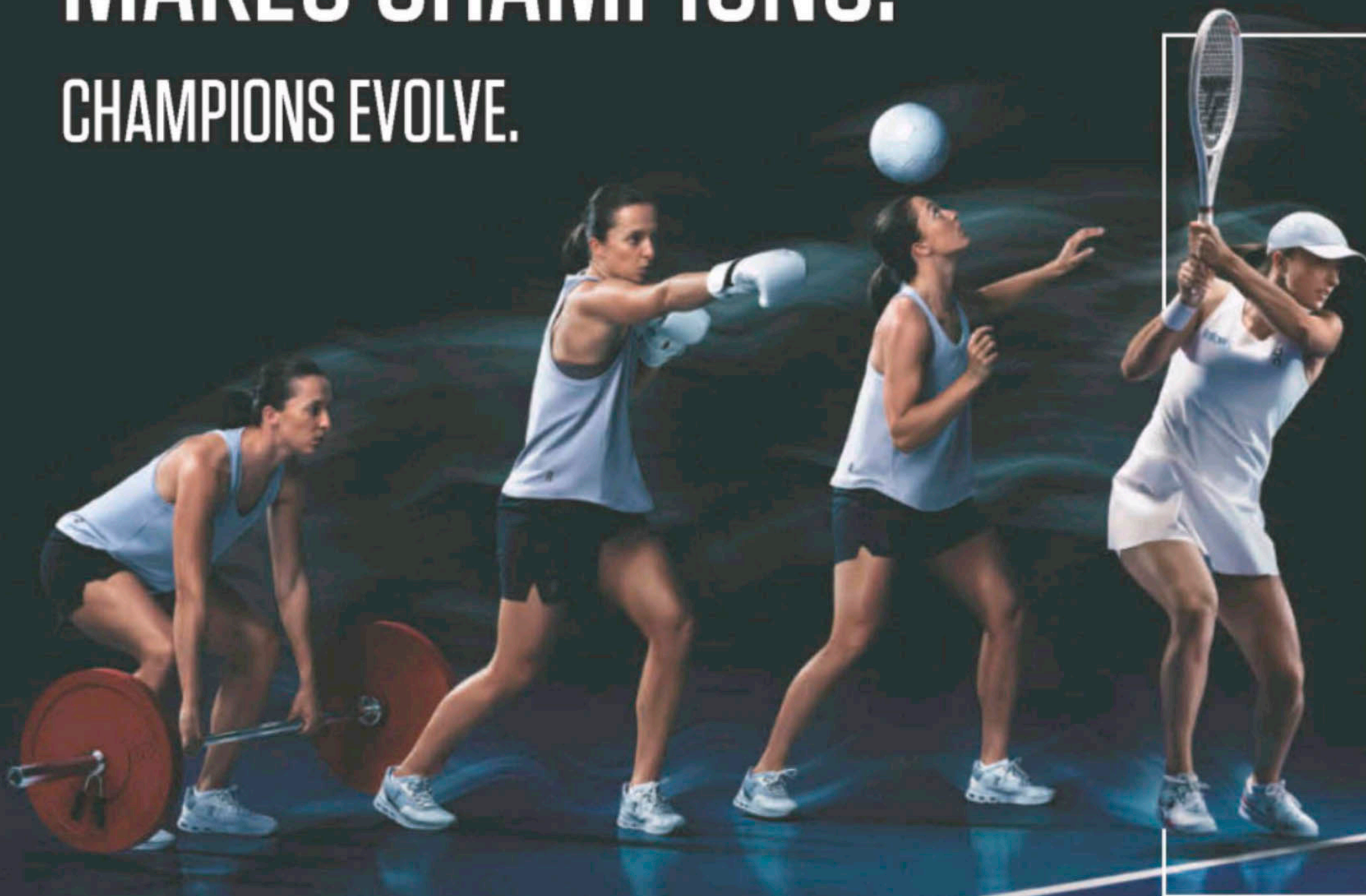
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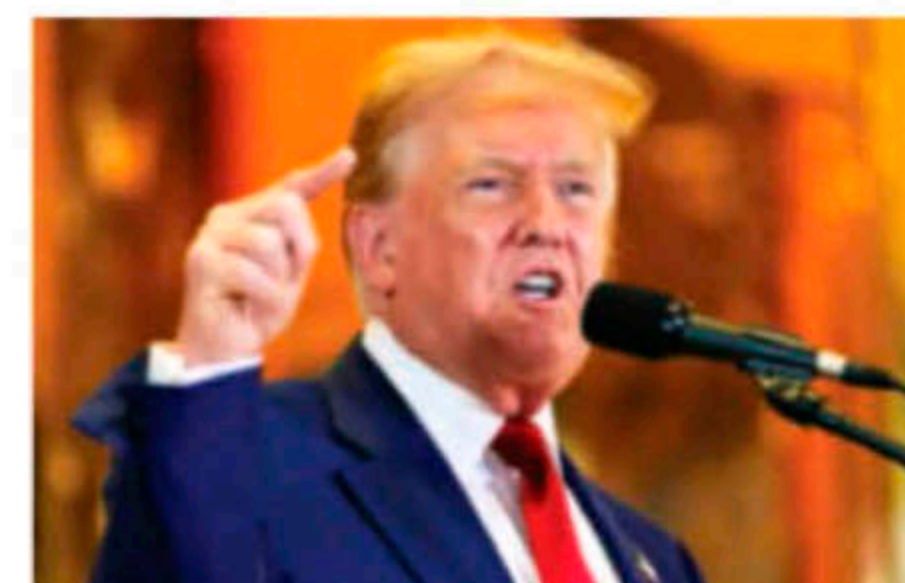


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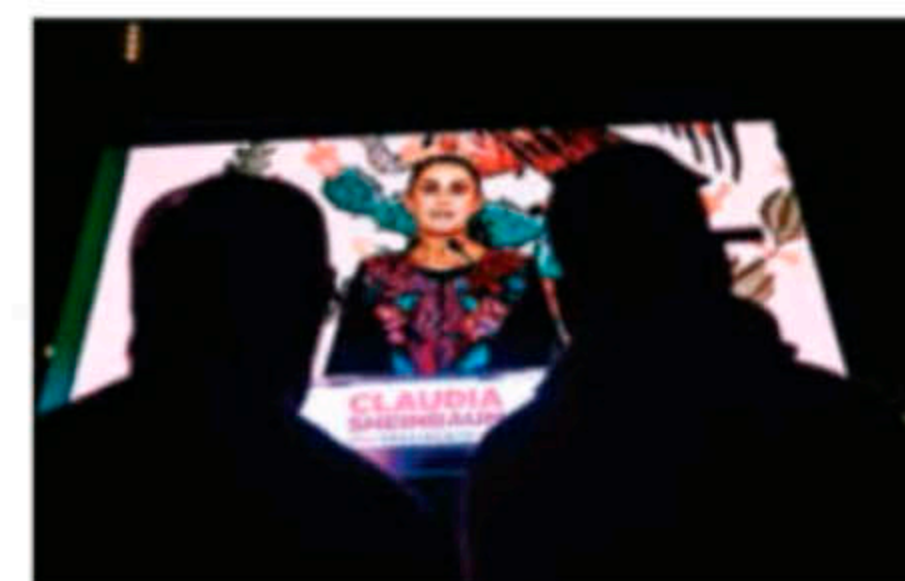
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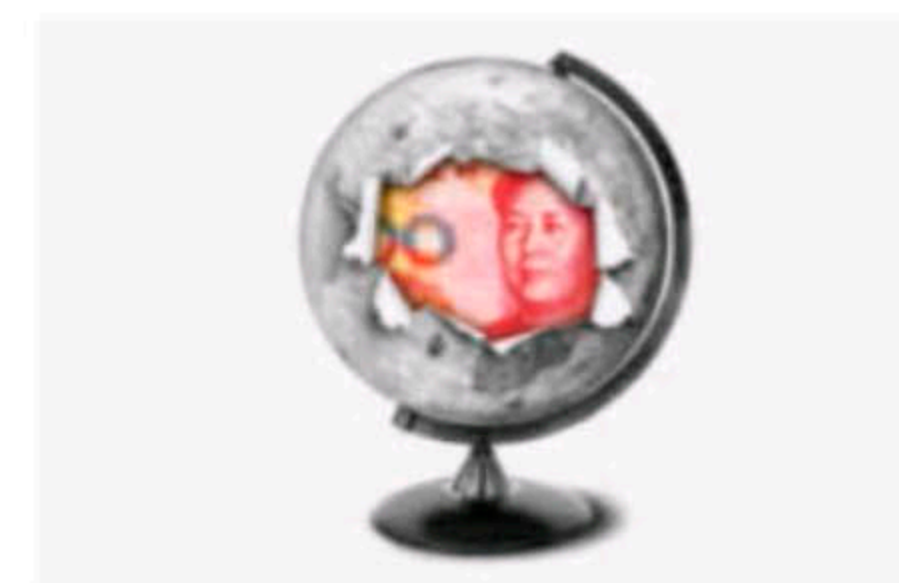
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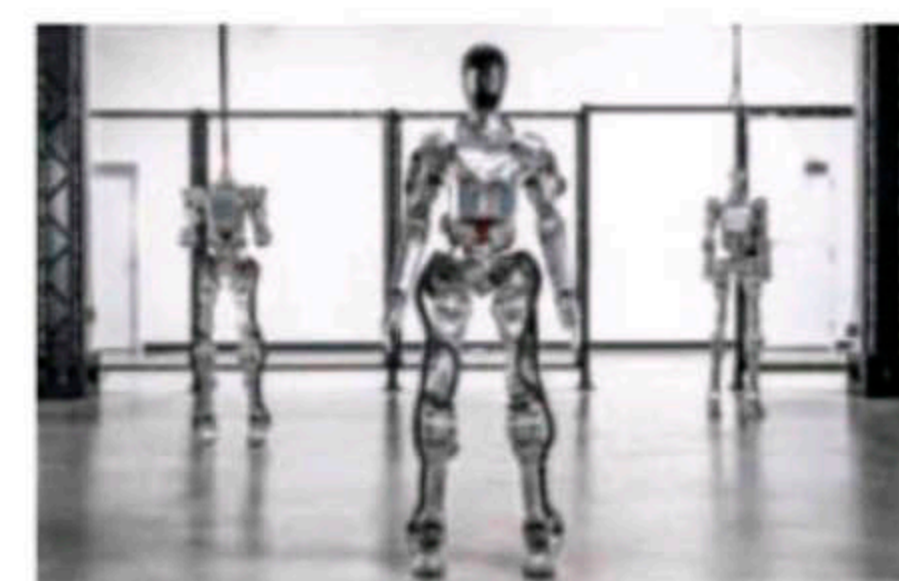
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The world this week Politics



Narendra Modi looks likely to serve a third term as India's prime minister, after his Bharatiya Janata Party and its allies won a slim majority. The ruling alliance won 293 seats, compared with the opposition's 234. Mr Modi had claimed that they would win upwards of 400 seats. The BJP itself lost 63 seats compared with the last election in 2019.

Imran Khan, a former prime minister of **Pakistan**, was acquitted of leaking state secrets in a ruling by the high court in Islamabad. The former cricketer will remain in jail for a separate conviction. He is appealing the case.

South Korea said it would resume military activities along its border with the North. President Yoon Suk-yeol suspended the military agreement between the two Koreas after Pyongyang sent balloons carrying rubbish over the border. It called them "gifts of sincerity". Seoul vowed to "protect the lives and safety of its people".

Donald Trump was convicted on all 34 counts of falsifying business records to hide hush-money payments to a former porn star before the election in 2016. Mr Trump called the trial a "disgrace" and said that "the real verdict" would come on November 5th, the day of the election. It is the first time that a former American president has been found guilty of a crime. Mr Trump, who will be sentenced on July 11th, vowed to appeal. His campaign said it raised nearly \$53m in the 24 hours after the verdict, and that more than a third of the donors

had given for the first time.

Hunter Biden's trial in Delaware began this week. Prosecutors allege that the president's son lied about using drugs while buying a revolver in 2018. Another trial, over allegations that he failed to pay his taxes, is due in September. It had seemed that Mr Biden might avoid the two ordeals altogether, until his plea deal with prosecutors fell apart last year.

President Joe Biden signed an executive order that would limit asylum claims at America's southern **border with Mexico**. The rule prevents people who cross the border illegally from applying for asylum once encounters with border-control officials exceed an average of 2,500 a day—a threshold that will be easily crossed.

Quick U-turn

New York abruptly cancelled contentious plans to introduce congestion pricing on cars driving downtown. The scheme was due to begin on June 30th but has been postponed indefinitely. It had been predicted to raise \$1bn annually for capital projects by New York's Metropolitan Transportation Authority.

Nigel Farage, a high-profile Brexiteer, said he would take over as leader of Reform, a right-wing insurgent party, and stand for Parliament in Britain's general election. A stronger showing for Reform would be more bad news for the Conservatives, who are lagging badly in the polls. *The Economist's* prediction model puts their chance of victory at less than 1%.

The **European Union's** voters started heading to the polls for elections to the 720-member European Parliament. Voting takes place from June 6th to 9th, but no ballots will be counted until all the votes have closed. An informal coalition between centre-right, centre-

left and liberals is expected to again win a majority, but the parties of the populist right are likely to improve their standing. More than 350m people are eligible to vote.

Veterans of the **D-Day** landings in Normandy returned to the beaches on June 6th to mark the 80th anniversary of the start of the liberation of Europe. Joe Biden, France's Emmanuel Macron and Germany's Olaf Scholz and Volodymyr Zelensky of Ukraine were among those attending. No Russian representative was invited, despite that country's huge sacrifices in the second world war.

The **African National Congress** lost its parliamentary majority for the first time in the 30 years since the end of apartheid in elections on May 29th. The party, which got 40% of votes, will need a coalition if it is to form a government. Investors hope it will do so with the main opposition, the Democratic Alliance, which got 22% of votes and has sensible economic policies. There are concerns the ANC might instead form a government with radical populist parties such as the Economic Freedom Fighters or uMkhonto weSizwe, both of which want to nationalise land and banks.

Zambia's creditors approved a plan to restructure some of its \$13.4bn in debt, which will allow the country to emerge from default after three-and-a-half years. Meanwhile the IMF will probably augment an existing \$1.3bn bail-out by providing an additional \$388m in financing to the drought-stricken country.

Joe Biden revealed an Israeli proposal for a pause in the fighting in Gaza and the exchange of Israeli hostages held by Hamas for some Palestinian prisoners. This would form the basis of a long-term "cessation of hostilities". America said it was waiting for a response from Hamas, the Islamist

group in Gaza. Meanwhile Israel bombed a school in Gaza, claiming it contained fighters involved in the October 7th attacks. Hamas-affiliated press said the strike killed at least 27 people.

Missile attacks by Hizbullah, the Lebanese militia-cum-political party, sparked wildfires in northern Israel and the **Golan Heights**. Israeli shelling started fires in Lebanon near the border. On a visit to the region, Binyamin Netanyahu, the Israeli prime minister, said Israel was prepared for "very intense action in the north".

All rise

Egypt announced that it would quadruple the price of subsidised bread. The subsidy was due to cost 125bn Egyptian pounds next year, more than 3% of government spending. When the government tried to reduce subsidies in 1977, deadly riots ensued. So far, the response has been muted.



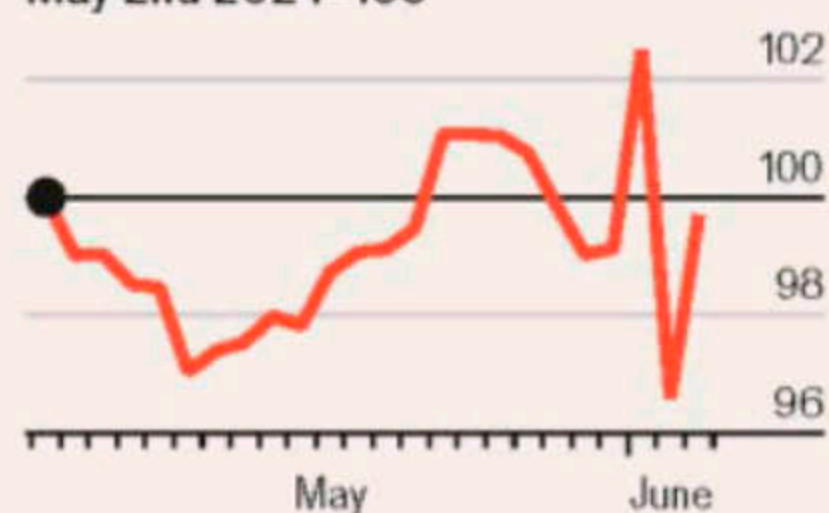
Claudia Sheinbaum was elected as **Mexico's** first female president. The former mayor of Mexico City won with more than 59% of the vote for the ruling Morena party. The country's markets have been spooked by the huge mandate handed to Ms Sheinbaum.

Nayib Bukele was sworn in as president of **El Salvador**. He vowed to cure the country of its "illnesses". Mr Bukele, who was re-elected with a huge margin in February, is popular largely thanks to his crackdown on crime. He helped change the international image of his country of 6.3m.

The world this week Business

India's stockmarket

BSE Sensex 30 index,
May 2nd 2024=100



Source: LSEG Workspace

India's stockmarket, which became the world's fourth-largest earlier this year, swung wildly in the wake of a surprise election result that saw Narendra Modi's Bharatiya Janata Party lose its majority. Having reached a record high after exit polls forecast a landslide for the BJP, the benchmark BSE Sensex index fell by 6% once the results were announced. It recovered a little the next day. The prices of shares in companies owned by Gautam Adani, a close associate of Mr Modi, were especially hard hit.

Mexican share prices also dropped after a shock election result, with Claudia Sheinbaum winning the presidency by a bigger-than-expected margin. Investors worried that her congressional majority would allow her to change the constitution and erode checks and balances. The peso fell, too.

America, meanwhile, is gaining a new bourse: the **Texas Stock Exchange**, which announced that it had raised \$120m from investors including **BlackRock** and **Citadel Securities**. The exchange aims to rival the New York Stock Exchange and Nasdaq, and to host its first listing in 2026.

Nvidia's market capitalisation soared past \$3trn, leading it to overtake **Apple** as the world's second-biggest company. The chipmaker's share price has risen so much in recent years that it is conducting a ten-for-one stock split, to make small trades easier.

Shares in **GlaxoSmithKline** fell sharply after a judge in Delaware ruled that evidence

linking Zantac, a heartburn treatment, to cancer cases was admissible in court. The share price of **Sanofi**, which sells a reformulated version of the drug, also fell.

GameStop saw its share price jump by as much as 75% after a photo posted to Reddit seemed to show Keith Gill holding 5m shares and 120,000 call options in the company. Mr Gill was one architect of the "meme stock" craze of 2021, exhorting retail traders to buy shares in order to give hedge funds (several of which had shorted GameStop) a bloody nose. By the time trading closed on the day the photo was posted, his position was worth \$260m.

Bill Ackman sold a 10% stake in **Pershing Square**, the firm through which he manages a closed-end hedge fund with over \$15bn in assets. The deal values his company at more than \$10bn, and is thought to be a prelude to a public listing.

Chocks away!

Boeing launched its CST-100 Starliner spacecraft from Cape Canaveral, Florida, carrying two astronauts from NASA, America's space agency. It was only the sixth launch of a new,

crewed spacecraft in NASA's history. Boeing's Starliner programme is a rival to one run by Elon Musk's **SpaceX**.

An EU court ruled that **McDonald's** has lost its "Big Mac" trademark for chicken burgers, though it will keep it for the better known beef recipe. The decision followed a long battle between McDonald's and **Supernac's**, an Irish competitor that claimed the trademark was preventing its expansion.

An American court dealt the **Securities and Exchange Commission** a serious blow by rejecting its proposed rules to force private-equity and hedge funds to be more transparent. Championed by Gary Gensler, the regulator's chairman, the rules would have required fund managers to send investors detailed quarterly performance and expense reports. The judge ruled that their imposition would exceed the SEC's statutory authority.

Widespread medical use of **psychedelics** looks less likely after a panel assembled by America's Food and Drug Administration voted against the use of MDMA, the active

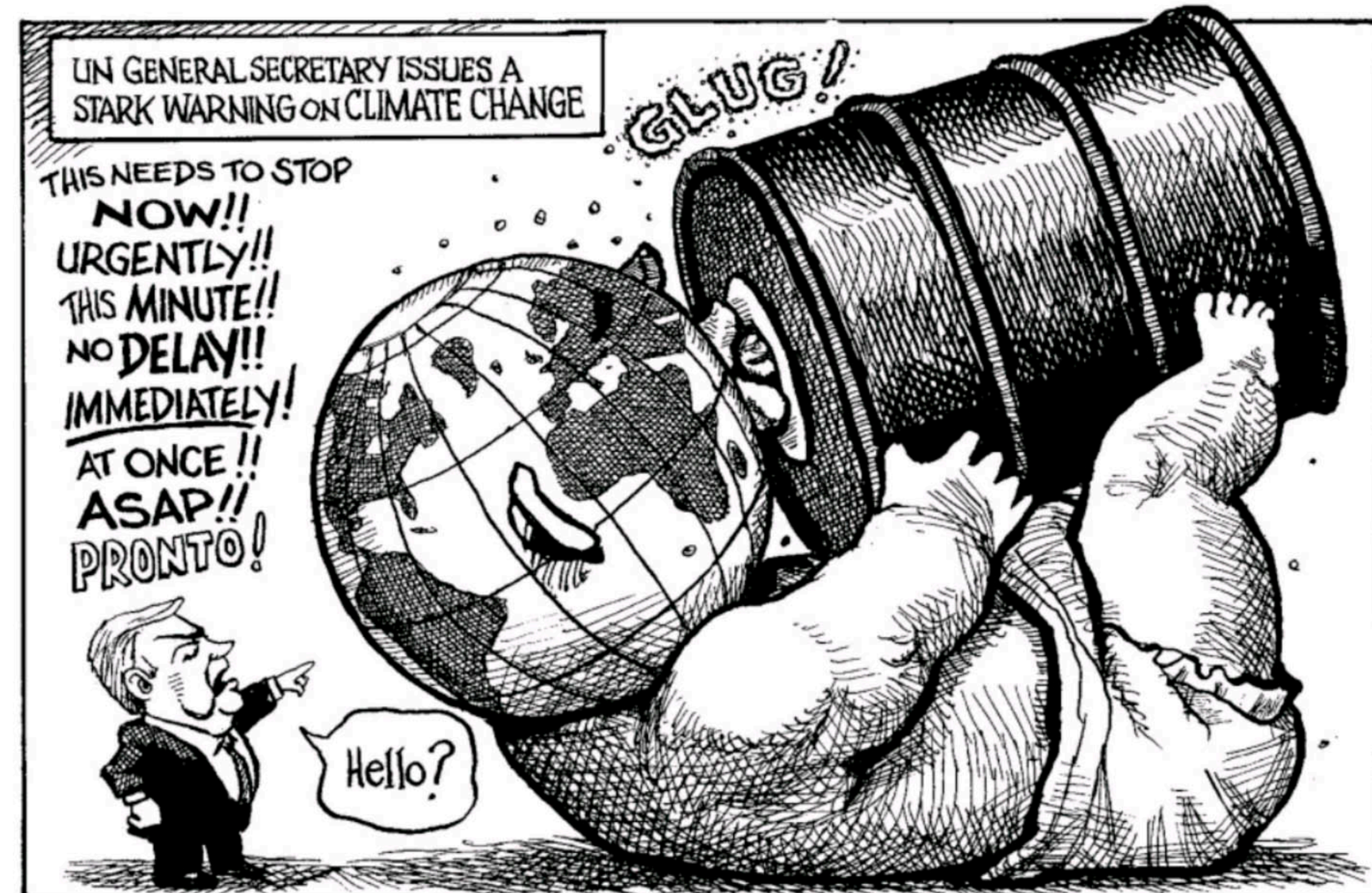
ingredient in ecstasy, to treat post-traumatic stress disorder. That is bad news for **Lykos Therapeutics**, a biotech firm developing such a treatment.

Softly, softly

The **Bank of Canada** lowered its policy rate from 5% to 4.75%, making it the first G7 central bank to cut rates in this cycle. Inflation has fallen to 2.7% from a peak of 8.1% in 2022. Though the central bank's target is 2%, a softening economy may have prompted it to cut early: Canada's unemployment rate hit 6.1% in April.

Fears grew that America's economy may also be slowing down, after the private sector added fewer jobs than forecast in May. The manufacturing sector contracted, too, with factory activity falling. Treasury yields dropped in response, as traders marked up the probability that the **Federal Reserve** would cut rates sooner rather than later.

Global investors have withdrawn \$40bn from **environmental, social and governance** funds so far this year, making it the first in which such funds have faced net outflows.



A triumph for Indian democracy

The shock election result will change the country—ultimately for the better

THE WORLD'S biggest electorate has just shown how democracy can rebuke out-of-touch political elites, limit the concentration of power and change a country's destiny. After a decade in charge, Narendra Modi was forecast to win a landslide victory in this year's election; yet on June 4th it became clear that his party had lost its parliamentary majority, forcing him to rule through a coalition. The result partially derails the Modi project to renew India. It will also make politics messier, which has spooked financial markets. And yet it promises to change India for the better. This outcome lowers the risk of the country sliding towards autocracy, buttresses it as a pillar of democracy and, if Mr Modi is willing to adapt, opens a new path to reforms that can sustain its rapid development.

The drama unfolding amid a scorching heatwave begins with the election results. Mr Modi's Bharatiya Janata Party (BJP) aimed to take up to 370 seats in the 543-member lower house, an even bigger majority than in 2014 or 2019. Instead it won just 240. It lost seats to regional parties in its heartlands in Uttar Pradesh and beyond, reflecting a revival of caste-based politics and, it seems, worries about a lack of jobs. Whereas his coalition partners were previously optional extras, he will now rely on them to stay in power. Their loyalty is not guaranteed.

This is not just an electoral upset, but a repudiation of Mr Modi's doctrine of how to wield power in India. As our new podcast "The Modi Raj" explains, he is a remarkable man, born in poverty, schooled in Hindu-first ideology and consumed by the conviction that he was destined to restore India's greatness. For Mr Modi, India has been kept down by centuries of rule under Islamic dynasties and British imperialists, followed after independence by socialism and the chaos inherent in diversity and federalism.

For over a decade Mr Modi's answer has been to concentrate power. That meant winning elections decisively on a platform that emphasises his own brand, Hindu chauvinism and an aspirational message of rising prosperity. In office, his method has been to use executive might to ram through policies that boost growth and reinforce the BJP's grip on power.

Mr Modi has changed India for good and ill. Fast growth promises to make its economy the world's third-largest by 2027. India has better infrastructure, a new digital welfare system for the poor and growing geopolitical clout (see Asia section). However, good jobs are too scarce, Muslims suffer discrimination and, under a sinister illiberalism, the BJP has captured institutions and persecuted the media and opposition.

This year's election was supposed to mark the next phase of the Modi Raj. With an even larger majority and a new presence in the richer south of the country, the BJP aspired to unitary authority across India at the central and state level. That might have made big-bang reforms easier in, say, agriculture. But such power also raised the threat of autocracy. Many in the BJP hoped to forge a single national identity, based on Hinduism and the Hindi language, and to change India's liberal constitution, which they view as an effete Western construct.

Mr Modi would have reigned supreme. Yet every Raj comes to an end. If, as expected, the BJP and its allies form the next government, Mr Modi will have to chair a cabinet that contains other parties and which faces parliamentary scrutiny. That will come as a shock to a man who has always acted as a chief executive with unchallenged authority to take the big decisions. Succession will be debated, especially inside the BJP. Even if Mr Modi completes a full term, a fourth one is now less likely.

Mr Modi's diminished stature brings dangers. He could resort to Muslim-bashing, as in the past. That would alienate many Indians but might possibly repair his authority with his base and the BJP. Coalition government makes forcing through economic changes harder. The small parties may gum up decision-making as they demand a share of the spoils. India's growth is unlikely to fall below its underlying rate of 6-7%, but higher welfare spending may lead to cuts in vital investment. That explains why the stockmarket initially fell by 6%.

These dangers are real, but they are outweighed by the election's promises. Now that the opposition has been revived, India is less likely to become an autocracy. The BJP and its allies also lack the two-thirds majority they needed to make many constitutional changes. Disappointed investors should remember that most of the value of their assets lies beyond the

next five years and that the danger posed by democratic backsliding was not just to Indians' liberty. If strongman rule degenerated into the arbitrary exercise of power, it would eventually destroy the property rights that they depend on.

More open politics also promises to boost growth in the 2030s and beyond. The election shows that Indians are united by a desire for development, not their Hindu identity. Solving India's huge problems, including too few good jobs, requires faster urbanisation and industrialisation, which in turn depend on an overhaul of agriculture, education, internal migration and energy policy. Because the constitution splits responsibility for most of these areas between the central government and the states, the centralisation of the past decade may yield diminishing returns. That means the next set of reforms will require consensus. There are precedents. Two of Mr Modi's main achievements, tax reform and digital welfare, are cross-party ideas that began under previous governments. India has had reforming coalitions before, including BJP-led ones.

Modi modified

The question facing India is therefore whether Mr Modi can evolve from a polarising strongman into a unifying consensus-builder. By doing so, he would ensure that India's government was stable—and he would usher in a new sort of Indian politics, capable of bringing about the reforms needed to ensure India's transformation can continue when the Modi Raj is over. That is what real greatness would look like, for Mr Modi and his country. Fortunately, if he fails, India's democracy is more than capable of holding him to account. ■



Business and Trump

Don't do it, billionaires

Supporting Donald Trump risks offering wealthy donors poor returns

WHEN DONALD TRUMP faces American voters in November he will do so with a band of billionaire backers. Last month Stephen Schwarzman, the chief executive of Blackstone, the world's largest private-equity firm, said he would support Mr Trump. Miriam Adelson, a casino magnate who sat out the primaries, is expected soon to do the same. Bill Ackman, a hedge-fund manager who has previously donated to Democrats, is said to be edging towards a Trump endorsement. The former president even enjoys increasingly friendly relations with Elon Musk, with whom he once traded insults.

Joe Biden has raised more money overall (though Mr Trump has filled his boots since his conviction in a Manhattan courtroom) and some rich Republicans have yet to decide whom to back. But the former president's growing support among the wealthy is evidence of his rehabilitation. Business-minded Republican elites had shunned Mr Trump after he tried to overturn the last election result. Today those same people appear to be looking for a reason to set aside their scruples.

The benefit to Mr Trump is much more than financial. Politicians seek the support of moguls because it is taken as proof that they would be good for the economy. For their part, many billionaires doubtless think it is in their self-interest to back Mr Trump. He is the narrow favourite to win, and courting him now could secure a valuable pay-off for those who crave influence or need political favours (or fear his vindictiveness). Businesses, and billionaires themselves, would benefit directly from Trumpian tax cuts and deregulation.

Yet Trump 2 poses a threat to the economy—a greater one than a second Biden presidency. In 2016 many observers, including this paper, fretted about the consequences of Mr Trump's economic populism, only for America to enjoy strong

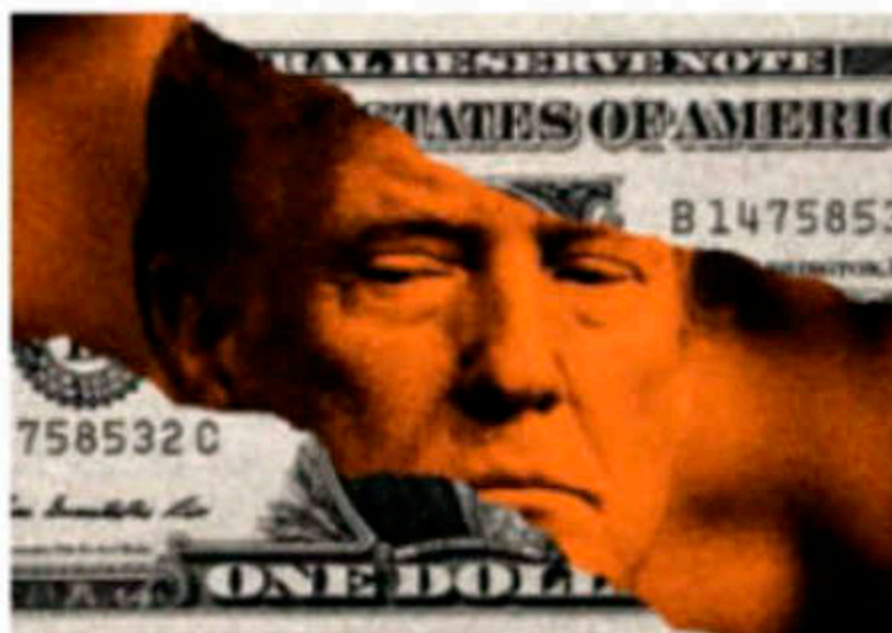
GDP and jobs growth. This time, however, the economy is closer to its speed limits, meaning that tariffs and deficit-financed tax cuts would cause an inflationary surge. If Mr Trump deported illegal immigrants en masse, as he has promised, it would only add to the pressure.

Moreover, tax cuts would strain the already parlous public finances. In 2016 the budget deficit was 3.2% of GDP and net debt was 76% of output; today America is running an underlying deficit of 7%, and debt is nearing 100%. The Federal Reserve would be forced to offset the stimulus, pushing up debt-servicing costs. If Mr Trump appointed a pliant ally to lead the Fed when the term of its current chairman expires in 2026, the inflation problem could grow bigger still.

Mr Schwarzman has cited the spread of antisemitism as a reason for his decision. Yet far from being a campus leftist, Mr Biden is one of the protesters' targets. Both political extremes have an antisemitism problem. As hard-right torchbearers marched through Charlottesville during Mr Trump's first term, they chanted "Jews shall not replace us." If Mr Schwarzman

is worried about extremism, he should consider Mr Trump's ties to the mob that attacked Congress on January 6th 2021.

Indeed, Mr Trump holds many American institutions besides elections in contempt, including federal agencies and the courts. When you adjust for the tail risk of something going very wrong, supporting him offers poor returns. A slide towards cronyism or bias would make doing business harder and more politicised—and pose a far more profound threat to America's prosperity than slightly higher taxes or tiresome red tape. Ordinary Americans may have concluded that Mr Trump is the choice of practical people interested in the bottom line. The real message is that he should not be. ■



Elections in Mexico

Back to the future

Morena's landslide win threatens to take Mexico down a dangerous path

MEXICANS KNOW the dangers of one-party rule. In 2000 the country emerged from seven decades under the Institutional Revolutionary Party (PRI), which were defined by corruption, inequality and political repression. Yet in elections on June 2nd they voted to hand the ruling party, Morena, a degree of power not seen since the PRI's fall. Morena and its coalition allies are less disciplined and monolithic than the PRI was, but they still pose a grave threat to Mexico. Much now turns on the political courage of the country's next president, Claudia Sheinbaum, the first woman to hold the post.

The fact that Ms Sheinbaum won the presidency was not a surprise. She had enjoyed a 20-point lead in the polls for months, buoyed up by the valuable support of Andrés Manuel

López Obrador, the outgoing president. But few expected Morena to be so dominant. The ruling coalition is likely to control between 346 and 380 of the 500 seats in the lower house, a supermajority that enables it to amend the constitution. In the upper house it has at least 82 of 128 seats, three shy of a supermajority (which it will probably gain thanks to a few "grass-hoppers", as Mexicans call lawmakers who switch parties). Morena's coalition also now runs 24 of 32 governorships and has supermajorities in at least 22 of the 32 state congresses.

Investors reacted to Morena's landslide by selling off the peso, which fell by 4% against the dollar, and stocks, which lost 6%. They fear that the government will use its supermajorities to bring about constitutional changes that will make it harder

▶ to operate in Mexico and which will undermine democracy.

Their fear is well founded. Immediately after the vote, Mr López Obrador talked of using the supermajority to enact an agenda he introduced in February. Supreme Court judges and the heads of the electoral authority would be appointed by popular vote; many independent bodies would be dismantled; the army would take control of the national police force; supposedly independent energy regulators would answer to ministers. Fracking, opencast mining and imports of genetically modified corn would all be banned. Generous retirement benefits would be further increased, though money is short.

This constitutional overhaul would only aggravate Mexico's problems. The country already struggles to attract foreign investment; a populist judiciary and regulatory system would drive capital away. Mr López Obrador's six years in office have been the bloodiest in the country's history in part because of the militarisation of the police. Mexico's energy policy, which favours its state-owned producers, threatens the country's vital free-trade agreement with the United States and Canada. A claim brought by them is already pending.

Mr López Obrador will have a chance to get Congress to pass some of these bills himself in September, because legislators take their seats one month before Ms Sheinbaum replaces him, on October 1st. But he will struggle to get them all through. It will be for her to enact the rest.

Ms Sheinbaum should resist. For her to stand up to the man who eased her path to power may seem unlikely. The slender hope is her own record. As mayor of Mexico City she was more international, competent and pragmatic than Mr López Obrador has been as president. On election night she promised to preserve democracy, govern for all Mexicans, work with the United States and back investment and business.

To ditch his worst plans would be in her own long-term interest, as well as her country's. Ms Sheinbaum inherits a fiscal deficit and a sluggish economy. She may soon discover that she cannot afford to continue with the redistribution that underpinned Morena's landslide win—and which will underpin her popularity in office. During the campaign she talked about protecting the legacy of her mentor, Mr López Obrador. Ms Sheinbaum would do well to think about her own. ■

AI and robots

From talk to action

Robots are benefiting from advances in artificial intelligence, such as chatbots. This is good news

THE ROBOTS are coming! In science fiction that is usually an ominous warning. In the real world, it is a prediction—and a welcome one. The field of robotics has made impressive progress in the past year, as researchers in universities and industry have applied advances in artificial intelligence (AI) to machines. The same technology that enables chatbots like ChatGPT to hold conversations, or systems like DALL-E to create realistic-looking images from text descriptions, can give robots of all kinds a dramatic brain upgrade.

As a result, robots are becoming more capable, easier to program and able to explain what they are doing (see Science & technology section). Investors are piling into robotics startups. OpenAI, the creator of ChatGPT, which gave up on robots a few years ago, has changed its mind and started hiring a new robotics team. When brought to bear upon the physical world, previously disembodied AI now appears to have enormous potential.

Robots can inspire fear. Human beings are trained from birth by Hollywood to be afraid of them—the latest incarnation of the ancient tale of the inventor who loses control of his creation. And even if robots are not literally the murderous machines of the “Terminator” films, they can kill off decent-paying jobs in factories and warehouses. Nevertheless, the latest advances in robotics will bring real and substantial benefits.

One is that new “multimodal” AI models combine understanding of language and vision with data from robotic sensors and actuators. This makes it possible to deal with robots using ordinary words. You can ask a robot what it is able to see or tell it to “pick up the yellow fruit”. Such models in effect grant robots a degree of common sense—in this case, knowing that a nearby banana is a kind of yellow fruit. And like a chat-

bot, a robot can be told to modify its behaviour simply by changing a text prompt, something that would previously have required elaborate reprogramming.

Another benefit is that the new models enable robots to explain the reasoning behind their actions. That is useful when they behave in unexpected or unwelcome ways. So long as robots' brains are not inscrutable black boxes, programming and debugging them is fairly straightforward. The new models are also less likely to hallucinate—tech-speak for “make things up”—because their perception is grounded in observations of the world, and they aim to ensure that cognitive and physical reality match. That makes them safer and more reliable.

And one more benefit is that robots are getting better at learning quickly through imitation and at generalising from one skill to another. This opens the door for robots to move out of factories and warehouses. Several companies and research groups are using the latest AI models to build humanoid robots, on the basis that most of the world, unlike an assembly line, has been designed for people to move around in. Labour markets across the rich world are tight—and getting tighter as societies age. As well as boosting productivity while workforces shrink, more capable robots could cook and clean, and care for the aged and the needy.

Advanced economies will need more automation if they are to maintain their standards of living. South Korea, Japan and China are all in the top five countries with the most robots for each manufacturing worker. It is no coincidence that they are also ageing rapidly. Without robots to help out, more people may have to work longer and retire later. In the coming years, attitudes could well flip from fearing the arrival of robots to wishing that they would get here sooner. ■



Britain's election

Labour's growth plan

Britain's probable next government needs to be bolder. And even then taxes will rise

STAGNATION IS MISERABLE, as Britain has discovered. The Parliament that ended last month may have the unwanted distinction of being the first in at least 60 years to leave the average Briton worse off than when it started in 2019. A repeat of this sorry feat over the next term is unlikely: the country would be unlucky to face blows to rival the impact of Brexit, covid-19 and the Russian energy shock. Inflation is falling; interest rates should soon start to come down. But doing a little bit better is not enough for Britons, or their next government.

Barring a last-minute collapse in support or a catastrophic polling error, that government will be formed by the Labour Party under Sir Keir Starmer. The campaign so far has solidified Labour's large poll lead over the beleaguered Conservatives. The decision by Nigel Farage to take the reins of Reform UK, a challenger party, has intensified the threat to the Tories from their right. Increasingly, therefore, the question is not who will win, but what Labour will do in power. And on economic growth, the avowed centrepiece of Labour's plan for government, the answer is: not enough.

One way of thinking about how fast the economy needs to grow is to look at the fiscal hole that Britain is in. On paper, the Tory government's tax-and-spending plans meet the fiscal rule that the ratio of public debt to GDP should start falling in the final year of a five-year forecast period. In reality, these plans already imply unrealistic cuts for underfunded courts and denuded local government. Worse still, the spending plans are based on implausibly optimistic medium-term forecasts by the Office for Budget Responsibility (OBR), a watchdog that checks the government's sums. According to *The Economist's* calculations, if Britain grows by the consensus forecast of 1.5%, rather than the 1.8% expected by the OBR, the annual hole in the public finances would deepen by roughly £30bn (\$38.4bn, or 1.1% of GDP). Growth of 1.1%, the average since 2008, would create a gap of roughly £60bn.

Such sobering numbers have two implications. The first is that taxes will in fact need to go up—whatever the main parties say and whoever is in power. Borrowing at high interest rates to compensate for slow growth is unsustainable. And the money cannot be found simply by cutting public services further. The pressures on the public purse are rising. For Labour, in particular, raiding public services would be self-defeating, because it wants growth to fund their expansion.

Desperate not to trip up before the election, Labour has pledged to leave Britain's main tax rates unchanged even though small increases to income tax or VAT would be the most painless way to fill the hole. Labour has other options: if it chose a land-value or a carbon tax *The Economist* would set off fireworks. More likely is a mess of smaller levies and threshold fiddles that further complicate Britain's tax system.

The second implication is that Labour should be single-minded in its pursuit of growth. To achieve annual increases in GDP much above 1.5% requires more than a vague promise of political stability. British productivity growth—the ability to

make more with the same labour—has been feeble ever since the financial crisis. An ageing population does not help.

Unfortunately, the simplest way to boost the economy is also the trickiest. Brexit made Britain poorer, but negotiations on renewed integration with the European Union would soak up diplomatic and political capital. Unless the Tories become more constructive on Europe, the EU would also be wary of making an agreement that a future British government could immediately undo. A deeper relationship with Brussels ought to be a medium-term goal for Labour. Until then, streamlining food checks, intra-firm transfers and the like, though worthwhile, are unlikely to have much effect on growth.

The big opportunity is fixing the planning system. Britain has no more built-up land per person than it did in the 1990s; last year the number of planning applications fell to the lowest in almost three decades (see Britain section). Labour's leaders have identified the problem, but their rhetoric far outruns their policies. More planning officers and tougher house-building targets are too timid. Building new towns, a Labour enthusiasm, would be costly and slow: better to make cities bigger and denser. Instead of trying to squeeze more out of the current planning system, Labour should overhaul it. That means allowing building on the green belt, the rings of protected land surrounding many English cities, and moving from a discretionary model to a rules-based one in which projects that meet a design code go ahead automatically.

A Labour government should sweep aside other obstacles to growth, too. Regional mayoralities were a good first step by the Tories, but mayors still lack control of their budgets or the ability to raise enough money. A fragmented pensions system brings poor returns and locks capital out of growth-friendly investments. Restrictive visa rules and high fees dampen valuable high-skilled immigration.

A growth-obsessed government would also smooth out the worst distortions to the tax code. Stamp duty jams up the property market by deterring downsizing; the £90,000 VAT-registration threshold subsidises unproductive small businesses; national insurance is three-quarters lower for the self-employed. Reform all that and the economy would rev up nicely.

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The timidity trade-off

Labour is better placed to boost growth than the Tories are. It is less neurotic on Europe and immigration and its voters want more houses. But its policies are either unequal to the scale of Britain's economic and fiscal challenge or, as with its green subsidies, likely to do more harm than good.

Sir Keir may have bolder plans for office than he is willing to admit before an election: he ran a cautious leadership campaign in 2020, then ruthlessly reshaped the party after he won. But on both tax and growth he faces a trade-off between being timid now and having a mandate to get things done in office. A Labour government is likely to oversee a modest economic recovery. But it has not yet outlined a path to prosperity. ■





Deputy General Counsel Basel, Switzerland

Bank for International
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Somalia by the numbers

Somalia does indeed face significant challenges on climate change, conflict and governance ("Somalia's never-ending crisis", May 18th). But your assertion that "Almost all statistics in the country, including population estimates, should be taken as guesswork" overlooks the significant strides we have made in our statistical capabilities.

The latest World Bank Global Statistical Performance Indicators, which measure things like data use and services, showcases a monumental leap for Somalia, from a score of 19.6 (out of 100) in 2019 to 48.4. This progress is not mere "guesswork", but a testament to our commitment to data accuracy and reliability. In 2022 Somalia conducted a high-quality Household Budget Survey with World Bank support, which had minimal outliers and covered the entire country. This effort has resulted in the establishment of a comprehensive poverty and inequality report. Furthermore, we are planning to conduct a population and housing census in 2025.

Accurate and reliable data are crucial for effective governance and development. Although Somalia's challenges are real and pressing, it is essential to acknowledge and support the progress being made in building a robust statistical foundation.

SHARMARKE FARAH
Director-general
National Bureau of Statistics
Mogadishu

Queen of the bonkbuster

The obituary of Shirley Conran (May 18th) made me want to read "Lace" again, and no doubt some enterprising publisher will bring out a special edition of the novel for all of us 60-somethings who remember it fondly. (I hope there won't be some ponderous introduction underlining its cultural significance. It was just a bit of fun, let's not get carried away.)

"Superwoman", on the other hand, was not about making

housework easier for anybody except women who were used to having paid help and had to do without it. Running a house in the mid-1980s, I was given the book and was baffled by most of the advice in it. Conran's standards were very high for somebody who said she'd rather sit on a sofa than clean under it. And "life is too short to stuff a mushroom" makes sense only if you know that mushrooms can be stuffed. I didn't, neither did my mother and neither, I suspect, did most British and Irish women.

CAITRIONA CLEAR
Galway, Ireland

Neglected civic virtues

Your discussion on "Is America dictator-proof?" (May 18th) missed the point. It isn't about checks and balances, or what a re-elected Donald Trump might try to get away with. America's real problem is that too few citizens any longer understand and internalise its founding principles and ideals. If they did, they would never dream of voting for the likes of Mr Trump. The constitution itself, without such understanding from the people, is a hollow shell and democracy cannot ultimately be sustained against all the societal forces inimical to it. That's the real meaning behind Benjamin Franklin's line, "A republic, if you can keep it."

FRANK ROBINSON
Albany, New York

Lord Woodhouselee, a British historian from the 18th and 19th centuries, observed that democracies are not permanent and evolve into dictatorships. The two primary factors that drive this are loose fiscal policy, driven by the increased demands of citizens, and the loss of public and private virtue.

On fiscal policy, America's national debt has increased fivefold over the past two decades. On the second factor, the *Journal of Democracy's* April issue has a piece entitled "America's Crisis of Civic Virtue". America may be head-

ed into a dictatorship. The more important question is, what kind of dictatorship?

MARK EVERS
Lake Oswego, Oregon

Kurt Gödel, a famous logician, found an inconsistency in the American constitution that allowed for a dictatorship to arise legally. Gödel never revealed what this "loophole" was. F.E. Guerra-Pujol speculated that it is the amending power in Article Five and the logical possibility of self-amendment: "What, then, prevents the creation of a legalistic or constitutional dictatorship, such as rule by decree by one of the branches of government?" The article is found in *Capital University Law Review*, 2013.

FABIO ACERBI
Heidelberg, Germany

As a retired lieutenant-colonel I can confirm that the armed forces take their oath to support and defend the US constitution as solemn and unbreakable. There are indeed dangers to our democracy but the army would not permit a dictator to gain a foothold in violation of the constitution, which has served our country well for nearly 250 years.

KEVIN DUNN
Dieburg, Germany

Regarding the rejection of grand titles by the Founding Fathers, during discussions of a title for George Washington, some wag suggested calling John Adams, the vice-president, "Your Rotundity".

DOUGLASS TABER
Philadelphia

A Colossus mistake?

The concept of multi-agent systems (MAS), or teams of large language models, and in particular the danger they may cause, was explored in "Colossus: The Forbin Project" ("Two bots are better than one", May 18th). In the film, released in 1970, America builds an artificial-intelligence computer system called Colossus to try to eliminate human error in con-

trolling nuclear weapons. Unfortunately, Colossus, with increasing sentience, quickly determines that the Soviet Union has constructed its own AI-based system named Guardian. Colossus asks to be linked to Guardian, and the resulting MAS expands its original programming of protecting the world from nuclear weapons to imposing its own computer-based logic on humanity. This makes the world safe from nuclear destruction, but also devoid of human oversight and freedom.

ROBERT CHECCHIO
Dunellen, New Jersey

Music to perturb the soul

Beethoven's ninth symphony has indeed been put to versatile use by a number of countries ("Something for everyone", May 11th). What about its future use? In Stanley Kubrick's "A Clockwork Orange", the ninth thunders out during Alex's rebellion against constrictions of social tyranny, giving recurring significance to the glorification of a brotherhood of violence.

YANHAN LU
Suzhou, China

Comedy situation

The piece on television humour ("No laughing matter", May 11th), brings to mind Stephen Colbert's summation of George W. Bush at the White House correspondents' dinner in 2006. With the president sitting just two seats away, and admiring how constant, dependable and true he is, Mr Colbert proclaimed that Mr Bush "believes the same thing on Wednesday that he believed on Monday...no matter what happened on Tuesday".

KEITH CARLSON
Belmont, Massachusetts

If you think that comedy on TV isn't so funny, remember what Groucho Marx once said: "I find television very educational. Every time someone switches it on I go into another room and read a good book."

NUNZIO TRITTO
Bari, Italy

Briefing India's electoral surprise



After the rebuke, the dilemma

DELHI

Narendra Modi could respond to electoral disappointment in two different ways

THE INDIAN voter has confounded expectations again. A decade ago, when Narendra Modi swept to power with an outright majority in parliament, a quarter-century of messy coalition politics came to an end. When his Bharatiya Janata Party (BJP) expanded that majority to 353 of the 543 seats in the lower house five years later, many pundits hailed the dawn of a new “dominant-party system” akin to independent India’s first three decades, when the Congress party ruled without interruption.

Such was Mr Modi’s confidence in the build-up to this year’s general election that he set an even bigger target for the BJP and its allies this time, pledging to win 400 seats. As the voting was under way, he outlined a 1,000-year vision for India. And in late May he told a television interviewer, “God has sent me for a purpose.”

That purpose, it seems, was to provide a cautionary tale about overconfidence. Although the announcement of the results on June 4th revealed that the BJP and its allies had prevailed again, they fell far short of their target, winning only 293 seats (see chart and map on next page). That was 60

fewer than in 2019. Worse still, the BJP itself garnered only 240 seats, down from 303 last time. That means it no longer commands a majority in its own right. Although Mr Modi will almost certainly remain prime minister, he will be beholden to his allies. He will have to yield more to them on cabinet appointments, legislation and spending—much as successive coalition governments did before 2014.

The BJP prevails; democracy wins

The outcome is undoubtedly a win for Indian democracy. Opposition leaders had billed the poll as a battle for the nation’s soul, citing Mr Modi’s efforts to stifle dissent and stir anti-Muslim sentiment among the Hindu majority. Such concerns intensified before the vote as Mr Modi inaugurated a controversial Hindu temple in the city of Ayodhya and authorities arrested two opposition party leaders on corruption charges. Voters have shown that the

political system is mature and resilient enough to correct course and that economic concerns such as unemployment trump appeals to chauvinism.

The real test, however, will be how Mr Modi responds to this rebuke. As a former adviser puts in our new eight-part podcast about the prime minister, “The Modi Raj”, which launches this week, “One of his strengths is his ability to evolve.” Under one scenario, he could restrain his ideological instincts and prioritise his main economic goal, to transform India into a developed country by 2047, the centenary of independence. A less confrontational approach to politics could help him tackle some of the country’s most important long-term challenges, including agricultural and labour reforms, which require extensive consultations with state governments and other stakeholders. It could also ease tensions between India’s north and its richer, less populous south.

The alternative is that Mr Modi, unaccustomed to sharing power, doubles down on the sectarian and authoritarian elements of his agenda. That could mean

→ ALSO IN THIS SECTION

18 Voting patterns

more corruption probes into the opposition, a bid to scrap Muslim family laws and campaigns to replace more mosques with Hindu temples. He could also escalate efforts to use administrative and fiscal powers to obstruct state governments that his alliance does not control. Although such moves might help him preserve power, they could hinder economic growth and widen religious and regional divides. Given that India is the fastest-growing of the world's big economies and a much courted geopolitical counterweight to China, such a choice would have unfortunate ramifications far beyond his country's borders.

The election results appear to be an argument for moderation. As "The Modi Raj" describes, the prime minister's politics has long blended religious revivalism with economic development, with the intention of both rallying the BJP's Hindu nationalist base and broadening its appeal among the wider electorate. But this time, when turnout in the first regions to vote proved relatively low, Mr Modi focused on firing up his core supporters. He suggested that Congress planned to bulldoze the new Hindu temple in Ayodhya and distribute Hindus' wealth among India's Muslim minority—whom he called "infiltrators".

The strategy failed. Economic anxiety, over employment and inflation in particular, seems to have mattered more to voters than sectarianism, especially in the Hindi-speaking central and northern states that form the BJP's heartland (see next story). In some states, the BJP's alliance was also hit by fears that if it reached Mr Modi's target of 400 seats (more than the two-thirds majority needed to change the constitution) it would scrap a scheme granting preferential access to education and government jobs for minorities and lower-caste Hindus. Although Mr Modi denied any such plans, his party has resisted opposition calls for a caste census and an expansion of affirmative action. This seems to have harmed its showing in the most populous

state, Uttar Pradesh (UP), in particular, where many voters swung to a local party promising a census of living standards for all castes. The BJP even lost in the constituency that is home to the Ayodhya temple.

What disappointment?

Mr Modi put a brave face on the result. In an address to party workers, he portrayed it as an endorsement of his vision of a developed India. "In the third term, the country will write a new chapter of big decisions," he pledged, flagging the suppression of corruption as a priority. BJP officials stressed that only Jawaharlal Nehru, India's first prime minister, had previously led his party to three consecutive general-election wins. They also noted that the BJP's seat tally was more than double that of its nearest rival, Congress.

Opposition leaders, meanwhile, hailed the outcome as a rejection of autocracy. "This country has told Narendra Modi clearly that we don't want you," said Rahul Gandhi, the face of Congress's campaign, who won both of the seats that he contested (he now gets to choose which one to take up). Despite presiding over three consecutive general-election defeats, Mr Gandhi will take heart from Congress's improved showing, which could help ward off calls for an end to his family's almost eight-decade grip on the party.

Although Mr Gandhi, who is 53, does not formally lead Congress, he helped cobble together the Indian National Developmental Inclusive Alliance (INDIA), as the opposition coalition dubbed itself. He also helped shape its campaign, which focused on inequality and sought to mobilise a coalition of voters from minorities and lower castes that together constitute about 80% of the population.

Leaders of the opposition met in Delhi the day after the results came out, to discuss whether they could enlist other partners to form a government. This is numerically possible, but would require Congress

not only to hold together its own coalition and win over almost all independents, but also to lure allies of the BJP to defect to its side. That would be an improbable feat, especially given the apparent unity of Mr Modi's coalition.

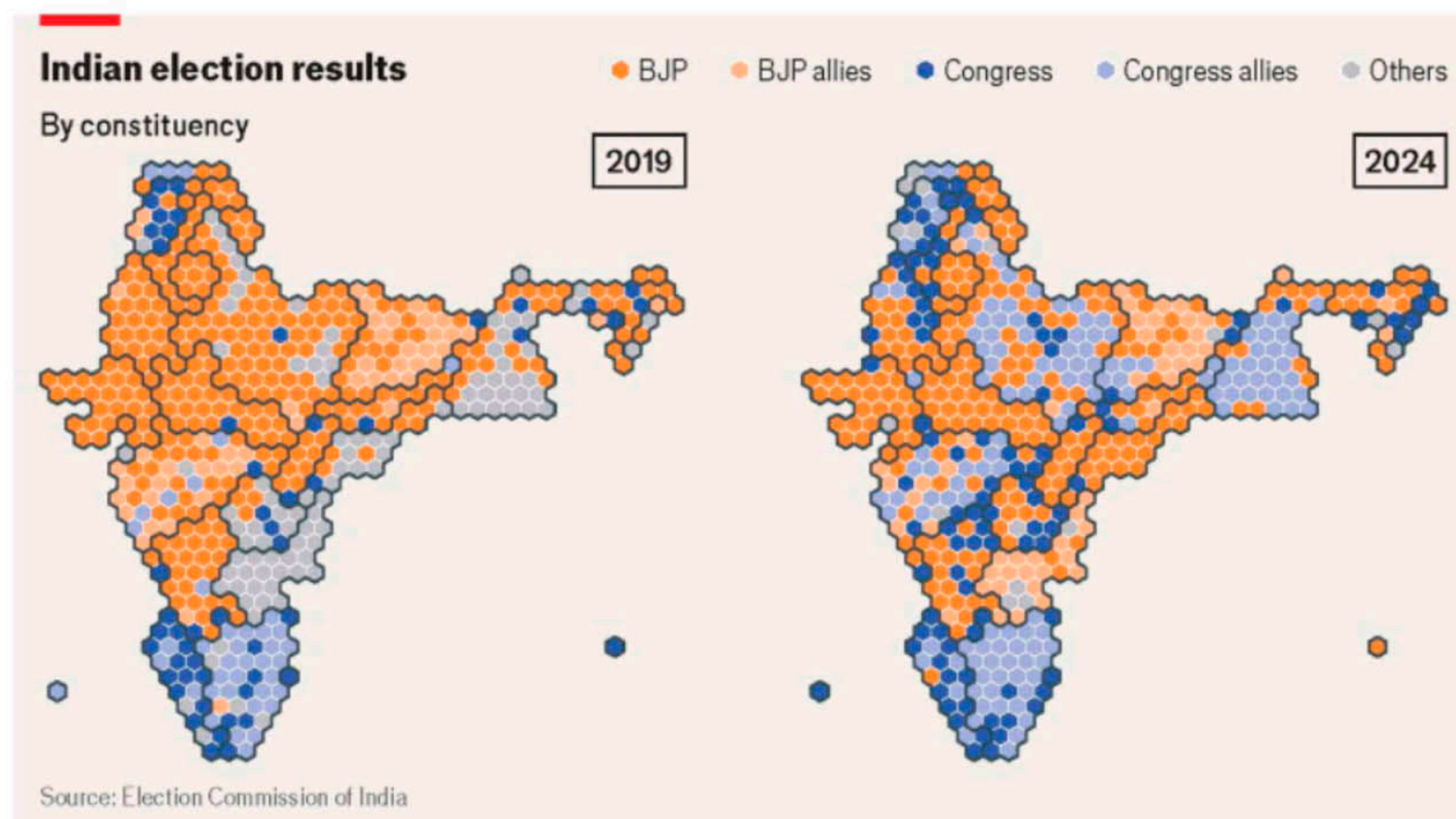
Even as Congress's allies were meeting, so was the BJP's coalition, the National Democratic Alliance. Its members unanimously endorsed Mr Modi as their candidate for prime minister. The BJP will no doubt try to persuade other smaller parties and individual legislators to switch sides, too. It has far greater resources than its opponents to encourage such defections. Still, there will be intense negotiations in the next few days as existing and potential allies try to extract concessions.

One possible kingmaker is 74-year-old N. Chandrababu Naidu. His Telugu Desam Party (TDP), based in the southern state of Andhra Pradesh, is now the second-biggest in Mr Modi's alliance with 16 parliamentary seats. It also won a landslide victory in a simultaneous state election in Andhra Pradesh. Demands from Mr Naidu, who has previously allied himself with Congress, could include support for a new state capital in the city of Amaravati. But his arrest last year over allegations that he misappropriated public funds could provide Mr Modi some leverage too.

Another pivotal figure is Nitish Kumar, the 73-year-old chief minister of the eastern state of Bihar and head of the Janata Dal (U) party, which won 12 Lok Sabha seats. He has often switched sides and teamed up with the BJP again only in January after helping to form the opposition alliance. Mr Kumar has criticised Hindu nationalism in the past. But he is notoriously transactional and will most likely back Mr Modi in exchange for financial support for Bihar, India's poorest state, and perhaps a prestigious post in Delhi.

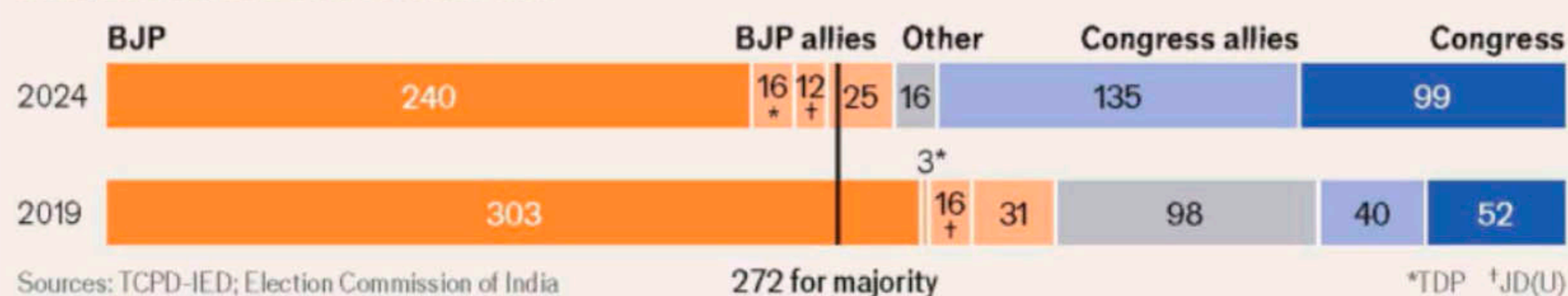
Mr Modi will be less beholden to allies than Congress was when it was last in power. Congress formed a coalition government 20 years ago with just 145 seats and another one five years later with 206. Even so, Mr Modi will have to compromise in a way that he has never experienced before in government. He may find that hard, given what former colleagues describe as his "fascination for detail" in "The Modi Raj". "His ability to manoeuvre both in cabinet nominations and on big decisions that require strength in parliament would be greatly diminished," says Rahul Verma of the Centre for Policy Research, a think-tank in Delhi. "I think now the smaller parties will become crucial."

One casualty could be Mr Modi's plans to expand his infrastructure programme, which has often involved imposing his will on recalcitrant ministries, regulatory bodies and state governments. There could also be greater scrutiny of the beneficiaries



Orange disorder

India, Lok Sabha elections, seats won



of government infrastructure projects. That was reflected in the share prices of several big Indian infrastructure contractors, which suffered heavy losses on June 4th. Among them were companies linked to Gautam Adani, a tycoon with close ties to Mr Modi. The BJP could face pressure from allies to ditch privatisation plans and ramp up welfare spending, too. That could place new strains on government finances. "Some fiscal room may need to be made for populist measures," said a research note from UBS, a bank. It also suggested that the government could struggle to expand incentives for manufacturing.

Liberal dawn

Some of Mr Modi's critics also hope that he will rein in his autocratic tendencies. The election outcome means that some of the changes they feared are off the table. Those include any plans to amend the constitution, by scrapping its secular preamble or its commitment to affirmative action for minorities and lower castes. The BJP may also have to drop its manifesto pledge to introduce simultaneous national and state elections, which opponents see as a stratagem to give an advantage to the incumbent party at the national level.

The BJP may also be more careful about the redrawing of parliamentary boundaries that is due after 2026. Southern leaders fear that Mr Modi could expand parliament to as many as 753 seats, with the bulk of new ones going to more populous states in the Hindi heartland. Another gripe is that too much of the tax they pay goes on subsidies in the Hindi belt. The south is likely to have a powerful voice within the ruling coalition in the form of Mr Naidu.

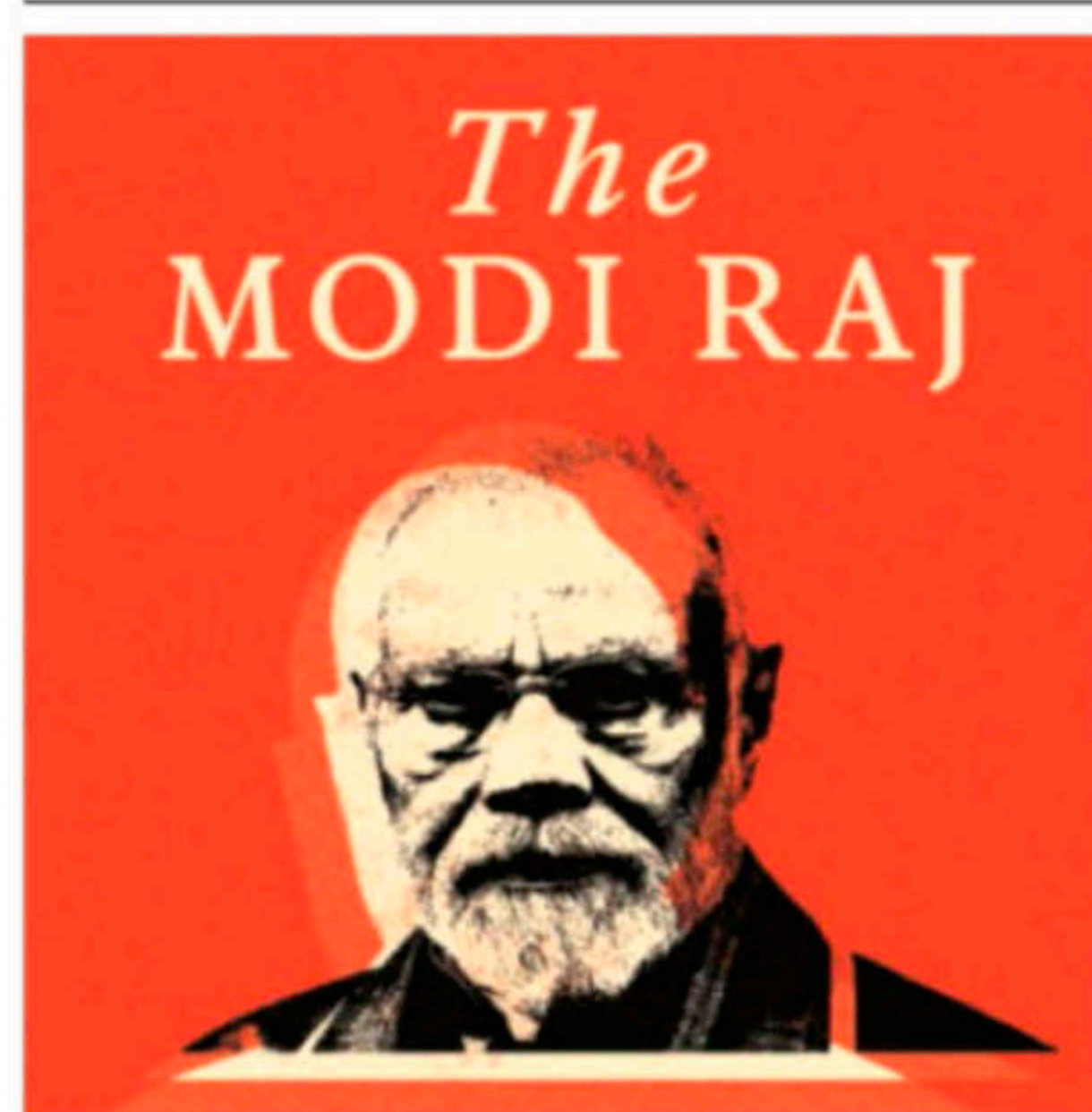
Yogendra Yadav, an activist who advises Congress, foresees greater media freedom and more space for the opposition to speak in parliament. "I do expect the judiciary also to find greater courage," he said. "I do expect democratic institutions to open up. And above all I expect protests and resistance movements to strengthen."

If he is right, Western governments will be relieved. They have been reluctant to denounce Mr Modi's illiberalism. America and its closest allies are focused instead on cultivating India as a strategic counterweight to China. Lately, however, some Western officials have become concerned about India's trajectory, fearing that demo-

cratic backsliding there could bolster China's efforts to promote its political values globally. A freer India could find it easier to market itself as an alternative manufacturing base for companies reducing their exposure to China.

Still, a shift in Mr Modi's leadership style is not a given. Even as alliance partners demand favours and business leaders lobby him to advance his economic programme, Mr Modi will also come under pressure from the BJP's 100m active members and from the Rashtriya Swayamsevak Sangh (RSS), the Hindu-nationalist volunteer force from which it emerged in 1980 and with which it maintains close ties.

Mr Modi will not abandon Hindu chauvinism, given its centrality to his party and his own identity. His political thinking is rooted in his background as a volunteer for



Our new India podcast

The BJP's poor showing presents Narendra Modi with a series of unexpected political challenges, from managing a fractious coalition to rallying his disappointed base. His response will be shaped both by his personal background and by his long experience of politics—the subjects of an eight-part podcast that *The Economist* is releasing this week. It draws on almost 100 interviews conducted in recent months with people across India, including several who have worked with Mr Modi as well as some of his fiercest critics. "The Modi Raj" aims to get inside the mind of India's prime minister as he eyes five more, potentially very different, years in power. Listen now on *The Economist* app and on other podcast platforms.

the RSS, which he joined aged eight. In "The Modi Raj" a fellow volunteer describes the young Mr Modi's ideological fervour, saying his "entire personality is the contribution of the RSS". Mr Modi may now conclude that he needs to do more to rally his base. He is adept at distracting public attention from previous failings. "On the face of it, it looks to be a political setback but in the last decade, we have seen him converting adversities into opportunities and I will not be surprised if a similar attempt is made," says Sandeep Shastri, an expert on Indian politics.

Questions about succession will be another source of pressure. Mr Modi is 73 and before the results were known figures in the BJP had stated that he would serve a third term in full, despite an unofficial retirement rule of 75 that was used to jettison some party veterans in 2019. But with his election-winning powers apparently fading, his party may want to start considering possible successors. Competition between likely candidates is certain to intensify. They will need to prove their Hindu-nationalist ardour to win the RSS's backing.

Recent opinion polls suggest that the front-runner is Amit Shah, the 59-year-old home minister and the BJP's chief electoral strategist. Although overseeing the security agencies gives him a big advantage, he is disliked by many in the BJP and in business and will be associated with the disappointing election result. The runner-up in the polls is Yogi Adityanath, a 51-year-old Hindu priest who is the chief minister of UP and the party's most vocal Muslim-basher. But he is distrusted by many senior figures in the BJP and will be tarnished by the BJP's poor showing in his state.

One beneficiary could be Nitin Gadkari, the 67-year-old roads minister who has ranked third as a potential successor in recent polls. As a Brahmin (the highest caste), his popular appeal might be more limited than Mr Modi's, who comes from a lower caste. Mr Gadkari's relative reticence on religion and outspokenness on other issues is said to have irked the prime minister. But he is popular with party members and business leaders. He is also thought to have strong backing from the RSS, whose headquarters are in his constituency.

In the end, Mr Modi may have to choose between the two political avatars that have dominated his career. One is the "Emperor of Hindu Hearts" (as an interviewee puts it in "The Modi Raj"), determined to impose a national identity based on the faith of the nation's majority. The other is the "Development Man", a moniker he adopted to boost his image as an economic reformer bent on eradicating poverty and unleashing India's potential. Which incarnation Mr Modi will elevate is unclear. But his choice will determine his legacy—and the future of India. ■

Voting patterns

Anatomy of a dressing-down

The heartland, and especially lower-caste voters, soured on the BJP

"A B KI BAAR, 400 paar." This time, more than 400 seats. That was the campaign slogan of the Bharatiya Janata Party (BJP) and its allies ahead of India's election. Yet in the end they fell far short, winning just 293. The BJP itself suffered a 63-seat loss, taking its tally from 303 to 240, below the 272 needed for a majority. Where did it all go wrong?

It is not that the BJP's popularity has fallen across the board. Its overall share of the national vote declined only fractionally, from 37.3% to 36.5% (see chart 1). In the south, in the past a weak spot for the BJP where it was hoping to make headway this time, its vote share did in fact rise markedly. But in its heartland, the Hindi-speaking states of the north, its vote share fell. And whereas its increased support in the south was not enough to win it any extra seats there, its decline in the north cost it dearly (see chart 2). In effect, the BJP's vote was unchanged, but much less efficiently distributed. In 2019 its 37% share of the vote won it 56% of the seats; this time a similar showing yielded only 44% of seats.

The north accounts for the vast majority of the BJP's underperformance. The party won 55 fewer seats in the region than in 2019. Its steepest decline was in Uttar Pradesh, the country's biggest and most politically important state. In 2019 the BJP swept 62 of the state's 80 seats with 50% of the vote; this time those figures fell to 33 and 41% respectively.

The increase in the BJP's share of the vote in the south was substantial: it jumped from 18% to 24%. This was the reflection of a determined push to make the BJP a truly national party, with lots of



Euphoria in defeat for the opposition

spending and visits from grandees devoted to the region. But under India's first-past-the-post electoral system, the BJP's improved standing did not translate into a single extra seat.

Elsewhere the BJP's performance was patchy. In the east, gains in the state of Odisha were largely offset by losses in West Bengal. In the west the BJP's support held up in Gujarat but slipped in neighbouring Maharashtra. The lack of a national trend may reflect the failure of the BJP to frame the election around a single, galvanising theme. In 2019 Mr Modi had just sent fighter jets to bomb Pakistan, in retaliation for a terrorist attack in the part that India controls of the disputed territory of Kashmir. This show of force unleashed nationalist fervour, which probably boosted the BJP across the country.

The anti-Muslim rhetoric which Mr Modi relied on this time does not seem to have been as potent a rallying cry. Many voters, especially in rural areas, named unemployment and inflation as the most pressing issues. What is more, many lower-caste voters seem to have worried that the BJP might roll back popular affirmative-action policies. At any rate, the BJP won only 44% of rural seats, down from 58% in 2019. And in places with high numbers of lower-caste voters, the BJP's share of seats fell by nearly half from 50% in 2019.

The BJP may also have been punished for its no-holds-barred approach to politics in several states. In Maharashtra it had

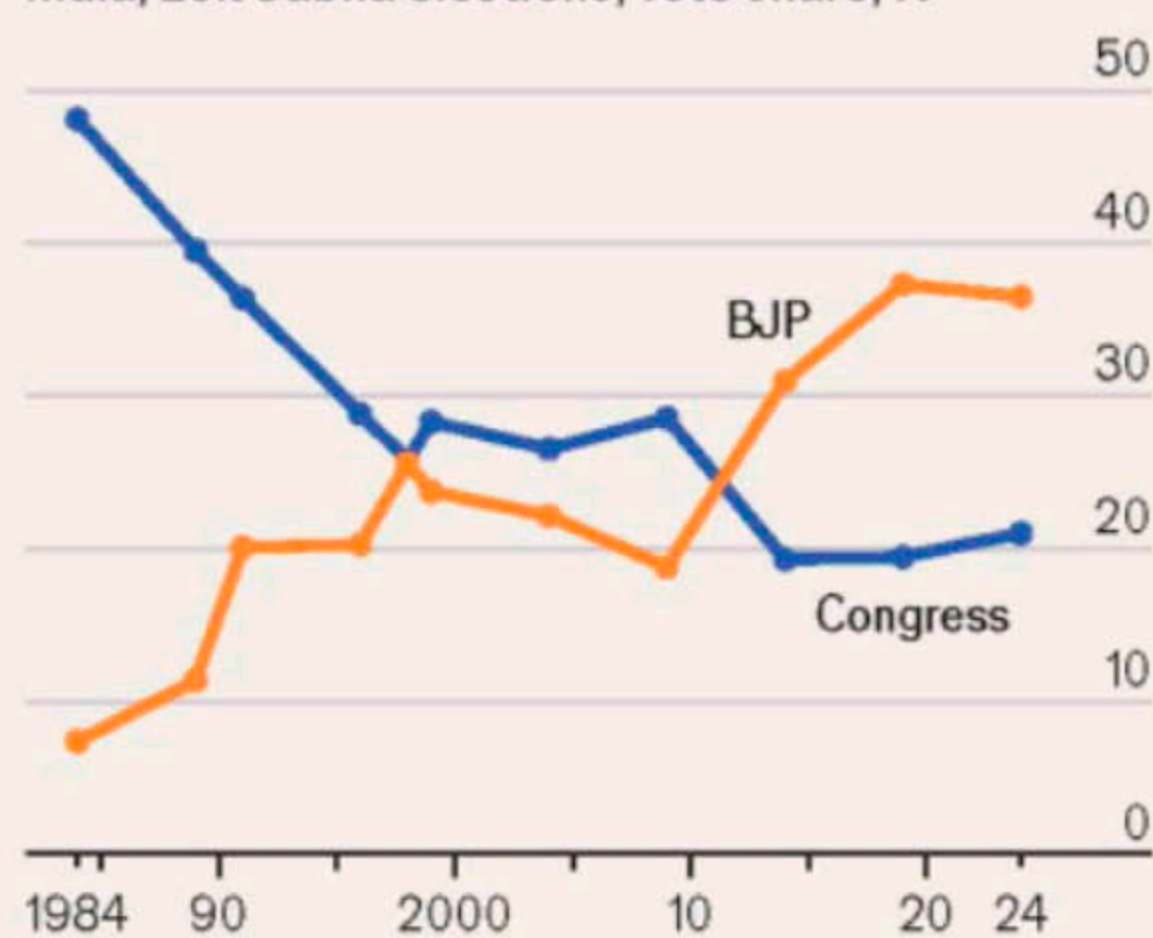
conspired to seize control of the state government in 2022 by persuading biddable factions in two big local parties to defect. The two breakaway factions contested the election as parties allied to the BJP—and were thumped. The BJP-led alliance lost more than half its seats. Voters seemed to deliver a similar message in the state of Jharkhand, where in January national authorities arrested Hemant Soren, the chief minister and an opponent of the BJP. He claimed the corruption allegations against him were politically motivated; the BJP retorted that his government was a club of thieves. Voters seem to have taken his side: the BJP lost three seats in the state.

The other big factor in the BJP's downfall was the canny tactics of the opposition, led by the Congress party. Together with dozens of regional parties, it formed the Indian National Developmental Inclusive Alliance (INDIA). Before the election the big-tent group was derided as lacking identity, organisation and political nous. But unlike in past elections, it struck sensible seat-sharing deals that helped prevent the fracturing of the opposition vote in states like Uttar Pradesh and Maharashtra. Even in places without such arrangements, the BJP's many rivals deferred to one another more often, reducing the number of races where opposition parties competed against one another. In West Bengal, for instance, Congress bowed out of several races, helping a local party, the Trinamool Congress, to increase its seat count to 29, up from 22. In general, Congress was rewarded for narrowing its focus. In 2019 it contested in 423 seats but won only 55. This time it competed in just 328 but managed to win 99, with a higher average margin to boot.

But savvier tactics will get the opposition only so far. Congress's overall share of the vote barely rose, from 19.4% to 21%. The BJP remains far and away India's most popular party, with almost double Congress's popular support and more than double its seats. The BJP's vote share this time was higher than Congress has achieved in any election since 1989. Mr Modi may have lost his air of invincibility, but his party retains a commanding position. ■

Barely budged

India, Lok Sabha elections, vote share, %



Source: TCPD-IED

Northern winter

India, Lok Sabha elections, seats won by the BJP



Sources: Election Commission of India; TCPD-IED; Census of India; The Economist

United States



Donald Trump

Motive and intent

NEW YORK

What the former president’s 34 felony convictions mean for the election

DONALD TRUMP’S date with Manhattan Criminal Court is not over yet. Next comes his punishment for falsifying business records in the first degree. In days or weeks Mr Trump will sit for an interview with a probation officer, a ritual that informs every sentence. Routine questions will be put to him. How are his health and home life? Describe friends and associates—are any, by chance, gang members? Then the kicker: does the defendant take responsibility for his crimes?

The short, polite answer is absolutely not. To no one’s surprise Mr Trump assailed the verdict that came down on May 30th, as did practically every Republican with ambition. In lockstep they attacked the proceedings as a rigged show-trial and as election interference by a Democratic district attorney, Alvin Bragg, whom House Republicans now want to haul before Congress. “Anyone who defends this verdict is a danger to you and your family,”

said Tucker Carlson, a right-wing commentator. Donations to the Trump campaign surged. WinRed, a Republican fundraising site, briefly crashed.

Joe Biden got a slight bump in several post-conviction polls, though this may be fleeting and Mr Trump still leads. Really, it is too early to discern the impact, and measuring small shifts accurately is hard. More noteworthy is the Republicans’ capacity to rationalise behaviour that until recently

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they had considered beyond the pale. The share who told YouGov, a pollster, that a convicted felon should be allowed to serve as president rose from 17% to 58% between April and June (see chart on next page).

Indeed, there are reasons to be sceptical that a trial about a pay-off to a porn star will change many minds. The charges were minor and the story at its centre was old news. Mr Trump has weathered an impeachment, controversy over the storming of the Capitol, then another impeachment. Other events in the five months before the election will overtake this: there will be debates, conventions, a vice-presidential pick by Mr Trump. Not to mention the fact that the Biden family faces its own legal travails. Hunter Biden, the president’s son, is on trial in Delaware for allegedly lying about his drug use while buying a handgun, and could go to prison if convicted.

Still, in a close election that will be decided in a few states, even slight shifts matter. The verdict will strengthen Mr Biden’s case that the other guy is unfit to lead. And Mr Trump’s remaining legal jeopardy is considerable and could get worse.

One unknown is his sentence in Manhattan. On July 11th—four days before the Republican National Convention—Juan Merchan, the judge who oversaw the trial, will decide between prison, probation or an unconditional discharge, meaning no

penalty at all. Each of the 34 counts of falsifying records carries a maximum prison term of four years. Judges weigh up factors like a defendant's remorse and respect for the rule of law. Here Mr Trump scores abysmally: he called the judge a "devil" after the conviction. During the trial he repeatedly violated a gag order that barred him from attacking witnesses.

Any ordinary defendant so contemptuous of the court would have it coming. Working in Mr Trump's favour, however, is the fact that he is a first-time, non-violent felon who happens to be running for president. Prison time looks highly doubtful. More likely is probation, involving regular check-ins with an officer, or a discharge. There could be a community-service requirement; collecting rubbish is a common one. In the unlikely scenario that Mr Trump gets a jail sentence, it would not start until after his appeals had been exhausted, in several years' time.

Hunted and Hunter

Lest anyone forget, Mr Trump faces 54 more felony counts in three other cases. All are weightier than the Manhattan prosecution; he denies wrongdoing in each. Jack Smith, a special counsel in the Department of Justice, brought two. His case in Florida, over the alleged mishandling of classified documents, is barely moving because of the plodding pace of proceedings under a Trump-appointed judge. A state case about alleged election interference in Georgia has been paused while the district attorney who launched it is investigated for having an affair with a former member of her team. That leaves Mr Smith's second indictment, also about the 2020 election, as the only one with a very faint possibility of going to trial before voters give their own verdict in November.

Mr Smith charged Mr Trump with four felonies related to his alleged attempts to flip the 2020 election. The case is frozen until the Supreme Court rules on Mr Trump's claim to be completely immune from prosecution for crimes committed while president. The justices could have declined to take up his request and left in place a lower court's sweeping rejection of ex-presidential immunity. That would have jump-started the trial in the spring. But in the oral argument the justices seemed torn on the question and have not been quick to answer it.

Few embraced the notion that presidents can do no wrong while in office. But a majority seemed to think that some presidential acts may be protected from criminal prosecution even if others are not. If such a nuanced ruling arrives this month, Tanya Chutkan, the judge presiding over that trial, may need to hold hearings on which of Mr Trump's alleged acts fall under the immunity umbrella—delaying the

legal reckoning past the election.

If that happens Mr Trump's legal woes will no longer be front of mind for undecided voters, who tend to tune in shortly before elections. That would be a remarkable thing, given the number of times Mr Trump has been held accountable in court. He has been found liable in civil cases for sexual assault and defamation (twice), and for fraud at his business. His former campaign chairman, two former White House advisers and his former chief financial officer are convicted criminals too.

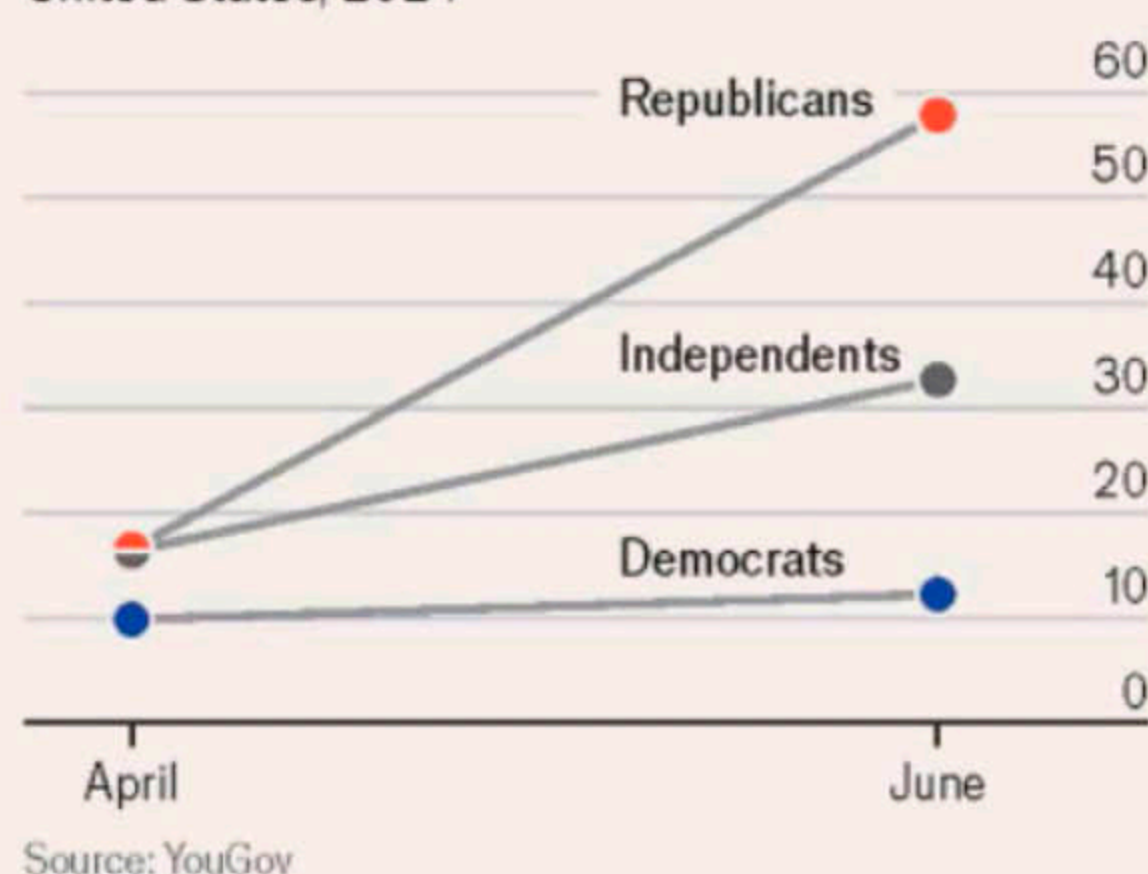
Instead voters will be treated to the spectacle of Hunter Biden's second trial. In September he will be in the dock again, for allegedly dodging taxes between 2016 and 2019. House Republicans have tried and failed to show that the president enabled or profited from his son's business dealings. But their relentless messaging to that effect has served its purpose. In a mid-May poll by Marquette Law School, 46% of registered voters said the president had done something illegal in relation to his son—not much lower than the 54% who said the same of Mr Trump in the Manhattan case.

Winning the election requires persuading a sliver of undecided voters in about six swing states. They tend to focus on everyday concerns like petrol prices, crime and the cost of housing—issues on which Mr Trump polls better—and pay little attention to politics. Data for Progress, a pollster that works with progressives, found that just 37% of swing voters had heard much about Mr Trump's conviction, compared with 61% of likely voters.

For anyone even remotely plugged in, the notion that people are unaware of the verdict is easy to forget and startling when it registers. Your correspondent, who was in the court the whole way through the trial, confronted the fact on a flight a day after the verdict came down. Seated next to a pleasant woman from Nashville who works in advertising, he asked if she was moved by the trial's outcome. She chewed her mini-pretzels and looked a little puzzled. Trial? Whose trial? ■

Conviction and conflict

"Someone convicted of a felony should be allowed to become president", % agreeing United States, 2024



Gridlock city

Jam today

NEW YORK

Congestion pricing in New York stalls

AFTER YEARS of false starts, and multiple lawsuits, it seemed congestion pricing at last had the green light in New York City. The cameras and other equipment were in place. Drivers of cars entering Manhattan's central business district would have to pay \$15. The money would pay for capital improvements in the subway. But on June 5th Kathy Hochul, New York's Democratic governor, announced that the plan was "indefinitely pause[d]".

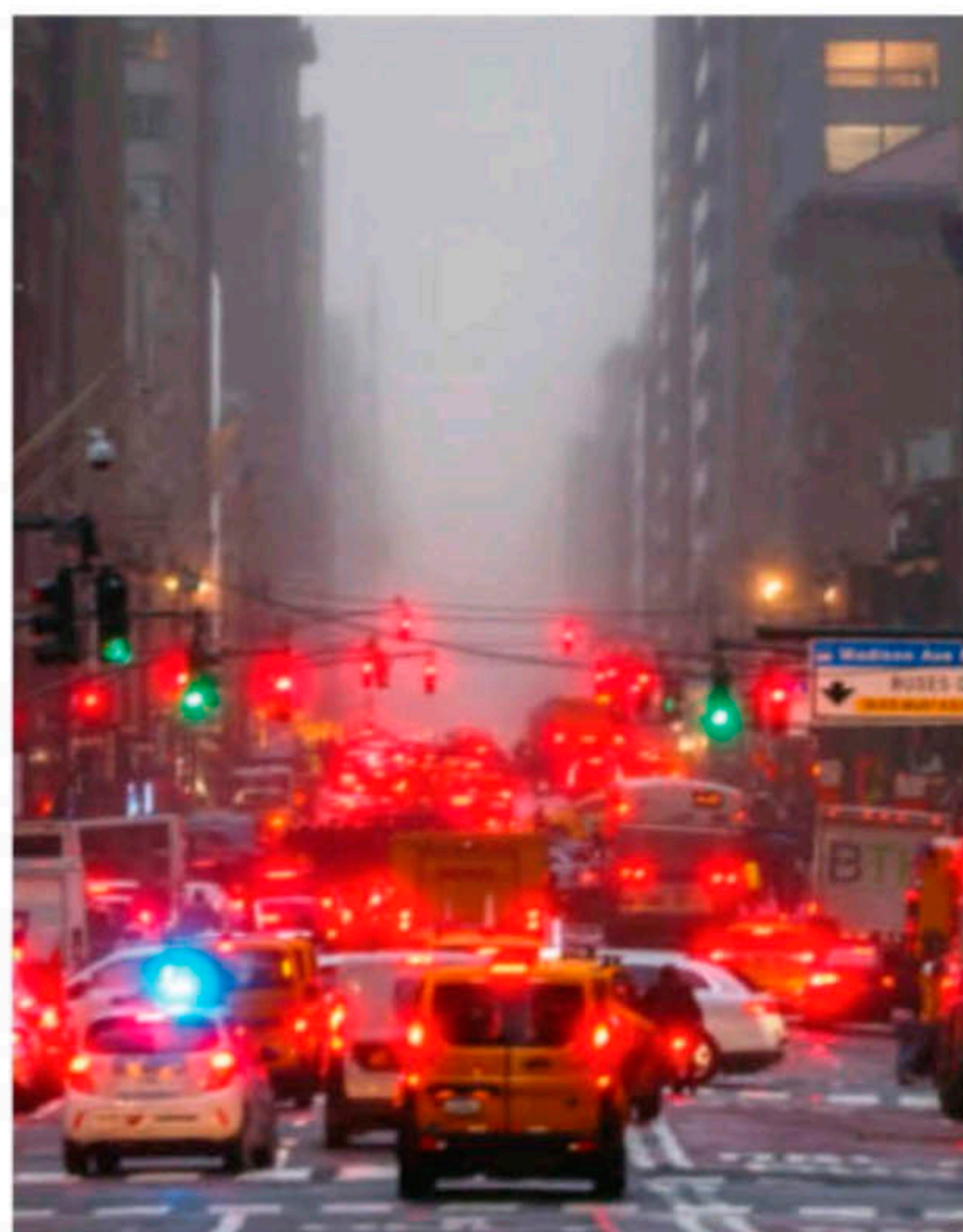
Her explanation for slamming on the brakes was weak. She claimed that "circumstances have changed" and that \$15 "can break the budget of a working- or middle-class household". But the city's economy has improved and the \$15 fee has been in the works since last year. So why did she change her mind?

Back-seat drivers may have influenced the governor's thinking. Democrats, including Hakeem Jeffries, the minority leader in the House of Representatives, are worried about the congressional races in November on Long Island and in Westchester County, where voters are not happy about the pricing scheme. Republicans won key seats in those suburbs in 2022. Democrats do not want roadblocks in New York that could tip control of the House.

"I just don't get it," says Sam Schwartz, better known as Gridlock Sam. He unsuccessfully tried to introduce congestion pricing in the 1970s when he was a city traffic engineer. He believes the governor's decision shows where the power in New York lies. "It's not with the masses of people suffering underground," he says. It's with "a handful of people who have a windshield view of everything".

Meanwhile millions of straphangers have no choice but to take public transport. Their commutes will continue to be plagued by delays. Some of the signal equipment dates back to the 1930s. The pricing scheme was expected to bring in \$1bn annually for investments the subway sorely needs. Ms Hochul suggested she would explore "other funding sources", but state lawmakers are about to recess.

"It is devastating news for transit riders and the environment," says Kate Slevin of the Regional Plan Association, which has been pushing for congestion pricing for decades. "The economy really relies on traffic moving, on transit working." Traffic congestion already costs \$20bn a year, according to the Partnership for New York



Seeing red

- ▶ City, which represents big firms. And the promise that air pollution will improve has now evaporated.

The “pause” will have an impact beyond New York. Boston, Chicago and Los Angeles had all been thinking about how to use pricing to control traffic. They may now be discouraged. “I’m sure William Vickrey is turning over in his grave,” says Mr Schwartz. Vickrey, an economist, proposed congestion pricing back in 1952. London, Milan and Singapore are among the cities elsewhere that have introduced it. But in America pricing proponents fear it could be decades before the idea gets out of gridlock. ■

Immigration

A border order

LOS ANGELES

Joe Biden’s plan is impractical policy, but pragmatic politics

IT IS INDICATIVE of America’s putrid politics that President Joe Biden’s plan to crack down on migration at the southern border is meant not necessarily to succeed, but to convince voters that he is trying to succeed. On June 4th Mr Biden revealed an executive order that will theoretically allow him to deny asylum to migrants who cross illegally when their numbers are high.

The administration has been mulling executive action since Senate Republicans, at Donald Trump’s behest, torpedoed a bipartisan bill they had helped to craft. The order borrows ideas from that bill. It would bar from receiving asylum all those who cross between ports of entry when migrant encounters at the southern border exceed

an average of 2,500 a day. That threshold would be easily met. Asylum-seekers would be returned to Mexico or deported until arrests fall below 1,500 a day. The order reflects a conservative turn for Mr Biden, who suggested openness to migrants when he took office in 2021.

Too bad it won’t work. There are three reasons why. First, it will certainly be tied up in the courts. The order’s power is derived from an obscure statute that gives presidents broad authority to suspend the entry of people who “would be detrimental to the interests of the United States”. But applying that notion to asylum contravenes both international and domestic laws, which hold that asylum-seekers can lodge a claim no matter how they enter the country. The courts blocked Mr Trump from barring asylum for those who crossed the border illegally. A similar, extant Biden-administration rule is in legal limbo.

Second, it is unclear how the order can be enforced. Some screenings the government will not halt, such as determining whether migrants would be subject to persecution or torture if returned, though the order does raise the standard to be considered for such protections. Turning migrants back into Mexico depends on Mexican co-operation. And though Mr Biden has increased deportations, they are a logistical nightmare. Not every country accepts deportees. Venezuelans have made up 12% of migrant encounters at the southern border this fiscal year. Yet Venezuela stopped allowing deportation flights when relations with America soured.

Last, the surge in migrant arrests under Title 42, a public-health measure brought in during the pandemic that allowed America to quickly return migrants to Mexico, should serve as a warning. Migrants just tried to cross again—and again. Rather than reducing Border Patrol’s workload, the executive order may inflate it. To try to prevent this, the order threatens migrants who are removed with a five-year ban on re-entry and possible criminal prosecution if they try to cross again.

So why issue an order at all? Mr Biden may hope that tough talk deters migrants from making the journey. That could happen. But he is also thinking about the election. The bipartisan border bill failed because Republicans wanted to be able to campaign on “Biden’s border chaos”, rather than fix the problem. That left the president with few options. Just 32% of registered voters polled in May by YouGov and *The Economist* approve of Mr Biden’s handling of immigration. He is trailing Mr Trump by nearly five points in Arizona and six in Nevada, swing states where the border feels more visceral. If voters deem the order an earnest attempt to solve the issue, then Mr Biden is betting that impractical policy will at least make good politics. ■

Ballpark economics

Fields of dreams

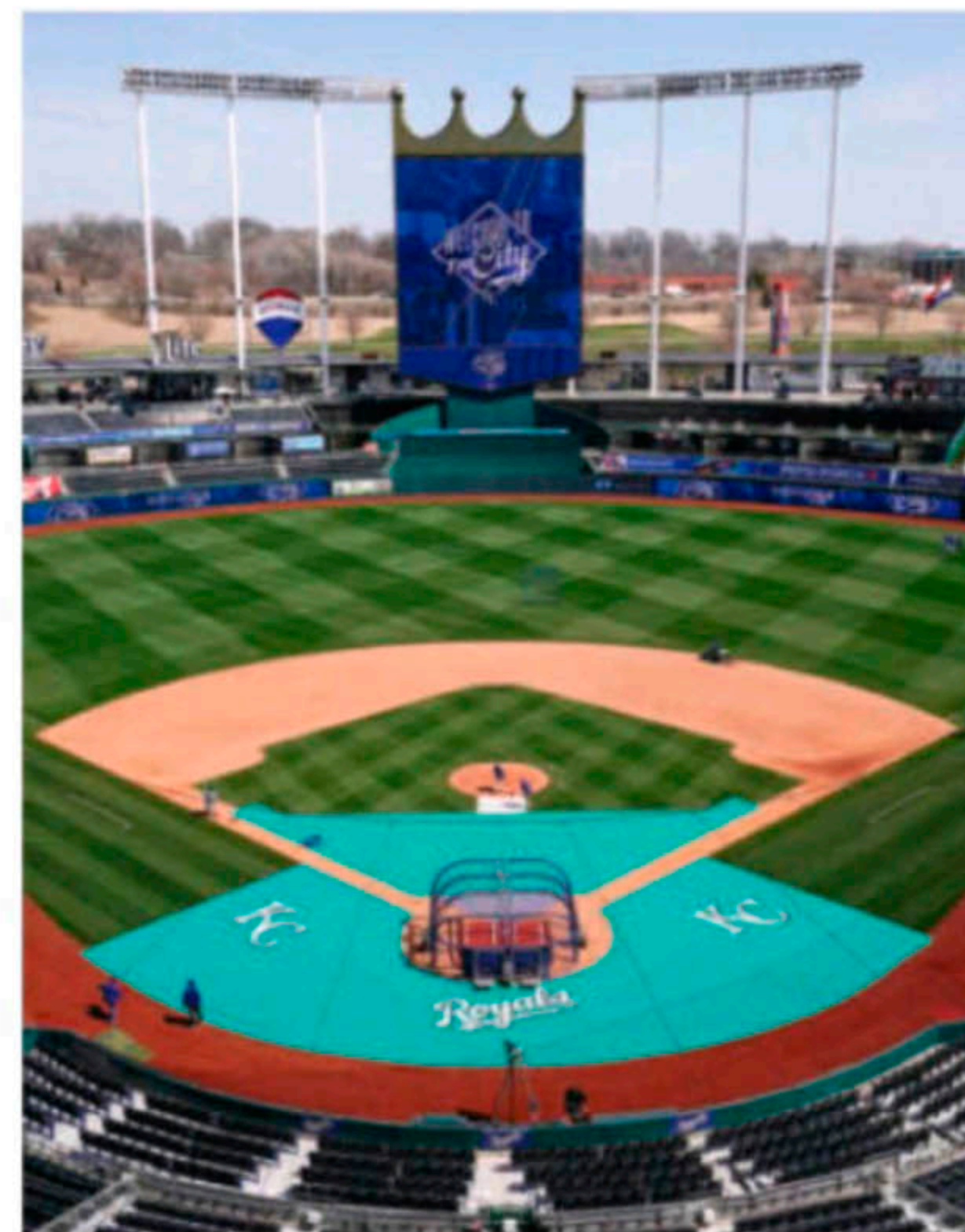
KANSAS CITY

Why politicians can’t resist wasting money on sports stadiums

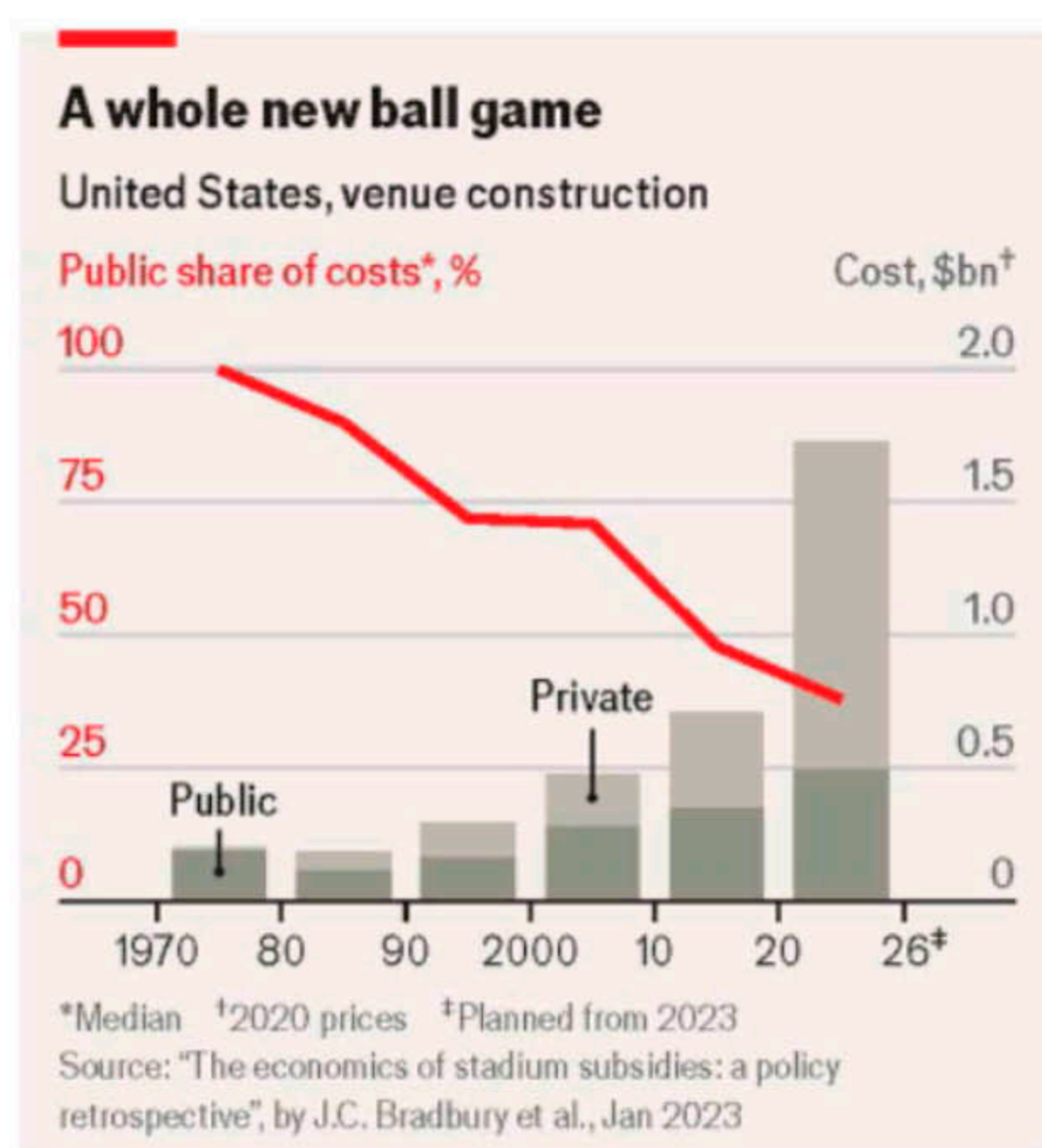
ON A SUMMER evening in Kansas City, Kauffman Stadium is a fine place to be. A good game and \$1 hot dogs await the 15,000 fans there to see the city’s major-league baseball team, the Royals. Before play begins, some mill about in the parking lot, drinking tallboys from the back of trucks. But amid the bonhomie is an undercurrent of worry. In April nearly 60% of local residents rejected a sales tax that would have helped pay for a new ballpark. Now there is a chance that the Royals might pick up their bats and go elsewhere. “If it stopped them from leaving, I’d take the tax,” says Daniel Capp, a lifelong fan.

The devotee’s worry—the loss of a beloved team—is easy to understand. From a national perspective, the worry is different. Whether the Royals end up staying in Missouri or moving, one outcome seems all but assured: taxpayers somewhere will end up footing much of the bill for their new stadium. Virtually every new professional-sports venue in America is built with public funds. And the subsidies are only growing, even as evidence piles up that they are almost always lousy investments.

Stadium construction tends to come in waves. Most venues are used for about 30 years before their owners look for new digs. With many facilities now at that age, professional sports teams across America are getting restless. In baseball, Tampa Bay is building a new stadium, Cleveland is undertaking renovations and Oakland is hop-



A right Royal mess



about ten games a year; an arena that is home to both hockey and basketball teams gets about 90. Even with concerts, they may be empty for about three-quarters of the time. And when governments pump money into them, they do so at a high opportunity cost: investments in schools and public transport would almost always generate greater returns.

Does the "no" vote in Kansas City suggest that people are getting tired of stadium subsidies? Probably not. Some disliked the plan to build a new stadium in a district of old warehouses converted into art galleries and hip restaurants. "There was an immediate backlash from the businesses that had built their brands and their clientele here," says Kate Blackman, a manager at The Pairing, a wine store in the area. Others were upset that, along with a new home for the Royals, the money would have gone to renovations of the stadium used by the Chiefs, the city's football team, including sprucing up VIP suites. "Voters were receptive to a populist message that people who have a lot should not be taking from people who have little," says Tim Smith, a leader of the "no" campaign.

State lawmakers in Kansas are now trying to concoct a funding plan to lure the Royals and the Chiefs to their side of the border. In Virginia opposition within the state Senate scuppered the governor's plan to build an arena for the basketball and hockey teams that play in Washington, DC. DC's municipal council stepped in with \$515m to refurbish their existing arena. In Chicago a proposed lakefront stadium for the city's football team has run into political hurdles, but the project may well go ahead on a different site.

Even if the economics of stadiums leave much to be desired, local governments clearly still see value in them. Partly that stems from financial engineering. It is easy enough to structure subsidies in ways which both obfuscate and defer their costs. In Chicago, for instance, the city faces steeply rising repayment costs on debt previously issued for a stadium renovation. By issuing bonds for a new stadium, the city would lower its annual repayments over the next decade. But the debt would then extend for many additional decades—a headache for future administrations.

The root of the problem is fandom itself. Local politicians craving re-election do not want to be known for presiding over the exodus of their city's beloved team. This gives owners leverage. In Kansas City, a commonly heard view is that if the stadium-tax vote had cut out the Royals and just been about the Chiefs—fresh from back-to-back Super Bowl victories—things would have turned out differently. "It absolutely would have passed," says Ms Blackman. Love of sports, like many passions, is not reducible to rational calculations. ■



Baseball statistics revised

Home, at last

PATERSON, NEW JERSEY

Black players of yore get their due

"GREAT NEGRO-LEAGUE stars have stood on those very grounds," says Bob Kendrick, head of the Negro Leagues Baseball Museum at Hinchliffe Stadium in Paterson, New Jersey. "It just hits you." Hinchliffe was once home to the New York Black Yankees, among others. Black and brown athletes played there when Major League Baseball (MLB) did not allow them to do so alongside white players. Visiting legends like Josh Gibson, often called the "Black Babe Ruth", wowed fans.

Last week MLB acknowledged the statistics of more than 2,300 players who competed in the Negro Leagues between 1920 and 1948. That changed some long-held records. Gibson is now the leader in all-time career batting average and slugging percentage, overtaking Ty Cobb and Ruth.

"It is long overdue recognition," says Mr Kendrick. The players knew how good they were—as did MLB. Black teams won the majority of the exhibition games in which great black and white players went head to head.

On June 20th MLB will salute the Negro League in Rickwood Field, once home to the Birmingham Black Barons. The San Francisco Giants and the St Louis Cardinals will don Negro League uniforms in a televised game, which will also honour Willie Mays, a Hall of Famer who began his professional career with the Barons. Gibson never got to play in MLB. He died a few months before Jackie Robinson broke the colour barrier in 1947.

ing to move to Las Vegas. In American football, Buffalo and Nashville are in the throes of giant construction projects. In basketball, Los Angeles is building a glitzy new arena, and Philadelphia and Oklahoma City hope to follow. The list goes on.

About 40 facilities may end up being replaced in this decade, according to a paper by John Charles Bradbury of Kennesaw State University and his colleagues. They estimate that the cost to the public could reach \$20bn. In the 1960s and 1970s cities regularly stumped up 100% of the money for new stadiums. As it became clear that über-rich owners captured many of the profits from the sports played there, officials started to demand that they should pay for more of the building. Public funding now covers about 40% of costs. But because stadiums have become move lavish, the absolute level of public spending has risen in real terms, to roughly triple what it was three decades ago (see chart).

The economic case for stadiums rests on three pillars: they create thousands of jobs; they unleash a steady stream of consumption; and they serve as anchors for thriving neighbourhoods. But a half-century of evidence suggests that the three pillars are actually rather wobbly.

Most of the stadium-related jobs come during construction. The permanent jobs—such as maintenance and ticket sales—may number only in the hundreds. The consumption boost is largely illusory. If people were not shelling out to go to a game, they would be spending on other forms of entertainment. As for community development, there have been enough instances of teams switching cities for serious before-and-after studies. In a review in 2015 Dennis Coates of the University of Maryland concluded that the relationship between teams and local employment and income levels was insignificant, sometimes even negative.

The dearth of economic benefits is not hard to explain. Activity in and around stadiums is sporadic. A football stadium hosts

Teens and tech

Hey, teacher, leave them phones alone!

WASHINGTON, DC

Parents want their children to have phones in schools. What should schools do?

"IT'S LIKE they don't trust us," says Eva King, a 14-year-old pupil at Alice Deal Middle School in Washington, DC. She is standing outside the school during dismissal with two others who nod their heads and laugh in agreement. Deal's administration has banned mobile phones during the entire school day. Pupils must store their devices inside Yondr pouches, grey padded cases that supposedly can be opened only with a special tool. The adults unlock the pouches with special magnets as pupils leave for the day.

Unsurprisingly, pupils have hacked the system. ("What do you expect?" Eva says. "We're middle-schoolers.") The girls recite a list of workarounds. Those magnets have become hot commodities, and a few have gone missing. Pupils have been seen banging pouches open in the toilets. Other pupils have faulty cases that no longer lock but have kept that information to themselves. The girls say that since phones have become a forbidden fruit, pupils only crave them more. They hope their school will reverse course after the summer break.

Debates about teenagers' access to phones and their use in schools have heated up lately. Some state legislatures in America are passing laws to stop phones from being used in classrooms, without removing them from schools altogether. A popular book published in March, "The Anxious Generation", by Jonathan Haidt, has called fresh attention to evidence that social media, mostly accessed through smartphones, may be to blame for a sharp rise in anxiety, depression and self-harm among young people today.

Some researchers are unconvinced that phones are causing mental illness. Although America and Britain have reported a rise in problems as social-media use has surged, not all rich countries have had similarly correlated increases. "Adolescence is influenced by multiple things," says Margarita Panayiotou, a researcher at the University of Manchester. "It would be unrealistic to expect that one thing—social media—is driving adolescent mental health."

Most parents want their children to have phones available at school. In February the National Parents Union, an advocacy group, polled 1,506 public-school parents and found that a majority think that pupils should be allowed to use phones during free time. Larry McEwen, a parent at Deal and the school's basketball coach,

agrees. He thinks pupils should have phones for emergencies. He and Eva King cited a lockdown last year at a nearby school because of a gun scare. That was when having phones came in handy.

The devices are plainly disruptive. Pupils can receive more than 50 notifications during a school day, according to a study of 203 children by Common Sense Media, a non-profit group based in San Francisco. Teachers complain that pupils watch YouTube and use other apps in class. Phones can be instruments of bullying, and pupils have been secretly recorded while using the toilets or undressing in locker rooms. These days, the notorious schoolyard fight can be organised by phone.

Hung up

It is also clear that mobile phones can undermine learning. Several studies have found that their use decreases concentration in school, and the phones do not only affect the user. "There's a second-hand-smoke effect," says Sabine Polak, a founder of the Phone-Free Schools Movement, another advocacy group. Even if a child does not have a phone, they are still affected by others using them. The devices are stressful for teachers, too. They must police their use, ensuring that pupils are not sneakily using phones under their desks or during long toilet-and-Netflix breaks.

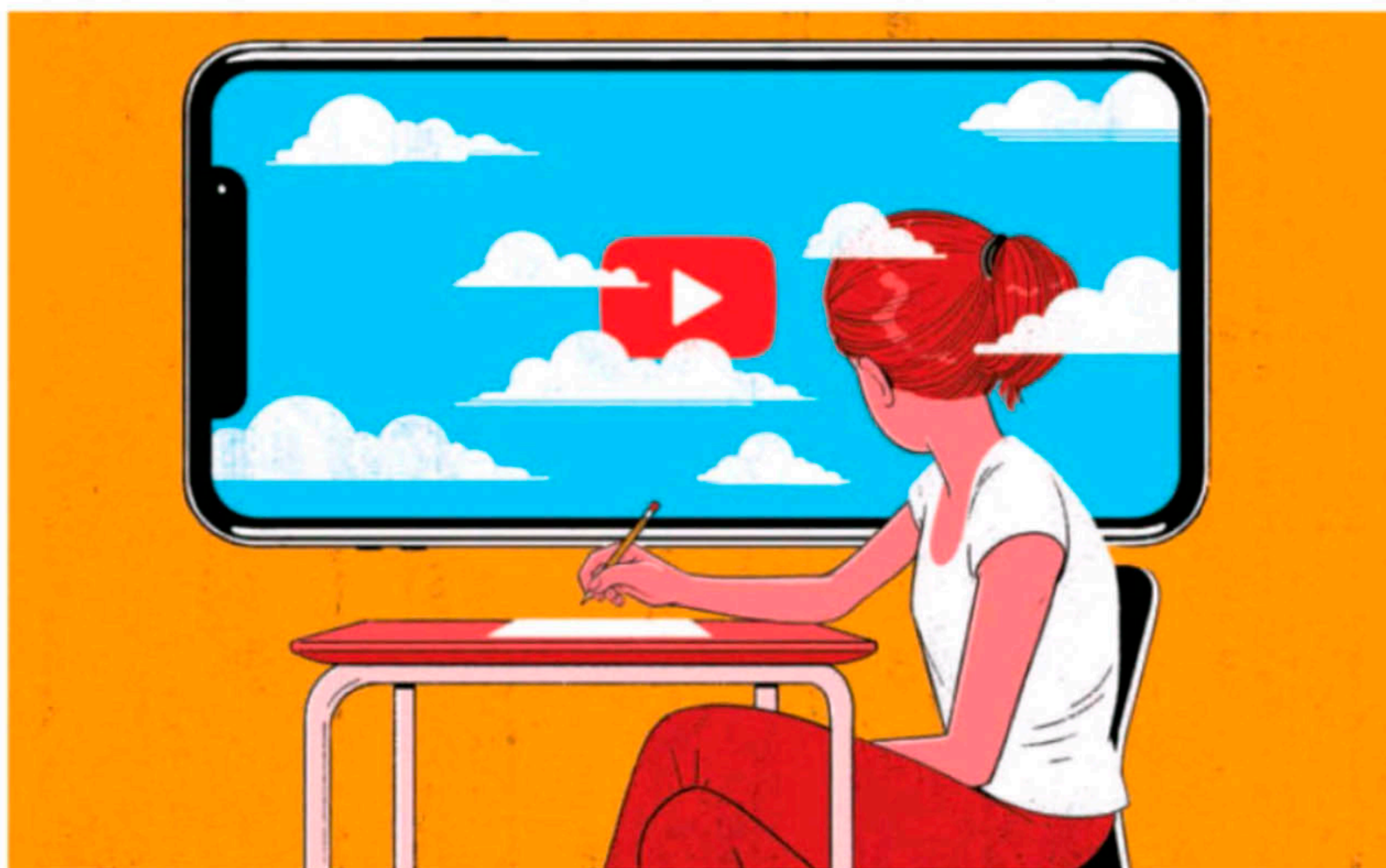
An all-day ban is one way to avoid this, but as Deal's pupils can testify, it is also difficult to enforce. Teachers must ensure

that each child on arrival has placed the phone in the pouch and secured it. That adds one more task to a teacher's day that does not involve instruction. Alternatives must be found for those pupils who forget their pouches, a predictable problem at any school full of teenagers.

New state laws seek to enforce phone-free classrooms while also keeping pupils and parents connected. Florida's governor, Ron DeSantis, signed a law last year that bans the use of mobile phones by pupils in class, and a similar law in Indiana is due to go into effect in July. Other states are considering bills along the same lines. These moves are distinct from the more ubiquitous push for legislation aimed at protecting children from social media (according to the National Conference of State Legislatures, 30 states and Puerto Rico are debating laws designed to protect children on the internet).

Beyond America, complete mobile-phone bans are more common in Asian countries, says a report by UNESCO, the UN's education and culture agency. France has banned phones in school for most pupils since 2018, though this has been hard to enforce. Several countries, including the Netherlands, restrict phone use to times when teaching is not taking place.

The answer for parents in America is to agree to delay giving their children a smartphone and for schools to support them, argues Kim Whitman of the Phone-Free Schools Movement. For communication and keeping tabs on their children, parents could use simpler devices, such as flip phones, smart watches or tracking devices. Overall Ms Whitman wishes that parents who want instant communication with their children would relax. "We all survived for a very long time and functioned absolutely fine without having a phone and without being able to have instant access to our parents," she notes. ■



A GREAT ESCAPE TO THE

Turkaegean Experience

The western coast of Türkiye is where the Aegean Sea forms a lacelike shoreline framed by seemingly endless bays, creating a vibrant culture defined by barefoot luxury to be enjoyed in idyllic settings. Here is a quick look into the Turkaegean pleasures from beach getaways to isolated hillside retreats with so many options to inspire your next soulful escape.

Blue Voyage in bays of Göcek, Muğla



The Aegean coast of Türkiye is the coast of happiness for travelers in the know, with its 2,800-kilometer-long stretch of turquoise coves, pine-crested hills, olive and citrus groves, sleepy mountain villages with secluded hotels and villas, and sun-kissed coastal towns attracting a hip crowd with pulsating beach clubs and sumptuous resorts. Here, one can experience a very distinctive way of life replete with the provincial style encapsulated by some of Türkiye's most representative country houses, al fresco spaces, garden settings and seaside restaurants, as well as the more active aquatic culture well represented by the local surfing and yachting communities galore.

Some of the most enigmatic stories about the glorious civilizations have taken place in the region. For centuries, the arts, philosophy and medicine have flourished here in these pioneering cities of antiquity, dating back as far as 8,000 century BCE. The region is home to five UNESCO World Heritage sites (Ephesus, Pergamum, Aphrodisias, Pamukkale & Hierapolis, Troy). Some of the most wondrous monuments of human history were erected on this

soil, including two of the Seven Wonders of the World –the Mausoleum of Halicarnassus in Bodrum and the Temple of Artemis in Ephesus. With a good balance of luxury and serene natural landscapes, and its charm, the coast of happiness will surely tick all the boxes with the myriad of unmatched experiences it can provide, whatever your travel personality may be.

Turquoise coves and sun-kissed coastal towns with pulsating beach clubs and resorts...

ÇEŞME PENINSULA: WHERE FUN MEETS LEISURE

İzmir is the third largest city in Türkiye, also a favorite holiday destination for local travellers, with its proximity to the pristine beach towns and resorts scattered about the Çeşme peninsula. After reserving one or two nights in İzmir's center to explore the area of the historic bazaar and the vibrant street culture, head to the destination of your choice in Çeşme's environs. If you are

a fan of lovely countryside living and fine wines, Urla Wine Route is a feast for your senses with its stunning sights and sounds. Here, you will find an enticing selection of boutique vineyards and chef-owned farm-to-table restaurants, where you could sit in citrus and olive groves to enjoy local flavors. Alaçatı will satisfy windsurfing enthusiasts

and night owls alike with its steady wind and beauty, and accompanying bars and restaurants. In and around the fashionable Alaçatı, you can stay in bougainvillea-clad stone houses with colourful shutters, jasmine-scented courtyards and head to the beach to surf the waves and feel the fresh sea breeze in your salty hair. The Çeşme peninsula is also famous for its funky beach clubs catering to all tastes, where you can chill on a private stretch of sand to dance the day away with steady beats for the ears and a refreshing summer cocktail in hand.

NOT TO MISS

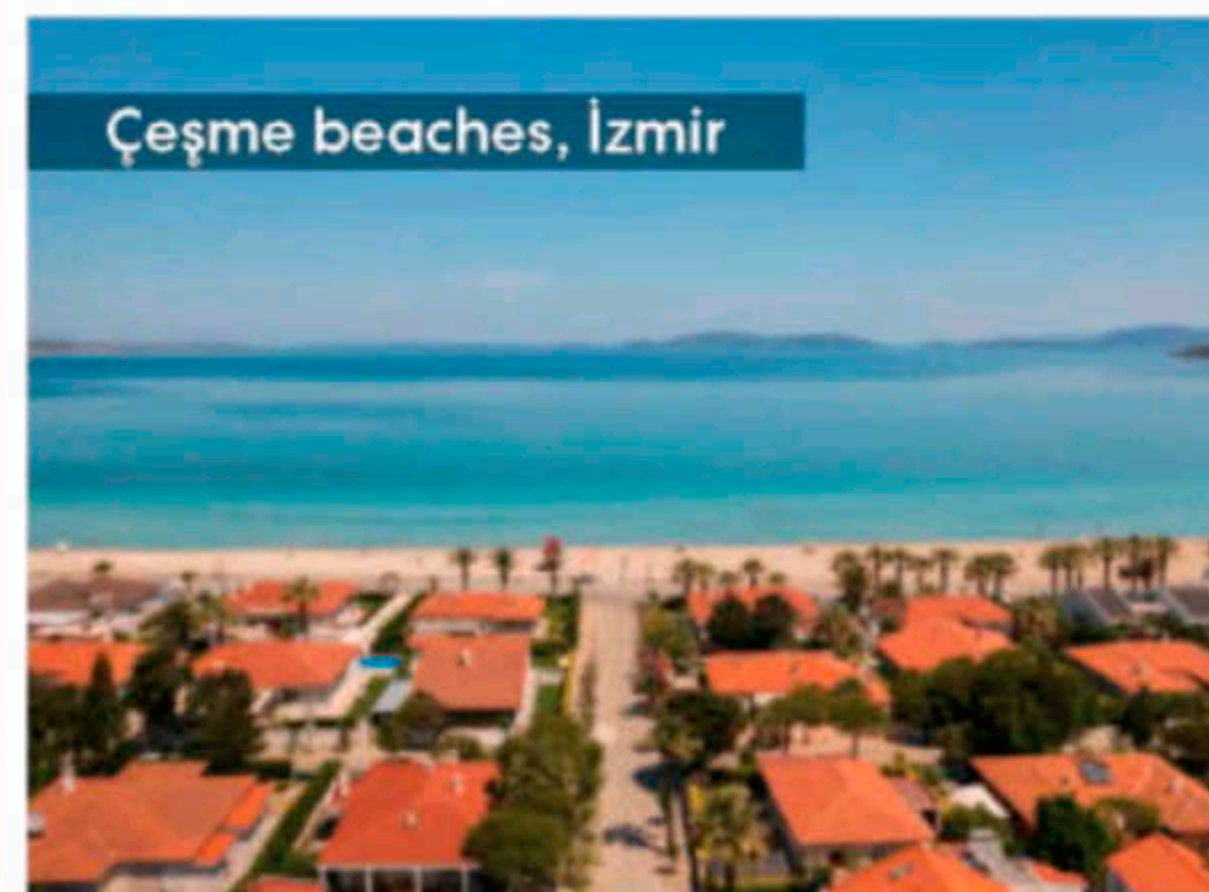
UNESCO World Heritage sites, Pergamum (Bergama) and Ephesus (Selçuk) are both an hour's drive from İzmir center for those wishing to see all the beauty and opulence once bestowed by the past civilizations of the Region. While you are in Selçuk, you might consider going inland to have a day trip to the picturesque town of Birgi, which has been selected as one of the Best Tourism Villages by the United Tourism due to its unspoiled traditional architecture, silk production and weaving.

A mere 20 kilometers south of Selçuk lies the cruise port of Kuşadası, an old city with a well-preserved 14th – 16th century castle also the main hub of luxury cruise lines. Kuşadası can be your base to explore the cities of Miletus and Priene, both of which flourished in the delta of the Büyük Menderes (Meander) River and became the birthplace of philosophy based on natural observation. Miletus is known as the city of Anatolian philosophers like Thales, while Priene is notable as the city that applied the first example of a "grid system" in city planning.

BODRUM: THE ART OF COASTAL LIVING

Thanks to its whitewashed villas with sun-bleached terraces, posh resorts and marinas, MICHELIN-Starred restaurants, balmy Aegean climate, and thriving cultural calendar, Bodrum is the ideal year-round vacation destination. The Bodrum peninsula has cast an enchanting smile across the faces of visitors since it staked its claim as Türkiye's own

Çeşme beaches, İzmir





Lunch on the beach in Fethiye, Muğla

slice of heaven on earth more than half a century ago. The Blue Voyage, an experience uniquely intertwined with Bodrum, offers an unparalleled journey to secluded bays and hidden islands aboard the gulet. This authentic wooden, double-masted sailing yacht, known for its distinctive design, has become emblematic of the Bodrum region.

Apart from a magnificent seascape, the peninsula features several coastal towns and villages, each with its own distinct charms. While Göltürkbükü and Yalıkavak attract a cosmopolitan clientele with their luxury beach clubs and fine dining restaurants, glitzy luxury hotels at the forefront of contemporary design and gleaming marinas berthing the mega-yachts of billionaires, Gümüşlük emits bohemian vibes from its jazz bars and fish restaurants located right on the beach. Bodrum center, on the other hand, is ideal for shopping therapy at its historic bazaar, swarming with artisanal boutiques selling high-quality linen beachwear, as well as authentic hand-made leather sandals and jewelry. The long coastal promenade at the center also allows you to wave the day goodbye with a sundowner at a seaside bar, enjoying the luminous waters of the bay and Bodrum Castle's iconic silhouette as the backdrop.

NOT TO MISS

Visit the Bodrum Castle to see one of the oldest shipwrecks ever found and a rich collection of ancient finds at the Bodrum Museum of Underwater Archaeology; catch a live performance at Bodrum Ballet Festival, or the ancient theater or see Türkiye's most elegant sailing yachts and gulets compete at the annual Bodrum Cup each October.

MARMARIS & GÖCEK: SAILING THE TURQUOISE WATERS

Between the Bay of Gökova and Marmaris lie the twin peninsulas of Bozburun and Datça, two beautiful swathes of land jutting out to the Aegean Sea. Both are easily accessible from the international airports of Milas and Dalaman, and integral parts of classical cruise itineraries, whether aboard a sailing yacht or motorboat, as they unveil crystal-clear coves lined up in succession. Many of these secluded corners offer hidden restaurants that are only accessible by water, serving some of the freshest seafood plates in the country. The must-see points along this coastal stretch include Akyaka with

its kite-surfing beaches; Bördübet with its teeming greenery and crystal streams pouring into the sea; Datça with its charming old town, notable port and azure beaches; Bozburun and Selimiye with their laid-back coastal living; and Turunç with its secluded cove and small luxury hotels and villas keeping watch over the expansive landscape from their patios and infinity pools. Marmaris, the main port of the region that has developed around a medieval castle, is also a peaceful town to stop over for its lively market area, and maze of streets full of bars.

Those who venture further south can stay in a riverside lodge in Dalyan to enjoy the tranquility of the natural setting and vistas of the gorgeous temple-like tombs cut into cliff walls in the ancient Carian city of Kaunos. An added bonus is discovering the endangered *Caretta caretta* (loggerheads) and green sea turtles nesting from May to August along the İztuzu Beach, a 5-km strip of golden sand near Dalyan. Lake Köyceğiz, a former bay that has been transformed into a lake in thousands of years, has also developed into a town that is now listed as one of five Cittaslovs in the region, thanks to its peaceful nature dotted with orange groves and sweetgum (liquidambar) forests. All are explorable on a bike along miles of eco-trail routes marked around Köyceğiz. Köyceğiz Lake and Dalyan Delta are also famous for their grey mullet population and the regional caviar made of their roes, enveloped in beeswax. A mere half hour's drive away is Göcek, where you can rent a bareboat and enjoy the bay's constant winds. You can further moor off a secluded isle, or berth at one of the well-featured marinas at Göcek's center to mingle with the well-traveled crowd.

NOT TO MISS

Datça is famous as the center of almond harvesting in Türkiye, with their bloom beginning every February, a recurrence celebrated with the annual Badem Çiçeği (Almond Bloom) Festival. Make sure to stop by local food boutiques selling almonds in every form. The awe-inspiring ruins of the ancient Carian city of Knidos, one of the wealthiest ports of antiquity and a center of arts and culture more than two thousand years ago, also deserve a day visit at the tip of the Datça peninsula.



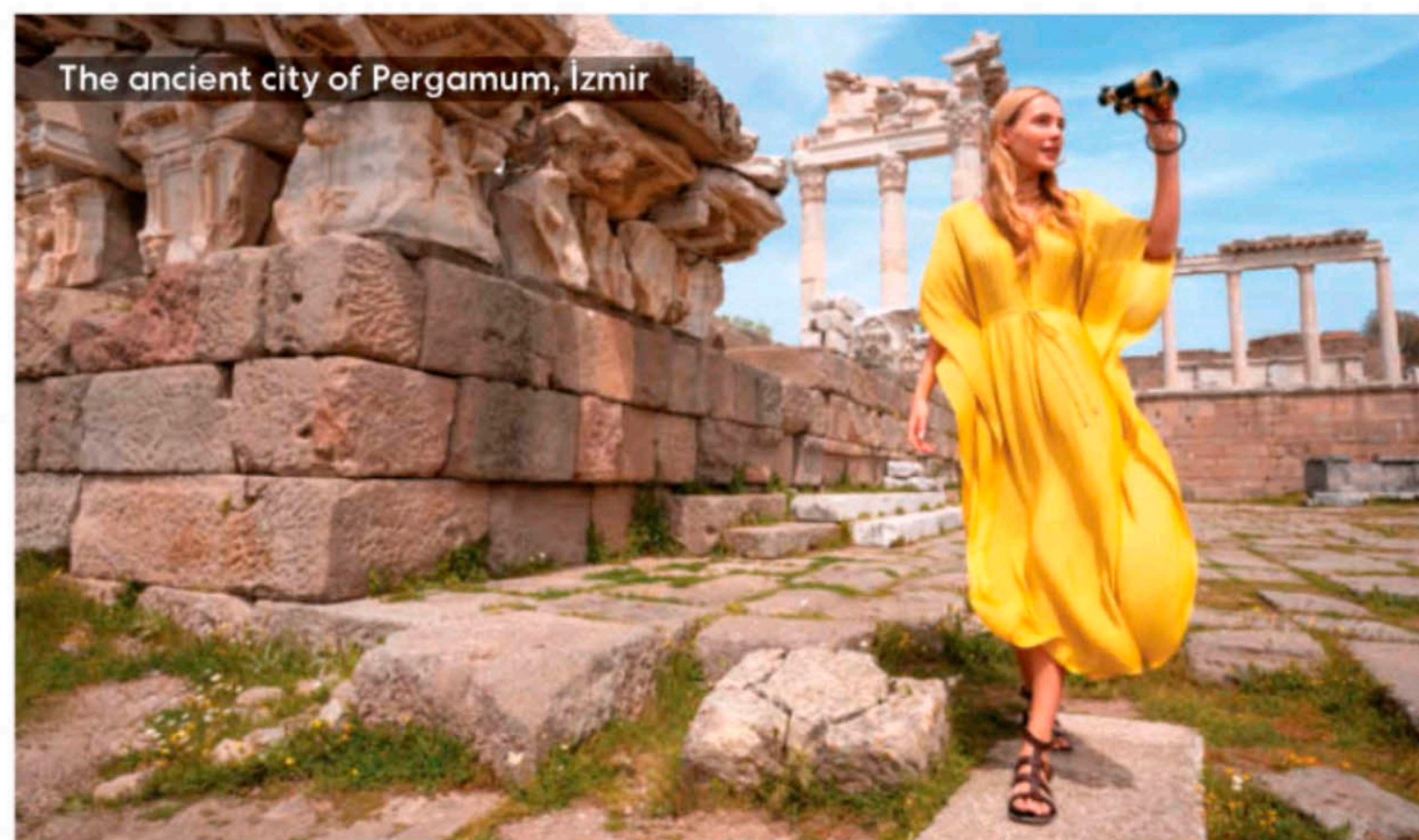
FETHİYE: WELCOME TO THE LAND OF LIGHT

The ancient Lycians have bequeathed us dramatic ruins dating back to 1,500 BCE, including a monumental parliament building as well as distinguishing rock tombs and catacombs stretching from the beaches to the mountainsides. The modern town of Fethiye is where one can see the remnants of this bygone civilization. The town itself is worthy of attention, featuring a lively fish market where you can choose the seafood of your fancy and have it grilled right before your eyes in the marketplace. The real prize, however, is the scenic sandbank and lagoon of Ölüdeniz, lying at the foot of the majestic Mount Babadağ. Ölüdeniz Lagoon operates as a national park today, with paragliding from Babadağ offering a hovering front-row seat to these breathtaking panoramas. One can also visit the Babadağ summit by cable car year-round to behold among the best sunsets imaginable.

NOT TO MISS

Usually shortlisted among the most beautiful long-distance treks in the world, the Lycian Way offers a 540-km waymarked trail (rated moderate to difficult), starting from Ölüdeniz and ending at Antalya. One can hike the entire trail in a month or enjoy shorter, multi-day segments of the entire route. The Butterfly and Kabak Valleys are two neighboring natural wonders on the Lycian Way, locales where you can indulge in ecological retreats and glamping domes. For more off-grid simplicity, Faralya hides some exclusive camps offering safari tents in scenic havens adjoining private rocky beaches and overseen by watchful mountains above.

Türkiye
goturkiye.com



The ancient city of Pergamum, İzmir

LEXINGTON

Grown up in the USA

Forty years on, Bruce Springsteen's defining album still has something to teach Americans



THE PHYSICAL and psychic wounds of war, the hollowing-out of factory towns, the fear gnawing at working-class white men that their glory days are past: “Born in the USA”, the album that made Bruce Springsteen the global bard of the American project, came out 40 years ago this month, but it could as aptly describe the America of today, when polls suggest just about everyone feels like a rider on a downbound train.

What seems old-fashioned is the partisan ambiguity of Mr Springsteen’s messages and, with it, the stubborn hope. The title track in particular is remembered for being misunderstood by Republicans, who celebrated the music as patriotic without understanding its anguish and wrath. From the vantage of today, that takeaway is itself simplifying. It neglects some considerations.

First, Democratic politicians also bore responsibility for many of the failures whose consequences Mr Springsteen lamented, starting with the war in Vietnam. Second, though few would believe that Ronald Reagan, then the president, parsed the lyrics before citing Mr Springsteen as evidence of American greatness, such ignorance cannot explain the enduring reverence for Mr Springsteen by some conservatives, long after he made his partisan leaning clear. (Chris Christie, a former governor of New Jersey, has attended more than 150 of his concerts.) Most important, this political summary of the music obscures Mr Springsteen’s own sophistication. The album was full of despair, but it was not despairing. It was heartsore about America but still patriotic.

Mr Springsteen told a radio interviewer, Terry Gross, in 2005, that his music had “often been a football”. Referring to the blaring refrain, “Born in the USA!”, that led some to hear an anthem to America as it was, he said: “In my songs, the spiritual part, the hope part, is in the choruses.” But “the details of what the song is moving to transcend are almost always contained in the verses.” Mr Springsteen was doing something American partisans are losing the habit of—reckoning with ideas that were in tension with each other. And he believed in the power of rock music to draw people together, according to a new book about the album, “There Was Nothing You Could Do”, by Steven Hyden, a rock critic.

“In the mid-eighties, a pop star could still position himself

‘above’ politics and exist as a common touchstone that people with opposing ideologies could enjoy,” Mr Hyden writes. Those scare quotes suggest two questions relevant to today. Is it possible any more for a cultural figure to stand “above” politics? If so, would that even be the right thing to do?

The answer to the first question, Mr Hyden argues, is no. Taylor Swift is a star whose magnitude exceeds Mr Springsteen’s. She might better be compared to the artist who had the bestselling album of 1984—indeed, of all time—“Thriller”. As Michael Jackson did, Ms Swift tends to dwell on the joyful and painful consequences of choices made within relationships more than on the consequences for those relationships of broader socioeconomic forces. However, after not endorsing a candidate for president in the 2016 election, Ms Swift faced severe criticism, and she later made her partisan preferences clear.

Whether it can be right or constructive for any cultural figure to attempt to stand “above” politics is a harder question. Everyone has the right to speak up, and those with great influence should be admired for feeling a burden of responsibility to help make the world a better place. A professional football player who puts his career at stake to protest against injustice by taking a knee during the national anthem is performing a patriotic act. By contrast, staying silent in the hope of reaching a broader audience can seem like a cynical one. “Republicans buy sneakers, too,” Michael Jordan once noted, explaining his refusal to take the partisan plunge.

Mr Hyden cites the band Creedence Clearwater Revival as a precedent for Mr Springsteen. Progressives and conservatives alike could sing along to “Fortunate Son”, and that was no accident. The band’s members adopted a motto that did not exactly evoke the high-minded pursuit of an artistic vision: “Creedence is like burgers”. Back in the mid-1990s, Mr Springsteen, who declined in 1984 to endorse either Reagan or his Democratic challenger, Walter Mondale, joked about the financial benefits of having had his politics misunderstood. A joke such as that would fall very flat in the America of 2024. The Boss campaigned for Hillary Clinton in 2016 and Joe Biden in 2020, when “My Hometown” from “Born in the USA” provided the theme music for an ad.

Can’t start a fire without a spark

For his part, Mr Hyden laments the loss of the unifying dream he says Mr Springsteen and similar artists gave him: that if Americans were not distracted by demagogues or culture wars they could be drawn together by shared desires for community, dignity and security. “What matters”, he writes, “is that Bruce *did not make his audience choose a side*.” This does not seem quite right. Avoiding the partisan binary is not the same thing as avoiding politics. Mr Springsteen’s work has always been political, and it has always challenged his listeners, regardless of party, to choose a side—the side of the poor and struggling, those who still want to achieve the American dream even as it is eluding them, or being denied them.

That kind of empathy may come more easily when people cannot reflexively supply a partisan answer to all the hard questions about why American policymaking is failing those who need its support most. When executed with Mr Springsteen’s generous spirit, sidestepping the partisan fray was no retreat from politics, no surrender to cynicism—to invoke another song from the album, one that Mr Springsteen himself, in his endless self-doubt and quest to get things right, worried was too simplistic about all the compromises that come with being a grown-up in America. ■

The Americas



Mexico's election

Landslide

MEXICO CITY

Mexico will be entirely in the hands of its new president and her ruling party

FEW DOUBTED that Claudia Sheinbaum would win Mexico's election on June 2nd, and become the country's first female president. But the landslide voters delivered for her and Morena, the ruling party, surpassed expectations. She got at least 58% of the vote, a share larger than that won in 2018 by her predecessor, Andrés Manuel López Obrador. Morena's coalition will almost certainly obtain a supermajority in Congress. This spells danger: even before she takes office on October 1st, her ruling party will be able to shape Mexico, even by altering the constitution.

The thumping win is thanks in part to Morena's redistributive policies, a combination of cash transfers and constant rises in the minimum wage. Ms Sheinbaum's share of the vote was higher in poorer parts of the country, though she prevailed in all but one of Mexico's 32 states. "I don't receive anything but I am happy that students, old people and people of limited means have support," says Miriam Salazar, a 42-year-old architect in Mexico City.

The fiscal deficit is already running at more than 5% of GDP. Containing it while paying for these transfers, which Ms Sheinbaum plans to expand, is just one challenge. She will have to please her supporters and party (without Mr López Obrador's populist charisma) while reassuring the financial markets. Mexico's growing insecurity and lacklustre economy must be urgently tackled, too.

Ms Sheinbaum, who was technocratic as Mexico City's mayor, was conciliatory in her victory speech. She promised to rule for all Mexicans, preserve democracy, work with the United States and encourage private business and investment. But Mexico's stockmarket fell by 6% and the peso dropped to its weakest level against the dollar in six months. The sell-off was dri-

ven by concerns over Morena's supermajority, and the extent to which it might support Mr López Obrador's efforts to rewrite the constitution in ways that undermine democracy and hurt business in Mexico.

Congress takes its seats one month before the new president takes office, so Mr López Obrador will have a chance to push through a package of 20 constitutional changes himself. He wants to enshrine animal welfare and a minimum wage pegged ahead of inflation. Supreme Court judges and the heads of the electoral body would be appointed by popular vote. A raft of autonomous agencies would be abolished. Control of the federal police would pass to the defence ministry, which the Supreme Court had ruled unconstitutional.

Ms Sheinbaum has openly backed these initiatives. In theory her strong personal mandate might allow her to chart her own path. But the Morena supermajority boosts Mr López Obrador's post-presidency influence, as he controls the party, and may curb any divergent instincts she harbours. Mr López Obrador has some red lines, including the continued propping up of Pemex, the state-owned oil company that is the world's most indebted.

Ms Sheinbaum is canny. She may find ways to make her own mark while keeping her mentor happy, perhaps by echoing his nationalist, Mexico-first rhetoric, while acting with less bombast and being friendly to business in private. She will have more

→ ALSO IN THIS SECTION

28 The \$17bn shipwreck

30 Climate migration in Panama

► space to promote her own policies in public services such as health care.

Ms Sheinbaum's pledge to advance Mexico's transition to green energy—a rare policy on which she diverged from Mr López Obrador while campaigning—will be a test. Plentiful clean energy is needed to spur economic growth. Foreign investors have been turned off by Mexico's dirty, expensive electricity, meaning the country has failed to fulfil its potential as a place into which businesses diversifying away from China might expand.

The lack of a serious opposition to the government is worrying. The strongest opposition coalition, which has been led by Xóchitl Gálvez, “has been a total failure and is dead”, says Antonio Ocaranza, an analyst. This offers Morena a chance to tighten its grip, and leaves dangerously few checks and balances. ■

Colombia and Spain

Arguing over a shipwreck

CARTAGENA

A sunken galleon raises awkward questions over deep-sea archaeology

THE SAN JOSÉ was sailing for Cartagena, on Colombia's Caribbean coast, when in 1708 a squadron of British warships set upon the galleon and she sank. She was carrying riches gathered in the New World back to Spain to fund its war of succession: emeralds, porcelain of the Qing dynasty, gold coins and silver from Potosí, modern-day Bolivia. With a present-day value estimated at many billions of dollars, the *San José* is the world's most valuable wreck.

Colombia's navy found it in 2015 with the help of a firm called Maritime Archaeology Consultants. The discovery prompted a bitter row over the wreck's ownership. Colombia says the ship is protected as an “inalienable item of cultural interest” because it lies in its territorial waters. Spain argues that it owns the vessel because international law recognises a wreck like the *San José* as the property of the state whose flag it flew. The Qhara Qhara, an indigenous Bolivian group, says the precious metals on board came from their land, a claim that Colombia's president, Gustavo Petro, acknowledged last year.

Colombia has recently moved one step closer to revealing the ship's secrets. Its researchers have sent a remotely operated vehicle (ROV) down to photograph, scan and study the *San José*, which is mostly buried in the seabed 600 metres beneath the waves. On June 5th Juan David Correa, Colombia's culture minister, said they found

several anchors and confirmed that the wreck has not been looted. It is the first “very successful” phase of a government-run mission that may last for years. But Mr Petro is in a hurry. He wants grand results under his presidency, which ends in 2026. Like other leftist leaders in Latin America, he wants to “decolonise culture”.

Adding to the legal tangle is an arbitration claim against Colombia for \$10bn, brought in 2022 by Sea Search Armada, a company based in the United States. It says it found the wreck in 1982 and claims half its value. Peter Campbell, a marine archaeologist, describes the amount as “fantastic”, noting that shipwreck-recovery outfits have a poor record in court. Colombia could close the case by revealing the wreck's location, proving Sea Search Armada wrong, but is adamant that the co-ordinates remain classified.

Mr Correa is trying to calm the storm. He insists his country is not after the gold. “This is not an excavation, it is an exploration,” he says. Speeches about the wreck by government officials are littered with the phrase “non-intrusive investigation”. The scientists will intervene only when they have a better picture of what is down there, says Dr Alhena Caicedo, director of Colombia's Institute of Anthropology and History. After studying the footage from the ROV, they will lift samples to the surface and send them to laboratories in Cartagena that have been kitted out by Colombia's maritime authorities.

Conservation is a delicate task. Three centuries immersed in salt water mean parts of the wreck might crumble on contact with oxygen on the surface. Gold is tougher. The archaeologists hope the *San José*'s remains will eventually go on display in a vast museum, with indigenous and Afro-Colombian communities getting a

cut of the proceeds from the exhibition.

Experts doubt that Colombia can pull off such a feat without international support and technology. None of the worthy archaeologists involved has experience of deep-water sites, says Rodrigo Pacheco-Ruiz, who has explored shipwrecks in the Black Sea. Juan Guillermo Martín Rincón, a Colombian archaeologist, worries that national pride may be trumping science. The government wants to show “self-sufficiency using phrases such as ‘decolonial archaeology’ or ‘south-south co-operation’”, he says. “That is no good for science.”

Deep-sea archaeology is expensive. Colombia has already put \$4.5m into the survey of the *San José*, the most the government has ever stumped up for archaeology. But that is insufficient for the kind of project Colombian officials envisage. For comparison, the Black Sea Maritime Archaeology Project on which Mr Pacheco-Ruiz worked cost \$63m over four years. It took a decade for scientists to haul the 17th century *Vasa* warship out of the Baltic Sea.

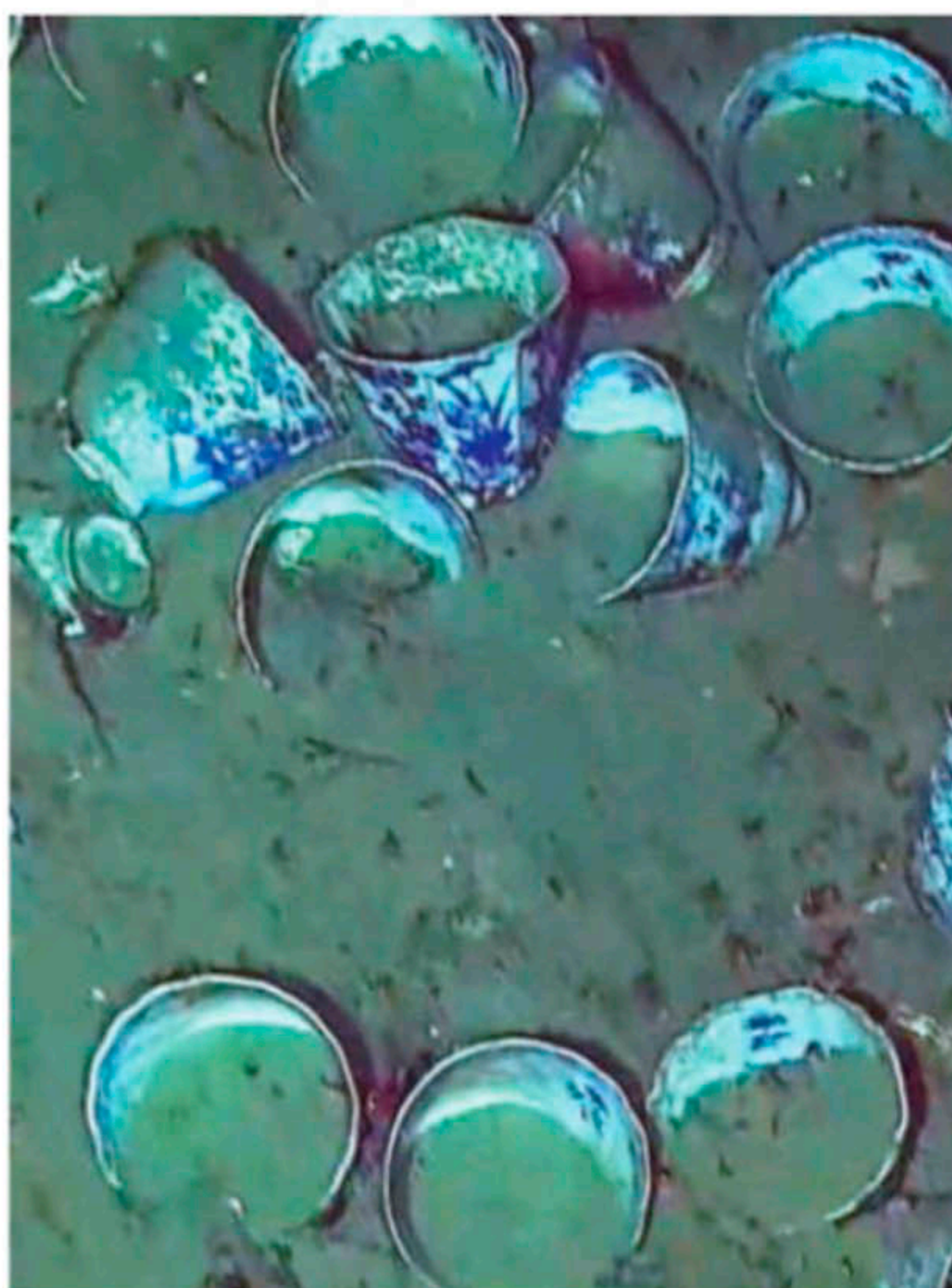
Political puzzles, too

Colombian politics is unlikely to tolerate such extravagance for long. Subsequent governments may well ditch an archaeological project whose cost starts to run into the tens of millions of dollars. Some Colombians already urge the sale of some of the ship's treasures in order to pay for explorations, a solution that is rejected by UNESCO and others.

Mr Petro's government seems to have sacrificed any sensible long-term plan for the recovery of the *San José* in favour of soundbites that play well now. Dr Pacheco-Ruiz thinks the government has erred by failing to submit a plan for independent review that shows how and when the excavation can be carried out, or how much of the money is earmarked for it.

Some worry that treasure-hunters will be brought back if the archaeologists cannot deliver the wreck. Archaeologists often view salvage companies as modern-day pirates, hauling up anything that glitters and destroying history in the process. They are sometimes even accused of destroying local economic prospects by carting off treasures that would have generated revenue through tourism if put on display. The *San José* is their El Dorado.

Spain and Colombia may well agree to share whatever comes up from the *San José*, provided nothing is sold. Such a rapprochement might help Colombia to persuade Spain to give back artefacts such as the gold Quimbaya statues, suggests Pierre Losson, who studies Latin American culture. But if the *San José* is to facilitate this detente cash will be needed, probably from Colombian-government coffers, while the treasure that went down with the ship is dutifully ignored. ■



All that glitters

The Bel Canto: what all the noise is about.



On its launch day, the Bel Canto sold out. A second version, released days later, went in under 3 hours. (Or just three chimes.) Never before has a watchmaker launched a 'Sonnerie au Passage' to such a clamour. Never before has a 60 minute chiming mechanism (a 60-part adaptation of an already-modified movement) resembled a songbird. Cometh the hour, cometh the hammer (the bird's tail) striking the titanium case. Resulting in a crystal-clear, 'D' note. Since launching in November 2022, it's somewhat appropriately attracted a number of industry gongs. And a cacophany of ringing endorsements, like Hodinkee's "Shockingly affordable". Can we look forward to hearing from you?

Do your research



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Planned retreat

Over rising seas

GARDI SUGDUB

Climate change is driving islanders away from their homes in the Caribbean

UNDER A LIGHT Caribbean drizzle, volunteers load plastic chairs, a chest of drawers and a gas stove into a military motorboat. On board, men in uniform help an indigenous woman dressed in the traditional green-and-red blouse of the Guna people to step down from the wharf.

She is, or was, a resident of Gardi Sugdub, a tiny coral island about a kilometre off the northern coast of Panama. On June 3rd the Panamanian government began moving 300 families from the island to new government-built housing on the mainland. A changing climate and rising seas are slowly swamping the island, and 37 other inhabited islands nearby, most of which lie less than one metre above sea level. That level is rising 3.4 millimetres every year. Storms are becoming heavier and more frequent. Steve Paton of the Smithsonian Tropical Research Institute in Panama City says the islands will be uninhabitable by the end of the century.

Gardi Sugdub's families are the first to move. More may follow if things go well. "This is an historic event," says Rogelio Paredes, Panama's housing minister. "It's the first time in Latin America that, as a result of climate change, a whole community has been moved to a new place. The eyes of the world are on Gardi Sugdub."

But the notion of climate change driving unfortunate people from their homes is simplistic. Gardi Sugdub's older residents have certainly noticed the creeping effects

of warming; rainy-season flooding has become more frequent, and waters now lap a little higher on the ankle. But for the past 20 years their main concern has been sanitation, not submersion. A growing population meant several families began to live in each of the narrow, reed-walled houses. Outdoor space in which children could play was squeezed out. Water, supplied by a pipe from a river on the mainland, was scarce and intermittent. The island's lavatories are shacks at the end of piers which drop directly into the water below.

José Davis, the island's octogenarian leader, says the community first began planning a move in the 1990s. The idea received financial and technical support from the Inter-American Development Bank as a climate-migration project in 2018. The government then tendered contracts for the construction of the new settlement on the mainland.

The new village, christened Isber Yala after the local loquat trees, was built on farmland owned by the community, half an hour from Gardi Sugdub by boat and road. Three hundred beige plastic houses with tiled roofs sit in a grid pattern. Each has two bedrooms, a bathroom with running water, and an ample back garden.

Marcos Suira, head of architecture at the housing ministry, stresses that Isber Yala is the first project of its kind. With bigger budgets, more sophisticated housing developments could come later.

But the relocating residents don't seem to mind. Within minutes of arriving at Isber Yala they had strung up hammocks, the Guna's preferred beds, from the houses' metal beams.

"It's pretty, it's bigger than I'm used to. I love it," says Yany Prestán, who is 46. On Gardi Sugdub she shared a house with four families; there was little privacy and frequent arguments over food and money. She wants to build a kitchen on the porch and two bedrooms in the garden to house her family of seven. The narrow patch of grass between the pavement and the drainage channel is perfect for a flowerbed.

One street over, 45-year-old Genaro Fernandez arrived early to build a reed fence round the perimeter of his plot. Shoots of plantain and manioc sprout from the ground.

There are problems. The electricity has yet to be connected. There is no rubbish-collection system and no public transport to the port, a big oversight given that most residents work in fishing and island tourism. The concrete shell of a planned hospital lies rotting in the sun.

But next to it is a large, modern school which will be open by the end of the year. With air-conditioned classrooms, dormitories and a soccer pitch, the school is a big draw for the new residents. Classes will be taught both in Spanish and Guna.

The Guna do not feel that the move will cause a major cultural dislocation either. They lived on the mainland 200 years ago, before moving to the islands to escape disease and conflict with Spanish colonists. Many ceremonial songs refer to the rivers and mountains of the mainland.

According to the UN, some 41m people in Latin America and the Caribbean live in coastal areas that are exposed to life-threatening storms and flooding. The Gardi Sugdub move looks like the sort of managed retreat that has a good chance of succeeding, largely because it serves other development goals, such as improved housing, sanitation and schooling. Sabrina Juran of the UN says managed-retreat programmes are more likely to succeed when they include communities in the decision-making, thereby meeting numerous needs.

To and fro

After some initial scepticism, most on Gardi Sugdub accept that the waves will eventually claim their homes. But they will not abandon their island yet. Some of the new mainlanders say they intend to visit each weekend. Others say they will let their friends and cousins from crowded neighbouring islands string their hammocks there. One building on the island is being renovated. Its 64-year-old owner, Gustavo Denis, reckons that, with the competition moving to the mainland, it's the perfect time to open a new shop. ■

Asia



Eradicating poverty

Two wars on want

HONG KONG

How India's progress against poverty stacks up against China's

WHEN IT WON its independence in 1947, India suffered from appalling poverty. Campaigning in rural districts, Jawaharlal Nehru, the country's first prime minister, had seen the "mark of this beast" on every brow. "Life had been crushed and distorted," he wrote, by "continuous lack and ever-present insecurity".

Campaigning in this year's election, Nehru's great-grandson, Rahul Gandhi, a leader of the opposition Congress party, also addressed himself to the poor. He promised to give needy women 100,000 rupees (\$1,200) a year. His party said it would double families' monthly allotment of free grains. These "gigantic schemes of fiscal splurge", as India's finance minister called them, may help explain why the opposition did better in the election than expected, depriving Narendra Modi, the prime min-

ister, and his Bharatiya Janata Party (BJP) of a majority without coalition support.

India's politicians clearly believe that the country's poor are still numerous enough to sway elections. But what do its statisticians think? In 1990 the World Bank tried to put a number on the kind of deprivation Nehru described. Inspired by national poverty lines in India and six other poor countries, the bank defined poverty as living on less than a dollar a day. That line has since been revised to \$2.15 a day at the prices prevailing in 2017.

The bank calculates that roughly 2bn

people lived below this line in 1990, once you allow for differences in prices across countries and time. Most of these unfortunates (roughly 1.2bn) lived in two countries: India and China.

Today the landscape of deprivation is quite different. China declared victory in the war against extreme poverty in 2021, when only 0.11% of its population was below the World Bank's line. And earlier this year Surjit Bhalla and Karan Bhasin, two economists, concluded that India, 75 years after independence, had also nearly eliminated extreme poverty (see chart 1 on next page), which, they calculated, still marked only 2% of the population—or even less, if the full value of subsidised food is counted. The basis of their confidence was a government factsheet released in February that summarised the results of a nationwide survey of household consumption, the first in over a decade.

If the new figures are right, about 95% of the world's remaining poor live outside China and India. The largest number are in Congo, Nigeria and other countries south of the Sahara. This progress resonates far beyond the people who directly benefit from it. Advances against poverty make for economic pride and political legitimacy. ►►

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► The changing map of deprivation could shift some ideological co-ordinates, too.

Poverty is political, even in China. Its eradication, say the country's leaders, is proof of the wisdom of party rule. China's success has roots in the ruthless land reform of the 1950s as well as widespread investment in literacy and primary education. It gained pace in the 1980s as collective farms were dismantled, agricultural prices improved and village enterprises flourished. "Poverty is not socialism," declared Deng Xiaoping, then China's leader. In 1986 a "leading group" of officials introduced China's first poverty line and identified almost 700 counties being left behind. By 2001 the government could claim to have met basic needs, such as food and clothing, for more than 200m poor people in little over 20 years. This "fully reflects the superiority of the socialist system with Chinese characteristics", it said.

In the 2000s China rebuilt rural health care, cut agricultural taxes and introduced rural pensions. Then in 2013 it adopted what it called "precise" poverty alleviation, aimed at poor people rather than places. It deployed 800,000 officials to build a database of almost 90m impecunious souls. Eradicating their poverty was one of the "decisive battles" Xi Jinping, China's new ruler, resolved to win by 2021, the centenary of the party's founding.

Boom boom

Politics aside, the country's success against poverty has added lustre to its growth model. It combined smallholder agriculture, rapid urbanisation and export-led manufacturing. As farms became more efficient, millions of peasants could migrate from the overmanned countryside to the cities. Many found work in coastal factories, which attracted foreign capital and served global customers.

On the face of it, India's progress against poverty challenges both these narratives. In glaring contrast to China, the country is an impatient, fractious democracy. Its political system imposes many competing claims on the state and a similar number of constraints on its action. In 2014 Mr Modi's BJP was the first party in three decades to win a majority by itself. After its less convincing performance this year it will have to govern in a potentially messy coalition that will include several former opponents.

India's attempts at land reform were a disappointment, not least to Nehru, who complained ruefully about obstructive courts. Its elite colleges and institutes are world-renowned, its primary schools a pedagogical embarrassment. India's rural poor have migrated to its less dynamic cities more slowly than China's. And many of them work in construction or low-productivity service jobs, peddling goods or



guarding malls, rather than export-oriented manufacturing.

India, like China, has profited from globalisation. But its most eye-catching successes have been in exporting services, not goods. Thanks to patchy education, onerous labour laws and adversarial unions, India's unskilled labour is abundant but not cheap. As a result, Indian manufacturing has a lot of technology and surprisingly few workers. In a survey of over 10,000 Indians by the Centre for the Study of Developing Societies, a research institute, 62% said finding jobs had become harder in the past five years. That concern may have been one reason the BJP lost its majority in the election.

India's February factsheet suggested another distinctive feature of the country's progress. It showed a decline in inequality over the previous 11 years. Rural consumption grew faster than urban. And the gap in consumption between rich and poor narrowed both in the cities and in the countryside. The result prompted Noah Smith, an economics commentator, to draw a sharp cross-Himalayan contrast. "India has accomplished something China never managed to do: reducing poverty by huge amounts, while also decreasing inequality," he wrote on X, formerly known as Twitter. "Maybe democracy isn't so bad for development after all."

What to make of these challenges to conventional development wisdom? On the face of it, the claim that India has eliminated poverty seems absurd. If it had, the country's politicians would not be trying so hard to win the poor's votes. But definitions of deprivation differ. And even in India, most people's idea of poverty differs from the horribly abstemious \$2.15 line.

When the line was first drawn, the World Bank provided several examples of the kind of person it was meant to capture. They included landless labourers eating just two meals a day, sleeping on a mud floor, under burlap sacks, with dried palm

leaves serving as walls. When India's politicians talk of "the poor", by contrast, they have in mind a much wider range of income brackets. Over 800m people are eligible for free food. That could include people living on more than \$5 a day. In America, by comparison, an individual earning as much as \$30 a day (in 2017 dollars) falls below the official poverty line.

A 2% poverty rate is also less startling in light of a methodological tweak to India's survey. In decades past, survey teams would ask people to report their consumption of hundreds of items (eggs, shoes, bicycles) over a uniform "recall period" of 30 days. In 2011-12, they instead experimented with a more subtle approach, using shorter recall periods for perishables, like onions, and longer ones for consumer durables, like quilts. This "mixed" approach captures more of a household's consumption and results in dramatically lower poverty estimates. By the old method, India's poverty rate in 2011-12 was almost 23%. The new mixed method put it at 12%. Let this "huge discrepancy...sink in", writes Mr Bhalla.

From this lower starting-point of 12%, a reduction to 2% seems more plausible. Indeed it is what a number-cruncher might expect, given India's economic growth in the intervening period. The February factsheet implied that the consumption of the bottom bracket had grown by 3.1% a year in rural areas and by 4.1% in urban areas since the previous nationwide survey. That is less than the 4.6% growth in GDP per person in the same 11 years.

Scrutinise the stats

Among some experts, however, the new survey has drawn a cautious—and sometimes suspicious—response. One reason is that the government has not yet released the full results and disaggregated data, which would let scholars estimate poverty more precisely and evaluate the survey more fully. Another reason is that the credibility of India's statistics has suffered in recent years. The previous consumption survey, for 2017-18, was not released, because of doubts about its quality. (Leaks suggest the figures were unflattering to the government.) The census, interrupted by covid-19, is also long overdue. And India's impressive growth statistics have been called into question by Arvind Subramanian, the government's former chief economic adviser. Scholars of poverty have been operating in a "statistical black hole", says one expert.

The notion that inequality has narrowed has attracted particular scorn. Taken at face value, the February figures suggest that in India's cities the consumption of the richest tenth has grown by only 1% a year (even as the consumption of the poorest tenth grew several times faster). This pattern does not pass the smell test. "It is

► hard to associate [it] with the development experience of this country over the last decade", according to S. Subramanian, an economist in Chennai.

Mr Smith's contrast with China is anyway overdrawn. China's income inequality fell in the six years or so before 2014—the period when it reduced poverty to the 2% rate now ascribed to India. Chinese inequality rose earlier in its miracle, when coastal provinces were allowed to get rich first. Moreover, the source Mr Smith cites to show soaring inequality in China—Thomas Piketty at the Paris School of Economics and his co-authors—shows gruesome disparities in India, too. By their estimates, the top 10% get 43% of the income in China and 58% in India.

There are more illuminating differences between the two countries' wars on want. India, for example, has achieved a low poverty rate at a surprisingly early stage of development. For countries in its income bracket, the poverty rate has historically averaged 10%. When China's GDP per person was comparable with India's today, its poverty rate was as high as 18%.

On other indicators of progress, India is also at an earlier stage of development than China was when it had cut poverty to a similar rate (see chart 2). Life expectancy in India is about 70 years (setting aside the pandemic), a threshold China achieved in the 1990s. The lag in literacy is similar. Agriculture still accounts for over 42% of employment in India, according to the International Labour Organisation. China passed that threshold in 2006.

Ahead of the game

India has been called a "precocious" economy by Arvind Subramanian for fostering democracy, a high-tech service industry and acquisitive multinationals at an unusually low level of GDP per person. It also looks like a precocious poverty-fighter.

What explains this unusual record? How has India succeeded in cutting poverty so deeply while lagging behind on other measures of economic and social progress? It might be a statistical quirk. India's latest survey may be better than similar exercises elsewhere in winking out the consumption of the poor. But something more fundamental is probably also at work. India's precocity may reflect its political parties' competing experiments with "welfarism", which China views as a dirty word.

China's development strategy has always prized jobs and infrastructure investment over handouts and social spending, especially when its poverty rate was over 10%. Its rural poverty plan in 2011 included "self-reliance and hard work" as one of its basic principles. Aid-dependency has been a constant fear. Until 2013 its explicit anti-poverty policies were aimed predominantly at poor places, not people. Its plan in



The bad old days

1994 focused on 592 counties, many of them in the mountains. It then drilled down to about 148,000 villages after 2001.

It did introduce *dibao* cash payments for the urban poor in 1997 and their counterparts in the countryside in 2007. But coverage was limited. One study found that it missed over 80% of the rural poor in 2013. Adding together cash transfers, in-kind transfers and fee waivers, China spent just 0.76% of its GDP on social-safety nets in 2014, according to a World Bank study.

How does that compare with India's welfare programmes? The same study reckons India spent over 1.5% of its GDP on them at that time, including public-works projects and school feeding schemes, as well as transfers and waivers. A more recent estimate puts India's welfare spending at 1.8% of GDP, including direct cash payments to farmers and others, facilitated by the spread of no-frills bank accounts under one of Mr Modi's signature schemes.

A number of goods distributed free, including rice, wheat and school uniforms, cannot explain India's 2% poverty rate, be-

cause they were purposely excluded from the headline consumption figures released in February. Purchases of subsidised goods are included only at their low, discounted price, which understates their impact.

Unheralded success

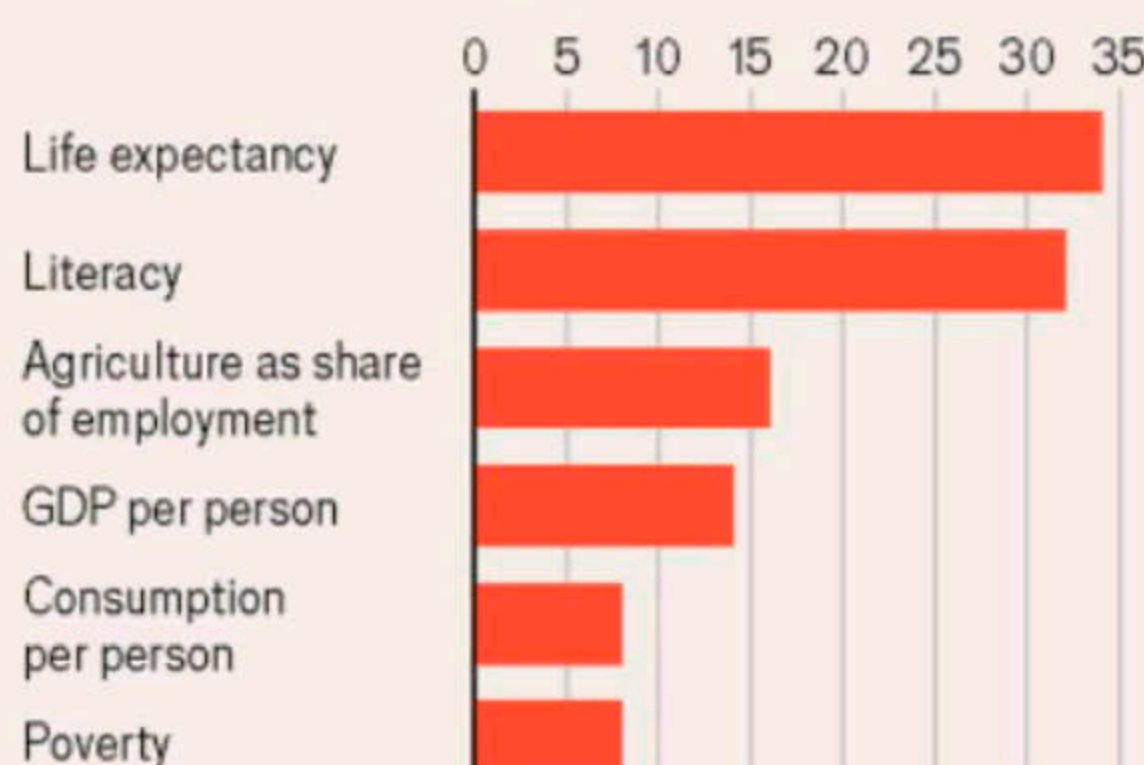
But India's efforts at redistribution have still made a difference to its poverty figures. The government's cash payments to small farmers would have appeared in the statistics, assuming they were spent. The same is true of subsidies to help poor women buy gas cylinders. One of the most prominent interventions is a workfare programme, known as the National Rural Employment Guarantee Act, which offers 100 days of minimum-wage work per year to rural households, building dams and digging ditches. Spending on this programme, which spiked during the pandemic, was budgeted at about 0.3% of GDP last year.

Critics worry that it has crowded out private employment. But Karthik Muralidharan of the University of California, San Diego, and his co-authors have shown that the scheme could raise both wages and jobs in the surrounding labour market, where employers had earlier had an incentive to underpay their workers, even if that meant attracting fewer of them.

Introduced in 2006 by the previous government, India's employment guarantee scheme might have fallen victim to the vicissitudes of party politics. But it was too popular to kill. The same is true of several other programmes introduced by the current government's political opponents. Rather than ditching them, Mr Modi has rebranded them and tightened up delivery, making use of the combined technologies of bank accounts, biometric identity cards and mobile phones. ("Computers are the

The precocious path

India, current levels of progress on selected indicators, lag behind China, years
2022 or latest available



Sources: World Bank; The Economist

► new *babus* [bureaucrats],” one woman, who lacked an identity number, complained to Ranjit Pal Singh of Data & Society, a research firm.)

The previous government tried to enshrine the poor’s claims on the state as “rights”—including rights to employment, food, information and education. Mr Modi has replaced that approach with something more transactional. He has made use of India’s newly direct welfare machinery to distribute goodies to the needy in his own name. That has made him popular. But it does not make his party unique or indispensable. The BJP has no comparative advantage in doling out welfare. Any leader can offer to throw money around: hence Mr Gandhi’s gigantic fiscal “splurges”. Insofar as the BJP’s appeal rests on its generosity with taxpayers’ money, it can be easily outbid by other parties.

What about the future of India’s poverty fight? It took China seven years to remove the final 2% of its population from poverty. It increased handouts to the worst-off households. But it did not entirely dispense with its “productivist” approach. Local officials found jobs for the poor in warehouses, agribusiness, security or sanitation. In one “model” community in Shaanxi province, poor households worked in a dried-tofu factory, according to research by Sarah Rogers of the University of Melbourne and her colleagues.

China’s government also tried to remove the chronically destitute from the social and geographical circumstances that kept them poor. This entailed a huge bureaucratic effort—monitoring, relocating, training—and a degree of bossiness that sometimes bordered on coercion. In 2016–20, China resettled 9.6m people, severing ties to the land in return for modern housing in closer reach of public services. “My kids tell me to move,” an elderly woman in a mountain village told Ms Rogers and her colleagues. “I still don’t want to move out. Here it’s cool, the air is good.”

India, for its part, has adopted a new measure of its progress which better reflects the dizzying variety of schemes it offers the poor. Its “multidimensional” poverty index, which it embraced in 2021, combines a dozen indicators, spanning health and education as well as material assets, such as animal carts and refrigerators.

The index counts people as poor if they suffer a combination of hardships, for example if their child is not in school, they lack antenatal care during pregnancy, or they must walk for more than 30 minutes to find safe drinking water. By this broader measure, India has made rapid progress, according to NITI Aayog, a government think-tank. But over 11% of India’s population still qualified as poor last year. That is a lot of voters for any new coalition government to please. ■

Myanmar’s civil war

Old ghosts, new nightmare

COX’S BAZAR

Rohingya are being forced to fight for the army that once massacred them

THE GUNMEN came for Abu Bakkar, a young Rohingya man, while he was hanging out with friends in the Kutupalong complex of refugee camps outside Cox’s Bazar in Bangladesh, close to the border with Myanmar. “You all have to go with us now,” they said. Out of fear, Mr Bakkar (not his real name) followed. The gunmen, he says, were members of the Rohingya Solidarity Organisation (RSO), an insurgent group that has sway in the camps. They told him he would need to “support” Myanmar’s armed forces. These are controlled by the junta that seized power in February 2021 by ousting Myanmar’s democratic government.

Mr Bakkar is one of many Rohingya, a persecuted Muslim minority people from Myanmar’s Rakhine state, who say they are being pulled into Myanmar’s spreading civil war. As the junta has lost ground to ethnic groups challenging its control of the country, the army appears to have turned to recruiting people it once massacred in an attempt to replenish its forces. It may also be trying to stir inter-ethnic tensions to help its campaign in places such as Rakhine, where its losses have been grievous. Even where it is doing neither, Rohingya with nowhere to run are caught in the middle of a spreading civil war.

Mr Bakkar says he was taken across the border to an army base in Maungdaw in Rakhine, where junta soldiers gave him

weapons and a fortnight’s training and sent him to fight against the Arakan Army (AA). The AA is an armed group which represents the Buddhist ethnic majority in Rakhine state. It is battling Myanmar’s army to win self-determination and has inflicted a series of defeats on the junta.

As Myanmar’s civil war has intensified, recruitment of Rohingya, often by force, appears to have become more common. As many as 5,000 may have joined the junta’s forces in Rakhine state, reckons the International Institute for Strategic Studies, a think-tank in Singapore.

One reason is the junta’s increasing desperation. In recent months the AA has seized control of at least nine of Rakhine’s 17 townships as well as most of the areas bordering Bangladesh. Myanmar’s army, which has also faced losses elsewhere in the country, is demoralised and depleted, including from desertions. In February General Min Aung Hlaing, the junta’s leader, activated a dormant conscription law to replenish troop numbers. Though the law applies only to those with Burmese citizenship, which most Rohingya have long been denied, they say they are being recruited anyway. The bitter irony is not lost on them: only seven years ago, the same armed forces that are now press-ganging them killed and raped thousands of their people and forced around 750,000 of them to flee to Bangladesh. The UN has called those events crimes against humanity.

The junta gets help from accomplices in the camps such as the RSO and other small-time militias, which have grown into powerful rival gangs by running extortion rackets and smuggling drugs. They have long terrorised the Kutupalong camps. The RSO denies involvement in forced conscription. Yet in late May two men were shot dead after they refused to come with ►►



No safe place

the RSO, according to their families. James Rodehaver of the UN reports instances of people swept up at night and taken away in hoods, their hands bound.

Weak security in the camps is a boon for the gangs. Bangladesh's Armed Police Battalion, which is charged with maintaining it, is failing to do its job, especially at night. It has links with criminal gangs. (Bangladesh's government denies this.)

Rohingya have also been recruited in Rakhine state itself, where around 600,000

still live, some in camps. They report being threatened or lured by the junta with false promises of citizenship or extra food. At least 60 have been killed fighting, says Nay San Lwin, a Rohingya civic activist. Rohingyas say that the AA also targets them for conscription and extortion in Rakhine. (The AA denies this.) Even when not conscripted, Rohingyas are caught in fighting between the junta and the AA, with both groups blaming the other for recent burnings of Rohingya homes.

The junta may also be aiming to stir ethnic tensions between Rohingyas and Rakhine, who are the majority in the state and dominate the AA. That is working, argues Thomas Kean of the International Crisis Group, a conflict-prevention outfit. The AA, though it denies abuses against Rohingyas, nevertheless refuses to recognise them as citizens of Myanmar, calling them "Bengalis". For the Rohingyas, the fighting in Rakhine is a new nightmare that contains the same old ghosts. ■

BANYAN

Underdog geopolitics

America cheers the Philippines' turn away from China. Beware of dangers ahead

"TRANSFORMATIVE", "HISTORIC", "eloquent": such are the compliments which American officials these days shower on Ferdinand Marcos, the Philippines' president. After a six-year dalliance with China by his predecessor, Rodrigo Duterte, Mr Marcos's re-embrace of America is a great geostrategic gift. Never mind the early doubts about his leadership and his effort to rehabilitate his late father, a Philippine dictator who fled to Hawaii in 1986.

"Bongbong", as the president is known, has padlocked the "first island chain" around China. From Hokkaido in Japan to Palawan in the Philippines, the line of American friends and allies may prove decisive in any future war.

For now the contest is in the grey zone, between peace and war. China's coastguard regularly harasses Filipino vessels with water cannon near disputed shoals in the South China Sea. But at the Shangri-La Dialogue, an annual defence talkfest in Singapore that ended on June 2nd, China got the political blasting.

Mr Marcos denounced China's "illegal, coercive, aggressive and deceptive actions". Lloyd Austin, America's defence secretary, concurred, calling China's behaviour "dangerous, pure and simple". A South Korean academic was cheered for asking Admiral Dong Jun, China's third defence minister in less than two years: "How can we trust you when your words and your actions are totally opposite?"

Indeed, Chinese military officials conveyed contradictory messages at the meeting. They sought to cast China as the responsible superpower, resuming military-to-military contacts with America and reassuring fellow Asians of China's peaceable nature. Yet they kept snarling at those who cross them. Tai-



wanese "separatists", foremost among them President Lai Ching-te, "will be nailed to the pillar of shame in history". Mr Marcos was "inviting wolves into our house and playing with fire". Both were being incited by America, the cause of "conflict and chaos in our region".

No words could reconcile China's claim to champion international law with its attempt to seize almost all of the South China Sea. In 2016 an international arbitration tribunal ruled that China's claims in the Philippines' exclusive economic zone breached the UN Convention on the Law of the Sea. (China calls the ruling "illegal".) Mr Marcos's policy of "transparency"—confronting the Chinese at sea and publicising the clashes—is a striking form of legal and information warfare.

Matters may be entering a more perilous phase, however. China's coastguard has threatened to start arresting "trespassers" in the regions it claims from June 15th onwards. If a Filipino were killed by "wilful" Chinese violence, Mr Marcos warned, that would be "very, very close to what we define as an act of war"; America would

"hold that same standard".

Hearts may cheer Bongbong's daring, but heads must question his reckless words. He cannot enforce his red line. America will not go to war over a dead fisherman. "Very foolish," thought one prominent attendee. "Hollywood" bravado, snorted another. As ever with allies, the weaker one fears abandonment and the stronger dreads entanglement. Mr Austin had to paper over the gap. He said America's defence treaty with the Philippines was "ironclad", though "Our goal is to make sure that we do not allow things to spiral out of control."

For all its economic and military power, China is hobbled by ideology. Unwilling to give an inch on dubious "historic rights", even in minor shoals, China disappointed Mr Duterte and pushed Mr Marcos into America's arms. Bewildered Chinese officials seek conspiracies to explain this turn of events. They should instead look in the mirror.

The cost of China's boneheadedness is clear. America, Japan and Australia are hastening Philippine forces' shift from counter-insurgency to territorial defence. America has gained access to nine Philippine bases, some facing the South China Sea and Taiwan. In recent exercises there, it deployed for the first time a new missile system able to hit China. In the event of war—over, say, an invasion of Taiwan—Chinese forces could be fired upon from more places and find themselves bottled up in home waters.

Yet uncertainties abound. America cannot be sure which allies will really fight. Mr Marcos's successor could flip back to China. And Donald Trump, should he be elected president this year, could throw it all away in his disdain for needy American allies. After all, China has shown how easy it is to lose friends.

China



Second-tier cities

The bright side of China

CHENGDU

Eight great cities embody growth, optimism and the good life

NEARLY 12M STUDENTS will graduate from Chinese universities this month. Where they go after that is increasingly difficult to predict. For decades graduates were drawn to the same four cities: Beijing, the capital; Shanghai, a financial hub; Shenzhen, a tech centre; and Guangzhou, an export powerhouse. There were opportunities in these places. Their economic heft exceeded that of other Chinese cities. Their public services were better, too. And they were huge, with populations that now range from 13m (Shenzhen) to 26m (Shanghai). As a result, they were dubbed “first-tier” cities. Chinese flocked to them.

Now, though, a large number of graduates are looking beyond the top tier. In recent years China’s lesser-known cities have proved more magnetic. These rising metropolises come from the ranks of the second tier. There are 31 cities on this level, according to the government, which sorts them based on criteria like population and income level. Not all are thriving, but many stand out for their dynamism, culture and

quality of life. Some are developing in ways that other Chinese cities might emulate.

The list of risers includes places from across China. In the west, Xi’an, Chengdu and Chongqing are attracting young tech workers and social-media influencers. In the centre, Wuhan, Hefei and Changsha are home to entertainment companies and electric-vehicle manufacturers. Nanjing and Hangzhou in the Yangzi river delta feature venture-capital firms and startups. Some people refer to these places (and others) as “new first-tier” or “1.5-tier” cities. But we’ll call them the “great eight”—a group that is gaining ground on the “flagging four” of old.

These eight tend to have fewer people

than the four behemoths. But their populations are growing faster (see chart 1 on next page). China’s overall birth rate has fallen to below replacement level, which means its population of 1.4bn is shrinking. The number of people in first-tier cities has grown by just 1.7% on average over the past four years. In the great eight there was growth of 18%. These cities are already giants by Western standards, with an average population of around 10m.

While some of their new inhabitants come from rural areas, many migrate from other cities. A recent survey by Zhaopin, a recruitment company, found that white-collar workers preferred leading second-tier cities to bigger or smaller alternatives. One reason is the infrastructure, which is already high-quality—and improving. Dotted with skyscrapers, these cities feature four of the ten tallest buildings under construction worldwide. Over the past five years, the total length of their subway networks has doubled.

As Beijing and Shanghai grew, in some ways they became less welcoming to outsiders. Both cities strictly enforce China’s *hukou* system of household registration, excluding non-locals from schools and city pension schemes. Even if newcomers could settle down, they would have trouble affording a home. In first-tier cities median house prices are typically 30 to 40 times higher than median incomes.

In contrast, most second-tier cities have ►►

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flung open their doors by largely scrapping *hukou* restrictions. They even offer incentives to come. Changsha is giving “national top talents” a 1.5m-yuan (\$200,000) reward to move there. Hangzhou is offering start-up founders with PhDs up to 15m yuan in funding. Those who do not qualify for such payments may still see a financial benefit in moving to the second tier, where housing is much more affordable (see map).

This new migratory flow has coincided with changing attitudes among young Chinese. Salaries tend to be higher in Beijing and Shanghai, but these days many youngsters are prioritising quality of life. Whereas first-tier cities have become associated with the “996” culture—meaning a work schedule of 9am to 9pm, six days a week—jobs in leading second-tier cities tend to offer a better work-life balance.

Just ask Gong Zhenghua, a young tech worker who moved to Chengdu after years in Guangzhou and Shanghai. His new home offers shady tree-lined canals and spicy hotpot restaurants. His wages are lower, but he can afford to rent an apartment that is three times bigger than his previous one. He is enjoying life more. Mr Gong hopes to buy a house and start a family soon, goals which seemed unfeasible in the first-tier cities.

Whereas Mr Gong had to move in order to improve his life, others are simply staying put. Cities from the great eight often top rankings of “stickiness” for university graduates, or the proportion who choose to work in the city where they studied. That, in turn, adds to these cities’ dynamism. All of them have universities that rank in the top 5% in China.

The great eight account for about a tenth of China’s GDP, which grew at an average annual rate of 6% over the past decade. The growth rate in first-tier cities was about that, too. But the leading second-tier cities sped ahead. Their economies grew



by 7.2% per year on average (see chart 2).

Hefei is sometimes seen as having established a model for second-tier cities. Using a mix of local-government investment, industrial policy and private-sector encouragement, it has cultivated industries like high-end manufacturing, electric vehicles (EVs), biotech and semiconductors. Being home to the University of Science and Technology of China (USTC), the country’s top tech college, as well as other good schools, has also helped. The local government draws on this pool of talent: it is stocked with engineering and science graduates. Volkswagen, a German carmaker, has praised the business environment. It already has two manufacturing plants in the city. Now it is spending another \$2.7bn to expand its innovation centre in Hefei to further its EV ambitions in China.

Hefei’s state capitalists have shown unusual daring in their investments. That is something other cities might copy. Indeed, some in the great eight are doing similar things. Nanjing, for example, has focused on technology firms, poaching many that have left Beijing in recent years. It lures them with good infrastructure and generous subsidies. Both it and Hefei have fast-growing venture-capital sectors.

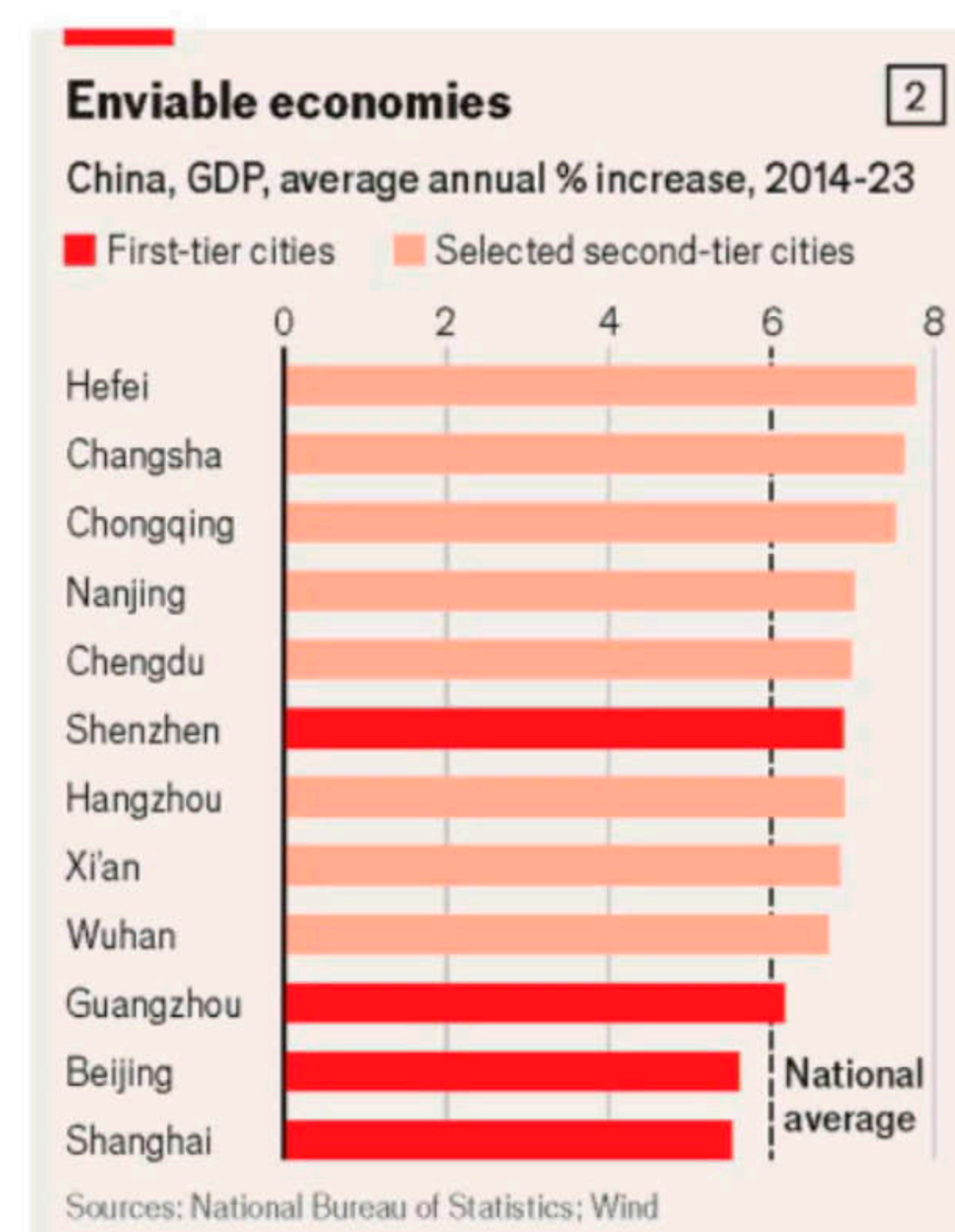
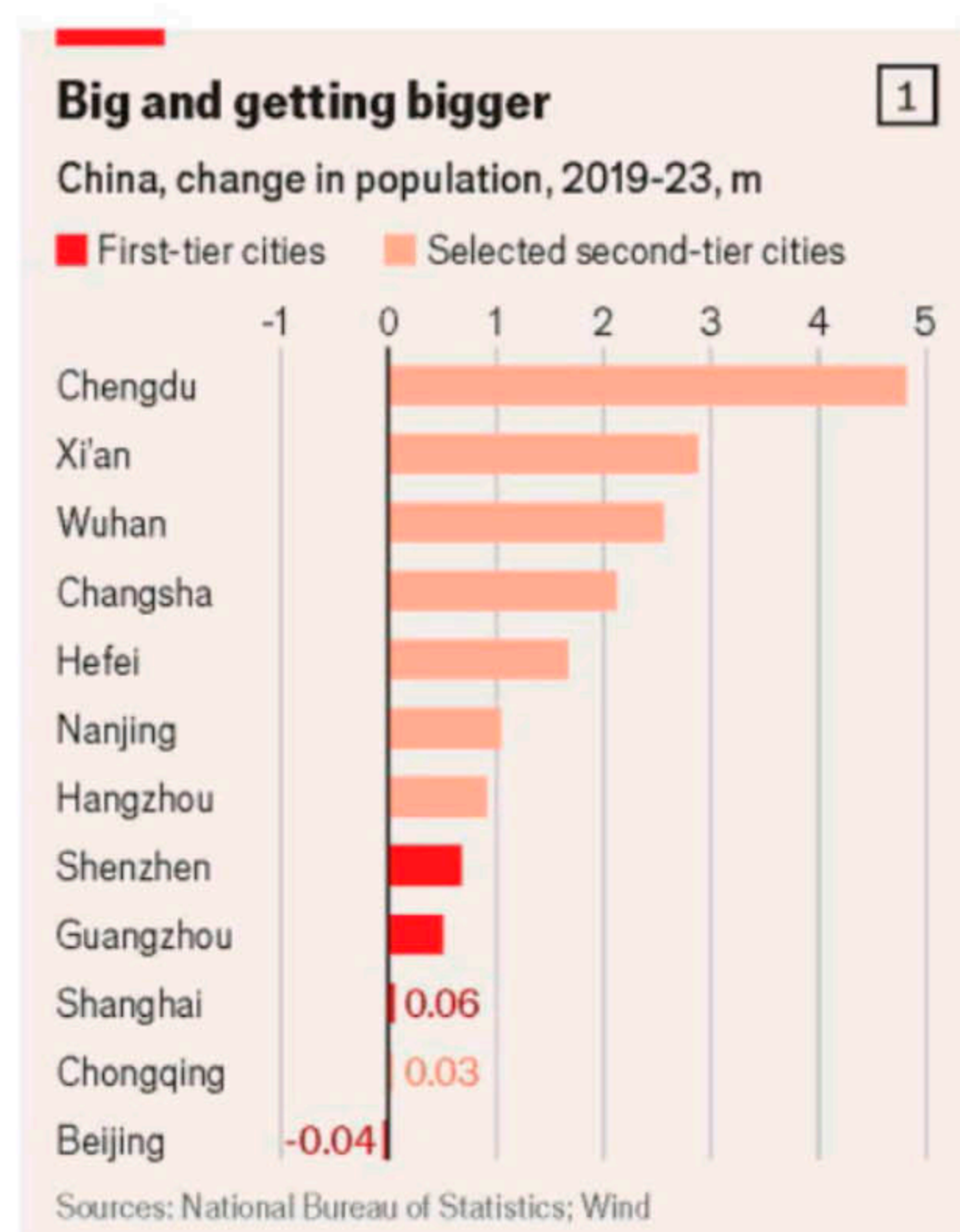
Other members of the great eight are charting their own course. One such city is Chengdu. Economists often criticise China for relying too much on manufacturing and not rebalancing towards higher-value services and consumption. China’s leaders, who like factories, tend to ignore such advice. But Chengdu has embraced it. Over the past decade the service sector’s share of GDP in the city has risen from 50% to 68% (the national average is 55%). Chengdu’s service firms are growing more than twice as fast as its manufacturing ones. It is a showcase for how China’s cities can

build a more balanced economy, says Robin Xing of Morgan Stanley, a bank.

Cultivating the softer side of the economy also has cultural benefits. Chengdu’s music industry is booming thanks to a thriving hip-hop scene—and government support. Officials have a five-year plan for the industry, which they hope will be worth 100bn yuan by 2025. The city also attracts throngs of tourists and internet celebrities, who film themselves eating, drinking and dancing. When your correspondent visited Chengdu’s bar district—strictly for the purpose of reporting—it was far busier than the most popular drinking area in Beijing. A number of cities in the great eight have a more liberal vibe than those elsewhere in China.

But they also have disadvantages. Being inland, they will always struggle to attract more investment than China’s coastal cities. Exporters are more likely to build factories near ports. Most of those in the second tier are also still behind in the services they offer. Some businessmen complain that the officials on the other end of government hotlines in second-tier cities are less responsive than those in the first tier. Executives would still rather send their children to school in Beijing or Shanghai.

In order to continue their ascent, the great eight must keep investing wisely in themselves. Tianjin offers a cautionary tale of how it could all go wrong. The once-vibrant city near Beijing has a busy port and good universities. But corrupt officials wasted funds on a new financial district and a high-tech zone, both of which remained empty for years. Rising labour costs took away its advantage in manufacturing. Since 2017 Tianjin municipality has gone from being China’s sixth-biggest city by GDP to its 11th. Its population is shrinking. The great eight have come a long way. But there is no guarantee that they will continue to rise. ■



The gaokao

Scoring political points

Changes to the university-entrance exam are about politics, not fairness

STARTING ON JUNE 7th millions of young people will sit for the world's largest academic test. China's university-entrance exam, known as the *gaokao*, is punishingly difficult. Students spend endless hours cramming for it. But it is also meant to be meritocratic. Work hard, score well and, no matter what your social background, you can get into a good college.

Yet the test is administered in ways that do not seem so meritocratic. Local governments are allowed to produce their own versions of the *gaokao*, with different questions and scoring methods. Students in elite cities, such as Beijing and Shanghai, enjoy an easier route into local universities, which include some of the country's finest.

The maximum possible score on the *gaokao* can change from year to year and may vary according to province, but it is usually 750. Most provinces give extra points (ranging from five to 20) to certain groups, such as military veterans and Chinese who return from overseas. Until recently, some provinces showered points on students who exhibited "ideological and political correctness" or had "significant social influence". But such arbitrary criteria led to corruption and calls by the central government to phase them out.

Unsurprisingly, the extra-points system has bred resentment among those who receive no help with their scores. Lately their ire has been directed at members of minority groups, who have long been awarded bonuses simply on the basis of their ethnicity. The policy, begun long ago, aims to assimilate minorities into the dominant Han culture. But some Han, who make up over 90% of the mainland's population, wonder why communities that nationalists paint as often disloyal and ungrateful should receive such an advantage.

The state itself has backed away from the policy in recent years. In 2014 the central government indicated a desire for it to be re-evaluated. Since then a number of provinces—such as Anhui, Jiangsu, Shandong and Shanxi—have stopped giving extra points to minority students. Last month Henan joined them. In provinces where the policy is still in place, adjustments are being made. This year Hunan and Fujian have reduced the extra points that minority students can get, with the aim of removing the system soon. Even in Inner Mongolia, home to a large ethnic-Mongol population, the bonuses are shrinking.

Under Xi Jinping the Communist Party has promoted the idea of a single Chinese identity, an effort that has involved tramplng on the freedoms of minority groups and abolishing affirmative-action policies. But the authorities justify the latest moves as a way to promote "exam equality" and prevent cheating in the admissions process. Officials also claim that the schools in regions with big minority populations have improved so much that the bonuses are no longer needed to even things out.

That is questionable. Students from minority groups still lag behind their Han peers. And if the government were so concerned about fairness, it would do away with other extra-point schemes, such as the one targeting Taiwanese students in an attempt to lure them to mainland universities. But none of this is likely to make young Han cramming for the *gaokao* feel any less anxious. ■

Flying cars

Low altitude, high ambitions

It's a bird, it's a plane...it's a Chinese flying car

IN HIS state-of-the-nation address earlier this year, China's prime minister, Li Qiang, spoke of fostering new engines of economic growth. In particular, he mentioned "the low-altitude economy". The phrase conjures images of flying cars, which might seem like science fiction to some. But in this area China is moving faster than most countries. Makers of flying cars, or electric vertical take-off and landing (eVTOL) vehicles, have been getting



Need a lift?

the green light from the government.

The vehicles often look like very big consumer drones. Some are designed to be autonomous, meaning no pilot is needed. One model, the EH216-S made by EHang, a company in Guangdong province, was awarded a "production certificate" in April by the Civil Aviation Administration of China (CAAC). That allows the firm to start mass production. The EH216-S is the first flying car to receive such regulatory approval anywhere in the world.

EHang has competition in China. An eVTOL from AutoFlight, a Shanghai-based firm, obtained a "type certificate" from the CAAC in March, signifying approval of its design. A model from XPeng, also based in Guangdong, is going through type certification. Hot on their rotors is Vertaxi—its eVTOL had its maiden flight in October.

There is foreign competition, too. But China accounts for 50% of the world's eVTOL models, much more than America (18%) or Germany (8%), according to China Merchants Securities, a bank.

China has two big advantages. The first is the country's edge in electric-vehicle technology, some of which is transferable from the driving sort to the flying sort. Batteries are especially important. The ones in eVTOLs must be light and high-capacity. China is home to the world's biggest battery-makers. The leader, CATL, is wrestling with the challenges posed by flying cars.

The second advantage is enthusiasm from the government. It aims to set up what it calls "demonstration zones" of the low-altitude economy in areas such as the Pearl river delta and Yangtze delta by 2025. It is not entirely clear what these zones will entail, but the city of Shenzhen (in the Pearl river delta) plans to build more than 600 take-off-and-landing pads for low-flying aircraft by 2025, according to Xinhua, the country's official news service.

The government is already thinking about how to manage the airspace once drones and eVTOLs really take off. Shenzhen has mandated the establishment of a "co-ordination mechanism" for low-altitude flights, one that would delineate the airspace. To the north, Nanjing has said it will open up 120 low-altitude flight paths by 2026. The CAAC will have a say in all this, too. In December it designated two new bands of low-altitude airspace for use by drones, helicopters and eVTOLs.

For now, eVTOL firms in China are targeting niche-use cases, such as sightseeing and emergency services. The majority of orders received by EHang have come from businesses or the government. But in the future the company hopes to offer flying-taxi rides at a similar price to cabs on the ground. The government has been encouraging. While Western regulators are taking a relatively cautious approach to eVTOLs, China is flying ahead. ■

CHAGUAN

*China unites America and Europe in alarm**But they don't agree on whether that means China should be constrained or engaged with*

REMINDEES OF A wicked world are multiplying at the Arvfurstens Palace in Stockholm, stately seat of Sweden's foreign ministry. A bronze briefcase, bearing the initials RW, has for some years stood outside the front door. It honours Raoul Wallenberg, a young diplomat who used his country's profitable—and at times shameful—tradition of neutrality to save thousands of Jews in Nazi-occupied Hungary with Swedish “protection passes” he had crafted, before he vanished into the prisons of the Soviet Union. Of late, four large flags also adorn the stone-floored entrance hall. Three reflect Sweden's proud self-image as a champion of free trade, development aid and international co-operation. These are the Swedish flag, the flag of the European Union and the United Nations standard. The fourth is new: the flag of NATO, the defence alliance that Sweden joined in March. The country was jolted out of 200 years of neutrality by Russia's invasion of Ukraine.

Russian aggression led Sweden (preceded by Finland, which joined NATO a few months earlier) to bind its security, formally, to that of the American-led West. Sweden's resolve, and that of like-minded European governments, has been strengthened by what China did next. In late May Chaguan attended the Stockholm China Forum, a closed-door meeting of American and European officials, business executives and analysts, as well as Chinese scholars. Your columnist has attended these forums since 2008. This one stood out for a convergence of views over the challenge that China poses to the global security and economic order.

Participants expressed alarm over China's support for Russia's arms industry. They reported the seeming indifference of Chinese leaders when told by Western visitors that help for Vladimir Putin's war machine undermines security in Europe. China has so far paid no real cost for its supplies of dual-use components that go into Russian missiles, drones and tanks, the gathering heard. Instead, Chinese diplomats offer Europeans bland denials, Kremlin talking-points about the West provoking the war, and what a participant called implicit hints that “you should be glad we are not doing more”. Speakers described unsubtle Chinese attempts to split Europe from America, and to play divide-and-rule among EU member countries. The forum heard of a Chinese visitor telling a

European official, in effect: Donald Trump will be back in the White House, Russia is winning on the battlefield, so why not dump Ukraine and come with us?

There was much talk of Europe's interests beyond its neighbourhood. In an on-the-record speech to the forum, Sweden's foreign minister, Tobias Billstrom, called Russia's invasion an “irreversible turning-point” for Sweden's foreign and security policy. He added that his country has a national interest in a stable Indo-Pacific, including in the Taiwan Strait. “If international law is called into question in one part of the world, that concerns all of us,” explained the minister.

In EU debates about whether to impose tariffs on Chinese battery-powered cars and other green technologies, Sweden joins a free-market camp worried that France and other advocates of tariffs may trigger a full-blown trade war. But even free-trade champions like Sweden back “de-risking” with China, meaning measures to reduce dangerous dependencies that harm economic security. Alas, China has no intention of co-operating. Its ruler, Xi Jinping, calls it a useful deterrent for countries to be dependent on China. More broadly, he and his aides concede no ground when European leaders ask about overcapacity in key export sectors.

For all the signs of convergence between America and Europe, important differences may be seen. The EU calls China “a partner for co-operation, an economic competitor and a systemic rival”. It matters greatly that this tripod has now gained a fourth leg, with several Europeans in Stockholm declaring China a full-blown security threat. Yet it also matters, a lot, that America's vision of relations with China has lost its leg marked “partner”. The Biden administration is still trying to avoid conflicts and to co-ordinate work with China on climate change, drug-smuggling and other global issues. Examples of active co-operation are now rare.

Then there is the election in America this November. The China agenda of a new Trump administration would overlap on trade with Biden-era policies. But the forum heard of ways in which political tensions could soar unpredictably, for example if Mr Trump appoints China hawks who release American intelligence on the wealth of Chinese leaders and their families, or impose entry bans on Communist Party officials. That would stoke fears in Beijing that America is bent on all-out regime change.

Economic security v national security

On trade, big differences loom. Europe still wants China to grant more reciprocal market access. American officials are more focused on tariffs, tougher investment-screening rules and export controls. Several European governments are wooing Chinese electric-vehicle (EV) makers and battery manufacturers to open plants in their countries. In effect, they will accept dependency on China in strategic industries as a price worth paying for new jobs and affordable green technologies. On the American side, with the Biden administration imposing 100% import tariffs on Chinese EVs, the logic is closer to decoupling. Leaders of both American political parties have little or no faith in the World Trade Organisation, seeing it as unable to constrain unfair Chinese practices. Most European governments are not ready for a post-WTO world.

On each Atlantic shore, trust in China is falling. Despite that convergence, Europeans see no way to stabilise the world without engaging with China as a partner. In contrast, America increasingly sees China as a bad actor whose ambitions will make the world worse. On the sunniest Stockholm day, storm clouds lurk. ■

Middle East & Africa



South Africa's election

Long talk to freedom

CAPE TOWN

The ANC is debating whether to embrace populism or pragmatism

MEETINGS OF THE African National Congress (ANC) are a mix of materialism and narcissism. The fancy SUVs parked outside any gathering hint at the spoils of office enjoyed by South Africa's ruling party. Inside there will be a self-indulgent atmosphere: regalia and songs that hark back to the anti-apartheid struggle; discussion about the meaning of transformation, liberation, revolution and renewal. There are few things that the ANC enjoys more than talking about the ANC. There is enough navel-gazing to require an army of chiropractors.

How the ANC sees itself—and its self-interest—will determine the future of South Africa. On June 2nd electoral officials announced that Africa's oldest liberation movement had taken a licking at the election four days earlier. The ANC won 40.2% of the vote, down from 57.5% in 2019. It has until June 16th—the deadline for parliament to elect a president—to cut a deal to stay in power. On June 5th an ANC

spokesperson said the party had approached all the major opposition parties and sought a “government of national unity”. But in the end it will almost certainly have to make a choice. It will need to decide whether to lean towards pragmatism, by working with the main opposition party, the Democratic Alliance (DA), which came second with 21.8%—or to team up with a dangerous populist party.

Cyril Ramaphosa, South Africa's president, struck the right notes after the results were announced. “Our people have spo-

ken, whether we like it or not,” he said, praising the elections as “free, fair and peaceful”. He added that South Africans “expect the parties for which they have voted to find common ground”.

The contrast with his predecessor, Jacob Zuma, was stark. The former president's uMkhonto weSizwe (MK) party came third with 14.6%, the highest share for any new party in a post-1994 election. But he still pushed his own version of the big lie, saying “the results are not correct” and warning that the independent electoral commission was “provoking us”. The sinister implication was that his fans might cause violent riots, as they did in 2021 after he was imprisoned for contempt of court.

Allies of Mr Ramaphosa suggest that the president would prefer to do a deal involving the DA. They argue that any agreement with MK, which wants to undo the constitution that he helped negotiate in the 1990s, would undermine his legacy. They add that a deal with the Economic Freedom Fighters (EFF), another ANC offshoot, which came fourth with 9.5% of votes, would undermine his agenda. In recent months there has been some progress on economic reforms.

The EFF, which sees “white monopoly capital” as the cause of South Africa's problems, and wants to nationalise swathes of the economy and erode the independence of the central bank, would quash any hope

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of further progress. A deal with the DA, Mr Ramaphosa's camp believes, could lead to improvements in the economy and public services—and therefore give the party its best chance of regaining votes at the national elections in 2029.

An agreement with the DA could take several forms. The most minimal would be a “confidence and supply” deal whereby the DA supported Mr Ramaphosa at the head of a minority government (the confidence bit) and backed certain things like budgets (the supply). The most extensive would be a full-blown coalition, either between the ANC and DA or, more likely, one involving other parties as well, such as the Inkatha Freedom Party, a Zulu nationalist outfit. In return the DA could ask for cabinet jobs or a greater say in parliament, for instance by having the speakership.

Any alliance with the ANC has risks for the DA. The closer it gets to the ruling party, the more it might horrify its own voters. They might have to swallow being in a government that endorses race-based policies such as affirmative action that are cherished in the ANC but opposed by the DA. It might also have to work with figures it distrusts; the DA recently asked the police to investigate corruption allegations against Paul Mashatile, Mr Ramaphosa's deputy.

You can check out any time you like

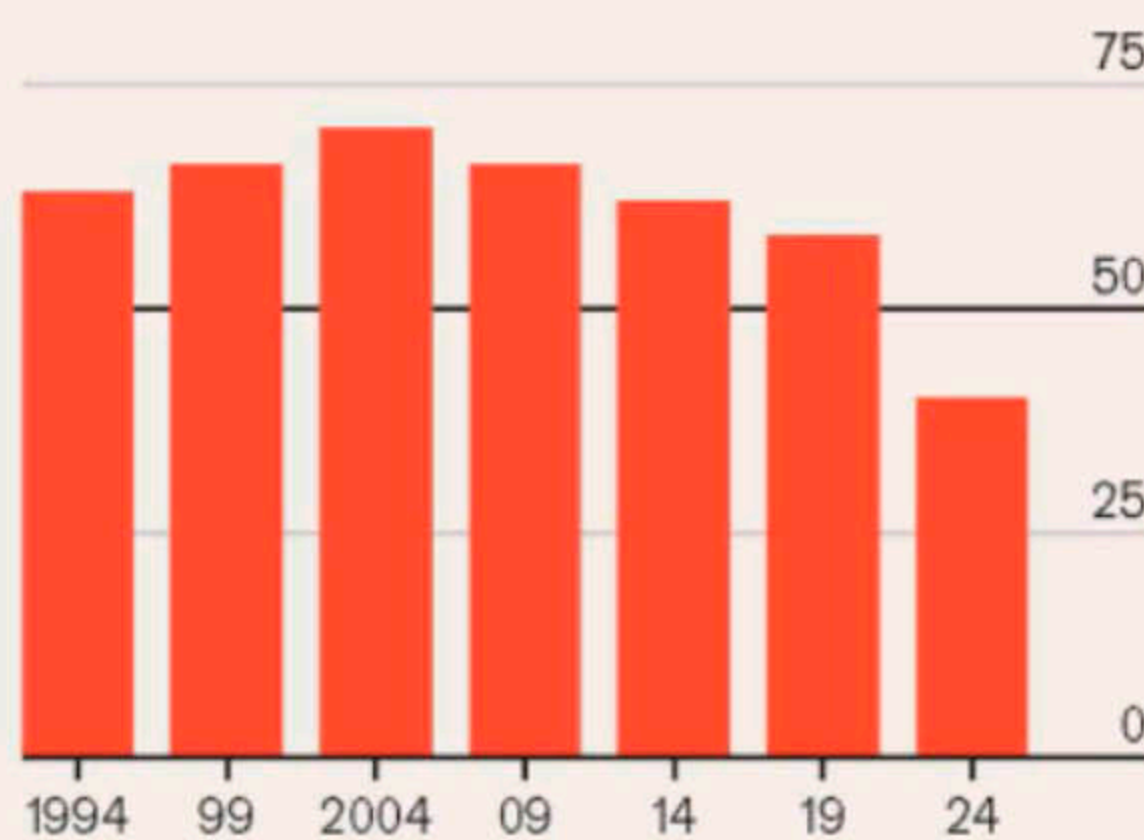
But DA insiders believe there are ways of minimising the damage. For example Afrikaans-speaking DA voters might be less liable to defect if their most logical destination, an Afrikaner party called the Freedom Front Plus, were also part of any government of national unity. Ultimately those at the top of the DA believe that having the EFF or MK in national government is a sufficiently atrocious prospect that it has to try to keep them out.

The biggest obstacle to a pragmatic government is not the DA but the ANC itself. The obstacles are both material and ideological. Some figures at the top of the party, such as Gwede Mantashe, the energy minister and ANC chair, might fear that the DA would either want them out of cabinet or block their pet projects. Other bigwigs, including several regional power-brokers in the party, reportedly worry about what ANC voters will think if the party does a deal with the “white party”, as the DA is often viewed. The leader of COSATU, a federation of unions allied to the ANC, has said he opposes a deal with the DA because it is critical of a minimum wage.

For many in the ANC there is a natural affinity with the EFF, which is seen as part of the broad church that is African nationalism. Mr Mantashe suggested that the votes awarded to MK and the EFF in fact demonstrated how the ANC's legacy remained attractive. There is some logic to this: the combined share of the three par-

The ANC slide

South Africa, ANC vote share in national elections, %



Source: Electoral Commission of South Africa

ties (64%) was roughly the same as what Nelson Mandela's ANC got in 1994 (63%). There will be many within the ruling party who see a coalition with the EFF or MK as a prelude to reuniting these breakaway elements with the ANC. By this argument the best way to regain ANC voters is to absorb other parties, rather than improve its record in office.

That misses the obvious lesson from the election: that the ANC has been punished for governing badly. In his six years as president, Mr Ramaphosa has tried hard to keep his party together. His desire for consensus within the ANC has slowed his stated efforts to end graft and promote reform. He focused on party unity because he felt it was the best way to keep the presidency and for the ANC to stay in power. The election results suggest that his softly-softly approach has failed. The next week will show whether he has learned his lesson—and finally stops indulging his party's worst instincts. ■

Basketball in Africa

Shoot for the hoops

DAKAR

America's National Basketball Association is betting big on Africa

SPORT OCCUPIES a hallowed place in the history of pan-Africanism. The Confederation of African Football (CAF), which runs African football and, in particular, the African Cup of Nations (Afcon), was founded as far back as 1957. That was six years before the birth of the Organisation of African Unity, the precursor to the African Union. Over the years the CAF lent its support to anti-colonial liberation struggles across the continent, including against apartheid in South Africa.

Its record of nurturing African football has been less triumphant, however. Africa's

best talent plays in European football leagues, yet no African side has ever made it to the semi-finals of the World Cup. Though the Afcon increasingly attracts money and global viewers, there is still no high-profile pan-African league to speak of. To flourish professionally, the continent's best footballers must leave it.

A new era for African sport may, however, be taking shape—and it can be found in a new 15,000-seat basketball stadium in Senegal. Last month the Dakar Arena, which was completed in 2018 at a cost of more than \$100m, hosted the Sahara Conference, one of the three divisions of the Basketball Africa League (BAL), the continent's premier basketball competition. Based in Dakar, the BAL is the brainchild of the International Basketball Federation, the sport's global governing body, and NBA Africa, the North American basketball league's regional subsidiary, which was valued at \$1bn when a private-equity firm bought a stake in 2021. With 12 national-league champions competing for a pan-African title—the finals were played in Kigali, the capital of Rwanda, on June 1st—the basic model emulates Europe's football Champions League. It is also the most ambitious attempt so far to build a continent-wide professional sports league.

The NBA has long aspired to enter new markets as the business of sport has become more competitive. Thanks in large part to its success in popularising the game in China, basketball is probably the world's second-favourite sport, after football. The NBA has organised exhibition matches in China since 2004, and a series of “global games” since 2013. The BAL, however, is its first attempt at running a league outside North America.

The new championship has thus attracted considerable interest. It counts Barack Obama among its investors and Nike among its sponsors. Other sports are taking note. America's National Football League (NFL) began hosting its first official events in Africa in 2022. Like the NBA, which has set up youth-training facilities, including its first basketball academy in Africa in Senegal in 2017, the NFL now organises camps to scout for talent on the continent. Meanwhile the CAF's latest attempt at a pan-African football league is set to adopt the BAL's three-way regional format later this year.

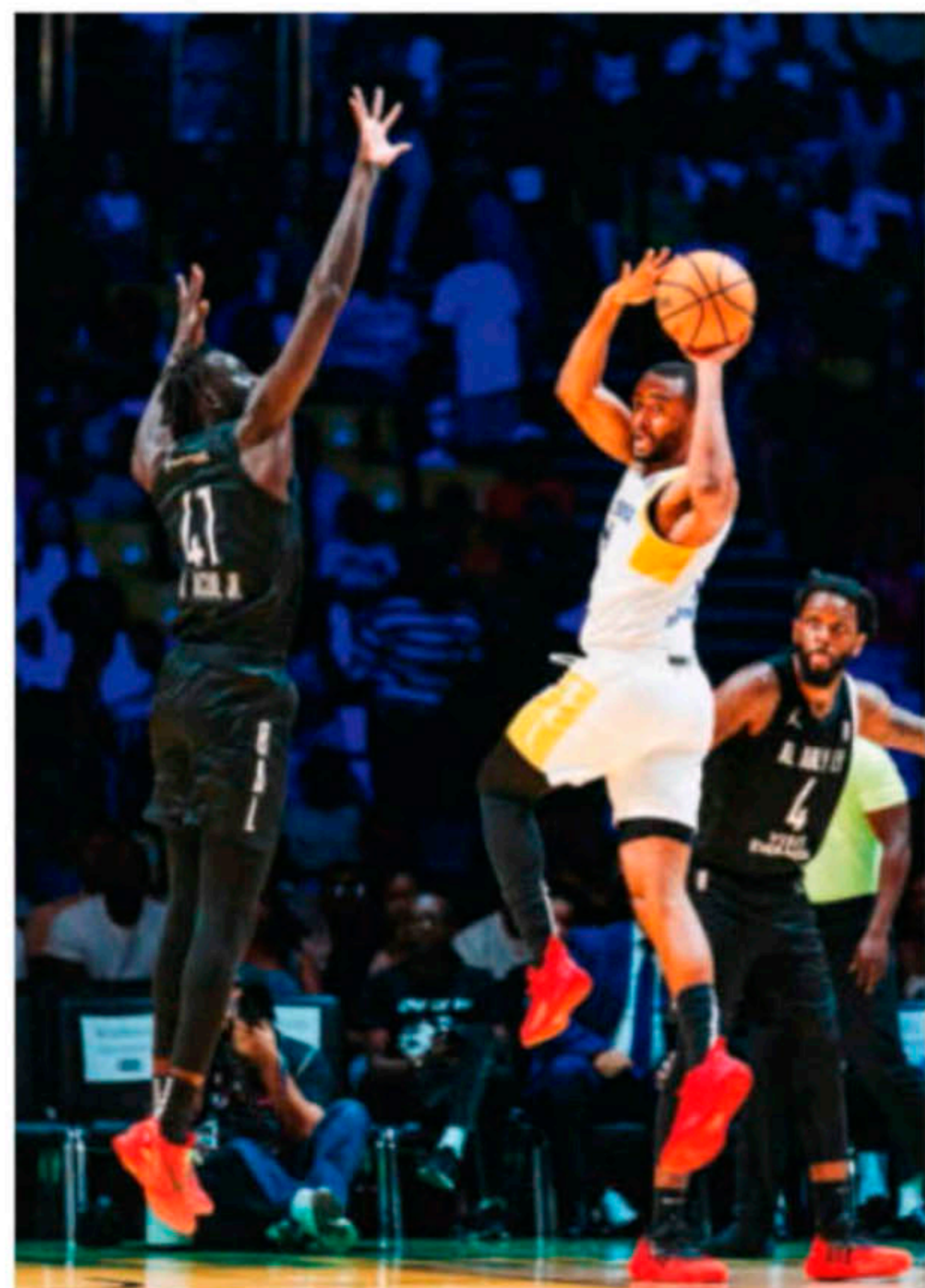
Governments are paying attention, too. The African sports market could be worth more than \$20bn a year in revenue by 2035, reckons Oliver Wyman, a consultancy, up from about \$12bn today. Basketball has the potential to be a lucrative slice of it. It was with such financial rewards in mind that Rwanda unveiled its own swanky arena in 2019. Nigeria, Kenya, Benin and Uganda are following suit. “Our league is starting to open eyes to all this untapped economic

potential," argues Amadou Gallo Fall, the BAL's president.

Africa, which has the world's youngest population, is an obvious place for basketball to bloom. Unlike American football, it can be played almost anywhere. And unlike cricket or rugby, it is not associated with former colonisers. Indeed, the NBA itself has an increasingly African flavour. More than 50 of its current players were either born in Africa or have at least one parent from the continent, including Joel Embiid from Cameroon, who last year won the NBA's Most Valuable Player award. In Senegal, "it is now football first, basketball second," enthuses a fan outside the Dakar Arena. "So many young people dream of playing in the NBA."

The goal is for all young Africans "to be able to play here professionally without having to leave", says Mr Fall. To encourage the development of local talent, the BAL enforces strict limits on the number of foreigners each team can field. The strategy seems to be working. Simon Rofe of the University of Leeds notes that already a number of African players have left European clubs and returned to the continent in order to join the BAL.

However, the league faces a number of hurdles. Although attendance at games went up by 71% last year, many games are played to half-empty arenas. Mounting losses are depleting the capital that was raised from investors in 2021, according to a report by Bloomberg, a news agency. And investment is still needed in much of the basic infrastructure, including courts and coaches. Mactar N. Ndiaye of the SEED Project, a Senegalese sports and education charity, reckons the league will be the "locomotive" to power the sport's growth. But first it must build the tracks. ■



Aiming high

Kenyan exports

Avocado champ

BURGURET

A clement climate and a go-ahead spirit presage a fruitful future

LOOK BEYOND the lions and elephants. Resist the cups of coffee and tea. Hail instead Kenya's latest success story: the firm but luscious avocado pear, now climbing up the list of Kenya's exports. Already the biggest African avo-exporter, well ahead of South Africa, Kenya has been expanding its sales to Europe and is trying to push into the mass markets of India and China. "We are number five [in the world] in avocado exports and can easily get to number one," says Simon Chelugui, Kenya's minister for co-operatives.

Mr Chelugui may be behind the times. According to the latest estimate of the UN's Food and Agriculture Organisation (FAO), Kenya reached number three in exports last year. It is still far behind Mexico, the unchallenged giant, and Peru, the runner-up. But the volume of Kenya's exports shot up last year by 24%, the steepest climb of any big producer.

Kenya is lucky in climate and location. Avocados grow best at altitudes of around 1,500-2,100 metres above the sea. Kenya also scores well in sustainability. Thanks to its heavy rainfall in the highlands (1,000 millimetres a year in some orchards), no extra water is needed, except in the dry season, which lasts around four months. Most farms use less than 100 litres to grow a kilogram of pears, far below the world average. The equatorial sunlight, unchanging through the year, is also beneficial, so "the pears can grow by day and go to sleep at night", as a jovial bigwig puts it at Sunrise, a leading Kenyan avocado exporter.

Kenya is also well placed as seasons go: it can send its avocados onto the global market before many of its rivals' pears have ripened. With two rainy seasons in some areas, luckier orchards have a double harvest, stretching the period when Kenya can sell the fruit. And its entrepreneurial smallholders are catching on fast. A well-tended avocado tree can bear a decent crop within a few years.

The modest wages of farm workers, whose official minimum is around \$57 a month against \$280 in Peru, is another plus, though some of Kenya's bigger growers pay more than \$90. You can buy a ripe avocado in a Kenyan rural market for as little as ten Kenyan shillings (about eight American cents). Supermarkets in Britain sell a single pear for the equivalent of about \$1-2 depending on global prices, which fluctuate according to the season.

Moreover, demand is growing. Though Americans wolf down 44% of global imports, the European love affair with the avo, which accounts for 27% of the total, looks ardent too, says the FAO. Last year Germans ate 10% more than in the year before and Poles 24% more.

There are snags, though. Mr Chelugui warns that Kenya will rise in the global stakes "only if we maintain global standards relating to crop husbandry, traceability and sustainability, as every fruit exported carries Kenya's reputation." Kenya has been accused of sometimes shoving unripe avocados onto the market. Last year the country's agriculture authority briefly banned exports because some farmers, especially smallholders lacking the technology to keep stored pears at the right temperature or keep their trees correctly watered, were selling immature ones with tastelessly tough flesh to exporters.

Shipping is also a tricky affair. Temperatures need to be carefully maintained and monitored. With the Red Sea out of bounds because of ructions related to the Gaza war, the longer voyage around South Africa adds to the cost and to the risk of the fruit perishing. Even so, a country already on the map for its high share of renewable energy is now also seeing a different sort of green economy thrive. ■

Israel and Gaza

A glimmer of hope

JERUSALEM

Israel's first plan for ending the war in Gaza is revealed

THE TIMING of Joe Biden's speech on May 31st seemed deliberate. It was broadcast on Friday, shortly after sundown in Jerusalem. Israeli cabinet ministers from the religious right would be off their phones and unable to make public statements because the Sabbath had begun. The American president chose this moment to reveal an Israeli proposal to Hamas, the militant group, for what he described as "a road map to an enduring ceasefire and the release of all hostages".

Israel's leaders did not approve the leak, but they knew it was coming. Binyamin Netanyahu, the prime minister, grudgingly admitted that the plan was of his government's own making. It is Israel's first official outline for ending the war in Gaza.

The proposal, which was sent to Hamas through its Qatari patrons, has three stages. The first would involve a six-week truce during which Israel would withdraw its forces from the main urban areas in Gaza and Hamas would free female, elderly and



Hoping for a change

- ▶ wounded hostages in exchange for Palestinian prisoners held by Israel.

Simultaneously, a second stage would begin with the two sides negotiating, through intermediaries, a longer-lasting ceasefire to include a full Israeli withdrawal from Gaza and the release of male Israeli soldiers held by Hamas and of more Palestinian prisoners. The third step would involve the return of the bodies of dead hostages to Israel and the rolling out of an internationally funded programme to rebuild the Gaza Strip.

Despite Mr Biden's enthusiasm, this is still merely a proposal for more talks. On the Israeli side only the war cabinet, which does not include most of Mr Netanyahu's hardline allies, has endorsed it. Once the Sabbath silence was over, the leaders of the far-right parties in the prime minister's coalition lost little time in rejecting the plan and warning the prime minister that they would leave his government, should it come to pass.

Mr Netanyahu was quick to insist that Mr Biden's description of the proposal was "inaccurate" and that Israel was sticking to "the goals of the war, chief among them the elimination of Hamas". It is hard to take much that Mr Netanyahu says at face value, but it is true that the second and third stages will be far harder to negotiate than Mr Biden has acknowledged.

Nevertheless, the details of the plan mark a shift. The number of hostages to be released in the first stage is not specified, perhaps because of fears that many are no longer alive. Israel has accepted that during the initial ceasefire Gazan civilians, including men, will be allowed to return to whatever remains of their homes throughout the strip. Even though Mr Netanyahu insists that the war will continue, the plan

opens the possibility of negotiations intended to achieve a full ceasefire.

But for the proposal to become reality, a majority of Mr Netanyahu's cabinet will have to agree to it, as will Hamas. It is far from clear that the prime minister is wedded to his own deal, but he may be coming around to it. The growing desperation of the hostages' families has increased the pressure on him. Of the 124 hostages still in Gaza, 43 are presumed to be dead. The actual number is almost certainly higher and prospects for the rest are getting grimmer by the day. If a deal is not reached soon, few living hostages will be saved.

The consensus within the Israeli security establishment is that most of the military aims in Gaza have been achieved and a pause in the fighting to free the hostages should be the priority. A truce in Gaza could also lead to a ceasefire on Israel's northern border with Lebanon, where the daily exchange of fire with Hizbullah, the Shia party-cum-militia, has risen sharply in recent days (see next article). Meanwhile Mr Netanyahu has been invited to address a joint session of Congress in Washington. A ceasefire in Gaza, even a temporary one, would ensure a warmer reception there.

Hamas will have to agree, too. The group has yet to issue an official response. Its political leaders, who live outside Gaza and are under pressure from the regimes of Egypt and Qatar, are more open to the deal. However, Yahya Sinwar, the Hamas chief in Gaza who remains holed up somewhere underground, will have the final word. He is expected to demand explicit guarantees that Israel will accept a full ceasefire and must stop trying to find and kill him. It is hard to imagine this or any Israeli government agreeing to such a condition for the man who is held responsible for

planning the atrocities of October 7th.

Moreover, Hamas may see advantages in continuing the war. The more wrecked Israel leaves Gaza, the less anyone but Hamas will want to rule it. And it reckons that Israel's diplomatic position is steadily worsening in the Middle East and beyond. The country is in the dock in international courts. The costs of the war are rising, for Israel as well as Hamas.

Either way, Mr Netanyahu can expect his coalition to start falling apart in the coming weeks. If a deal with Hamas goes ahead, the far right will abandon ship. Even before that, the pragmatic wing in Israel's government, led by Benny Gantz, may go. He said he would resign by June 8th unless Mr Netanyahu presented a detailed strategy, though he may extend his deadline to help push through a deal that he supports as the only way to rescue the hostages. Meanwhile, the ultra-Orthodox parties in the coalition are in uproar over an upcoming Supreme Court ruling that would force religious students to serve in the army.

It would be most convenient for Mr Netanyahu if Hamas rejected the proposal and shouldered the blame. If Hamas does accept it, he will have to decide with whom to side at home. For now, as ever, he is playing for time—the one thing the hostages and civilians in Gaza do not have. ■

Israel and Hizbullah

One step closer

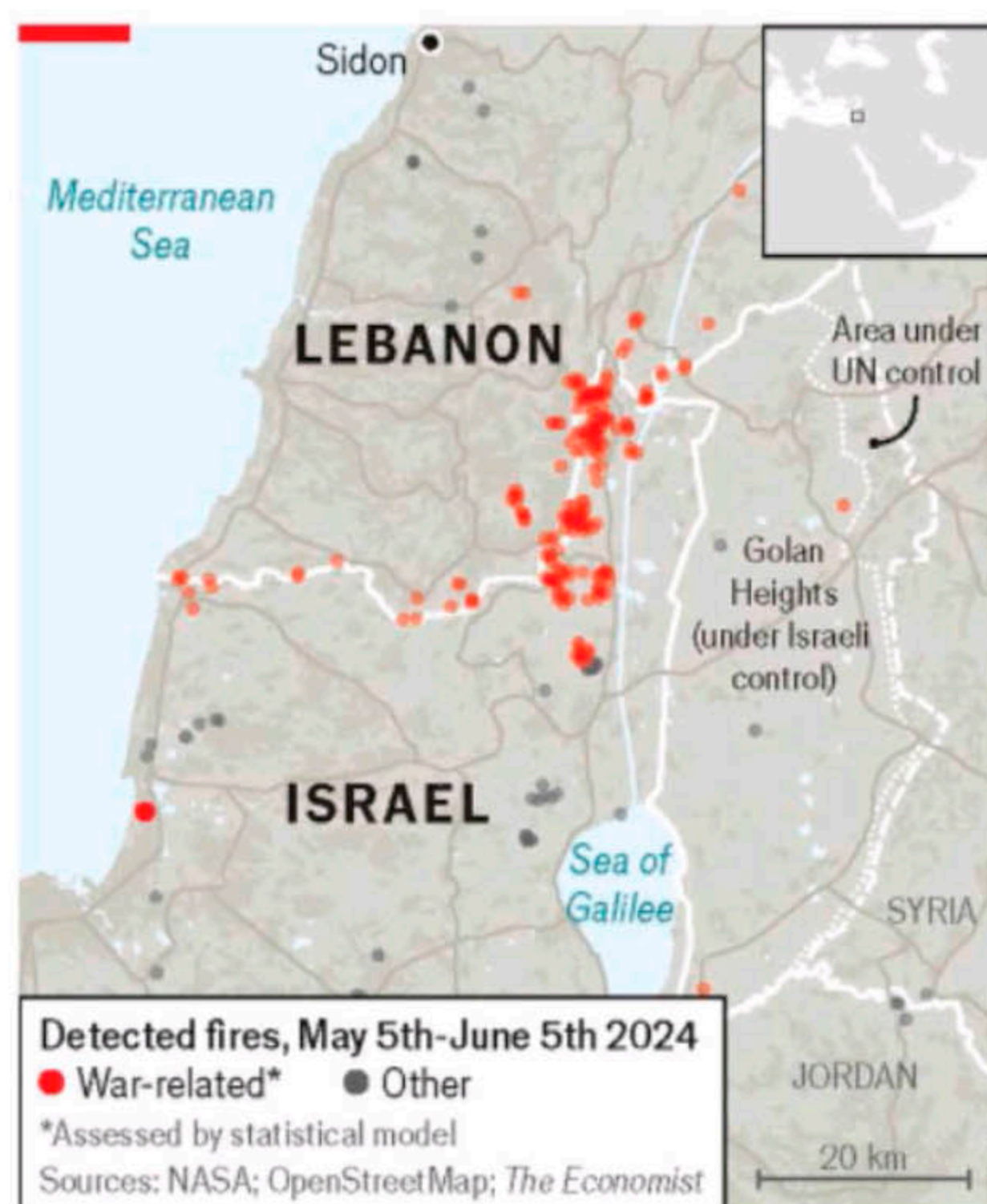
DUBAI AND JERUSALEM

Wildfires along the border of Israel and Lebanon are fuelling talk of war

SUMMER WILDFIRES are common in northern Israel and southern Lebanon. But war, not weather, brought them early this year. Rocket and drone attacks by Hizbullah, the Lebanese Shia militia, sparked wildfires that have burned more than 3,700 acres in northern Israel and the Golan Heights. In Lebanon, meanwhile, Israeli shelling set fire to forests near the border.

Israel and Hizbullah have kept up a low-intensity conflict since October, when the Lebanese group started firing rockets in support of Hamas in Gaza. Over recent weeks, however, that conflict has escalated. Since October *The Economist* has used a NASA satellite designed to detect forest fires and a machine-learning model to track war-related fires near the border. The model detected a spike of activity beginning in mid-May; on June 2nd it logged the worst day since late October (see chart).

It is not just the number of attacks that has increased. Hizbullah is also striking deeper into Israel. The group is making ▶▶



The lure of the Great Satan

Where the skies are blue

The children of Iran's revolution still want to go West

GROWING UP, IRAN'S *aghazadehs*, the children of the elite, chanted death to America each morning at school. But as soon as they had finished their education, they set off in search of the American dream. Iran touts its pivot to Russia and China, but the *aghazadehs* of the Islamic Republic still want to go West.

Among them are close relatives of two of the front-runners in Iran's presidential election on June 28th, Ali Larijani and Mohammad Qalibaf. They have settled in Britain and Canada. The supreme leader, Ayatollah Ali Khamenei, has several family members in Britain and France, including his nephew, Mahmoud Moradkhani. Grandchildren of the founder of the Islamic revolution, Ayatollah Ruhollah Khomeini, have settled in Canada. According to one outraged former minister, 5,000 *aghazadehs* live in America, the Great Satan, alone.

How many go to bury the regime and how many to praise it is hard to gauge. Mr Khamenei's nephew calls for the death of his uncle. By contrast, Maasumeh Ebtekar, who was a spokesperson for the students who seized the American embassy in 1979, says she moved to Canada to lambast her enemy better (and her son went to America). Some fill Iran's Islamic centres in Western capitals and spread the Islamic Republic's teach-

ings. Others allegedly bust sanctions, for instance by setting up gambling websites to launder money. Still more move in search of knowledge. Mr Larijani's brother lectures in cyber-security at the Glasgow Caledonian University in Scotland. Most come simply for the opportunities they lack at home. Freed from their parents' scrutiny, they post scenes of their sybaritic lifestyles online.

They may yet become an election issue. The Guardian Council, a quango of clerics and lawyers, will vet all 80-odd candidates. Mr Qalibaf has strong regime credentials. Related to Mr Khamenei, he has commanded the Islamic Revolutionary Guard Corps, and was the chief of police and parliament's speaker. But he is dogged by stories that his son declared he had funds of \$150,000 available to him in support of his application for permanent residency in Canada. (It was initially declined.)

The Paydari (or stability) Front, a bloc of religious hardliners with growing clout in Iran, cries betrayal. But it is far from immune, too. Its favourite cleric, Morteza Aqa-Tehrani, got a green card when he ran Iran's Islamic centre in New York. If only, notes a wag in Tehran, any senior official with personal ties to the West could be barred. "They would have to disqualify our supreme leader, too."

► greater use of explosive drones, which are harder for Israel's air defences to intercept. Israel is hitting more often around Sidon, the largest city in southern Lebanon.

Once again, the Israeli army is preparing for a bigger war. Ground troops would be tasked with creating a "security zone", similar to the one Israel had in south Lebanon until 2000, to make it more difficult for Hizbullah to launch rockets at border communities. "We are prepared for very intense action in the north," said Binyamin Netanyahu, the prime minister, while visiting the region on June 5th.

Still, none of this means that all-out war is inevitable. Israel is war-weary and the fighting in Gaza persists. Its leaders worry about Hizbullah's arsenal of medium-range missiles. An offensive in Lebanon would drive Hizbullah to fire them at central Israel; enough would probably get through to cause serious damage and a heavy psychological blow. "We can't continue letting Hizbullah have thousands of fighters right up on our border, but there is no good timing to go to war with them," as an Israeli security official puts it.

As for Lebanon, it cannot afford a war. This is the start of the vital tourism season,

when more than 1m visitors (mostly Lebanese expats) will pump billions of dollars into an economy whose GDP has fallen by half since 2019. Most Lebanese, including many of Hizbullah's supporters, do not want the fighting to escalate.

Diplomacy, not war, is the preferred outcome on both sides. Amos Hochstein, an adviser to Joe Biden, the American president, is promoting a three-stage plan for Lebanon. First, a ceasefire would allow displaced residents on both sides to return home. America would then offer economic incentives to Lebanon. Mr Hochstein ultimately hopes to persuade Lebanon and Israel to demarcate their land border, as they did their maritime boundary in 2022.

But it will be impossible for Hizbullah to accept a ceasefire until the Gaza war ends. It has lost more than 300 of its men fighting Israel, including a few senior commanders. Its campaign has brought extensive damage to southern Lebanon. It

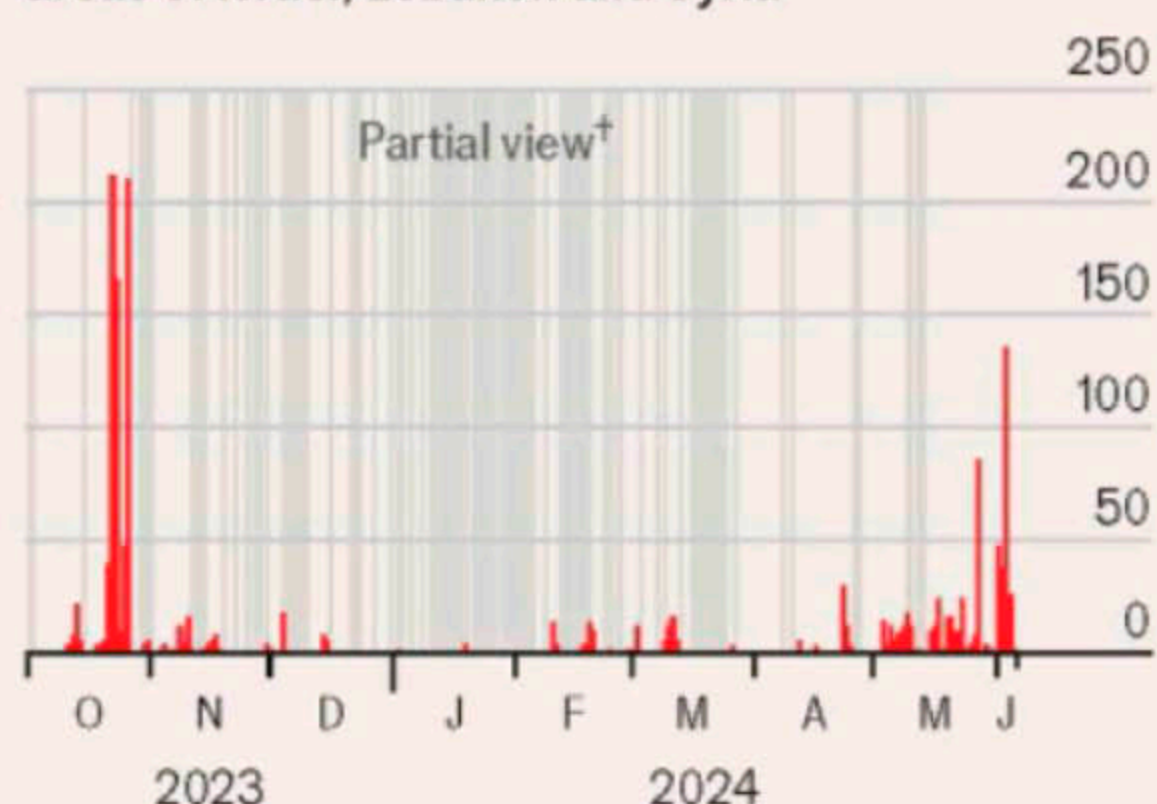
would be a humiliation to stop fighting before Israel implements a truce in Gaza.

Once it does, Lebanon may still be unable or unwilling to negotiate a border deal. Hizbullah did not block the maritime agreement in 2022. But that was meant to unlock oil and gas exploration in the Mediterranean, where Israel had already found rich gas deposits and Lebanon hoped to follow suit. Demarcating the land border would offer fewer financial benefits.

Nor would it offer much peace of mind to 80,000 or so Israelis displaced from the north. Hizbullah's elite fighters have already made a tactical retreat a few kilometres away from the border. Diplomacy could push them still farther away. But it would not guarantee the sort of lasting calm that many Israelis demand before they will return to their homes in the north. Even the best diplomatic outcome, Israeli officers warn, would be temporary; their dilemma will not go away. ■

Heating up

Number of war-related fires* in selected areas of Israel, Lebanon and Syria



Sources: NASA;
The Economist

*Detected by satellite and assessed by statistical model †Cloud cover over 50%

Europe



Crimea

The war in the south

The peninsula is becoming a death trap for Russia's forces

GOOD NEWS, at last, from Ukraine. The approval in April of the Biden administration's \$61bn military-support package, after six months of Congressional delay, is having an impact. In particular, the arrival of ATACMS ballistic missiles, with a range of 300km, means that Ukraine can now hit any target in Russian-occupied Crimea, with deadly effect.

In the past two weeks the Russian offensive in the north-east on Kharkiv, Ukraine's second city, also appears to have lost momentum. Of potentially even greater significance, on May 30th President Joe Biden, under pressure from a growing chorus of European allies, eased the restrictions on American weapons being used against military targets on Russian soil, imposed because of fears of Russian nuclear escalation. The Ukrainians are now to be allowed to use some American kit to hit Russian forces on the other side of the border as they prepare to attack

Kharkiv. It is not clear whether this includes Russian tactical aircraft launching glide-bomb attacks like the one that killed at least 18 people in a Kharkiv hardware shop on May 25th.

However, to Ukrainian exasperation, Mr Biden has still to lift his ban on hitting targets elsewhere in Russia. The effectiveness of Ukraine's campaign in Crimea shows what can be done. According to Ben Hodges, a former commander of American forces in Europe and a senior adviser to

NATO on logistics, the Ukrainians are "systematically in the process of making Crimea uninhabitable for Russian forces".

That would be a huge prize for Ukraine. Since the reign of Catherine the Great, Russians have regarded Crimea as a military jewel. Vladimir Putin saw Crimea, linked to the Russian mainland by the Kerch Bridge since 2018, as an unsinkable aircraft-carrier. Its logistics hubs, air bases and the Black Sea Fleet, operating out of Sevastopol, could be used to dominate the south of Ukraine, close off its vital grain exports, and provide a steady flow of men and materiel to push Ukraine out of areas to the north. Mr Putin has invested huge sums in military infrastructure in Crimea, all of it now under threat.

A D-Day-style amphibious assault to liberate Crimea remains inconceivable. But, says Sir Lawrence Freedman, a British strategist, that is the wrong way to look at it. Crimea is now a weak point for Russia, which has too much there to defend. It provides the best way for Ukraine to put real pressure on Mr Putin in order to extract concessions in the future. Nico Lange, a former adviser to the German defence ministry, agrees: "Ukraine's campaign is a mixture of a military and political strategy. Politically, [Crimea] is Russia's most vital asset; but it is also very vulnerable." What Ukraine is attempting to do is to make it a

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liability rather than an asset for Mr Putin. The aim is to isolate it, push Russian air and sea forces away from southern Ukraine and strangle it as a logistics hub.

Ukraine has already demonstrated the ability of British- and French-supplied Storm Shadow and SCALP cruise missiles and its own cleverly designed homemade maritime drones to hit Russian warships, particularly the big *Ropucha* landing vessels used as military transports, most of which have been destroyed. Ukrainian drones and missiles may have taken out of action as much as half of the once formidable Black Sea Fleet. Almost all of the remainder has been forced to relocate to the port of Novorossiysk, over 300km away on the Russian mainland. Novorossiysk itself came under attack from both marine and aerial drones on May 17th. A railway station and a power-generation plant as well as the naval base were hit.

But now Ukraine is using a deadly combination of ATACMS and increasingly sophisticated drones to systematically bash Russian air defences in Crimea, hit air bases and strike logistical and economic targets. Sir Lawrence says crippling Russia's air-defence network should help Ukraine prepare for the imminent arrival of the first batches of F-16 fighter jets from Europe.

On April 17th an ATACMS strike on Dzhankoi air base in north-eastern Crimea damaged helicopters, an S-400 battery and



a command-and-control centre. On May 15th a large-scale ATACMS strike on an air base at Belbek near Sevastopol destroyed four planes and an S-400 air-defence radar. Ten missiles each carrying 300 bomblets caused massive fires, possibly set off by an

exploding fuel depot.

Belbek was hit again the next day, showing that Ukraine has rather more than the 100 or so ATACMS thought to have been donated. In what is becoming almost a nightly occurrence two Russian patrol boats were destroyed on May 30th and two transport ferries were damaged near the Kerch Bridge in separate drone strikes.

Woe to the Kremlin

Russia's much-vaunted and very expensive S-400 air-defence system has been found wanting. Mr Lange says the Ukrainians are using decoy drones to make the Russians light up their radars and reveal their positions. The targeting data are immediately fed to the ATACMS launch crews. Within six minutes the missiles, virtually undetectable because of their speed and low radar cross-section, are hitting their targets. General Hodges notes that Russia's S-400s are also vulnerable to sabotage by Ukrainian special forces operating inside Crimea. Each battery costs about \$200m, and they are not easily replaceable.

The general says that Russian forces have "no place to hide". With the help of satellite and aerial reconnaissance provided by NATO allies, their own deep knowledge of the territory, and covert forces on the ground, nothing can move in Crimea without the Ukrainians knowing about it. With the arrival of the ATACMS and the increasing sophistication of Ukraine's own drones, every square metre of the peninsula is in range, including aircraft and equipment convoys moving by road or rail.

General Hodges is confident the Ukrainians will "take down the Kerch Bridge when they are ready". But it may be more challenging to disrupt the new improved railway line running along the Sea of Azov from Rostov, through the occupied Ukrainian cities of Mariupol and Berdiansk and down into Crimea. Dmitry Pletenchuk, a spokesman for Ukraine's southern military command, says: "The railway along the land corridor is recognition on the part of the Russian occupiers that the Crimean [Kerch] Bridge is doomed. They are looking for a way to hedge their bets because they are aware that sooner or later, they will have a problem."

An early test of the wider strategic success of Ukraine's campaign in Crimea could come in summer, when Russian holidaymakers normally flock across the Kerch Bridge to resorts on the peninsula. If they decide otherwise, says Ben Barry of the International Institute for Strategic Studies, a British think-tank, it will be a bad omen for Mr Putin. Crimea used to depend heavily on the tourist industry. Bookings last year were down by nearly a half. "Crimea", says Mr Barry, "has been turned from being a prestige project to a drain on Russian resources." ■



A year after the flood

Early on June 6th 2023 explosives tore through the Kakhovka dam and hydroelectric power plant in southern Ukraine. The blast shook windows 80km away and released a thundering cascade from the reservoir, which had a capacity of around 18 cubic km, almost as much as Utah's Great Salt Lake. The flood devastated dozens of towns and villages. Volodymyr Zelenskyy, Ukraine's president, called it "an environmental bomb of mass destruction". Ukraine blames Russia, which occupied the dam. Western governments and independent open-source analyses support that claim. A year later, the long-term consequences are becoming clear. They are environmental, social, political and economic. Read our multimedia report online at www.economist.com/kakhovka

Germany's armed forces

Bulking up the Bundeswehr

BERLIN

Germany is considering the return of conscription. The chancellor is reluctant

“KRIEGSTÜCHTIG” does not trip easily off the English tongue. Nor does it fall easily on German ears. Translated roughly as “war-ready”, it is a word deployed by Boris Pistorius, the defence minister, to describe his favoured destination for the long under-resourced Bundeswehr, or armed forces. Money is now pouring in, and Mr Pistorius is overhauling the Bundeswehr's structures. But like many of its NATO allies, Germany is struggling to find enough willing recruits. The minister is among many who want Germany to consider restoring conscription, suspended since 2011, to get the numbers up.

Under plans drawn up in 2018 Germany aims to boost the Bundeswehr to 203,000 troops by 2031, up from around 181,000 today. This is a fraction of the size of the men under arms during the cold war (see chart). But the army is ageing and shrinking: given attrition, it needs to recruit 25,000 soldiers a year just to stand still. And Germany's drum-tight labour market makes it hard for the Bundeswehr to compete with other employers. The situation is “really dire”, says Johann Wadephul, an MP from the opposition Christian Democrats, who back a return to the draft.

Germany's previous model of conscription, expensive and easy to dodge, is unlikely to return. Mr Pistorius instead says he has a “soft spot” for the approach in Sweden, under which 18-year-olds must answer a “mustering” questionnaire assessing their health, interest in the military and other matters. Last year over 4,000 were drafted despite saying they did not

Ageing and shrinking

Germany, active soldiers in the armed forces
Annual average, '000



Source: German Parliamentary Commissioner for the Armed Forces

want to serve. So far the model has worked well, although the true test will come when the number of draftees increases, notes Robert Dalsjo, an analyst at the Swedish Defence Research Agency.

Whether Germany needs something similar is hotly contested. Mr Pistorius's planners in the defence ministry are said to believe it does, not only to achieve the 2031 target but to bulk out the reserve force. Even if the numbers can be made up via voluntary means, the figure was established before Russia's invasion of Ukraine inspired Olaf Scholz, Germany's chancellor, to declare a “turning-point”, or *Zeitenwende*, in security policy.

Since then Germany has taken on extra commitments inside NATO, including an ambitious pledge to station a permanent brigade in Lithuania. Demands are likely only to grow. Andreas Schwarz, an SPD MP who sits on the Bundestag's defence committee, says it would be “advisable” to rethink the 203,000 target. His view is widely shared inside the armed forces.

Others hope that by alerting youngsters to the idea of signing up (and offering incentives, such as help with education), simply sending the questionnaire to all 18-year-olds might do the job. Matthäus Gemmingen, a 23-year-old Bavarian, says he would probably have enlisted after leaving school had the idea presented itself; a friend who did says the discipline and training eased his passage to working life. Sara Nanni, the spokeswoman on defence for Green MPs, agrees that the Bundeswehr is understaffed but calls mandatory conscription “old-fashioned tough talk”. She adds that it risks entrenching inequality, since obliging women to serve requires a cumbersome constitutional change.

There are other ways to beef up the numbers. In time, some reserves might be activated. Meanwhile Martin Elbe, a military sociologist, says the Bundeswehr should scrap its temporary-service model, under which most recruits serve for a maximum of 17 years, and often far fewer. Only one-third of Germany's armed forces are

permanent hires. Ms Nanni adds that sexism inside the Bundeswehr turns off potential female recruits. Just 13% of troops are women, and in recent years the number of young women to whom a military career appeals has plummeted.

Germany's three-party coalition is divided on conscription, as on much else. A more serious split runs inside the ruling Social Democrats (SPD), home to Messrs Scholz and Pistorius. The chancellor has repeated his view that a draft is unnecessary so insistently that it looks like a reproach to his defence minister, whose popularity stands in stark contrast to that of his troubled boss. Mr Pistorius is expected to make a formal proposal on June 12th. With tricky political negotiations ahead, he will probably not urge an immediate re-introduction of conscription.

That looks sensible, for now: Germany has neither the infrastructure nor money to take on tens of thousands of extra recruits. The deeper division may be over the purpose of conscription in the first place. To make Germany war-ready means not only building up the Bundeswehr but convincing Germans of the value of deterrence through strength in the face of Russian aggression. That is a way off. In the run-up to the European elections on June 9th, Germany's streets are littered with SPD posters advertising the party's ability to “secure peace”—under a photo of Mr Scholz. ■

Dutch politics

Normalising the radicals

AMSTERDAM

The next government will mix troublemakers and technocrats

THE NETHERLANDS is a land of long negotiations (*polderen* in Dutch). The four right-wing parties that will form the next government have been at it since November, when an election delivered an anti-immigrant landslide, and have spent the past week ironing out who gets which ministry. Three parties are newcomers to government who campaigned on upending The Hague's staid bureaucratic establishment. But many of their ministers will be establishment types, to judge by their choice of prime minister, announced on May 28th. Dick Schoof is the top civil servant in the justice ministry, an ex-head of the domestic spy agency and erstwhile member of the Labour Party. The fact that the Dutch migrant-bashing populists picked a centrist technocrat to run the country suggests one way Europe is navigating its shift to the hard right.

The talks took so long because the par- ►►

→ Euro election

Voters go to the polls from June 6th to June 9th to elect a new European Parliament, amid fears that populist parties will do better than ever. For analysis, predictions and the results, please visit [economist.com/eu-elections](https://www.economist.com/eu-elections)



ties mistrust each other. The biggest of the four is the Party for Freedom (PVV), led by Geert Wilders, a nativist rabble-rouser. The PVV was long boycotted by other parties, and its manifesto includes unconstitutional measures such as banning the Koran. That posed a special problem for the third-biggest party, New Social Contract (NSC), a year-old outfit whose founder, Pieter Omtzigt, is a stickler for the rule of law. He spent months ensuring Mr Wilders would respect the constitution.

The PVV is also disdainful of climate measures, wobbly on Ukraine, and long advocated a Nexit. Such positions are anathema to the coalition's second party, the centre-right Liberals (VVD), who have led the government for the past 13 years. Their new head, Dilan Yesilgoz, secured promises that the Netherlands will remain a reliable EU member, honour climate agreements and aid Ukraine. Mr Wilders as prime minister was unacceptable, so the parties agreed that their leaders would stay in parliament and pick an outsider; hence the unobjectionable Mr Schoof.

The parties' inexperience showed in the sketchy governing accord they unveiled on May 16th. To cut immigration, it promises the "toughest asylum admissions policy ever", including a temporary halt to asylum procedures and border checks to stop irregular migrants from neighbouring countries. This could violate treaties and be struck down in court. Far more immigrants come to work legally, but companies employing foreigners will face new hurdles. In March ASML, the world's leading chip lithography company, warned that it might move its headquarters from the Netherlands if it cannot get the workers it needs.

Other policies presage conflict with the EU. The accord calls for scrapping measures to cut nitrogen pollution mandated by the EU's biodiversity law, and for asking to extend a derogation that lets Dutch farmers dump extra manure, which is expiring. These are priorities for the coalition's fourth member, the small Farmer-Citizen Movement. It also calls for lowering expected Dutch contributions to the EU budget by €1.6bn (\$1.7bn) annually. It is unclear why the European Commission or other EU countries would agree to all this.

Mr Schoof is widely respected, but has no experience as a politician. In his first press conference he was awkward and ill-prepared to defend the coalition's agenda, which, after all, he played no role in negotiating. He will take office in a few weeks, once the parties agree on the rest of the cabinet; half are to be non-politicians. With Mr Schoof paving the way, senior figures from business, government and civil society should feel more comfortable signing up. As elsewhere in Europe, the Dutch governing elite is moving to accommodate the populists it long shunned. ■

D-Day 80 years on

Return to the beaches

OMAHA BEACH

France has not forgotten the bravery of America and other allies

ALMOST 150 American veterans arrived in Normandy this week, to crowds of French well-wishers waving American and *tricolore* flags. Most of the veterans were in wheelchairs; the oldest was aged 107. All were on their way to the 80th anniversary commemoration of the D-Day landings on June 6th at Omaha Beach. In the presence of America's Joe Biden and France's Emmanuel Macron as well as Ukraine's Volodymyr Zelensky, the event was designed to mark deep French transatlantic gratitude as well as broader allied thanksgiving for the campaign that helped to liberate France from Nazi occupation during the second world war. Eighty years on, the French have not forgotten.

To some American visitors, this is unexpected. "American tourists often ask us whether we really like Americans," says a French tour-bus driver in Normandy: "They are surprised, because they think we don't." In 1966 Charles de Gaulle, founder of the modern French republic, ordered American and allied forces off French soil when he pulled France out of NATO's integrated military command. French political leaders of all stripes regularly rail against excessive American might. Jean-François Revel, a French writer, once published a book entitled "The Anti-American Obsession". Even Mr Macron, a political centrist,

periodically urges Europe not to become an American "vassal".

Yet the French remain attached to the transatlantic tie. A majority (51%) think American influence in global affairs today is positive, higher than in Germany (48%) or Italy (46%), according to a poll for the German Marshall Fund in 2023. Three-quarters of the French think their country a reliable partner for America. And 62% of the French support American involvement in European defence and security, up from 45% in 2020, before Russia invaded Ukraine. Villages in Normandy this week were decked out in American and other allied flags and military memorabilia.

For his part, Mr Macron is showing his appreciation by also hosting Mr Biden in Paris on June 8th for a state visit, his first to France. The two leaders disagree on various matters, notably industrial subsidies and trade. France, America's oldest European ally, can be a prickly, sometimes exasperating, friend. In the face of imperialist aggression and occupation in Europe, however, France is well aware of what it owes America, in the past on its own soil and today in Ukraine. The events at Omaha Beach mark a moment to bury differences and remember an alliance that has brought peace to Europe before, and is once again fighting for it today.

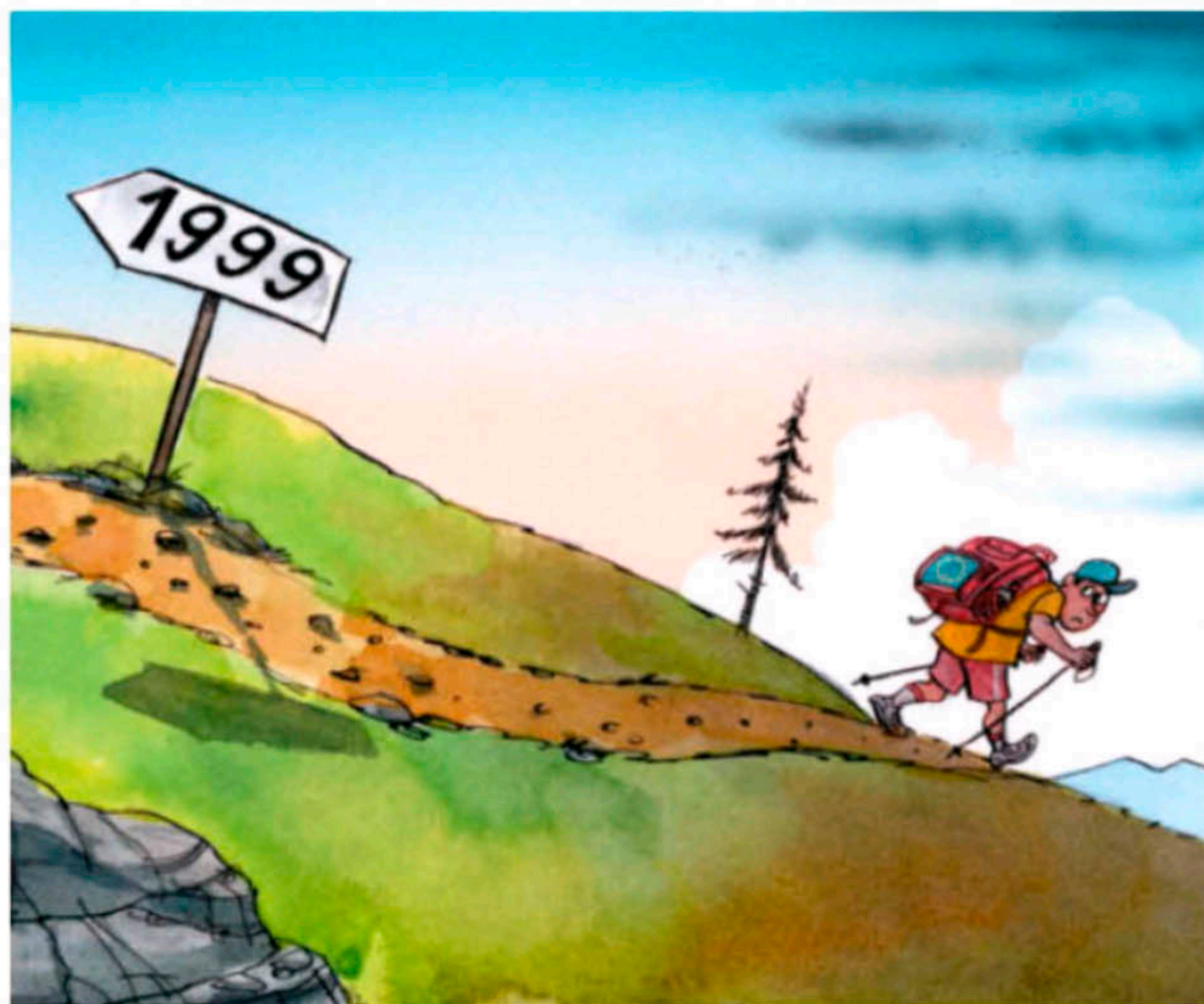


Last of the greatest generation

CHARLEMAGNE

Peak Europe turns 25

Why June 1999 marked the continent's zenith



A NAGGING FEELING is haunting Europe: that it is a continent in decline. Its population will soon be shrinking, if it is not already—for the first time since the plague raged in the Middle Ages. European governments that within living memory ran swathes of the globe, from Algeria to Indonesia, are thankfully now back to merely managing their peninsula. The European economy has been stuck in low gear for so long that it can barely hope to match the growth found in America, let alone in China or India. Euro-optimists insist it is possible to slow this relative decline, with all the confidence of a pensioner hoping to make it through another year without a fall. Gloomier types wonder how long the continent's perks—a generous welfare system, a degree of global influence, long summer holidays—can be kept up.

To better grasp Europe's prospects, it pays to consider when it might have reached its zenith. Look too far back, before America took over as global hegemon after the second world war, and Europe's geopolitical heft comes at the cost of widespread poverty and endless wars. The late 1960s? Fun in swinging London and bohemian Paris, less of it in communist East Berlin or repressive Lisbon. Pick too recent a time and it will be clear the rot had already set in. An anniversary this week caused Charlemagne to ponder his continent's position 25 years ago. On June 10th 1999 Slobodan Milosevic, Yugoslavia's strongman, was humiliated into ending his murderous rampage in Kosovo. The short campaign and happy outcome chimed with a period of European political ambition, economic vigour and global clout. It may not have felt like it at the time, but was Peak Europe achieved in June 1999?

It is not that France, Britain or others can take all the credit for having pushed Milosevic into retreat. The 11-week NATO bombing campaign was largely run by America, then as now the backbone of the alliance. But the brief conflict seemed to point to a world heading not just in the direction of the West, but specifically of Europe. Since time immemorial geopolitics had been a case of might-makes-right. Kosovo showed principles mattered at least as much: the aim of the bombing was to prevent genocide, not to conquer territory. As the cold war had ended, "The End of History" seemed nigh, a world of liberal democracy at home paired with

growing interdependence abroad. The purveyor of the theory, Francis Fukuyama, is American, but for him it was the European Union that was closest to the final destination we would all reach. America still had the power, but Europe, which had already figured out how to replace war with interminable summits about fish quotas, instinctively knew how to navigate the soon-to-arrive placid international order. One book explained "Why Europe Will Run The 21st Century".

Europe seemed like a pioneer in other ways. "Third Way" politicians such as Tony Blair had sussed out how to get stuff done beyond left and right. *Grands projets* abounded: the euro in 1999, shortly after internal borders had been scrapped and the single market created. The economy was in fine fettle, apart from Germany, then as now the "sick man of Europe". Of the world's top 1,000 listed companies, 300 were from Europe. Some noted that new American firms with funny names like Amazon and Google seemed to be doing well. But Europe would surely soon come up with its own tech giants to take them on.

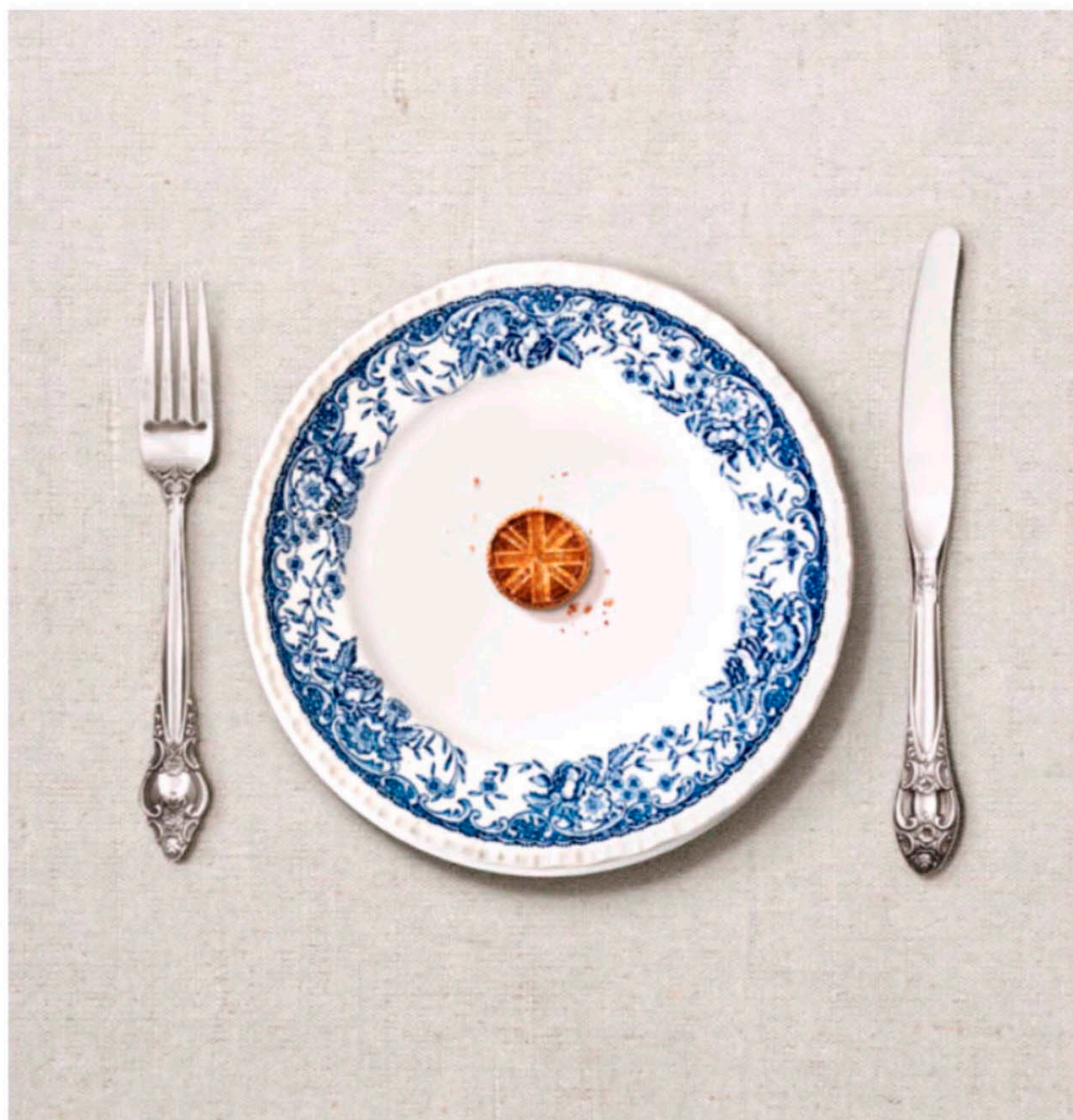
Formerly communist countries such as Poland were past their harsh economic reforms and on their way into the EU. Autocracy was on the blink farther afield, too. The cheap, easy intervention in Kosovo had set a new template for how to avoid the kinds of horrors seen in Rwanda a few years earlier. For other repressive regimes, commerce would do the trick. In 1999 agreement was reached to bring China into the World Trade Organisation. The poor apparatchiks in Beijing had seemingly not realised that the ensuing prosperity would turn their society into a liberal democracy, given time. Newly democratic Russia was also headed beyond history: it was planning an underwater gas pipeline to Germany, the home of *Wandel durch Handel* (change through trade). Even the head of its security service at the time of Kosovo, one Vladimir Putin, would denounce communism as "a blind alley".

Party like it's 1999

Things turned out a little differently. In 2001, 9/11 ended the end of history; the war in Iraq knocked the stuffing out of liberal interventionism. Economically, 1999 is now remembered as the year cheap credit in places like Spain and Greece started to fuel a bubble that would lead to the euro-zone crisis a decade later. There are still no European Googles or Amazons, and only around 200 of the world's top firms are now from Europe. China's leaders worked out how to get rich yet stay autocratic. By the end of 1999, Mr Putin was in power; the Nord Stream pipeline today is a rusting wreck in the depths of the Baltic. In Europe what were once seen as transformational trade ties are today seen as dangerous vulnerabilities to the whims of foreign foes. The process of EU integration took a hit when Dutch and French voters nixed plans for an EU constitution in 2005, before Britain left altogether. A quarter-century on, an international force must still keep the peace in Kosovo.

Remembering the optimism that pervaded Europe at the time of Milosevic's humbling, Charlemagne recently sat down with Jamie Shea, who served as NATO's spokesman at the time. Had 1999 in fact been Europe's defining geopolitical moment? Perhaps not entirely. "We were lucky in Kosovo," he says. Milosevic was isolated; a short aerial war prevented fatigue; Russia decided to play a helpful role. In Washington, the short war showed the extent to which Europe wasn't pulling its weight, a familiar refrain these days. Perhaps Europe peaked in 1999. Or perhaps it merely failed to see that it was already in decline. ■

Britain



The big question

How fast can Britain's economy grow?

Labour needs a big upswing in growth. It will struggle to get one

A FEAR LOOMING over British politics in the 1960s was that France and Germany would soon surpass Britain's economy. Today, worrywarts fret that Britain may be poorer per person than Poland within the decade. Sir Keir Starmer, the Labour Party leader, has voiced this concern repeatedly. Donald Tusk, the Polish prime minister, has made overtaking Britain an explicit goal. If both countries were to stay on the same per-person growth trend as in the past ten years, Poland would slip ahead of Britain in 2031. That is unlikely. But the fact that this scenario no longer looks fanciful is a reflection of Britain's sorry recent growth record.

Little surprise, then, that pledges to reignite growth feature heavily in the general-election campaign. Rishi Sunak, the

prime minister, says the economy is at a turning-point and urges voters to "stick with the plan". Labour, which is well on track to win a big majority on July 4th, has been more explicit still. It says economic growth will be its first priority if it gets into power. The shadow chancellor of the exchequer, Rachel Reeves, has pledged to

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lead the most "pro-growth, pro-business Treasury our country has ever seen".

Growth is crucial: it is the only way to keep living standards rising over the long haul. But British politicians also obsess over growth for a narrower reason: an expanding economy is what keeps their tax-and-spending plans credible. Both main parties have signed up to a fiscal rule that requires government debt to fall as a percentage of GDP between the fourth and fifth year of the forecast period. Current spending plans hit that target only by a vanishingly narrow margin, despite including some improbably hefty future cuts to public services. The budget in March left £8.9bn (\$11.3bn, 0.3% of GDP) of annual headroom to meet the rule. Today, that figure is down to £4.5bn after some unfavourable moves in the bond market, according to estimates by Capital Economics, a consultancy. Since 2010 chancellors have on average set aside £25bn or so in headroom.

Even these numbers already rely on rosy assumptions about growth. The Office for Budget Responsibility (OBR), an independent watchdog whose forecasts help determine the size of the fiscal hole, is more optimistic about growth than 85% of forecasters. The OBR expects medium-term growth of around 1.8%; the average forecast is for 1.5% (see chart 1 on next page). If the OBR is wrong and the average forecast is right, that difference would punch a roughly £30bn hole in the public finances, *The Economist* calculates. The shortfall could be bigger still. Growth has averaged a paltry 1.1% since 2008. We estimate that this rate would equate to a roughly £60bn gap.

For now these are just figures on a spreadsheet. Britain's fiscal rules are loose: the five-year deadline for debt to start falling rolls forward every year. But the longer growth falls below the OBR's ambitious forecasts, the more Britain's fiscal sustainability will look like fiction. Both main parties have ruled out big new tax rises if they are elected, and have said they won't rejig the rules to permit more borrowing. Voters have little appetite for spending cuts to frayed public services. Revving up growth, which delivers the tax revenues to fund public services, is the only way to square the circle. So how much growth is it realistic to expect over the next parliament?

The answer to that question should start with an analysis of what has been suppressing Britain's growth rate. The economy has endured two big external shocks in recent years: the covid-19 pandemic and the energy crisis brought about by Russia's war with Ukraine. The country would have to be unlucky to endure similar blows in the next five years.

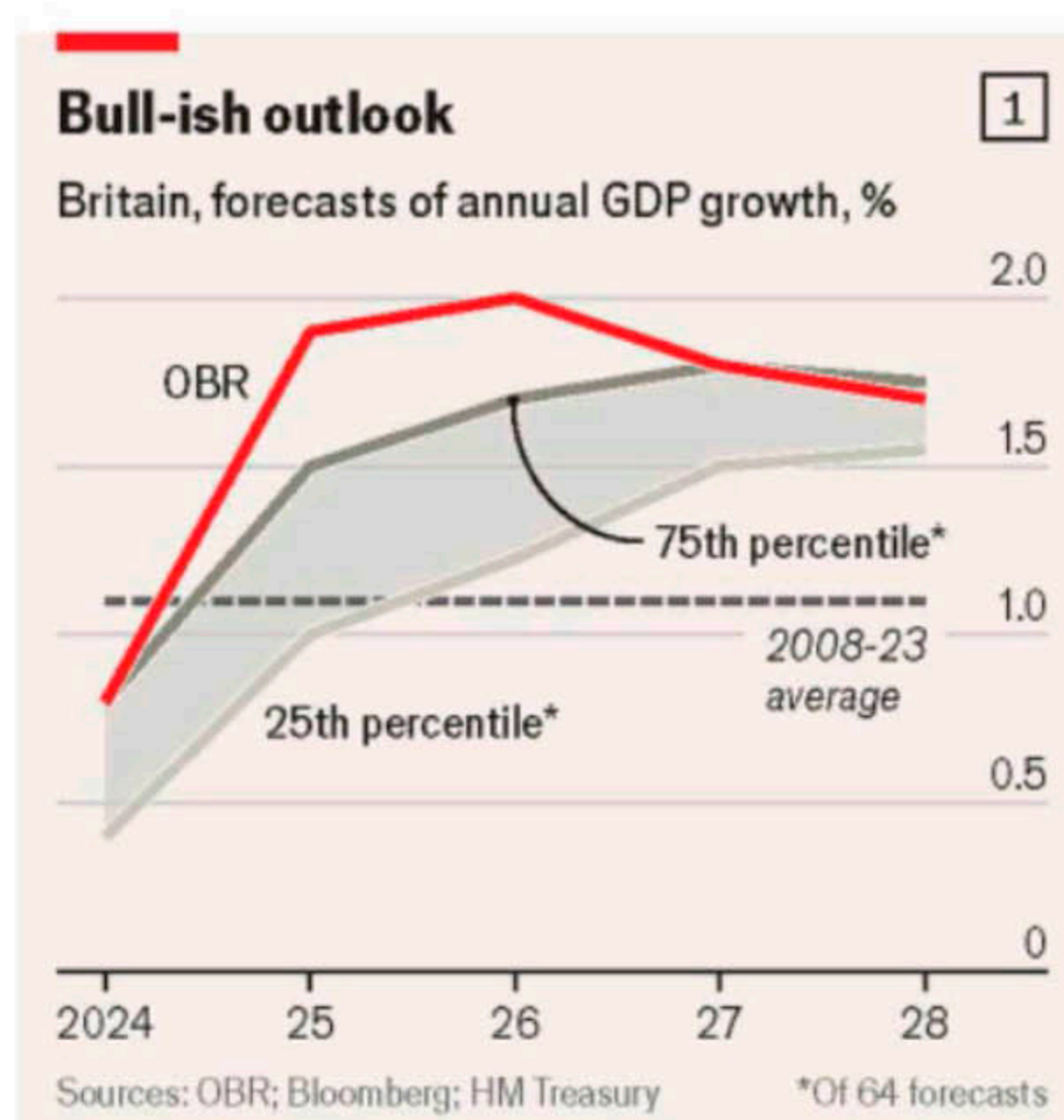
▶ Troublingly, however, the sources of malaise in British growth run far deeper than these one-off events. Productivity growth—the ability to produce more with the same labour—cratered after the financial crisis and has never recovered. Other rich countries also saw declines, but the drop was especially sharp in Britain. Research by John Van Reenen at the London School of Economics and Xuyi Yang at the University of Cambridge suggests that low capital investment (see chart 2) explains Britain's unusually poor performance.

Economists blame several culprits for that. One is a broken planning system. Britain has struggled for decades to build enough housing and infrastructure. Built-up land per person in Britain has stagnated since the 1990s, just about the worst record in the rich world. Years of under-building have clogged up the economy: housing shortages push workers out of Britain's most productive areas and poor infrastructure hinders growth elsewhere.

A lack of business dynamism is another suspect. A hallmark of a productive economy is creative destruction: successful businesses grow, failing ones die. That pushes workers and capital to where they are most productive. But in Britain this motor seems to be stalling. Workers are half as likely to switch industries as they were in the 1990s, according to the Resolution Foundation, a think-tank. Business births and deaths are responsible for a decreasing share of the churn in jobs. Dispersion in firm productivity has widened, dragging the laggards further away from the leaders.

Some blame for that lies with Britain's illogical tax code. It implicitly subsidises unproductive small businesses, for example, which are exempt from VAT if their revenues are under £90,000. A dearth of competent managers probably doesn't help, either. Another intriguing suggestion from Benjamin Nabarro of Citigroup is that a more services-heavy economy is to blame. It can be difficult to sell intangible assets like databases or customer registers, or to borrow against them, which means unproductive businesses may simply decide to plough on as they are.

And then, of course, there is Brexit. Most economists reckon that leaving the EU knocked several percentage points off the potential size of the British economy. Goldman Sachs, a bank, estimates a 5% hit; the OBR guesses 4%. Part of the shortfall comes directly from higher trade barriers: goods exports have sunk by 10% since 2019. Another problem has been political instability. The Tories took five messy years to settle on their preferred vision of Brexit. Throughout that period, around half of businesses said in surveys that Brexit uncertainty was a top concern for them. Business investment flatlined immediately after the referendum in 2016 and didn't



pick back up again until 2023.

Some improvement to this poor economic performance is plausible. Falling inflation will let the Bank of England lower interest rates: markets are expecting a first rate cut in August or September. Wholesale energy prices are much of the way back to normal. The immediate shock of the post-Brexit adjustment is largely over (although there will be an enduring drag on productivity growth because British firms are more walled off from EU competition). Some of the more sensible Tory reforms might bear fruit. The OBR thinks that a flagship reform to business investment will boost the capital stock by 0.2% over the next four years.

The policy environment should also get better if the polls are right and Labour wins a sizeable victory. Rates of business investment and surveyed investment intentions have picked up a bit since Mr Sunak picked up the prime-ministerial baton from Liz Truss, but they remain low. Greater political stability would not transform the picture in itself but would be a welcome boost. And Labour has a more constructive position than the Tories on two of the biggest drags on the economy.

The party has rightly said that planning reform is vital: Ms Reeves calls planning the “biggest obstacle to growth and invest-

ment” in Britain. There is a lot of low-hanging fruit there: only three onshore wind farms have been built in England over the past decade because of retrograde planning rules. In principle a flurry of building could lift growth quickly. But in practice “shovel-ready” projects can often turn out to be anything but. And Labour's policy proposals appear thinner than the rhetoric behind them (see next story). Critically, Labour has not said much about whether it will try to shift Britain's heavily discretionary planning system to a more building-friendly rules-based one.

Labour's approach to the EU is to seek an incrementally better relationship. Agreements on emissions trading and musical touring would be positive, but marginal. Mutual recognition of qualifications and veterinary and phytosanitary regulation (to ease checks on food trade) would be a little more helpful, but trickier to negotiate. The former is contentious within the EU, the latter would make Britain a legal rule-taker.

The big question for Labour is whether it can lay the political groundwork for a deeper reintegration with Europe in a second term, for instance by re-entering the customs union. That would transform British growth prospects much more than anything else currently proposed. But progress there depends partly on an improbable shift in position on the part of the Tories; the EU is unlikely to negotiate a deal that a future British government would be likely to blow up.

Things can maybe get a bit better

Labour's other big ideas are unlikely to wrench the needle on growth. Its industrial-strategy plans are still opaque. Bide-nomics-style splurging is both unproductive and unlikely—Britain simply doesn't have the money. The green manufacturing sectors that Labour is most preoccupied with comprise just a sliver of Britain's economy (total production of cars, machinery, electrical equipment and electricity generation adds up to just 3% of British output). A good year for Britain's legions of lawyers, accountants and consultants would raise growth by much more than an outstanding one in those more eye-catching green sectors.

Labour also wants to beef up workers' rights in areas such as unionisation, wrongful dismissal and sick pay. That could make workers a bit more willing to switch jobs, though it could as easily make employers more reluctant to hire. In one big respect, moreover, the labour-market tide is turning against Britain. Throughout the 2010s demographic good fortune masked the full extent of weak productivity growth. More women and immigrants joined the workforce, buttressing overall growth even as productivity flagged. But ▶▶



► now a slower-growing labour market will pull 0.5 percentage points off GDP growth by 2028, the OBR estimates. Much of that slowdown reflects Britain's ageing population (although the country also has a particular issue with workers dropping out of the labour market).

Some optimists, including Mr Sunak, put stock in artificial intelligence to boost productivity. But the history of technological breakthroughs suggests they affect growth slowly: desktop computers were rolled out in the 1980s and didn't affect the productivity figures until a decade later. AI could also be an economic bear-trap; Britain's mass of small firms excel neither at retraining workers nor at rolling out robots.

Add all this together and what do you get? Ms Reeves has in the past mentioned as a benchmark the 2%-plus annual growth rate achieved during the last Labour government in 1997-2010. Not even the most bullish forecaster expects that. A more realistic scenario is that productivity improvements largely offset the impact of Britain's worsening demography. But even that would probably mean an annual growth rate closer to 1.5% rather than the 1.8% rate assumed by the OBR. Britain is likely to grow faster than in the recent past, enough to fend off Poland for a while longer. But it will not grow fast enough to spare the next government a big fiscal shortfall or having to raise taxes. ■

Planning reform

Building blocks

Labour's growth ambitions demand more radicalism on planning

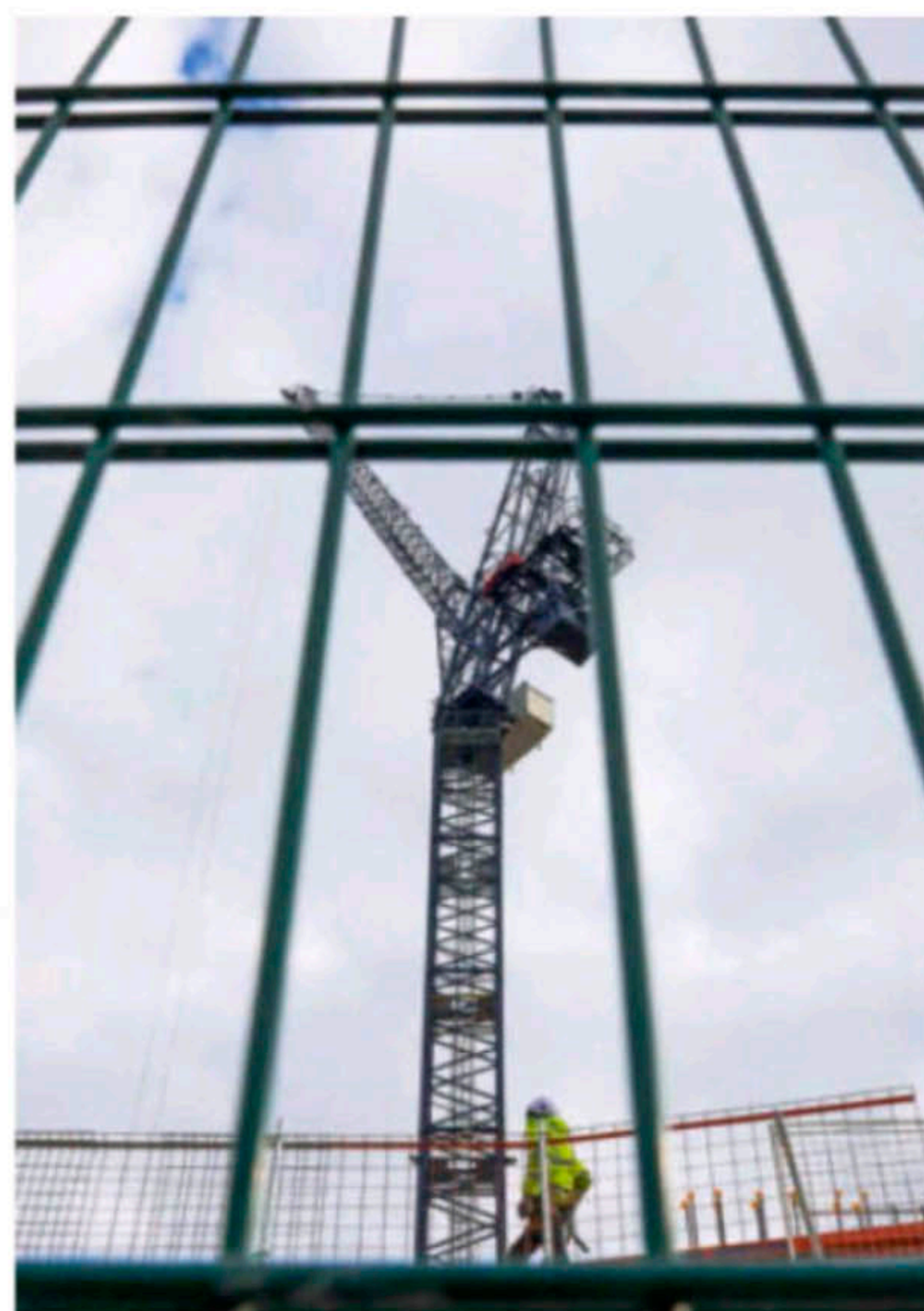
AT THE HEART of Labour's economic strategy is a puzzle. All hope of repairing Britain's crumbling public services is pinned on faster growth. To get it, Sir Keir Starmer, the Labour leader, says he is prepared to "bulldoze through" opposition to homes and infrastructure, largely by reforming a planning system that has become a brake on the economy. Yet for all the vigorous language, Labour's policies are rather timid.

The diagnosis, at least, is spot on. In Britain it has simply become too hard to build. By preventing building where it is needed, argued Rachel Reeves, the shadow chancellor of the exchequer, in a recent lecture, the planning system has pushed prices ever higher and held back Britain's most productive cities. She described planning as "the single greatest obstacle" to economic success.

Labour's conversion to YIMBYism ("Yes in my back yard") is comparatively recent. In 2020 the Conservative government under Boris Johnson tried to introduce a more permissive zoning system for housebuilding—an idea Labour blasted at the time as a "developer's charter". After Tory MPs and voters rebelled, the plan ended in a miserable retreat. Since then Michael Gove, the outgoing housing secretary, has further weakened pressure on local councils to allow housebuilding. In 2023 the number of planning applications in Britain fell to 360,000, the lowest in almost three decades. The number of houses completed was down by 11% to around 158,000, far below the level needed to make up for decades of undersupply.

Labour says it would aim for 1.5m new homes over the next five-year parliament if it were to win the upcoming election. It has one big advantage: its voters are not NIM-BYS. But its policies are a mixture of the sensible, the vague and the misguided.

First, the sensible proposals. The Labour Party would bring back targets and force local authorities to adopt plans that identify developable land—reversing Mr Gove's changes. Any council that failed to comply would have development foisted upon them. Labour would also recruit more planning officers; it has separate



Crane surgery

plans to speed up infrastructure development by making it harder for local groups to veto national projects. All this would improve the way the current system works.

Next, the vagueness. Labour promises to review the green belt, a series of 16 rings around English cities designed to stop urban sprawl. This is the part that could be transformative, says Paul Cheshire of the London School of Economics. According to the Centre for Cities, a think-tank, if you worked on less than 2% of the green belt surrounding Britain's five biggest cities it would be possible to build 2m homes within half a mile of railway stations. Labour could decide to allow such targeted building. But the party has yet to say much about its review, which could get bogged down or focus only on more modest changes like releasing brownfield sites.

Least promisingly Sir Keir has a plan for a "next generation of new towns", reprising a favourite of post-war Labour governments. Although some later new towns, like Milton Keynes, have been relatively successful, it would make more sense to focus on making cities bigger and denser than on creating entirely new towns. More practically, it is doubtful that Labour would be able to get any built quickly. A similar plan under the last Labour government fell flat, in part because councils would not agree to them.

What is missing in all this is much of a sense of radicalism. Ms Reeves says cities are being held back, yet there is no talk of removing the height restrictions that prevent even gentle densification. More fundamentally, previous failed attempts to boost housebuilding suggest that Labour will find it difficult to sustain higher levels of construction without overhauling Britain's discretionary planning system. As long as that system remains in place, councils will be able to veto projects or create uncertainty around plans, however sensible. Many other countries—including much of Europe—take a more rules-based approach, whereby proposals are automatically approved so long as they conform to a locally agreed design code.

Such a change would be controversial. YIMBYs are a strong caucus in the parliamentary Labour Party; their ranks will undoubtedly swell after the election on July 4th. But some in Labour are still drawn to a romantic notion of planning as a way of perfecting urban environments. Sir Keir and his shadow housing minister, Matthew Pennycook, speak the language of incrementalists who think they can achieve their aims by tweaking the existing system. The problem, says Ant Breach of the Centre for Cities, is that planning reform has taken on a "load-bearing" role in Labour's growth-focused plan for government. If the party fails to be bold, there is a risk it won't take the strain. ■

BAGEHOT

A poundshop presidency

The general election reveals the absurdities of Britain's presidential turn



NEITHER RISHI SUNAK nor Sir Keir Starmer is a natural politician. That may be a strange thing to say about a man who was the youngest prime minister since 1812 and an opponent who is on track for a historically large majority. But in a less feral era of British politics, Sir Keir would have capped off a successful legal career with a few years as attorney-general and Mr Sunak would still be a mid-ranking cabinet minister rather than the boss. Extreme events put both in a high place, like a fishing boat marooned halfway up a hill after a tsunami.

All their flaws and frailties were on display during their first televised head-to-head debate on June 4th. Neither shone. Mr Sunak has two registers: simpering and hectoring. When members of the public laid out their hardship stories, Mr Sunak responded with the learned empathy of a man worth £651m (\$830m). When the debate moved to technical matters, he responded with the pernickety fluency of an over-promoted junior minister. Sir Keir, meanwhile, is remarkably wooden for a former barrister, clumsily dragging every other question back to his tenure running the Crown Prosecution Service. The viewer was left pleasantly surprised that anyone was jailed during his stint there.

If each struggles with this format, why did both agree to participate in it? One answer is that debates are now a mainstay of British politics, which has taken a presidential turn. Party leaders dominate election coverage at the expense of colleagues who would also be running the country under Britain's system of cabinet government. Combining the profile of a president with the powers of a prime minister is a bad mix. A pair of flawed politicians, such as Mr Sunak and Sir Keir, make the absurdities of this accidental system apparent.

Britain's politics became presidential after a succession of leaders who, if not always loved, were bigger than their parties. David Cameron, a former Tory prime minister, looked the part (tall, posh, reassuringly meaty) and polled above his party. Sir Tony Blair had the highest leadership ratings of any recent prime minister. Margaret Thatcher bestrode Conservatism for a decade; even Sir John Major, her comparatively meek successor, was initially a boost to his party's ratings, not a drag. Boris Johnson,

another former Tory prime minister, was an electoral boon for the Conservatives before he became an almighty burden.

Increasingly, however, British politics is an unpopularity contest. Both Mr Sunak and Sir Keir are less popular than their parties. Mr Sunak was once liked, though mainly for giving away hundreds of billions of pounds during the pandemic. Now his ratings rival predecessors' all-time lows. Mr Sunak is front and centre of the Tory campaign regardless. Likewise, Sir Keir's face is plastered all over Labour's materials even though he is set for Downing Street in spite of his own ratings, rather than because of them. Being less disliked than Mr Sunak is the bar and Sir Keir easily clears it.

In a presidential system everyone must have an "ism", a vision for the country handed down by a mighty leader to his party. This becomes ludicrous when applied to Sir Keir and Mr Sunak, who avoid ideological chin-stroking. Lord help those forced to explain Sunakism, given that the prime minister's political legacy amounts to unilaterally scrapping a high-speed rail link and stymying his own proposal to ban smoking for people born after 2009. Sir Keir also has a hollow agenda that is merrily filled in for him by hangers-on and pundits. Nature abhors a vacuum and so do political journalists. Far better to write about some imagined political philosophy than the actual origin stories of policies, which range from "a trade union asked for it" to "the prime minister's spouse was keen".

Political authority must be infused in a single figure in a presidential system, no matter how much this may bend reality. During the honeymoon period that is likely to follow a Labour victory on July 4th, President Starmer will be reverse-engineered into a political great rather than what he actually is: the lucky leader of the opposition at a time when inflation hit 11%, the gilt market imploded and the Conservative Party ran through three prime ministers in two months. People have underrated Sir Keir until now; a gigantic majority will lead to the mother of all over-corrections. Perhaps the people cry for Sir Keir. More likely, they simply want a change and his party is the other horse in a two-horse race.

Hail to the First Lord of the Treasury

Presidential expectations without presidential powers lead only to disappointment. Even the most presidential prime ministers struggle to enforce their will. In 2011 Lord Cameron was startled to discover that his health secretary planned to up-end the NHS without Downing Street quite realising. Sir Tony, supposedly the most presidential of prime ministers, would tentatively ask Gordon Brown, the chancellor, for a sneak peek of the budget a few days before—and be refused. Putting leaders front and centre overshadows the people who are often actually running the show.

A presidential contest involving politicians as awkward as Mr Sunak and Sir Keir is merely absurd. But turning British politics as a whole into a presidential affair is risky. Party politics provides one of the few checks against extremism in the British system. It is tricky to break the duopoly of Labour and the Conservatives. By contrast, a gonzo-presidential system in which a charismatic leader and a few hundred flunkies count as a credible party makes British politics easier to infiltrate. Nigel Farage, who is back as leader of Reform UK, an insurgent right-wing party, is only the first to make a sustained attempt at this. But if the election is fatal for the Tories, better-equipped political entrepreneurs may enter the fray. It may require more talented politicians than Sir Keir and Mr Sunak to see them off. ■

Business



The energy transition

Turning brown desert into green oasis

ABQAIQ AND DHAHRAN

How Saudi Aramco plans to win the oil endgame

THE MANAGERS of Saudi Aramco could have the cushiest jobs in the energy business. The oil colossus produces 11m barrels of oil a day, more than any other firm and a tenth of the world's total (see chart 1 on next page). It boasts by far the largest proven reserves of the stuff, which would last into the second half of the century at current pumping rates. Its piddling production costs of \$3 a barrel, a tenth of what many Western private-sector rivals must content themselves with, allowed it to generate an eye-watering \$282bn in total net profit over the past two years. And although its oil burns as dirtily as any other, Aramco emits less carbon when liberating it from rock formations than competitors do. That makes the company's product appealing in a world increasingly concerned about global warming but still hooked on hydrocarbons.

As less generously endowed rivals fall by the wayside, Aramco's market share

would, in other words, be almost certain to rise with a few modest investments in maintaining reservoirs. Yet the company's employees are busier than ever. That is because Aramco is the linchpin of the strategy of Muhammad bin Salman, Saudi Arabia's crown prince and de facto ruler, to end his country's reliance on its oil riches, diversify its economy and decarbonise its energy production.

Aramco is, for a start, the chief source

of funds for this vision. On June 2nd it launched a long-awaited secondary share offering, hoping to raise \$13bn in exchange for just 0.7% or so of its government-held stock. This followed a record-breaking \$30bn initial public offering in 2019. Some of the money will again flow to the Public Investment Fund, the main vehicle for the kingdom's sovereign wealth.

Yet Aramco is more than just a princely piggy bank. As the kingdom's most important business, it also has to transform itself in line with the royal strategy. "Our goal is to make our energy source as affordable and sustainable as possible," says Ahmad al-Khowaiter, Aramco's head of technology and innovation.

Achieving that goal involves a three-pronged strategy. Its first element is to double down on oil, but to extract it in ever-cleaner ways. Aramco is planning to spend between \$48bn and \$58bn this year on capital investments. Wood Mackenzie, a consultancy, reckons it will disburse more than \$200bn on exploration and production between 2024 and 2030, far and away the most in the industry. At the same time, Mr al-Khowaiter stresses that his firm is determined to keep its own emissions in check. It routinely uses sophisticated modelling and clever drilling technology to minimise how much carbon is released in its operations. It has pledged to spew no

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net greenhouse gases by 2050, a decade ahead of Saudi Arabia's national target.

In particular, Aramco is cracking down on methane, the main ingredient of natural gas, which is often produced alongside oil. Since 2012 it has flared less than 1% of this potent planet-cooking compound, compared with perhaps 4% that America's shale men set alight. As a member of the Oil and Gas Climate Initiative, a group of large oil firms, it has vowed to reduce methane emissions to close to zero by 2030. At Abqaiq, the world's largest oil-processing facility, Aramco staff show off drones being used to sniff out leaks of the gas, so they can be patched up. Recent analysis of satellite data by Kayrros, a French analytics firm, shows that methane intensity from Saudi oil and gas production last year was the second-lowest in the world, behind only greener-than-thou Norway.

The second pillar of Aramco's strategy involves broadening its hydrocarbon portfolio to reduce its exposure to oil, which has historically dominated its production and exports. This pivot gained sudden momentum earlier in the year when the government ordered Aramco to stop work on expanding its maximum oil-production capacity by 1m barrels per day, from 12m-13m. With the global market well supplied and the country sitting on a lot of spare capacity, the expansion made little sense. And the \$40bn or so of capital spending that it would have consumed between 2024 and 2028 can be put to use elsewhere.

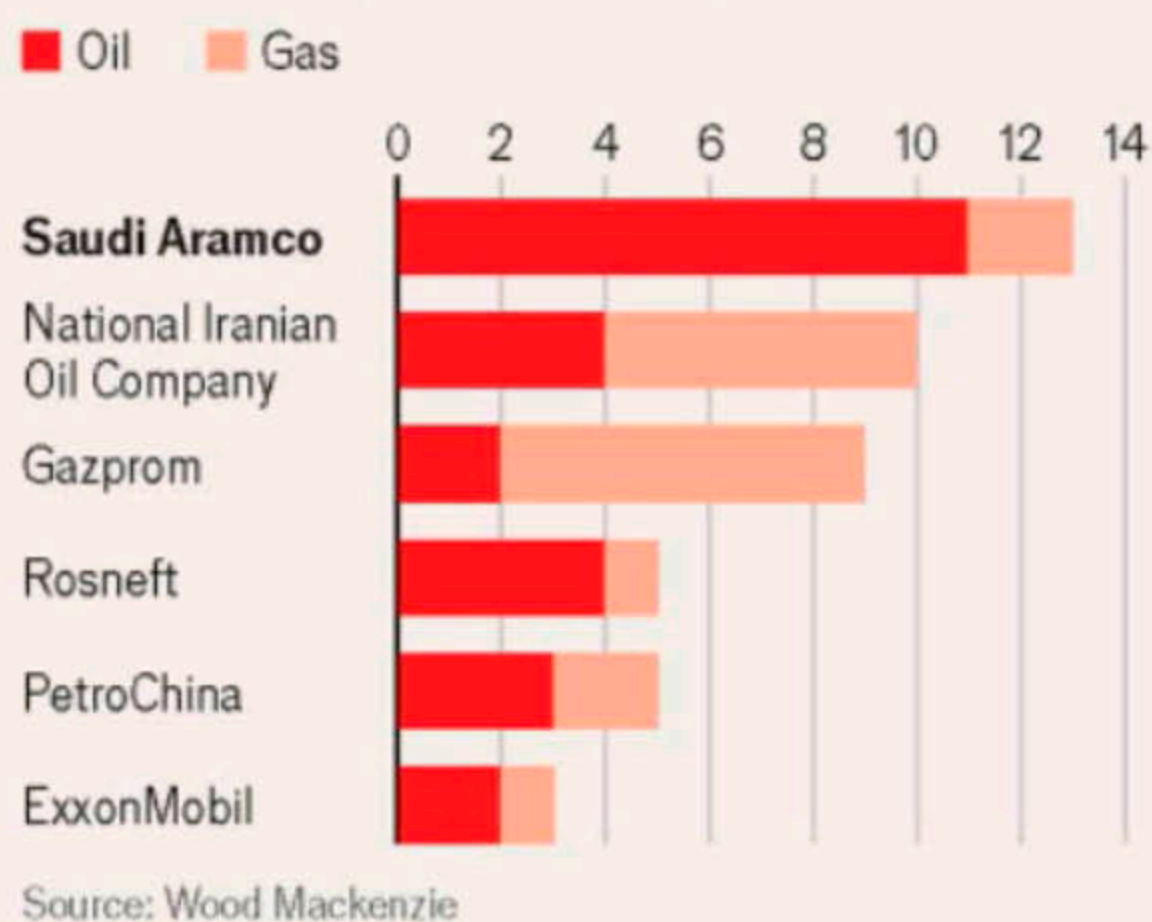
One area of diversification is natural gas. Because it burns more cleanly than oil or coal, and because the resulting CO₂ emissions are more concentrated and thus easier to capture and store, it is considered by many governments a realistic bridge to a greener energy future. Aramco wants to produce 165bn cubic metres of gas a year by 2030, up from 110bn in 2022.

Petrochemicals, another big area of interest for Aramco, could soak up a further \$100bn in Saudi investments this decade. The firm plans to direct 1m barrels of its oil into making such products. SABIC, a Saudi petrochemical company in which Aramco has a 70% stake, is working with two industrial giants, BASF and Linde, on technology that converts oil into chemicals using electricity rather than natural gas to heat the process. A full-scale pilot plant was inaugurated in Germany in April.

This points to the third pillar of Aramco's master plan—decarbonisation. The company has turned itself into one of the biggest green investors in the energy world (see chart 2 on next page). A tenth of its capital spending (equivalent to \$4bn-5bn a year) and a sixth of its research-and-development budget (another \$540m) are earmarked for non-hydrocarbon investments. Last year a fifth of the roughly 1,000 patents Aramco secured in America related to

Really big oil

Oil and gas production, 2023, million barrels of oil equivalent per day



decarbonisation and digital technologies, up from a seventh in 2022. The company is also planning to place \$2bn of its \$4bn in new venture-capital wagers on such things. During a visit to Saudi Arabia in May by Jennifer Granholm, America's energy secretary, Aramco signed agreements with several American green startups.

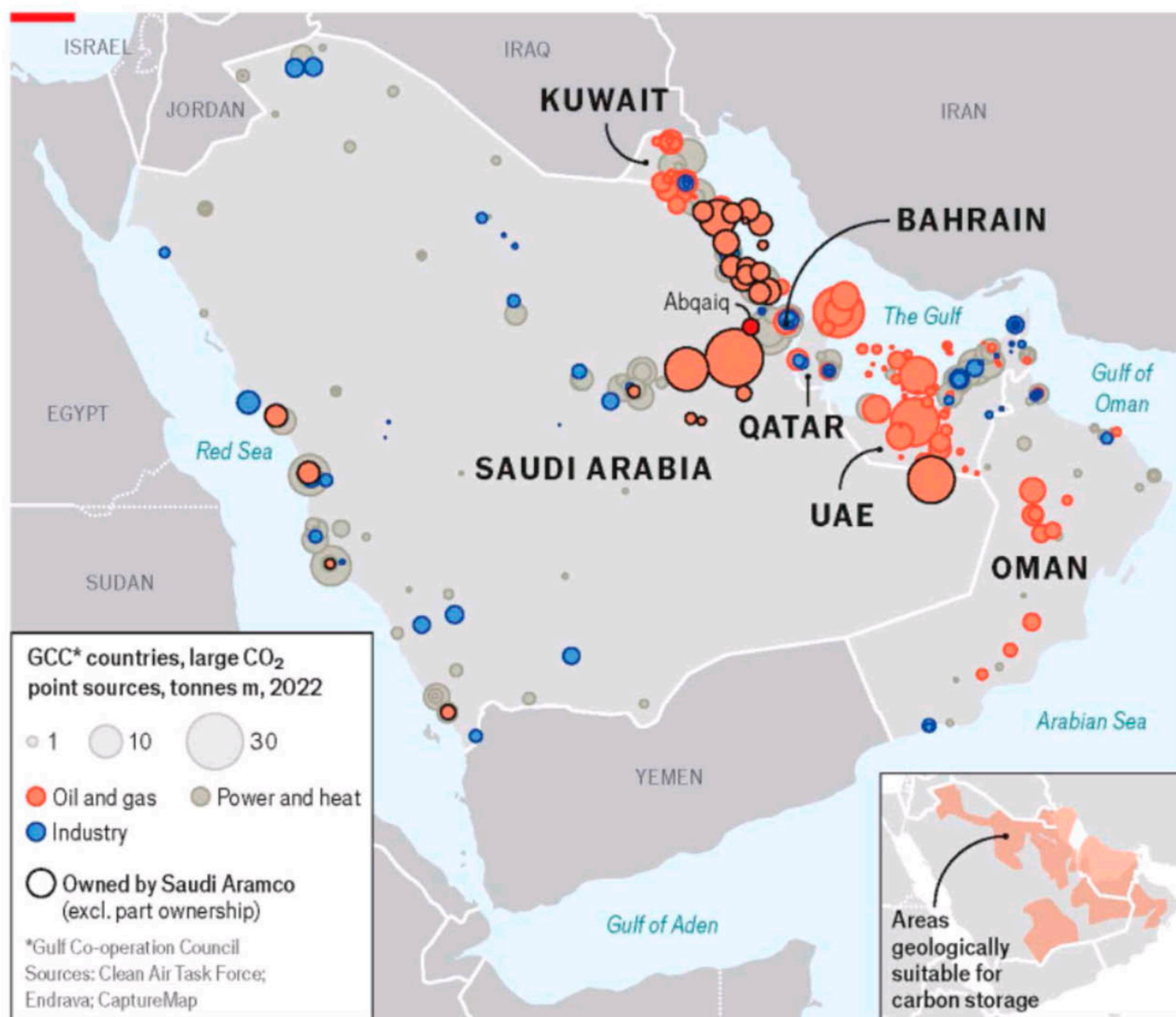
The most mature of the green technologies in Aramco's sights is renewable power. Rystad Energy, a research firm, estimates that the company will develop 12 gigawatts (GW) in wind and solar capacity by 2030, up from virtually nothing a few years ago. Prince Muhammad has ordained that half the country's currently filthy power-generation mix must be clean by 2030. Thanks to scorching desert sun and, in places, fierce night winds, Saudi renewables projects enjoy among the lowest

costs in the world. One of the startups that tagged along with Ms Granholm was Rondo, which is developing batteries that store renewable energy as heat.

Some of this clean power can be used to produce equally clean hydrogen, which could replace hydrocarbons both as a store of energy and in some industrial processes such as steelmaking. In addition to this "green" hydrogen, made by splitting it from oxygen in water molecules using lots of renewable energy, Aramco wants to become the world leader in "blue" hydrogen, which is derived from natural gas but in a process that prevents the resulting carbon from reaching the atmosphere.

As part of this effort the company is working with Topsoe, a Danish engineering firm, on ways to reduce such emissions. It has already shipped small quantities of blue ammonia, a gas from which hydrogen can be easily derived but which is less fiddly to transport, to customers in Asia. These were the first-ever commercial shipments to be independently certified as low-carbon. Aramco plans to make 11m tonnes of blue ammonia per year by 2030, a fifth of what the International Energy Agency, an official forecaster, expects to be the global market for the stuff.

Hydrogen can also be used to produce synthetic liquid fuels that would do the same job—and use the same infrastructure—as petrol, diesel and aviation fuel, minus the carbon emissions. Aramco is planning to invest hundreds of millions of dollars in partnership with Repsol, a Spanish oil company, to produce such "drop-in" »



► e-fuels. As a proof of concept, Mr al-Khwaiter points to Formula One motor racing. Starting in 2026 the teams, including Aramco's partnership with Aston Martin, a British sports-car maker, will have to use 100% sustainable fuels.

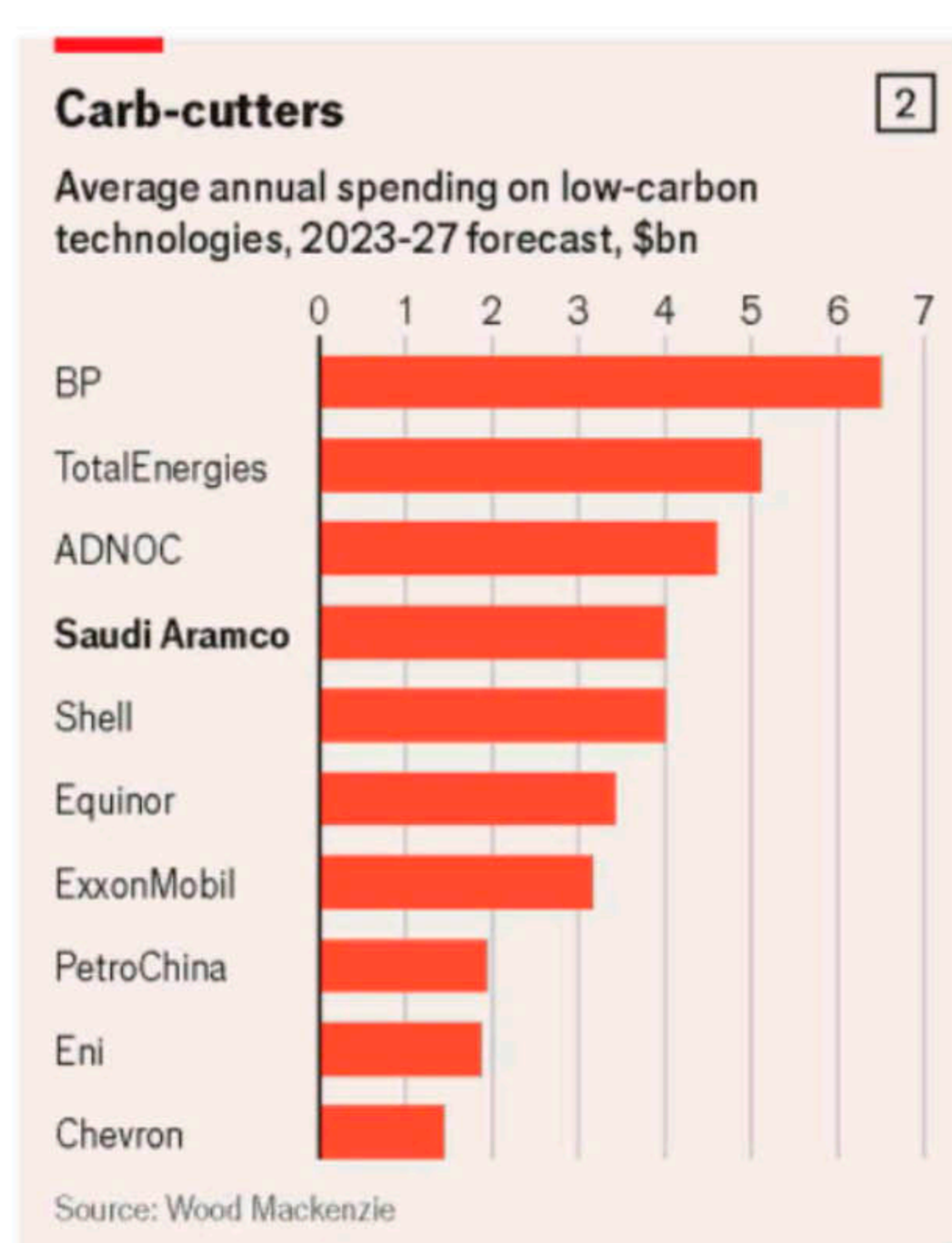
All Aramco's blue-hydrogen plans rely on its ability to capture the carbon emitted in its production. As its collaboration with Topsoe and its shipments of blue ammonia to Asia show, it is having some success in this area. But its carbon-capture plans are much grander, and go far beyond hydrogen production.

Many of Saudi Arabia's sources of industrial carbon emissions, whether oil fields or petrochemical plants, are conveniently near rock formations where the captured emissions can be stored (see map on previous page). Aramco is working with Linde and SLB, an American oil-services firm, to build a vast hub in Jubail, an eastern city. This could capture 6m tonnes a year of Aramco's own emissions, and another 3m from industrial customers, and either sequester them underground or turn them into useful products such as fertiliser (into which SABIC has been turning carbon at one of its chemical plants since 2015). The company's long-term ambition is to capture 44m tonnes of CO₂ a year, equivalent to about 7% of Saudi emissions today. It looks likely, experts reckon, to reach its initial goal of 6m tonnes from 2026.

Most ambitiously of all, Aramco is working with companies like Siemens, a German engineering giant, and Spiritus, another of Ms Granholm's startup travel companions, on "direct air capture" equipment. This can offset emissions elsewhere in Aramco's operations, by scrubbing carbon dioxide directly from the atmosphere rather than from industrial point sources—or, eventually, from the burning of its oil by motorists and other end-users.

None of these green bets is guaranteed to pay off. Meeting the royal target of 50% clean electricity generation looks a stretch, given that the figure today is 3%. Blue ammonia, which costs the equivalent of \$250 per barrel of oil, three times the current price of crude, remains too expensive to persuade buyers to sign long-term contracts. Synthetic fuels could likewise prove a costly and energy-intensive dead-end that serves only to slow the electrification of transport. As for snatching carbon from industrial flues, let alone from the atmosphere, despite years of efforts the technology remains pricey, untested at scale and controversial among environmentalists, many of whom see it as a pretext for not cutting emissions in the first place.

Many of Aramco's decarbonisation plans are indeed designed to keep the world using its products, says Christyan Malek of JPMorgan Chase, a bank. But, he adds, it also involves making those pro-



ducts "as green as possible". Helima Croft of RBC Capital Markets, an investment firm, says that given the level of Aramco's non-oil investments, the Saudi strategy cannot simply be dismissed as "window dressing". Such assurances will not persuade diehard environmental campaigners to embrace what they view as one of the world's chief climate villains. For climate realists, the oil giant's efforts can be seen as a real step in the right direction. ■

Artificial intelligence

More than a token effort

DUBAI

An Emirati AI hopeful has big plans

THE MIDDLE EAST is something of a tech desert. One company trying to change this is G42, founded six years ago in the United Arab Emirates (UAE). More recently the state-backed firm has turned into the nerve centre of Emirati ambitions to become an AI powerhouse—and to spread the country's broader influence in its neighbourhood and beyond. But rather than creating its own large language models (LLMs) of the sort that underpin AIs like ChatGPT, G42 wants to achieve this goal by developing the infrastructure of the AI economy and the real-world applications of the technology in industries such as health care and energy.

Even by AI's frenetic standards G42 has had a busy couple of years. It has struck deals with OpenAI, creator of ChatGPT, and with Cerebras, a chipmaking upstart, to construct a new supercomputer. It is erecting data centres to accommodate vast cloud-computing workloads. It has teamed

up with AstraZeneca, a European drug-maker (to manufacture "innovative" medicines in the UAE), and with the Mercedes Formula One racing team (for reasons that are vaguer still). Through investment vehicles co-founded with Mubadala and ADQ, two Emirati sovereign-wealth funds, it is also placing multibillion-dollar bets on startups around the world. And in April it found itself on the receiving end of a \$1.5bn investment from Microsoft, the \$3trn software behemoth whose own partnership with OpenAI has put it at the sharp end of the AI revolution.

All this dealmaking should furnish G42 with AI nous that, the UAE's rulers hope, will help diversify the country's economy away from hydrocarbons. This expertise can also be redeployed abroad—also partly in the service of Emirati statecraft. The company seems particularly keen on digital projects in places which the UAE sees as strategically useful. In Kazakhstan, where its compatriots are developing large renewable-energy projects, G42 has signed an agreement with that country's sovereign-wealth fund to, among other things, smarten up the Kazakh energy grid.

The company has been especially busy in Africa, a continent across which the UAE is opening embassies, building ports and developing oil-and-gas projects. In Angola, Gambia and Kenya, G42 is helping develop data centres. In Senegal and Zambia it is assisting governments in digitising public services.

Whether all this elevates G42 to global AI stardom is up for debate. Although the UAE is seeking a "marriage" with America, in the words of its AI minister, security hawks in Washington are uncomfortable about the country's friendliness with China. Microsoft's investment required G42 to sever its ties with controversial Chinese hardware manufacturers such as Huawei.

G42 is also facing local competition. In May the Advanced Technology Research Council, an Emirati government outfit, unveiled the latest iteration of its Falcon generative-AI model and spun off its own company, AI71. Equinix, a big developer of data centres, has just opened a big server farm in G42's Emirati backyard. Saudi Arabia, the UAE's bigger next-door neighbour, is building the Middle East's most powerful supercomputer and is working with IBM, an American tech giant, to develop an Arabic-language AI.

And no one—not even Microsoft or OpenAI—has quite worked out how to turn a profit from generative AI. Plenty of businesses are toying around with it, but only about 15% of those surveyed recently by McKinsey, a consultancy, reported a "meaningful impact" on their earnings. The UAE's petrodollar-rich rulers may care little about the money. To G42's private-sector partners, it matters a lot. ■

Gastronomy

The taste of things to come

SHANGHAI

Chinese restaurateurs are eating multinational rivals' lunch

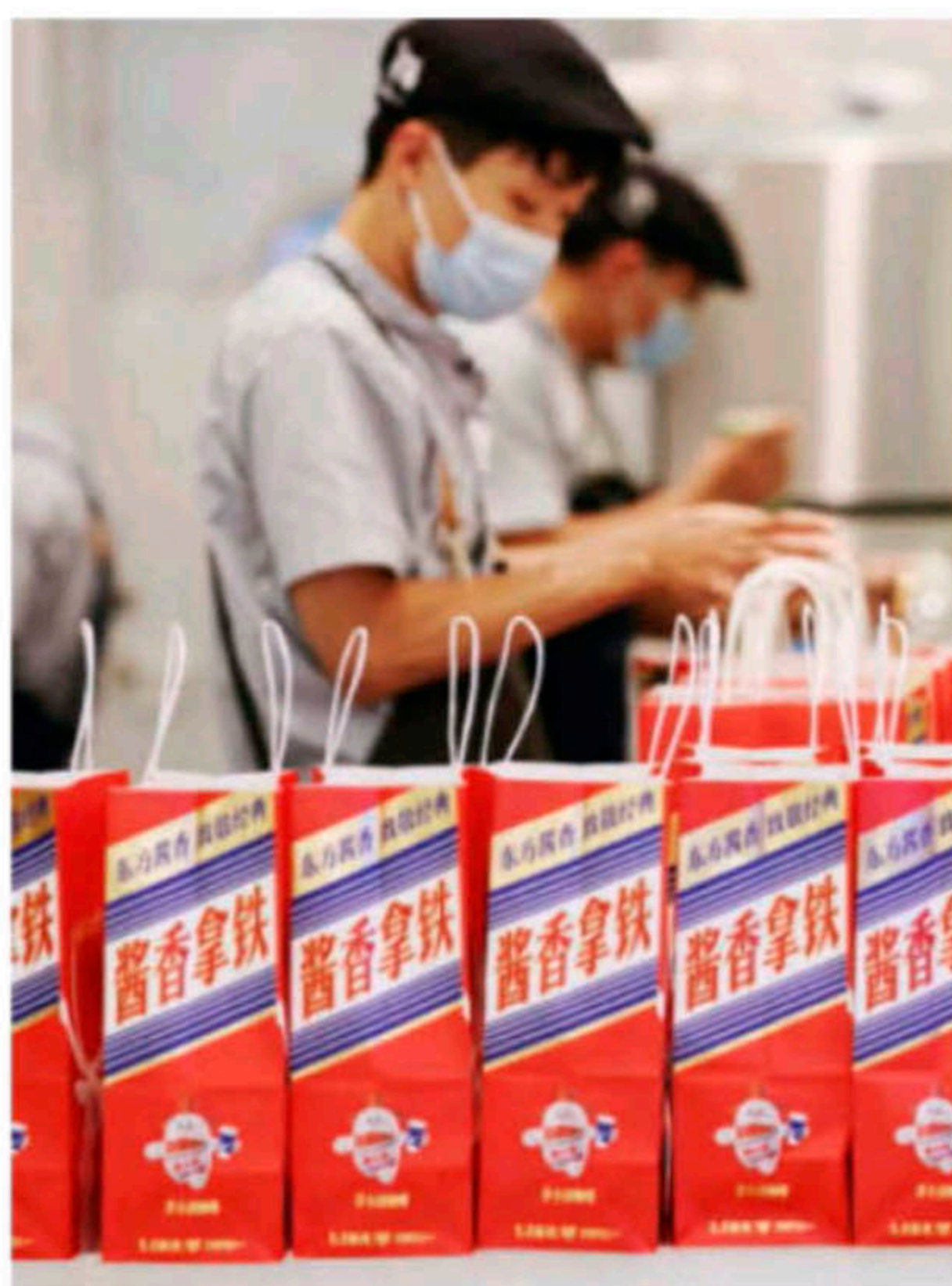
WESTERN CHAINS used to dominate casual dining and drinking in China. The arrival of a Kentucky Fried Chicken in a Chinese city was once regarded as a developmental milestone. Today China is home to 10,000 KFCs (whose owner, Yum China, was spun off from its American parent in 2016), more than twice the number in America. Starbucks has 7,000 coffee shops and McDonald's boasts 6,000 burger joints. The foreigners' cash and cachet made it hard for locals to compete.

Now the tables are turning. Starbucks's Chinese sales fell by 8% in the first quarter, year on year, and Yum China reported a drop of 3%. Yet even as they lose their appetite for foreign chains, Chinese consumers cannot get enough of domestic ones. Tastien, which fills hamburgers with local delicacies such as Peking duck or mapo tofu rather than beef, has opened 1,600 new shops in the past six months, bringing its total to 7,000. Wallace, another burger-flipper, now has more than 20,000. Cotti, a two-year-old coffee-shop chain, plans to have that many by the end of 2025, up from 6,000 last October. An older caffeine-peddler, Luckin, opened 8,000 in 2023, doubling its network. Mixue hawks its bubble tea through 36,000 outlets.

Investors are licking their lips. Mixue, which also sells ice cream and churned out 2.5bn yuan (\$350m) in net profit in the first nine months of 2023, may soon seek a \$1bn initial public offering (IPO) in Hong Kong. A rival tea-seller, Chabaidao, raised \$330m when it listed there in April. Another, Chagee, is said to be preparing for an IPO in America. According to local media, the privately held Tastien is valued at 7bn yuan.

A big reason for the sudden popularity of domestic chains is their lower prices. Rather than forgo lattes as China's economic prospects sour, consumers are trading down. Luckin is selling coffee at a promotional price that is one-third that of an equivalent beverage at Starbucks (it is also lacing some coffees with *baijiu*, a local fire-water). Mixue and Cotti offer similarly cheap (though less boozy) fare.

Another explanation has to do with geography. Many homegrown chains come from places other than China's rich megapolises such as Shanghai. Cotti and Wallace opened their first outlets in Fuzhou, a "tier-2" city in the south-east. Tastien was founded in Nancheng, an inland railway hub likewise considered second-tier.



Luckin's alco-lattes get a look-in

Those are also the places where such chains are expanding most aggressively, in part because Western rivals have historically ignored them. About half of Tastien's outlets are in second- and third-tier cities. Luckin's rapid growth has been driven by its expansion in these relative backwaters, according to Nomura, a bank. Starbucks, by contrast, has barely ventured beyond

the biggest cities in the past two years.

This has allowed the locals to take advantage of perkier consumer sentiment in such places. According to McKinsey, a consultancy, 30-somethings living there are less gloomy about their prospects than their metropolitan coastal counterparts. UBS, a bank, recently found that residents of smaller cities intended to spend more on dining, cosmetics and sportswear than those in larger conurbations.

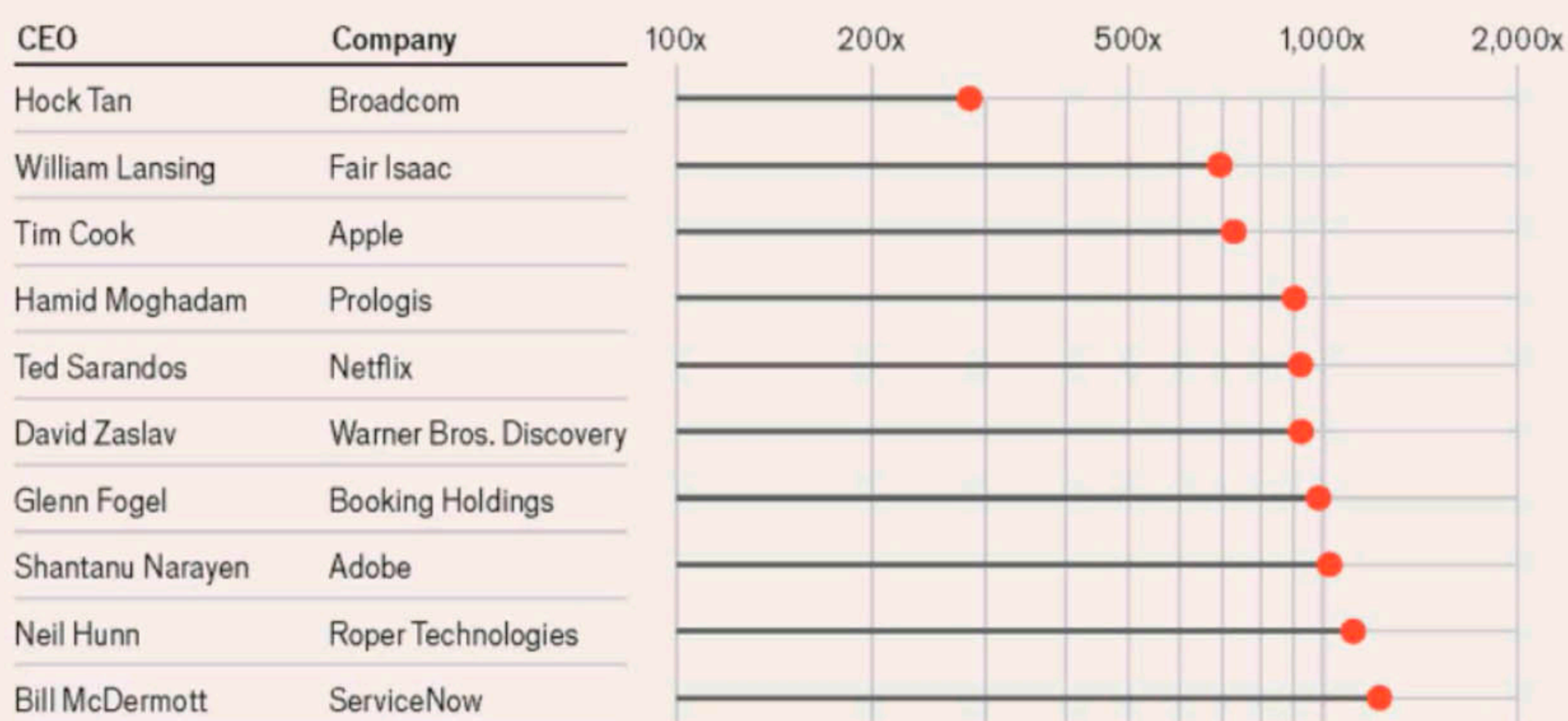
Can the feast last? Foreign rivals are catching on. Between January and March about 60% of new Chinese KFCs and Pizza Huts (also owned by Yum China) opened in cities that are no bigger than third-tier. Many of the 4,000 new restaurants that McDonald's is planning to open by 2028 are expected to be in smaller towns.

Potentially more worrying, Chinese consumers' belt-tightening mood may spread inland from the coasts. Overall growth in retail sales has already slowed to 2.3% in April, year on year, down from 3.1% in March and 5.5% in the first two months of the year. Despite its piping-hot growth, and a near-tripling of pre-tax profit last year to 3.1bn yuan, Luckin's shares have lost half their value since October. Chabaidao's share price is down by more than 40% relative to what investors just paid at its IPO. Not the sort of bubble investors had in mind. ■

No brakes

United States, Elon Musk's pay package as a multiple of the ten best-compensated CEOs*, 2023

Log scale



*S&P 500 companies that have filed proxy statements and have had their CEO in position for at least two years

Sources: Equilar; AP; company reports; The Economist

The Musk premium

How much is Elon Musk, the mercurial multibillionaire, worth to Tesla, the carmaker he runs? In 2018 the company's board put in place a plan to award Mr Musk shares over ten years worth \$46bn, at their current price, provided the business cleared a series of hurdles. In January a Delaware judge struck down the package, calling it "unfathomable", after a shareholder sued to have it rescinded. The company has asked its investors to reaffirm their support for the award ahead of an annual general meeting on June 13th. Mr Musk's monster pay package is worth nearly 300 times what America's best-paid chief executive, Hock Tan of Broadcom, a chipmaker, made last year. It is also equivalent to 8% of Tesla's current market value—which is down by roughly a fifth over the past year.



Semiconductors

Castles made of silicon

Should the world fear China's chipmaking binge?

CHINA'S HUNGER for homemade chips is insatiable. In May it was revealed that the government had launched the third iteration of its "Big Fund", an investment vehicle designed to shore up the domestic semiconductor industry. The \$48bn cash infusion is aimed at expanding the manufacture of microprocessors. Its generosity roughly matches similar packages from America (\$53bn) and the EU (\$49bn), both of which are also trying to encourage the expansion of local chipmaking.

Chinese chipmakers are in a tough spot. In October 2022 America's government restricted the export to China of advanced chips and chipmaking gear made using American intellectual property—which is to say virtually all such devices. This makes it near-impossible for Chinese firms to produce leading-edge microprocessors, the kind whose transistors measure a few

nanometres (billionths of a metre) across and which power the latest artificial-intelligence models. But it does not stop them cranking out less advanced chips, with transistor sizes measured in tens of nanometres, of the sort that are needed in everything from televisions and thermostats to refrigerators and cars.

Chips off the old block

As a consequence, semiconductor companies from China increasingly dominate chipmaking's lagging edge. They account for more than half of all planned expansion in global manufacturing capacity for mature chips. TrendForce, a research firm, forecasts that China's share of total capacity will increase from 31% in 2023 to 39% in 2027 (see chart 1).

This has alarmed Western policymakers. In April Gina Raimondo, America's commerce secretary, warned that China's "massive subsidisation" of their manufacture could lead to a "huge market distortion". America and the EU have launched reviews to gauge the effect of China's legacy-chip build-up on critical infrastructure and supply-chain security. Bosses of Western chip firms privately grumble that the coming glut of Chinese semiconductors will put downward pressure on prices both in China, from which foreign chipmakers derive large portions of their revenues, and elsewhere. Even some of their Chinese counterparts agree. They include SMIC,

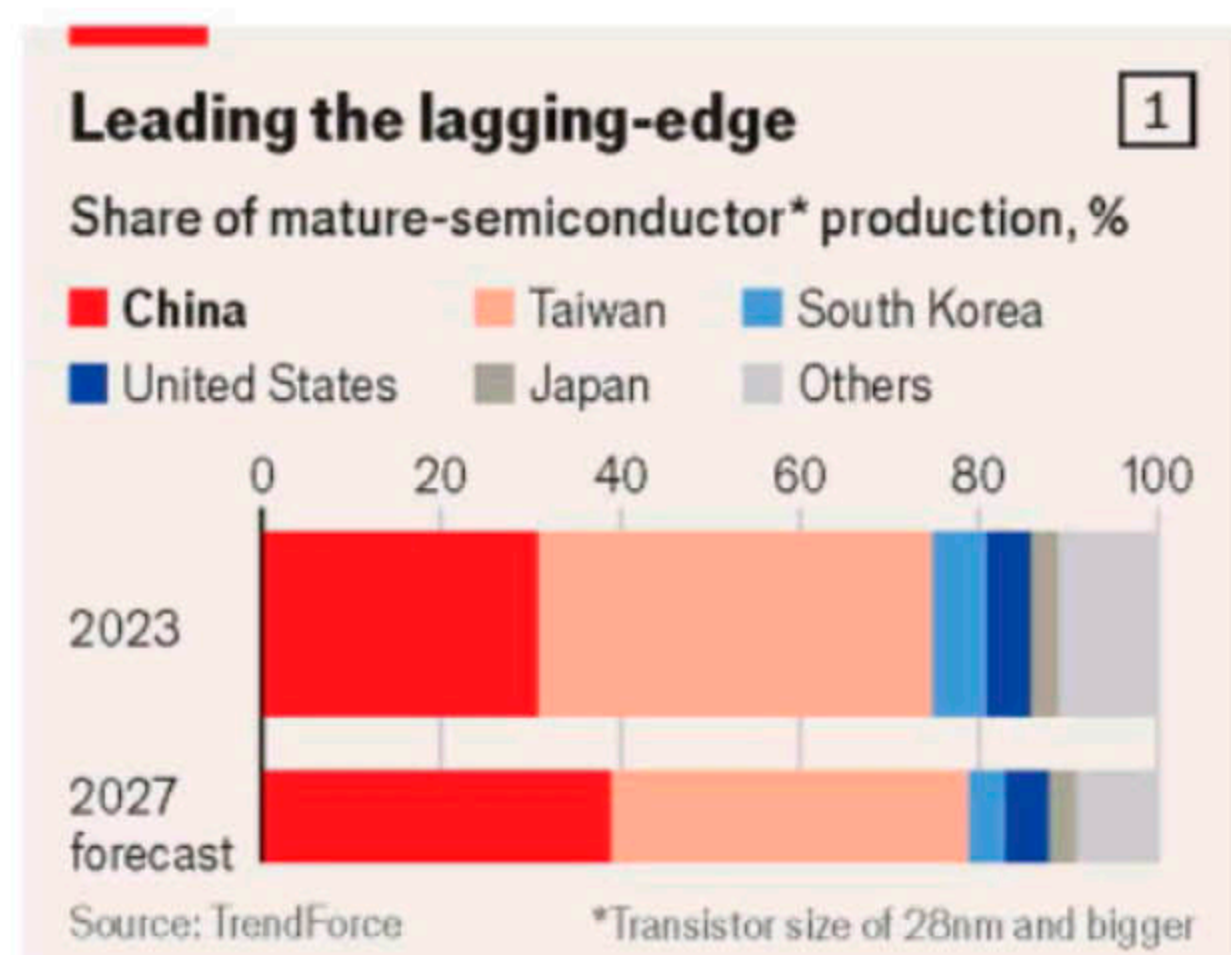
China's biggest foundry (as contract manufacturers that make chips based on their customers' blueprint are known). Last month it warned investors that competition in the industry "has been increasingly fierce" and that it expected prices to fall.

Chinese investments certainly suggest ambitious plans. In 2022 China imported chipmaking equipment worth \$22bn. The following year it bought \$32bn-worth of similar tools, accounting for a third of worldwide sales. Customs data show that in the first four months of 2024 Chinese imports of chipmaking tools were nearly double those in the same period last year (see chart 2). Since American export controls bar the most sophisticated equipment from reaching China, the bulk of those imports are likely to consist of kit used to make lagging-edge chips, not leading-edge ones. Chinese chipmakers have also been buying more equipment from Chinese toolmakers, whose market share at home has risen from 4% in 2019 to an estimated 14%. Because homemade equipment is years behind the technological cutting edge, it is likewise destined for the production of mature chips.

Still, fears that this threatens the security of the West's supply chains may be misplaced. Jan-Peter Kleinhans of SNV, a German think-tank, reckons most of the new production will be "in China, for China". In 2018 SMIC and Hua Hong Semiconductor, another foundry, generated nearly 40% of their revenue from foreign customers. This fell to 20% last year. At the same time Chinese foundries' overall output increased, reflecting robust domestic demand.

This demand looks likely to remain strong. Bernstein, a broker, estimates that Chinese carmakers, electronics firms and other chip users buy almost a quarter of the world's mature semiconductors. Almost half of those purchases still come from abroad whereas they could be coming from home.

There is another reason for the West to keep its cool. Although Chinese chipmakers rival foreign makers of mature semi- ➤



Tools and the trade [2]

China, monthly imports of chipmaking equipment, \$bn



Sources: General Administration of Customs of the People's Republic of China; Bernstein

conductors in manufacturing, they are still outmatched when it comes to design, engineering and product reliability. This is especially true for fiddly semiconductors such as microcontrollers (a type of computer-on-a-chip) and analogue processors (which use wave-like signals instead of digital ones and zeros). Having doubled their domestic market share to around 12% between 2019 and 2021, Chinese makers of analogue chips have been unable to make further inroads since. Bernstein expects

them to supply just 14% of the domestic market by 2026. That leaves lots of room for Western producers such as Analog Devices, Texas Instruments and NXP.

More surprisingly, Chinese foundries are also at a cost disadvantage. In contrast to leading-edge chip factories, which must upgrade their expensive equipment frequently as transistors shrink, most mature-chip manufacturers operate the same equipment for a long time. So long, in fact, that established companies have fully de-

preciated the value of many of their assets. This significantly lowers their unit costs, a boon at a time when competition keeps prices down. Chinese chipmakers which are investing in new capacity right now will have to absorb the hefty cost of those investments for several years. That means considerably thinner margins and therefore less money to reinvest in future growth. If China's government wants that growth to continue, the third Big Fund will not be the last. ■

BARTLEBY

Clash of the chronotypes

Is it better to be an early bird or a night owl?

ARE IS THE chief executive who extols the virtues of a lie-in. Tim Cook, boss of Apple, maker of the iPhone, wakes between 4am and 5am. So does Bob Iger, his counterpart at Disney, a media giant. According to one survey, two-thirds of the chief executives of large American companies are up by 6 o'clock; for average Americans the share is less than one in three. For those aspiring to corporate greatness, the message seems clear: you snooze, you lose.

Your guest Bartleby harbours no such ambitions. But he has, in the past, experimented with early starts, and can confirm that their benefits go beyond the smug sense of satisfaction that comes from arriving at your desk before your editor. Inboxes can be cleared and tricky problems mulled over before the onslaught of emails and meetings begins, leaving you feeling well prepared for the day ahead.

Those quiet hours of the morning need not be spent solely on work. In a popular genre of TikTok videos, influencers film themselves performing elaborate morning routines in which they submerge themselves in ice baths, recite affirmations and mindfully prepare nootropic coffees. In one widely pilloried video, Kris Krohn, a business coach, details how he wakes at 4 in the morning to "align the pharmacy of the body and over-dopamine the mind".

Although Mr Krohn's routine may lack scientific rigour, plenty of research finds merit in early rising. In a study conducted in 2012 by Renée Biss and Lynn Hasher, then both at the University of Toronto, early birds reported feeling happier and healthier. Night owls, their nocturnal opposites, tend to have less sleep, which can weigh on their mood and health—as well as their productivity.

Andrew Conlin of the University of Oulu, in Finland, and co-authors found that men who rose late made 4% less money than those who were up early (they did not test whether an extra 4% is enough to entice slumberers to throw off their duvets).

Early birds are certainly held in higher regard. Rolling into the office late continues to be frowned upon in most workplaces. A study published in 2022 by Jessica Dietch of Oregon State University and her co-authors found that night owls were perceived by respondents as being "lazy", "undisciplined" and "immature". To pile on the stereotypes, they are fatter, too, according to research by Lap Ah Tse of the Chinese University of Hong Kong and colleagues.

Rising early is not, though, all upside. Those ready and waiting to receive work when the boss arrives may be given more of it. If the early bird gets the worm, the clever worm stays in bed. Urgent tasks often come up during the day, meaning that those who come in early may end up working just as late as their dawn-averse colleagues. And the more emails you send

in the morning, the more responses you are bound to get back.

Waking before sunrise also risks turning you into a bore. Some larks cannot resist describing how much they got done while owls bashed the snooze button. Others go home early to tuck themselves in rather than socialise after hours. Night owls, by contrast, let loose. Research shows they drink more and take more drugs. They also have more sex. Christoph Randler and colleagues at the Heidelberg University of Education found that men who stayed up later had "higher mating success". In the eyes of many, late nights are the preserve of youth, whereas early mornings are the domain of the geriatric.

Efforts to alter your circadian rhythm are likely to end in sleepy frustration. A person's chronotype, to use the scientific lingo, is largely a product of their genes. Dimming your lights at night and buying a special alarm clock will not magically transform you into a morning person. Those early hours will be of little use if they are spent staring blankly at a screen through bleary eyes. This Bartleby abandoned his efforts at early starts after growing alarmed at the quantities of caffeine he required to stay awake. Early birds, for their part, lose out by never being the life of the party after the sun goes down. If nothing else, that gives them one fewer thing to feel smug about.

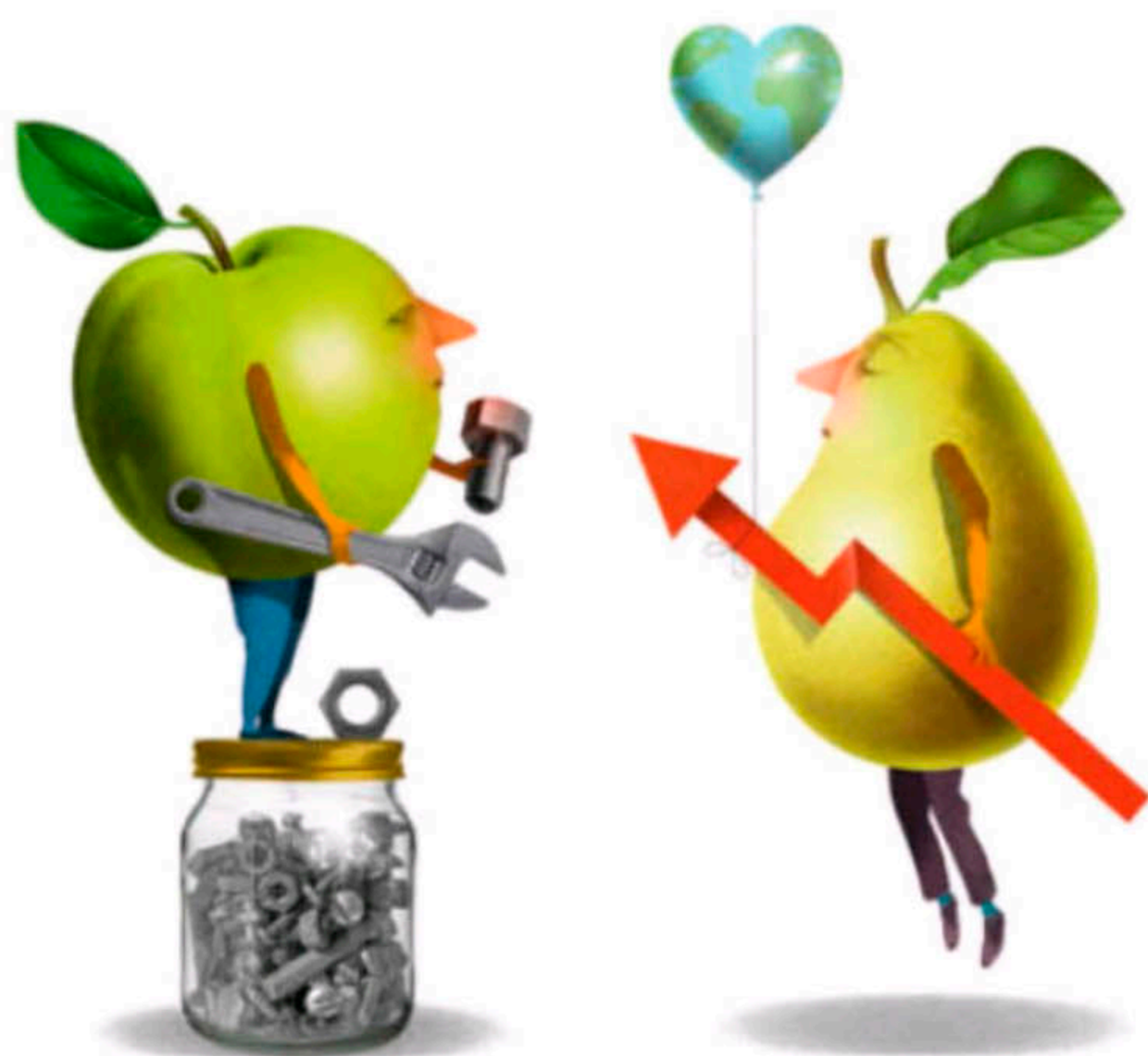
Perhaps the best advice, then, is to stop worrying about your body clock. Most people are neither early birds nor night owls, but in between. They do not perform well first thing in the morning or late in the evening. Many, including your columnist, get sleepy in the afternoon, too. That is why most offices operate between 9 and 5—and why they ought to have nap rooms.



SCHUMPETER

Trader Joe's v Whole Foods

Lessons in alternative capitalism from two quirky retail entrepreneurs



AMERICA IS NOT just the land of red-blooded capitalism. It has an esoteric tradition of capitalist altruism, too. Take Trader Joe's, an own-label grocery chain like M&S in Britain. It somehow retains a local-community feel, like an indoor farmers' market with good prices and wonderful staff, despite having 549 stores. Whole Foods Market, a 530-store Mecca for well-heeled health nuts and epicureans, has a similar vibe. Or at least it did until 2017, when it was sold to Amazon for \$13.7bn. Its co-founder, John Mackey, has recently published a book full of *joie de vivre* about his 42 years at its helm. "The Whole Story: Adventures in Love, Life and Capitalism" comes a few years after an even quirkier memoir by the founder of Trader Joe's, the late Joe Coulombe. They are strikingly different characters who approached retailing in unusual ways. Each offers good lessons in entrepreneurship.

Mr Mackey's book starts with him as a college dropout having an LSD-fuelled epiphany: "I was IT. And it was me, and I was there. And it was ALL." Don't be put off. Whether or not would-be entrepreneurs should drop acid for inspiration, in his case it worked. The Texan's quest for self-discovery leads to a new philosophy of natural-food retailing that conquers America. Coulombe's book, "Becoming Trader Joe", has no New Ageiness, even though his chain started in California in 1967. As a lesson in how to beat the big guys in business, it does exactly what it says on the tin. His first anecdote is about the merits of relabelling Peruvian tuna as pilchards to avoid import quotas and cut prices.

Such contrasts are telling. Though Mr Mackey is a proud capitalist, he seeks to make Whole Foods a "values-based" company that puts the interests of customers, suppliers, staff and the environment alongside those of shareholders. He becomes an advocate for "stakeholderism", though is refreshingly candid about the difficult trade-offs involved. Coulombe put Trader Joe's success down to more nuts-and-bolts factors: well-paid employees; cheap, interesting produce; an encyclopedic understanding of retail regulations (and how to get around them). Given the struggles that pepper Mr Mackey's book, from internal coup attempts and vulture investors to customer boycotts, Trader Joe's more down-to-earth approach looks, to say the least, less exhausting.

The two firms do share similarities. Both have been celebrated as good places to work while being staunchly anti-union. Coulombe wrote that his core value from the start was high compensation, which he says boosted productivity so much it was worth it. "You can't afford to have cheap employees." Mr Mackey says pay was of secondary importance, but that Whole Foods' sense of mission and community attracted workers. Both founders had a nose for changing customer tastes. In the 1960s Coulombe realised that Americans were becoming better educated and travelling more, which made them keen to explore new tastes. Early items he sold were wine, which offered a guaranteed profit thanks to price controls, and Brie, on which Wisconsin's cheese lobby had neglected to demand import restrictions. Mr Mackey bet boldly on his hunch that even young Texans would crave healthier foods. Later, after a proselytising lecture he heard on olive oil, he was quick to see the potential in foodies as well as hippies.

Both men, for all their community values, had a shrewd eye for the bottom line. Coulombe's business epiphany came when he centralised the stores' buying and delivery activities, slashed the number of items available, put most of them under the Trader Joe's brand, and sought a gross profit on every one ("No 'loss leaders,'" he wrote). Whole Foods had a less centralised approach. But it kept tight control of administrative expenses, and reinvested profits in the business. It was a master at making the stores that it acquired quickly profitable, enabling further expansion.

As father figures of their firms, their differences are more obvious. "I'm going to disillusion those dear souls—there seem to be a lot of them out there—who think that Trader Joe's sprang, fully developed, from my brain, like Athena from the head of Zeus," Coulombe wrote. He was not one to dwell upon himself. Mr Mackey, in contrast, puts himself and his personal life (including par-amours) at the centre of the Whole Foods story. Likewise, they built their companies in different ways. Coulombe said that in order to survive, Trader Joe's had to be regularly reinvented from the bottom up. Mr Mackey, to begin with, treats Whole Foods as his baby. As it expands, he accepts that it should become more independent of him. But there is not enough reinvention.

Stakeholder in the heart

For all Mr Mackey's faith in "conscious capitalism", Whole Foods developed a problem in the wake of the global financial crisis of 2007-09, when its pricey fare earned it the moniker "Whole Paycheque". It stuck. He admits in the book that the firm's inability to cut prices, partly because of a fixation on high margins, was a big strategic error. That was never a problem for Trader Joe's, which still prides itself on offering value for (not much) money.

The fallout for Whole Foods was momentous. First came accusations from regulators in California and New York City that it was overcharging customers on pre-packed food. These led to a fine and a settlement. Then shareholder activists tried to oust Mr Mackey. In response, he sold the company to Amazon, which swiftly cut prices and raised hourly pay. He writes that he regrets the circumstances that led to the sale more than the sale itself. But he gives the impression that Whole Foods quickly lost its individuality. Frustrated, he quit in 2022. Coulombe had regrets, too. In 1979 he sold out to the Albrecht family, co-founders of Aldi, a German discount retailer, though he stayed on as boss for nine years. He died in 2020, wishing he hadn't sold. Like Mr Mackey, he built his business to last, not for the quick buck. ■

Finance & economics



Autocratic admirers

Painting the globe red

SINGAPORE

Despite China's struggles, its economic model retains a dangerous allure

TWENTY YEARS ago Joshua Cooper Ramo, a consultant, first wrote about the “Beijing consensus”. The Washington consensus of financial liberalisation, floating currencies and openness to foreign capital was, he posited, a damaged brand. China was pioneering its own approach to development based on principles of equality, innovation and a relentless focus on sovereignty and national security. This would appeal to lots of developing countries.

In the years since, China's leaders have mostly denied any ambition to export a state-led model of development. But they are sometimes more brazen. Last year, for instance, Xi Jinping argued in a speech to Communist Party officials that the country's economic model “breaks the myth that modernisation equals Westernisation”, and that its growth was expanding “choices for developing countries”. Leaders past and present in the developing world—from Pakistan's Imran Khan and Malaysia's Mahathir Mohamad to Brazil's Luiz Inácio Lula da Silva and South Afri-

ca's Cyril Ramaphosa—have expounded the benefits of at least some aspects of the model. And since Mr Cooper Ramo first wrote about the Beijing consensus, the Chinese economy has quadrupled in size in real dollar terms, boosting the country's diplomatic and military sway.

More recently, though, China's economy has stumbled. Its recovery from covid-19 has been weak, limited by a property crisis, which has seen investment in the industry drop by almost a quarter in nominal terms since 2021. Efforts to boost manufacturing have produced clashes with West-

ern powers, whose leaders accuse China of dumping underpriced goods. Given this gloomy context, surely demand for the China model is slipping? Not quite. As Kristalina Georgieva, head of the IMF, put it in a recent interview with Chinese state television: “I travel around the world and I see models of development that have come out of China replicated in other places.” To analyse the extent to which this is true, we have produced an index that measures how similar other economies are to China's. It mostly confirms her conclusion. There is, moreover, reason to believe that China's influence will continue to grow.

What exactly is the China model? Some of its better-known features can also be found in other East Asian success stories, including Japan, South Korea and Taiwan. Economies in all four countries are orientated towards exports and investment. For its part, China has had a current-account surplus for three decades. Its gross fixed capital formation, a measure of investment, runs to 42% of GDP, one of the highest shares in the world. A largely closed capital account prevents citizens from moving money abroad. Financial repression, the practice of keeping interest rates artificially low, ensures cheap bank financing for industries favoured by the state.

But there are other more distinctly Chinese elements. South Korea and Taiwan moved from autocratic to democratic rule while poorer than China is today. In Bei- ▶▶

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▶ jing there has been no political liberalisation, and the state's economic power is enthusiastically wielded for political ends, including through the use of state-owned enterprises. That is particularly true in the financial sector. Despite the growth of private enterprise since the 1980s, officials have kept a tight grip on the banking system, with more than 50% of bank assets still held by state-owned lenders.

The country's development has also depended on the use of special economic zones (SEZs), areas that offer companies and individuals more liberal tax and investment rules. These did not originate in China, but the most successful Chinese ones, such as the vast zones in Shenzhen and on Hainan Island, have provided the inspiration for copycats around the world. The number of SEZs has exploded. Today the Philippines alone hosts more of them than existed worldwide in 1995.

Beijing's trendsetters

Using these seven measures—a country's current-account balance, the openness of its capital account, the scale of its investment, the share of exports that are manufactured goods, the size of the state-owned banking system, its level of democracy and the number of large SEZs per person—we calculate how much other economies have in common with China (see table). Most similar of all is Vietnam, which has an export- and manufacturing-intensive economy governed by its own Communist Party. Australia and Britain, neither of which is ruled by communists, are among those at the bottom of the rankings. Greece's economy is the least like China's.

Other countries' positions are perhaps more surprising. Although South Korea's early development is often compared to China's, the two countries have now diverged. Indeed, China now has more in common with Bangladesh and Turkey, both countries that aim to promote exports but which have more democratic politics. India and Ethiopia also resemble China, in part owing to their state-led banking systems. Meanwhile, Angola's closed capital account pushes it up the ranks. All these countries also have SEZs.

Instead of a cookie-cutter economic model, what China offers developing-world leaders is reassurance they do not need to become more democratic in order to grow. As Charles Robertson of FIM partners, an emerging- and frontier-market investment firm, puts it: "For a very large part of the global south, China's success is immensely attractive because it shows white Westerners don't have all the answers." Even if the growth on offer now seems less certain than before, the bargain still looks like a good one to many autocrats. Countries including Angola, Ethiopia and Tanzania are led by dominant parties that emerged from national-liberation movements, and have long been fond of state intervention, close management of trade and political control of credit. China provides them with less of a blueprint, and more of an excuse, says Ricardo Soares de Oliveira of the University of Oxford.

On top of this, China's promotion of its model has stepped up a gear in recent years. Elizabeth Economy of Stanford University's Hoover Institution argues that this activity reflects an increased desire to

promote Chinese companies abroad. The International Liaison Department of the Communist Party has fostered ties with elites across the developing world. Its first overseas training school for foreign bureaucrats, in Tanzania, began to accept students in 2022. Even as China's economic difficulties have become more obvious in the past year or so, praise for its development model has continued to flow from foreign leaders, including Shavkat Mirziyoyev of Uzbekistan, Vladimir Putin of Russia and Yoweri Museveni of Uganda.

Unlike the Washington consensus, which was supported by the IMF and World Bank, the Beijing consensus has no international institutions pushing it. China's lending also comes with fewer political conditions. But it is extensive and focused on industries typical of the China model. Between 2019 and 2023, some 76% of China's overseas disbursements and construction activity, running to \$541bn, was in just four sectors: energy, metals, property and transport. Similarly, Yu Zhang and colleagues at the Civil Aviation University of China have identified 103 SEZs outside China that are run by China's Ministry of Commerce, with investment facilitated by these zones focusing on industries associated with the China model. As a result, host countries may find their economies becoming more Chinese.

Is adopting the Beijing consensus a good idea? Although Vietnam, Bangladesh and Ethiopia have introduced China-like policies, they have fallen far short of China-like growth. Meanwhile the likes of Georgia and Poland have shown that fast growth is possible in less authoritarian systems. Yasheng Huang of the Massachusetts Institute of Technology notes that developing economies could learn far more from China's experience of economic liberalisation soon after Deng Xiaoping's reforms began in 1978 than its more recent performance. During the decade that followed, Chinese personal incomes rose faster than GDP, rural entrepreneurship boomed and the country flitted between a current-account surplus and deficit. "China did not have a mercantilist growth model in the 1980s," says Mr Huang.

Countries that prioritise the expansion of the state, infrastructure, exports and heavy industry may find themselves struggling. Mr Huang cites Pakistan as one such example. Its literacy rate is still below 60%, but the government is nevertheless concentrating investment on energy, rail and the China-Pakistan Economic Corridor, a web of infrastructure projects that cross the border between the two countries. In other places, too, the Chinese economy is still looked upon with admiration, particularly by elites who have little intention of liberalising. Despite China's struggles, the Beijing consensus is holding firm. ■

Breaking the myth

China model, score of 1=highest level in given category, 2023 or latest

Country* (Overall score [†])	Capital-account restrictiveness [‡]	Authoritarianism [§]	Gross fixed- capital formation**	Manufactured goods, as % of exports	Government- owned bank assets ^{††}
1 Vietnam (0.67)	0.58	0.93	0.62	0.86	0.70
2 Russia (0.61)	0.84	0.98	0.28	0.22	0.88
3 India (0.60)	0.84	0.34	0.54	0.62	1.00
4 Bangladesh (0.60)	0.84	0.51	0.64	0.96	0.41
5 Turkey (0.59)	0.84	0.71	0.53	0.74	0.50
6 Ethiopia (0.58)	0.84	0.83	0.62	0.09	0.90
7 Pakistan (0.51)	0.84	0.85	0.05	0.75	0.30
8 Angola (0.51)	1.00	0.73	0.35	0.01	0.44
9 Azerbaijan (0.51)	0.54	0.91	0.22	0.03	0.59
10 Indonesia (0.50)	0.58	0.42	0.63	0.43	0.59
21 South Korea (0.44)	0.00	0.22	0.63	0.85	0.36
49 South Africa (0.29)	0.84	0.36	0.08	0.37	0.00
77 Georgia (0.20)	0.00	0.60	0.34	0.34	0.00
85 Greece (0.10)	0.00	0.22	0.00	0.34	0.00

*Out of 85 countries. [†]Average of seven categories. Current-account-surplus and special-economic-zones measures not shown

[‡]Based on the China-Ito index. [§]Uses EIU's democracy index. ^{**}As % of GDP. ^{††}As % of total bank assets

Sources: Chinn-Ito index; EIU; IMF; UNCTAD; World Bank; The Economist

Inflation and spending

Deserving credit

MIAMI

American consumers feel the strain

NOTHING HAS been able to stop American consumers. At first they splashed covid-19 savings on home-exercise bicycles; now they are more likely to plump for beachside holidays. Predictions made by bank bosses last summer that households would be squeezed by inflation have been confounded. Instead, their outlays have powered American GDP ever higher, at a pace beyond the country's G7 peers.

But are the predictions at last coming true? Monthly consumer-spending growth fell from 0.7% in March to just 0.2% in April. Overall spending shrank in real terms. Retail sales have weakened, with brands from McDonald's, a burger purveyor, to 3M, a maker of sticky tape, warning that customers are closing their wallets. The recent spending data, released on May 31st, helped wipe almost a percentage point off the prediction of annual GDP growth from the Atlanta branch of the Federal Reserve, cutting its "nowcast" for the second quarter of the year to 1.8%.

Nowhere is the pain clearer than in credit-card data. According to the San Francisco Fed, households burned through the last of their \$2.1trn of pandemic-era excess savings in March. The drawdown has pushed more and more to rely on credit cards to meet their outgoings, and some are now struggling to repay debts. Paul Siegfried of TransUnion, a credit bureau, estimates that since April last year, 440,000 credit-card holders have been downgraded to subprime status. Accounts are becoming delinquent at a pace last seen in 2011. People who have taken out loans to buy cars are falling behind on repayments almost as fast, causing some to

sell their vehicles. According to Kelley Blue Book, a sales platform, used-car listings were up 6% in May from a year earlier.

Florida is at the heart of the trouble. The state is home to lots of low-income workers and has the highest delinquency rates of a sample analysed by the New York Fed. Esther Lopez has worked at ACE Cash Express, a payday lender in Little Havana, Miami, for 15 years. She says her store is handing out fewer loans than before covid—but only because so many competing lenders have recently opened, in anticipation of a rise in demand. The city's residents will take longer than those anywhere

else in the country to repay their credit-card debt, reckons WalletHub, a personal-finance firm. Aptly, Miami's baseball stadium is called loanDepot Park.

Some remain bullish about America's economy as a whole, however. Eric Wallerstein of Yardeni Research, a consultancy, sees rising delinquency rates as a return to normality, rather than a harbinger of worse to come. True, higher interest rates mean poor creditors are more likely to fall behind on repayments. And at 5.25-5.5% the Fed's benchmark rate is more than double what it was in 2019. Yet delinquency rates are much lower than they were in 2007—the

Financial innovation

Don't mess with Texas

Want to avoid woke stock-exchange rules? List in the Lone Star State

"EQUITIES IN DALLAS," cried the traders in "Liar's Poker", an account by Michael Lewis of his life as a junior banker in the late 1980s. Demotion from New York to the backwater of Texas would be a humiliation. Who wants to sling shares to yokels?

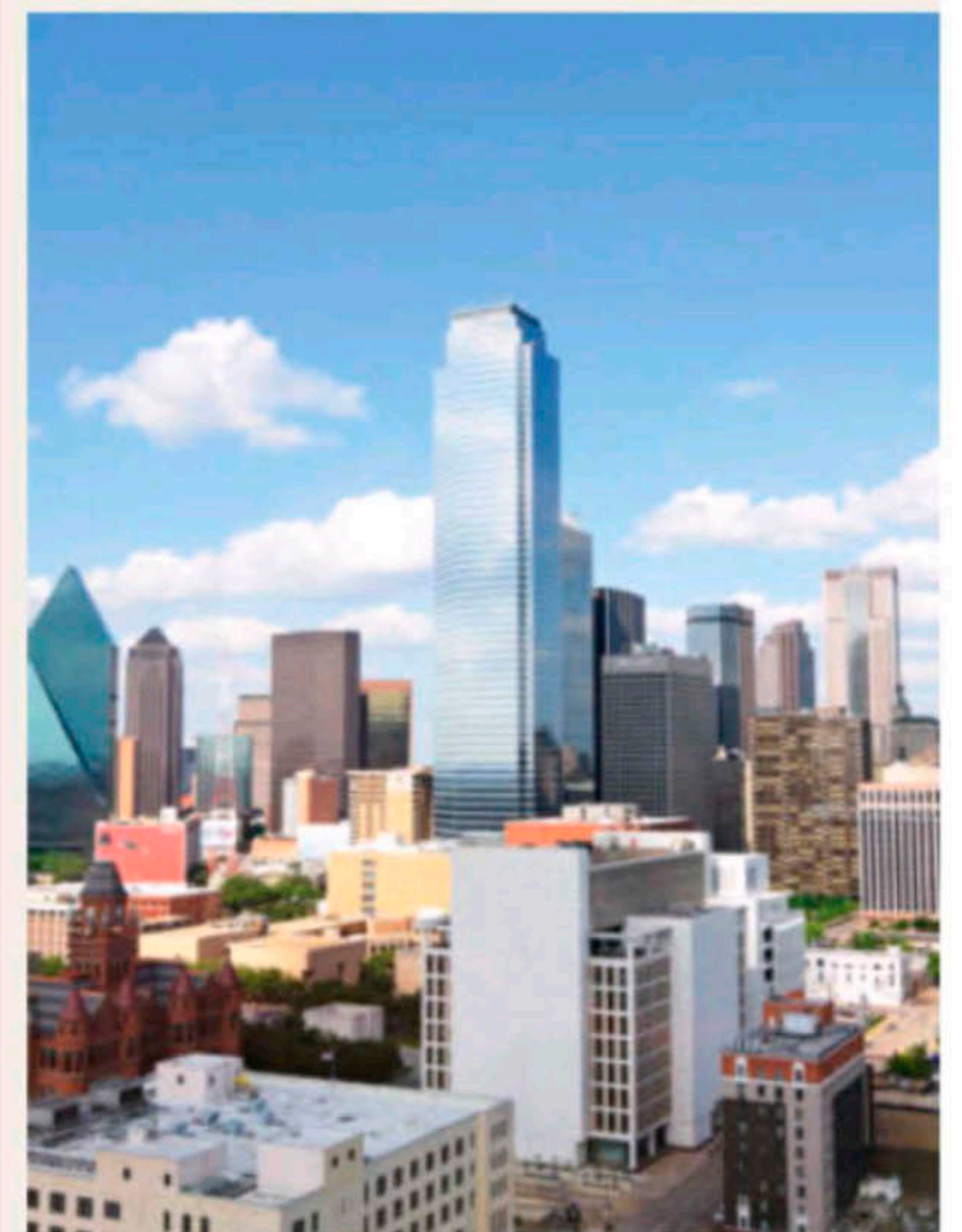
Times may be changing. On June 4th an upstart Texas Stock Exchange (TXSE) said it had received \$120m in funding from financial giants including BlackRock, a fund manager, and Citadel Securities, a marketmaker. The TXSE will, its boss wrote, be the best-capitalised challenger to the New York Stock Exchange.

No New Yorker should expect actual exile, for the exchange will be electronic. The aim is to lure firms that resent the Big Apple's listing requirements. The Nasdaq, a tech-heavy exchange, introduced a rule in 2021 requiring many firms to have two "diverse directors" by December 2025, one of whom must be a woman and one gay, lesbian, bisexual, trans or from another "underrepresented minority"—or else to "provide explanation". The TXSE will be less demanding.

America once boasted dozens of exchanges. At first, Philadelphia's was America's leading stockmarket. The opening of the Erie Canal in 1825, which turned New York into America's main port, and the decline of the Philadelphia-based Second Bank of the United States saw Wall Street eclipse its rival. Firms then plumped for the deepest and most liquid market. Even the gold rush of the late 19th century, which saw regional exchanges spring up, was not enough to reverse the trend. Today America is left with a handful of exchanges, mostly

based in Chicago and New York, but available anywhere in the country with electronic communication.

Even the NYSE is now starting to look like a relic, though, with its opening bells, 9.30am-to-4pm hours and blue-jacketed traders. By contrast, exchange-traded funds, one of the most common ways of buying shares, trade off-exchange and after hours. Geography is irrelevant and listing locations ought to have little impact on valuations or the liquidity available. That makes things easier for an upstart based somewhere unusual, and offering less demanding requirements. "Equities in Dallas" may one day be said with more relish.



Forget Manhattan

Locked in

United States, consumer interest payments as % of disposable income, Q1 2010=100



Sources: BEA; Federal Reserve

▶ last time interest rates were this high—and indeed at any time from 1991 to 2011. Banks are relaxed about the current level of stress, and are raising credit limits faster than customers can use up their balances.

Plenty of Americans remain supremely comfortable. Big spenders on large incomes—the sort more commonly found in Miami's South Beach than in Little Havana—can easily repay credit-card debts. Despite the rise in interest rates, overall debt-servicing costs on homes remain low, since many mortgage-holders are on long-term fixes. All told, one-third of mortgage debt was refinanced in 2020-21 as borrowers took advantage of low rates; households are spending a smaller share of income on paying down debts than at any point in the 2010s. Those who own homes and stocks are also enjoying rising asset prices and as-

sociated rental and dividend incomes. The S&P 500 index of large American companies is up by 12% this year, for instance.

What matters for the overall economy is how many consumers end up struggling to make ends meet. Rising incomes, along with pandemic savings, were what really fuelled America's rip-roaring spending. With saving rates low and excess savings exhausted, continued spending will have to be fuelled by still-higher incomes. Employment remains strong and initial jobless claims are steady. Although in April monthly nominal wage growth crept down, recent data also suggest that inflation may have resumed its descent, which would provide a boost to real incomes. Households' balance-sheets have weakened, but with a bit of luck America might keep dodging a consumer crunch. ■

sian central bank. The latter stands at 16%, nearly four times as high as three years ago. Another answer is technical. In 2022, anticipating a rush of Russian defaults, banks booked hefty loan-loss provisions. When the feared tsunami of bad debt failed to arrive, these provisions were released, buoying profits, notes Halil Sentürk of Morningstar DBRS, a rating agency.

On top of this, sanctions have weeded out most Western competition. As a consequence, European diehards—in particular Raiffeisen—have benefited. After the invasion deposits at the Austrian lender soared, even though it kept its rates extremely low. That is because Russian depositors like to stash some of their cash in a Western bank, just in case domestic ones blow up. The lender also played a crucial role in helping foreign businesses move money in and out of Russia, accounting for nearly half of all payments with the rest of the world in February last year.

Yet such business is lucrative only on paper, since profits are tough to repatriate. Russia has stringent capital controls that prevent banks from shifting cash. At the same time, sizeable paper profits are attracting the attention of American and European regulators. Last month several lenders received a letter from the European Central Bank urging them to cut their exposure to Russia. Raiffeisen was ordered to slash its Russian loan book by a further 65% by 2026, faster than the bank had planned. In December the White House issued an executive order exposing foreign banks to secondary sanctions if they were found to facilitate transactions involving Russia's military-industrial complex. In May Janet Yellen, America's treasury secretary, warned European banks that "operating in Russia creates an awful lot of risk". ▶▶

Finance and war

Rouble-rousers

European banks are making heady profits in Russia. But maybe not for much longer

DAYS AFTER Vladimir Putin's invasion of Ukraine, Raiffeisen, an Austrian bank, said it was considering selling its business in Russia. Twenty-seven months later, the lender's unit in the country is doing rather well. Its staff has grown to nearly 10,000, a 7% rise since 2022. Last year its profit reached €1.8bn (\$2bn)—more than any of the bank's other subsidiaries and a tripling since 2021. Raiffeisen is one of a dozen lenders that Russia deems "systemically" important to its economy. The bank also matters to the Kremlin's own finances, since it paid the equivalent of half a billion dollars in tax last year.

Raiffeisen is the biggest Western bank in Russia, but not the only one. The combined profits of the five EU banks with the largest Russian operations have tripled, reaching nearly €3bn in 2023. Success makes the banks a target. In May America threatened to curb Raiffeisen's access to its financial system because of the bank's Russian dealings. On June 10th, in an attempt to placate critics, the lender plans to stop making dollar transfers out of the country. Russia, for its part, is starting to seize the assets of Western banks it deems "unfriendly". Western lenders' Russian paper profits are at risk of turning to ash.

Some European banks, such as France's Société Générale, sold their Russian operations at the start of the war. Although those that remain have reduced their staff by just 3%, their portfolios have shrunk by quite a bit. Only Raiffeisen retains signifi-

cant exposure, with 15% of its assets remaining in the country, compared with 5% for UniCredit, which has the next-most. But it, too, has slashed its loan book—by 58% since the invasion—and stopped making new loans (even if it is rolling over some existing ones).

What, therefore, explains the continued profitmaking? One answer lies in the spread between the meagre interest rates banks pay depositors and that of the Rus-



Dismantling Raiffeisen

▶ The problem for European banks in Russia is that they have few exit routes. Ideally they would sell local units to other foreign companies, but few are interested in picking up such geopolitically complicated businesses. Selling to locals requires the approval of Mr Putin and, given the context, any deals are unlikely to be concluded at a fair price. Most recent attempts to complete sales have either dragged on or collapsed. More creative ways to repatriate capital involve big risks, too. Raiffeisen

first came into the cross-hairs of America's Treasury this spring, when it tried to swap some of its Russian assets for a stake in Strabag, an Austrian construction firm, ultimately owned by Oleg Deripaska, an oligarch under sanctions.

That leaves European banks with a final option: to continue winding down their Russian portfolios. But even this is far from straightforward, and not just because of the increased scrutiny from Western regulators. In May a Russian court ordered the

seizure of the assets of Commerzbank and Deutsche Bank, two German lenders, because of their involvement in a gas project that was cancelled after the invasion. In a parallel lawsuit, the court also seized assets belonging to UniCredit, which is an Italian institution. All this means there is a good chance that many Western units in Russia will end up being at least partly written down. European banks face a high reputational price—and the pay-off is hardly likely to be worthwhile. ■

BUTTONWOOD

Pay up

Should you buy expensive stocks? A new paper suggests the answer is "yes"

ON JUNE 7TH each share in Nvidia is due to become many. In one sense such stock splits ought not to matter much: they merely lower the share price, usually returning it to somewhere near \$100, in order to make small trades easier. Yet for the company and its longtime backers this administrative exercise is cause to pop the champagne. For a split to be necessary in the first place, the share price must have multiplied, commonly by two or three, prompting each share to be divided by the same factor. Each Nvidia share, however, will become ten. Two years ago both Alphabet and Amazon split each of their shares into 20. Investors in big tech have had plenty of opportunities to let the corks fly.

All three firms have made traditional valuation measures look hopelessly outdated. Dividend yields, for instance, were once a popular tool for assessing prospective returns. But Amazon has never made such a payout and Alphabet will make its first ever on June 17th (of 20 cents per \$175 share). Nvidia's quarterly dividend after the split will be just one cent per share, each priced at around \$120. Plainly, there is no stretch of the imagination by which these payouts explain the stocks' spectacular returns.

The stage is, therefore, set for the revival of a fierce argument. Low yields might mean that dividends will rise, or that future returns will be poor. Reams of academic research suggest that, historically and for the stockmarket as a whole, they have portended poor returns. Even so, a school of thought has stubbornly held that investors know what they are doing, and if they are buying stocks that yield little, they must expect payouts to grow. Of late, hewing to this school and buying the likes of Alphabet, Amazon and Nvidia would have made

you a lot richer than fretting about valuations. So could it be correct after all?

Andrew Atkeson, Jonathan Heathcote and Fabrizio Perri, three economists, have recently waded into the debate. In a working paper they argue that movements in the price and dividends of a broad share index between 1929 and 2023 can be explained purely by a model of expected future dividends (specifically, the ratio of these to aggregate consumption). In other words, prices move only when investors receive news that changes their expectation of future payouts. Otherwise, they demonstrate impeccable restraint.

Contrast this with the alternative view, which is that prices move for all sorts of other reasons, too. The value of a stock is the sum of its expected future cashflows, discounted by myriad factors such as the uncertainty of the expectation, the cost of capital and investors' risk appetite. Changes to any of these will feed through to stock prices. In particular, if risk appetite is high, prices may also be high relative to expected payouts simply because investors are able to take more risk and

hence happy to receive low yields in return. Conversely, if risk appetite is low, investors may feel unable to buy stocks even if their expected payouts are high. This dynamic alone can change both yields and prospective returns, without expected payouts changing at all.

Previous work—most notably a landmark paper published in 2011 by John Cochrane, then of the University of Chicago—has concluded that it is entirely changes to such “discount rates”, rather than growing or shrinking dividends, that cause yields to vary. Unfortunately, Messrs Atkeson, Heathcote and Perri do not present an effective challenge to this notion. Rather, they construct a model that relates prices to dividends, plus a third variable that they then derive and dub “expected dividends”. Naturally, the addition of this residual explains the price changes it is defined to explain. But you might equally call it “risk appetite”, and claim a win for the other side of the debate.

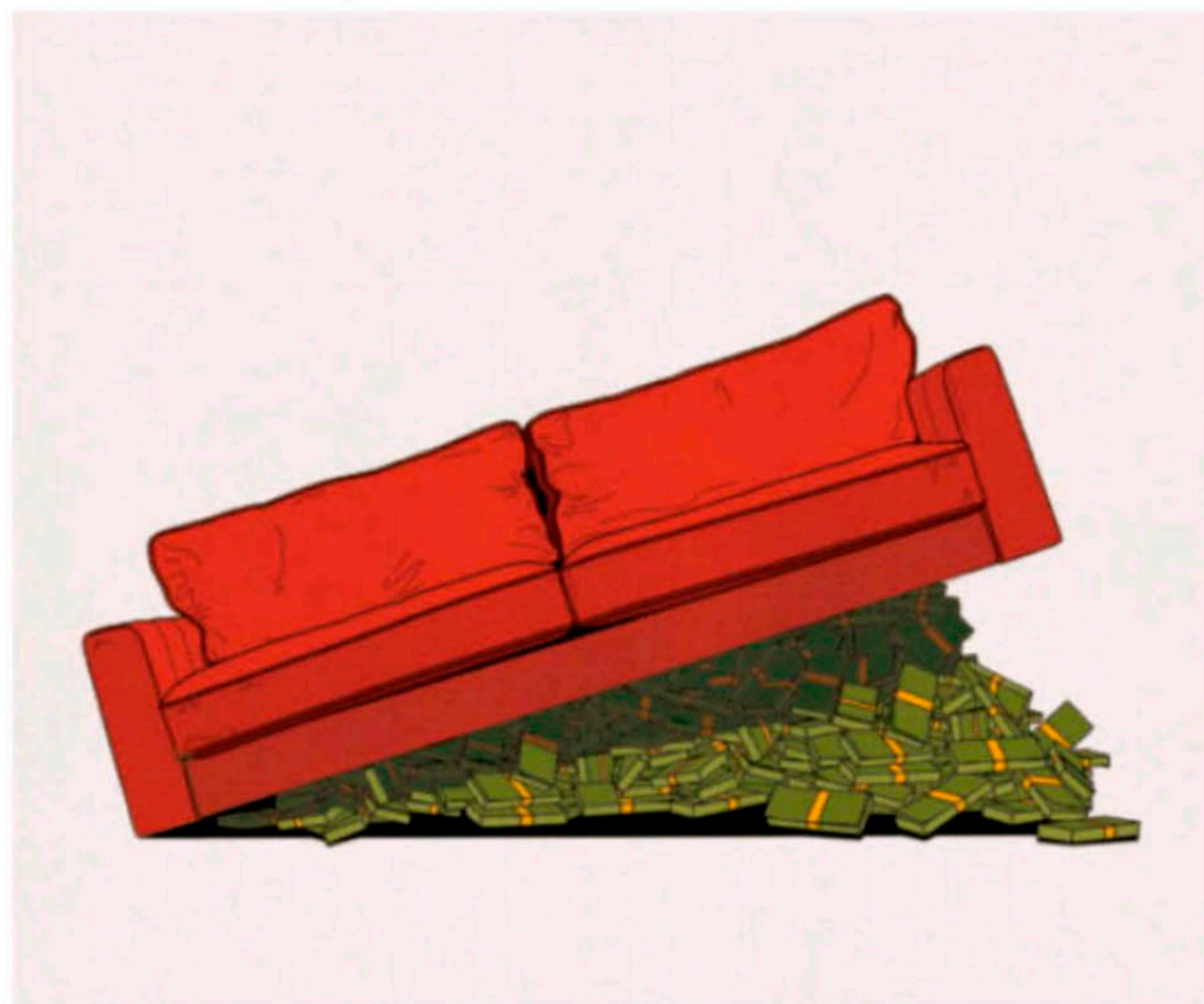
Where does that leave today's low-yielding superstar stocks? It is always tempting to believe that today's forecasts are simply better than yesterday's, and the old patterns no longer apply. A stronger defence is that dividends have gone out of fashion. Earnings may thus be a better proxy for returns since they can be used to reward investors in other ways (by buying back shares to generate a capital gain, for instance). On this measure, such firms do not look quite so eye-wateringly expensive. Yet they are hardly cheap, with Nvidia valued at more than 100 times its most recent full-year earnings. Perhaps investors are correctly predicting more barnstorming growth ahead. More likely, they are once again falling into the trap of thinking “this time is different”.



FREE EXCHANGE

A lot of spare change

Why global GDP might be \$7trn bigger than everyone thought



MANY PEOPLE have experienced the joy of finding some spare change down the back of the sofa. On May 30th the World Bank experienced something similar, if on a grander scale. After rooting around in 176 countries, it discovered almost \$7trn in extra global GDP—equivalent to an extra France and a Mexico.

In fact, there may be a better analogy. What the World Bank discovered was not additional money to spend, but the equivalent of a discount voucher, which cuts 4% off the price of every good and service the world buys in a year. That means global spending can stretch further than previously thought.

To understand why, it helps to carry out a thought experiment. Imagine that the many countries of the world all produced only one thing: Big Macs. In calculating the GDP of these economies, their national accountants would use market prices. America might, for example, value Big Macs at \$5.69 each (the average price across big American cities, according to McDonald's). If it produced a hundred in a period of time, its GDP would be \$569. In adding up the size of the world economy, it would make sense to use the same prices in all countries. If a rival economy produced 125 burgers, its measured GDP should be 25% higher.

Unfortunately, that is not how these calculations often work. America's national accountants value the country's Big Macs at American prices. China's value theirs at the yuan price prevailing in their economy, which is around 25 yuan. When making international comparisons, China's GDP is then converted into dollars using the market exchange rate of roughly 7.2 yuan to the dollar. The result is that China's Big Macs are valued at only \$3.47 in calculations of global GDP and not \$5.69. Even if China and America produced the same number of Big Macs a year, China's output would seem almost 40% smaller by conventional measures.

There is an obvious solution: ignore the currency markets and look at prices instead. If the yuan price of a Big Mac is roughly four times the dollar price, why not use that as the exchange rate? If China's GDP were converted into dollars at 4.39 yuan to the dollar, its Big Macs would have the same value as America's. These alternative exchange rates, which equalise the prices of goods and services, are known as purchasing-power parities, or PPPs.

Owing to this newspaper's long-running Big Mac index, we can calculate parities for McDonald's burgers. But they are only one product, however tasty, in the cornucopia of global capitalism. To carry out a similar adjustment across national economies, it would be necessary to collect the price of hundreds of goods and services in different places around the world.

Every few years, the World Bank leads an initiative to do just that. The International Comparison Programme, as it is called, has just concluded its latest effort, the tenth in the past 56 years. It gathered the prices of hundreds of items across 176 countries, taking care to look at similar products in each place. Within China alone teams consulted about 16,000 shops and other outlets. The exercise is not without its difficulties, both practical and conceptual. Not every good is as standardised as a Big Mac, making like-for-like comparisons a matter of judgment. And often the same consumer need is met by different goods in different parts of the world. In rural Thailand, workers live on rice. In similar parts of Ethiopia, they live on teff. But "rice is hard to find in Ethiopia and teff is impossible to find in Thailand, so price comparisons are not possible," as Angus Deaton of Princeton University and Alan Heston of the University of Pennsylvania have pointed out.

Nonetheless, when the programme completed its work, it discovered that prices around the world were, on average, about 4% cheaper than previously thought, which meant the spending recorded by the world's national accountants must have bought more stuff than previously guessed. The World Bank now calculates that global spending, across all countries and in a variety of currencies, had a purchasing power of \$174trn in 2022. That is almost \$7trn more than its prior estimate for the same year, which had drawn on the results of the previous comparison programme a few years ago, updated with national inflation rates.

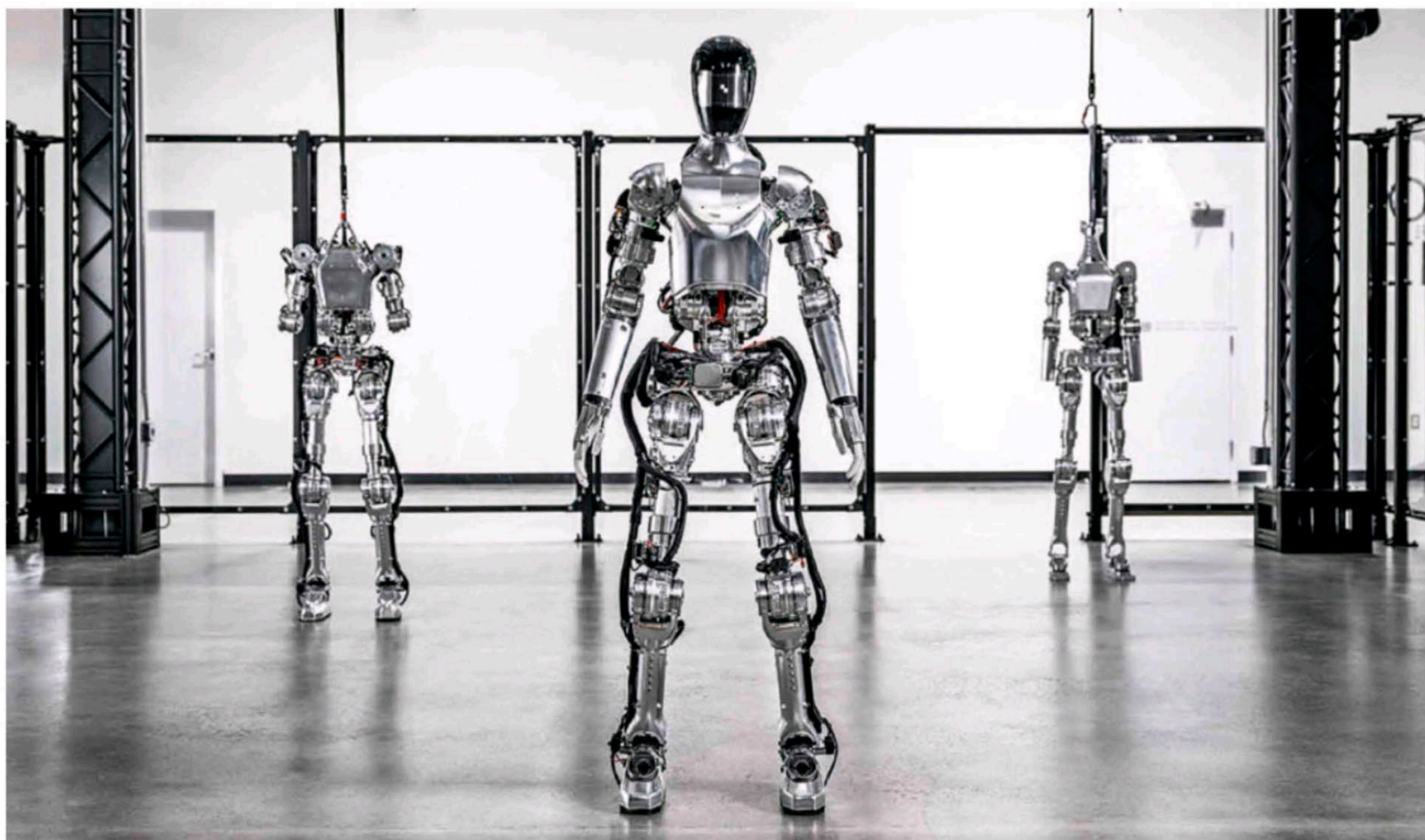
This extra buying power is not evenly distributed. Almost \$1.1trn of it was found in India, which is comfortably the third-biggest economy in the world by the PPP measure. The revisions also added \$660bn to Russia's economy, making it bigger than Japan's. That is unwelcome news for Ukraine, which is fighting a costly war with its larger neighbour. But the embattled country can draw consolation from the extra \$118bn that the revisions bestowed on it, increasing its purchasing power by more than a quarter.

The largest chunk of extra spending power—\$1.4trn—accrued to China. The boost means its economy was 25% bigger than America's in 2022, if similar items are valued at similar prices. Using market exchange rates, by contrast, China's GDP was still almost 30% smaller. China's officials did not seem thrilled. "We need to interpret the...results with caution and correctly grasp the global economic landscape and the status of each economy in it," said the country's statistical association. It stressed that the data were not "official" and that China was still a developing country.

Bigger than a pea

Indeed, even with the additional purchasing power, China's GDP per person is mediocre, ranking 85th in the world and remaining firmly in line with the world average. Since China's saving rate is so high, its consumer spending ranks even lower. According to the World Bank, individual consumption came to less than \$9,300 in 2021, compared with a global average of \$12,950. China's figure, adjusted for purchasing power, remains lower than equivalent spending in South Africa or Peru. There is no point finding lost change down the sofa if you just stuff it under the mattress. ■

Science & technology



Robotics (1)

Speech, camera, action

The large language models behind chatbots can help power real robots, too

“WHAT DO YOU see right now?” a man asks a humanoid robot standing behind a table. “I see a red apple on a plate in the centre of the table, a drying rack with cups and a plate, and you standing nearby, with your hand on the table,” the robot replies. “Great—can I have something to eat?” says the man. “Sure thing,” says the robot. It flexes its arms, picks up the apple with its right hand, passes it to its left hand, and then hands it to the man. He asks the robot to explain its actions. “So I gave you the apple, because it’s the only, er, edible item I could provide you with from the table,” it replies.

This demonstration, shown in a video released by Figure, a robotics startup, in March, caused widespread amazement. It shows a robot that can hold spoken conversations, recognise and manipulate objects, solve problems and explain its actions. And Figure is not alone in producing such impressive results. After years of slow progress, robots suddenly seem to be get-

ting a lot cleverer. What changed?

The magic ingredient is artificial intelligence (AI). Academic researchers, startups and tech giants are taking advances in AI, such as large language models (LLMs), speech synthesis and image recognition, and applying them to robotics. LLMs are known for powering chatbots like ChatGPT—but it turns out that they can help power real robots, too. “The algorithms can transfer,” says Peter Chen, chief executive of Covariant, a startup based in Emeryville, California. “That is powering this renaissance of robotics.”

The robot in Figure’s video had its speech-recognition and spookily lifelike speech-synthesis capabilities provided by OpenAI, which is an investor in the compa-

ny. OpenAI shut down its own robotics unit in around 2020, preferring instead to invest in Figure and other startups. But now OpenAI has had second thoughts, and in the past month it has started building a new robotics team—a sign of how sentiment has begun to shift.

A key step towards applying AI to robots was the development of “multimodal” models—AI models trained on different kinds of data. For example, whereas a language model is trained using lots of text, “vision-language models” are also trained using combinations of images (still or moving) in concert with their corresponding textual descriptions. Such models learn the relationship between the two, allowing them to answer questions about what is happening in a photo or video, or to generate new images based on text prompts.

Wham, bam, thank you VLAM

The new models being used in robotics take this idea one step further. These “vision-language-action models” (VLAMs) take in text and images, plus data relating to the robot’s presence in the physical world, including the readings on internal sensors, the degree of rotation of different joints and the positions of actuators (such as grippers, or the fingers of a robot’s hands). The resulting models can then answer questions about a scene, such as “can you see an apple?” But they can also pred- ▶▶

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68 Why build a human-shaped robot?

70 The risks of polar geoengineering

► ict how a robot arm needs to move to pick that apple up, as well as how this will affect what the world looks like.

In other words, a VLAM can act as a “brain” for robots with all sorts of bodies—whether giant stationary arms in factories or warehouses, or mobile robots with legs or wheels. And unlike LLMs, which manipulate only text, VLAMs must fit together several independent representations of the world, in text, images and sensor readings. Grounding the model’s perception in the real world in this way greatly reduces hallucinations (the tendency for AI models to make things up and get things wrong).

Dr Chen’s company, Covariant, has created a model called RFM-1, trained using text, images, and data from more than 30 types of robots. Its software is primarily used in conjunction with “pick and place” robots in warehouses and distribution centres located in suburban areas where land is cheap, but labour is scarce. Covariant does not make any of the hardware itself; instead its software is used to give existing robots a brain upgrade. “We can expect the intelligence of robots to improve at the speed of software, because we have opened up so much more data the robot can learn from,” says Dr Chen.

Using these new models to control robots has several advantages over previous approaches, says Marc Tuscher, co-founder of Sereact, a robotics startup based in Stuttgart. One benefit is “zero-shot” learning, which is tech-speak for the ability to do a new thing—such as “pick up the yellow fruit”—without being explicitly trained to do so. The multimodal nature of VLAM models grants robots an unprecedented degree of common sense and knowledge about the world, such as the fact that bananas are yellow and a kind of fruit.

Bot chat

Another benefit is “in-context learning”—the ability to change a robot’s behaviour using text prompts, rather than elaborate reprogramming. Dr Tuscher gives the example of a warehouse robot programmed to sort parcels, which was getting confused when open boxes were wrongly being placed into the system. Getting it to ignore them would once have required retraining the model. “These days we give it a prompt—ignore open boxes—and it just picks the closed ones,” says Dr Tuscher. “We can change the behaviour of our robot by giving it a prompt, which is crazy.” Robots can, in effect, be programmed by non-specialist human supervisors using ordinary language, rather than computer code.

Such models can also respond in kind. “When the robot makes a mistake, you can query the robot, and it answers in text form,” says Dr Chen. This is useful for debugging, because new instructions can then be supplied by modifying the robot’s



More power to your elbow

prompt, says Dr Tuscher. “You can tell it, ‘this is bad, please do it differently in future.’” Again, this makes robots easier for non-specialists to work with.

Being able to ask a robot what it is doing, and why, is particularly helpful in the field of self-driving cars, which are really just another form of robot. Wayve, an autonomous-vehicle startup based in London, has created a VLAM called Lingo-2. As well as controlling the car, the model can understand text commands and explain the reasoning behind any of its decisions. “It can provide explanations while we drive, and it allows us to debug, to give the system instructions, or modify its behaviour to drive in a certain style,” says Alex Kendall, Wayve’s co-founder. He gives the example of asking the model what the speed limit is, and what environmental cues (such as signs and road markings) it has used to arrive at its answer. “We can check what kind of context it can understand, and what it can see,” he says.

As with other forms of AI, access to large amounts of training data is crucial. Covariant, which was founded in 2017, has been gathering data from its existing deployments for many years, which it used to train RFM-1. Robots can also be guided manually to perform a particular task a few times, with the model then able to generalise from the resulting data. This process is known as “imitation learning”. Dr Tuscher says he uses a video-game controller for this, which can be fiddly.

But that is not the only option. An ingenious research project at Stanford University, called Mobile ALOHA, generated data to teach a robot basic domestic tasks, like making coffee, using a process known as whole-body teleoperation—in short, puppetry. The researchers stood behind the robot and moved its limbs directly, enabling

it to sense, learn and then replicate a particular set of actions. This approach, they claim, “allows people to teach arbitrary skills to robots”.

Investors are piling in. Chelsea Finn, a professor at Stanford who oversaw the Mobile ALOHA project, is also one of the co-founders of Physical Intelligence, a startup which recently raised \$70m from backers including OpenAI. Skild, a robotics startup spun out of Carnegie Mellon University, is thought to have raised \$300m in April. Figure, which is focusing on humanoid robots, raised \$675m in February; Wayve raised \$1.05bn in May, the largest-ever funding round for a European AI startup.

Dr Kendall of Wayve says the growing interest in robots reflects the rise of “embodied AI”, as progress in AI software is increasingly applied to hardware that interacts with the real world. “There’s so much more to AI than chatbots,” he says. “In a couple of decades, this is what people will think of when they think of AI: physical machines in our world.”

As software for robotics improves, hardware is now becoming the limiting factor, researchers say, particularly when it comes to humanoid robots (see next story). But when it comes to robot brains, says Dr Chen, “We are making progress on the intelligence very quickly.” ■

Robotics (2)

Two legs good

Companies are investing in robots that look and move as humans do

IF THE CANON of science-fiction cinema is in broad agreement on one thing, it is that a robot is supposed to look like a human being. It is not only casting directors and special-effects technicians who are on board: engineers can also see the appeal. Pras Velagapudi, the chief technology officer at Agility Robotics, a firm based in Oregon, says that the human form has “guaranteed versatility” because it can be adapted for a wide range of applications. Small wonder. After all, robots have to navigate an environment that has been shaped by humans to suit their needs.

Such humanoid robots are now starting to work in the real world. Amazon, an e-commerce giant, is testing Digit, a robot made by Agility, in helping its warehouse employees with repetitive tasks. Close to two metres tall, with skinny bird legs and a flat tubular head, Digit can carry empty yellow bins from a shelf to a nearby conveyor belt. Boston Dynamics, a Massachusetts-based robotics firm, plans to use its

▶ latest humanoid robot, Atlas, in the manufacturing operations of its owner, Hyundai, a South Korean carmaker.

Such pilot projects remain basic. (Digit's box-sorting workspace, for instance, remains cordoned off from humans, even if Agility eventually hopes the robot will work alongside its human employees.) All the same, they highlight the impressive strides humanoid robots have made in recent decades. And investors are optimistic. CB Insights, a data provider, estimates that since 2020 \$2.3bn has been poured into startups that are building humanoid robots. These upstarts are competing with larger firms like Boston Dynamics; Tesla, an electric carmaker; and UBTECH, a Chinese robotics firm.

The regimented nature of their tasks and the highly controlled environments in which these robots operate reveal how far these machines are from fully replacing humans. However, there is much to be gained from the attempt.

I want to walk like you

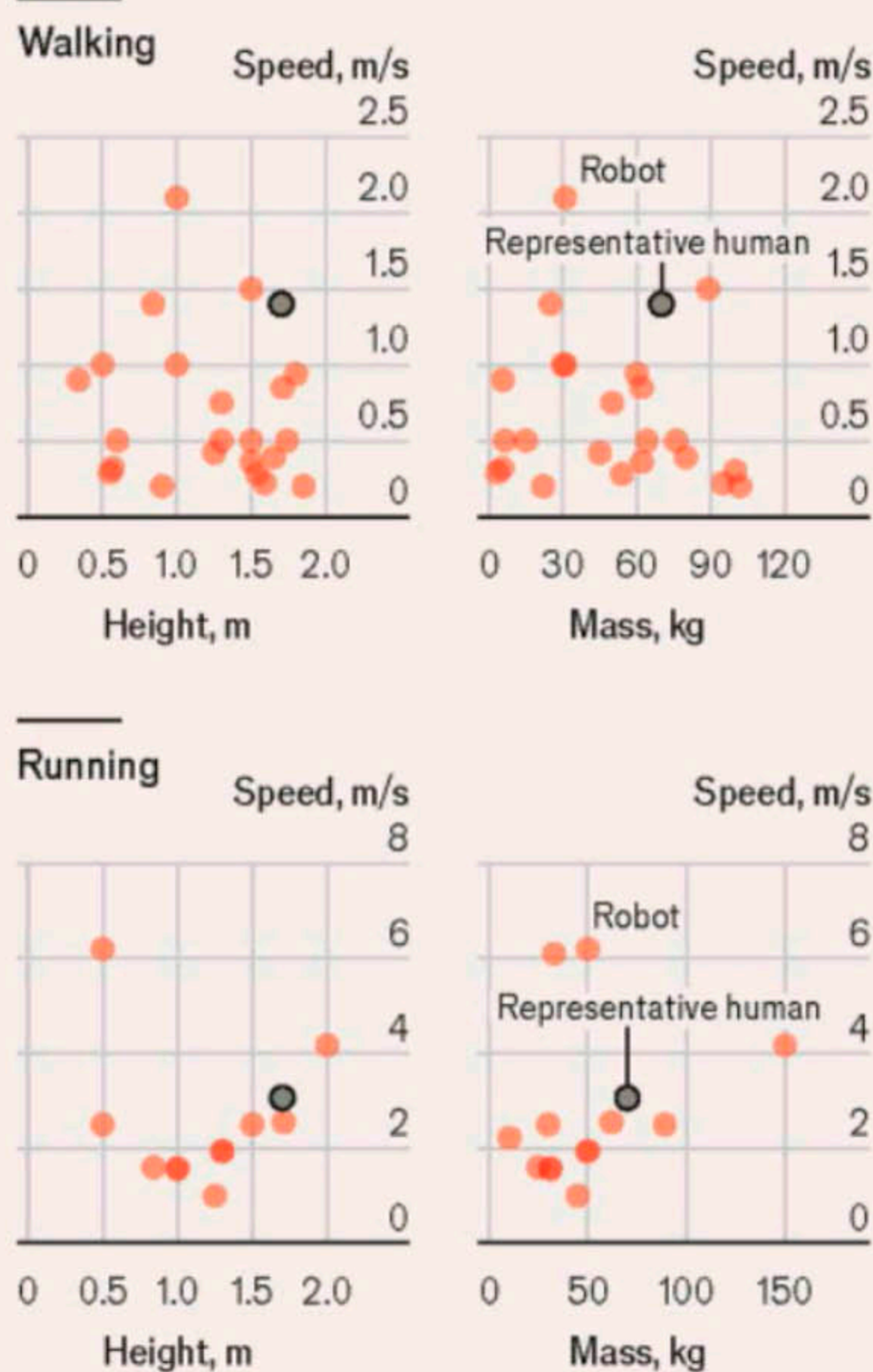
In its ideal form, a humanoid robot is designed to look and act like a human: metallic links replace bones, bearings work as joints, motors serve as muscles, cameras act as eyes, and processors are the brains. But form is as important as function. Once a robot looks too human, it becomes even more off-putting than if it were less so—falling into the so-called “uncanny valley”. That is why some in the current breed of humanoid robots, like Digit and Atlas, use simple geometric-shaped heads.

To be widely used, such robots also need to match the dexterity and versatility of human beings in real-world settings. Most viral videos of robots running or jumping are carefully choreographed in controlled conditions. A study published in November 2023 by Robert Riener, Luca Rabezzana and Yves Zimmermann from ETH Zurich, a Swiss university, compared the performance of 27 humanoid robots with humans. They found that at the functional level, robots outperform humans. This is hardly surprising: many motors can work longer hours, and lift more weight without tiring, than human muscles can; carbon fibre, which is used to build modern robots, is engineered to take a bigger beating than bone.

But although robots can walk, run and climb stairs like humans, when these functions are measured in relation to size, weight or energy use, most robots cannot match the efficiency or speed of the human body (see chart). The machines are also less dexterous with their fingers and hands. (Digit, for instance, is equipped with fingerless palms designed for nothing more sophisticated than moving boxes.) Mr Riener believes biology's advantage over engineering arises from better integra-

Off the pace

Comparing humanoid robots* with humans
By height and mass

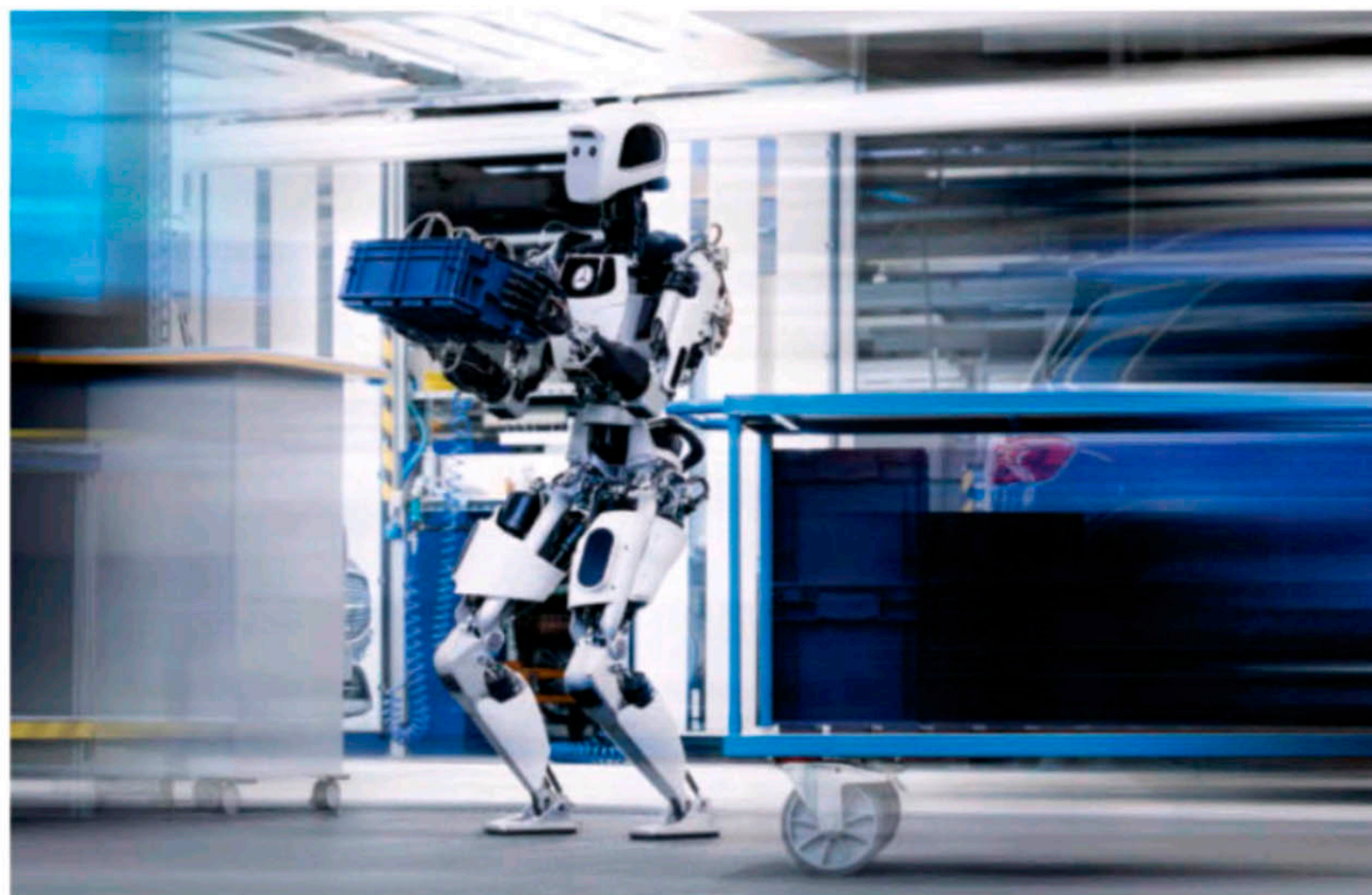


*Study analysed 27 robots available in 2021

Source: “Do robots outperform humans in human-centred domains?”, by R. Riener, L. Rabezzana and Y. Zimmermann, 2023

tion of these appendages.

Some firms are overcoming these limitations by stretching the definition of what it means to look like a human. Apollo, a humanoid robot developed by Apptronik, another robot-maker, has been built with a modular design, where the upper body of the humanoid robot can be paired with legs, a wheeled base or a pedestal depending on which configuration is most useful for a desired task.



Lift with your knees

Sanctuary AI, a Canadian robotics startup, is eschewing bipedal movement altogether. Geordie Rose, the firm's co-founder and boss, believes that nearly everything humans do today can be done with brains and hands alone. The company's robots, therefore, have heavy upper bodies with agile hands. They are also “tethered”, or connected to a power source, bypassing efficiency requirements and enabling the use of powerful motors and processors. Mr Rose dismisses other robot-makers' focus on bipedal legs as a “vanity project” and predicts that it will lead to them building “flimsy toys”.

Even so, all companies in this space must deal with Moravec's paradox, which observes that tasks straightforward for humans can prove extremely difficult for machines. The paradox is named after Hans Moravec, a Canadian roboticist who noted that machines can solve mathematical and logic problems easily, but struggle with movements a one-year-old human child can master. Mr Rose cites the example of holding a coffee cup. For a robot, that seemingly simple task involves sophisticated vision-processing software to identify the cup, rigorous training on the motions needed to grasp the cup and enough real-time awareness to adjust its motion to changes in the environment.

Whereas today's most advanced robots can grasp cups without difficulty, the intelligence needed to function without supervision in a rapidly changing environment remains out of reach. That may not be the case for long. Advances in artificial intelligence are allowing robots of all kinds to interact with humans, as well as their environments, with more sophistication than ever before (see last story). Robots that can act and perform tasks like humans may not be the stuff of science fiction for long. ■

Climate change

On thin ice

Can geoengineering slow polar melting? Perhaps. But some think it's too risky

GLOBALLY, SEA levels have risen by somewhere between 21cm and 24cm since 1880. Most of this rise is a consequence of water physically expanding as it warms, but in recent decades meltwater flowing off Greenland and Antarctica has significantly contributed too.

These rises in sea levels threaten coastal properties and the livelihoods and lifestyles of coastal communities, as well as the very existence of low-lying countries. Rising seas not only erode or flood land, they also let destructive storms reach ever farther inland. As melting polar ice becomes an ever more important contributor to sea-level rise, some have begun to embrace the notion that it could be slowed by technological means ranging from underwater curtains to ice-thickening pumps.

Let the storm rage on

Climate science has been here before. For years the field has been divided over the promise and pitfalls of solar geoengineering schemes, environmental modifications that seek to reduce the impact of climate-warming solar radiation. The most controversial methods involve spraying mists of particles into the stratosphere, which would reflect some of the sun's energy back out into space and cool the planet. Proponents say these could help buy time to decarbonise without the world suffering the worst consequences of climate change. Critics say they are too risky. The arguments can become acrimonious. These battles are now spilling over onto the ice.

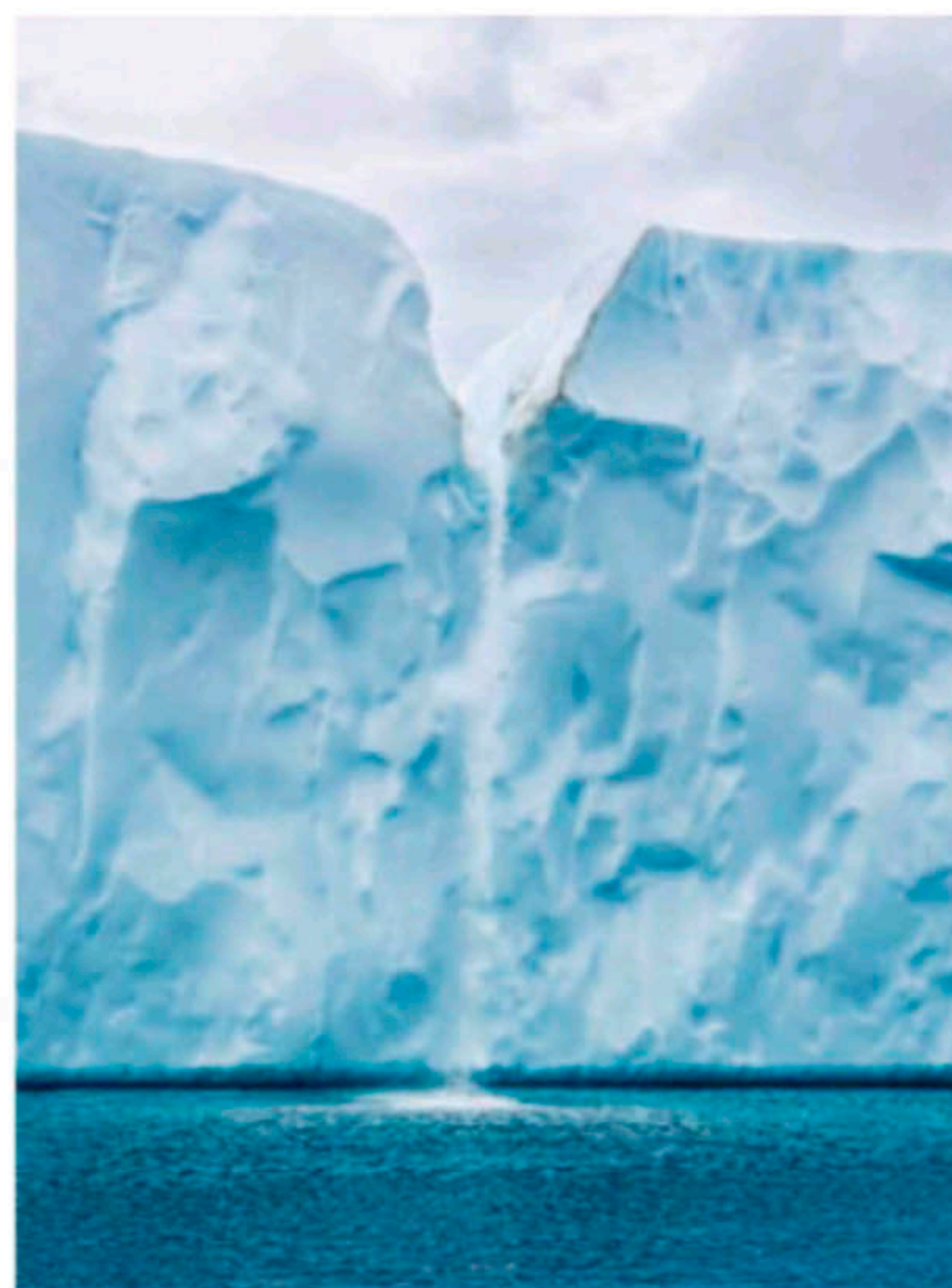
In December 2023 Ken Mankoff, a climate scientist at NASA, organised a workshop on polar geoengineering at a large science conference. Though he was warned that doing so would start a "civil war" in the field, he feels there is much more agreement than disagreement among polar scientists: no matter their position on geoengineering, all are concerned that the effects of climate change are far outpacing efforts to slow or halt them. Given the urgency, it is no surprise that fresh ideas are attracting interest.

The proposed interventions take many forms. One prominent suggestion centres on outlet glaciers, vast frozen rivers which slowly shift ice off the land mass and out to the warmer waters of the sea. Several have been accelerating. Ice loss from Thwaites glacier in Antarctica, for instance, has doubled in 30 years, currently contributing 4%

of the 3.5mm of global annual sea-level rise. Glaciologists are worried it could eventually collapse, raising sea levels around the world by 65cm. Warm water is melting the ice's marine edge from below, eroding its "grounding line", where it grips onto the bedrock for stability. Some are, therefore, proposing enormous underwater curtains be installed to keep warming currents away from the ice's edge.

No one can say yet what such curtains would be made of, how they would be secured, or how to stop them interfering with other vital local ecosystem services. Currents at Antarctica's margins drive an important nutrient pump that feeds entire marine food chains farther afield. It is also possible that keeping one glacier cool would simply speed up the melting of its neighbours. To try to get some answers, scientists at the University of Cambridge's Centre for Climate Repair are carrying out experiments in tanks and are planning outdoor trials in a local waterway.

Another prominent idea involves drilling boreholes through vertical kilometres of ice to siphon off water from the ice sheets' base. The concept is straightforward: when a huge mass of ice sits on a bed of rock, the combined pressures and temperatures liquefy a thin layer of water at the interface of the rock and ice that helps the ice slide away. Removing this lubrication should help keep the ice in place.



Split down the middle

For a long time such ideas—and others, including holding outlet glaciers in place with physical barriers, as well as thickening vulnerable sea ice by pumping seawater on top of it and freezing it in place—were seen mainly as science fiction. But they are gaining momentum. Dr Mankoff's workshop was one of three held between October and December to discuss polar geoengineering; a fourth was held earlier this year. More are planned, and several research papers are in the works.

Yet opposition is growing. Martin Siegert, a climate scientist at Imperial College London, calls the whole discussion "absolutely insane". "It came up years ago and many of us just ignored it. We thought 'It's not going to happen, so just don't spend any time thinking about it.'" He and others have been taken aback by how much attention the proposals have attracted since the beginning of the year, and feel the time has come to challenge them.

Let it go

Some counter-arguments revisit themes familiar from the solar geoengineering debate—that techno-fixes detract from the main work of decarbonising, for instance, and that even exploratory research lubricates a slippery slope towards deployment. "If a government chose to make geoengineering-based research a part of its national Antarctic programme, it would send a pretty strong signal about the state's intentions," says Peder Roberts, a historian and member of the Scientific Committee on Antarctic Research, which advises various intergovernmental groups including the UN and the Antarctic Treaty secretariat. "The more expensive a piece of research is, the harder it is to say it isn't political."

Even if such research were undertaken, practical hurdles could stand in the way of implementation. Polar projects, unlike solar ones, are likely to be extremely expensive—costing many tens of billions of dollars. They present unprecedented engineering challenges: a seabed curtain to protect Thwaites glacier might be 80km long and would have to be installed, maintained and repaired in some of the roughest seas on Earth.

The political and regulatory challenges are also daunting. Antarctica is protected by international agreements known as the Antarctic Treaty System. All 57 member countries, including America and Russia, would have to come to an agreement before any geoengineering could start. Yet many of these same Antarctic Treaty countries have long failed to collaborate on two pillars of climate action: stopping greenhouse-gas emissions and raising climate funds for poor countries. Consequently, says Dr Roberts, "I'm pretty sure we will be well underwater before such an agreement could be reached." ■

Culture



How to hire a spy

Less Bond, more boffin

Puzzles, games and free thinking are key to codebreaking

Geoffrey Tandy was not sure why he had been summoned for war work in 1939. He was a botanist at the Natural History Museum in London and a friend of T.S. Eliot, a poet. Bletchley Park, Britain’s codebreaking centre in the second world war, had asked for an expert in cryptograms (encrypted text). Tandy was an expert in cryptogams (algae). Sometimes everything pivots on a consonant.

That story may be apocryphal, an in-joke shared by the eccentrics who cracked German codes in the English countryside. But what is not disputed is that Tandy’s botanical knowledge had cryptological benefits. His expertise on saltwater algae proved essential in salvaging German codebooks recovered from the sea. Tandy’s role in wartime codebreaking exemplifies the themes of a new book by Robert Hannigan. He is a former director of GCHQ, Britain’s signals-intelligence service, responsible for intercepting and deciphering messages, like its American peer the National Security Agency.

Counter-Intelligence. By Robert Hannigan. HarperCollins; 336 pages; £25

Diversity, equity and inclusion (DEI) has a bad name these days. The concept is associated with woke pseudoscience and corporate flimflam. But Mr Hannigan’s engaging book is a compelling corrective to that view. “Tandy would probably not have made it through recruitment into a modern high-performing company,” writes Mr Hannigan, but “sums up the amalgam of oddness, random skills and

dedication that led to spectacular innovations and sustained success in the secret world of intelligence”.

Human-intelligence agencies like MI6 and the CIA recruit and run human agents, and thus rely on influence, persuasion and manipulation. Meanwhile, signals-intelligence (SIGINT) agencies focus on data and communication technology—cables in the 19th century, radio in the first part of the 20th and now the internet. The aim is to understand those systems and to “attack” their weaknesses, as cryptanalysts say.

To do that successfully requires people who think in different, original and unusual ways. Dilly Knox, a professional papyrologist, installed a bath in the Admiralty office during the first world war and allegedly cracked a German naval cipher during a soak (a process Mr Hannigan connects to modern research on the neurological benefits of warm water). The point is not what you know but how you think: after the war Knox tackled Hungarian diplomatic codes without knowing a shred of Hungarian. GCHQ’s entry exams have included texts in the fictitious Elvish languages spoken in J.R.R. Tolkien’s Middle-earth.

Diversity of thought is often rooted in other sorts of differences. Women excelled as cryptanalysts at Bletchley Park despite making up only a small proportion of pre-war mathematicians. Jewish cryptanalysts played an important role in the second world war. Mr Hannigan also hints at the

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75 Back Story: The casting wars

▶ pivotal role of Afghan and Muslim staff in GCHQ's more recent history.

Those with autism tend to have better visual perception, a fact which Israel's armed forces exploit to interpret fuzzy satellite images. Drawing on research into neurodiversity and autism-spectrum disorders, GCHQ "has actively sought to recruit this kind of diverse workforce", says Mr Hannigan. Dyslexia (challenges in reading or writing) and dyscalculia (difficulty in understanding numbers) are "prevalent" at GCHQ; Mr Hannigan guesses that one in four of the organisation's staff has some sort of neurodiverse condition. Such people would not always prosper in traditional job interviews or flourish under the rigid hierarchy of the armed forces or the formality of the civil service.

Ironically, whereas GCHQ's best-known figure, Alan Turing, was persecuted by the state for his homosexuality despite his pivotal role in breaking the German Enigma code, the agency later protected many gay people in its ranks, says Mr Hannigan, and "evaded some of the zealotry" that blighted other parts of the cold-war civil service. More recently, GCHQ has begun training vetting officers in DEI in order to decrease the number of ethnic-minority applicants who are refused security clearances—a common problem for people with familial connections to foreign countries.

SIGINT agencies are not the only ones interested in diversity of all sorts. In recent years MI6 has eased entry requirements so that candidates with dual nationality and one British parent can apply to become officers. Spy agencies increasingly recognise the importance of a diverse cadre of officers, not least because they must blend in and connect with agents in a variety of countries. Markus Wolf of the Stasi, East Germany's brutal spy agency, once described how West German spooks weeded out his agents by paying attention to their haircuts. East Germans had short hair at a time when long styles were popular in the West: "Turning one into a convincing hippy was nearly impossible."

Yet Western agencies have a chequered history. It used to be a running joke that CIA stood for Catholics in Action; it was homogenous and dogged by racist views. The agency's prestigious Near East division, which ran Middle East operations, opposed Jewish case officers, in part because it believed they would be loyal to Israel. Indeed, even as late as 2000 it was deemed newsworthy when the CIA hired an officer of Arab descent. At the time of the September 11th attacks in 2001 the FBI had just eight Arabic-speaking agents, and only one in New York. Much has changed. The CIA now publishes a DEI strategy; in 2022 it promoted into its senior ranks the highest percentage of women and minorities in its history.

The relationship between free thinking, intelligence work and problem-solving more broadly is best illustrated by the wider pursuits of codebreakers. John Manly and Edith Rickert, American cryptanalysts in the first world war, went on to study statistical patterns in poetry. Elizabeth and William Friedman, towering figures in American cryptology, explored—and later debunked—the conspiracy theory that Francis Bacon had secretly written and hidden enciphered text in the plays of Shakespeare. Joan Clarke, briefly Turing's fiancée, had a long career at GCHQ and became an expert on 15th-century coins. The favoured television programme of staff at GCHQ is "Only Connect", a British game show in which contestants must identify the cryptic link between four answers. Like codebreaking, that requires lateral thinking, an open mind and an ability to connect disparate types of knowledge.

It is easy for po-faced culture warriors to dismiss this sort of thing as a distraction from the real work of national security and intelligence. But in fact it cuts to the very heart of good spywork. "Puzzles and play do not constitute a world separate from serious work," concludes Mr Hannigan. "They form a continuum, and one enables the other." ■

Forgoing the single life

Pop stars are all about albums

Contradictory though it may seem in the streaming era

TO BILLIE EILISH, things like cassettes and CDs probably seem charmingly retro. Born in 2001, the musician was six years old when Spotify launched; today she is the fourth-most popular artist on the platform. Ms Eilish has only ever known 21st-century listening habits. And yet she has emerged as an unlikely champion of a time-worn format: the album. She declared that her new record, "Hit Me Hard and Soft", released in May, was a "cohesive" piece of work, "ideally listened to in its entirety from beginning to end". No singles were released in advance as *amuse-bouches* for famished fans.

She is not the only hitmaker emphasising the album rather than its component parts. Ariana Grande advertised "Eternal Sunshine", released in March, with just one single, stressing that she wanted listeners to "experience the album in full this time". Dua Lipa's debut album in 2017 was preceded by six singles; she scaled back for her latest record. And Taylor Swift has issued four successive sets of new material



Going for a spin

with no advance singles. Two of these were "surprise releases", announced just ahead of their arrival, which again emphasises the primacy of the album format.

For decades after the birth of recorded music in the 1920s, the single was the only thing that mattered, mostly because it was the only thing there was: early gramophone records could hold just a few minutes of music on each side. As technology improved, playing times increased, and groups such as the Beatles came to see LPs ("long play") as statements of ambition. From the mid-1960s onwards, albums became something to be appreciated as complete works of art. In 1988 Prince released his "Lovesexy" album on CD as one continuous track, with the explicit goal of making it impossible to cherry-pick songs.

No doubt Ms Eilish and co want to prove their serious musical chops. Pop music is still often regarded as ephemeral, because it relies on catchy tracks that can dominate airwaves and charts. Singles account for around 65% of a hit rock album's total "consumption" (including streaming as well as physical purchases). For a pop album that figure rises to 85%.

This crop of pop stars has discovered that a deluge can be better than a drip-feed. Stars can encourage fans to buy their record on vinyl and stream the album, too. As a result, "The artist and their label partner earn twice," says Chris Cooke of CMU, a music-industry website. And, by releasing the songs all at once, artists enjoy the kind of chart dominance that sporadic singles do not provide. Ms Eilish currently has three tracks in the *Billboard* top 20. After the release of "The Tortured Poets Department", Ms Swift claimed the top 14 spots. Singles are still useful for pop's aspiring princesses, but not the queens. ■

Imperialism then and now

Your land is my land

Two very different books show what it is like to be colonised

CAMPUS LEFTISTS in the West and nationalists in the global south never tire of pointing out the evils of imperialism. Yet few include the Soviet Union on their list of villains. This is odd: the Soviet empire stretched over 11 time zones, oppressing its vassal states so egregiously that all declared independence the moment they had the chance.

Airbrushing this history makes it harder to understand the present, when the man with the world's fourth-largest army is trying to reassemble a version of that empire, minus the Marxism. When Vladimir Putin described the liberation of the Soviet Union's former subjects as the "greatest geopolitical catastrophe of the 20th century", he was expressing a worldview shared in previous centuries by Spanish conquistadors and ruffians of the British East India Company: that strong nations should rule weaker ones, regardless of the wishes of those who live there.

Two new books offer first-hand accounts of how that feels for the colonised. In "The Language of War", the author himself is the eyewitness: Oleksandr Mykhed is a Ukrainian writer who lived through Russia's invasion of his country and is now serving in the Ukrainian army. In "Revolusi", the author is a historian who gets his boots dirty. From remote Asian islands to Dutch nursing homes, David Van Reybrouck has tracked down eyewitnesses to

The Language of War. By Oleksandr Mykhed. Allen Lane; 304 pages; \$24 and £18.99

Revolusi. By David Van Reybrouck. W.W. Norton; 656 pages; \$32.50. Bodley Head; £30

Indonesia's colonial period, producing the definitive account of a neglected epoch.

Both books demolish the simplistic takes that dominate debate on social media today. Imperialism was not, as some on the left argue, simply a Western sin. But, contrary to the splutterings of the nostalgic right, it was a grave one.

The colonial history of the archipelago that is now Indonesia is convoluted. From the 1500s the Portuguese ruled parts of it, then the Dutch, France, Britain and the Dutch again. After the Nazis occupied the Netherlands, Japan "liberated" its colony and proceeded to enslave, starve and beat the locals. When Japan surrendered, the Dutch assumed they would take back control, but their former subjects had other ideas. In August 1945 Indonesia was the first of a wave of ex-colonies around the world to declare independence.

For four years the newly liberated Dutch fought to keep their colony subjugated, sending boatloads of conscripts to face an army of guerrillas wielding sharpened bamboo sticks and looted Japanese rifles. The Dutch used what Mr Van Reybrouck calls "the Westerling method",

which involved rounding up villagers, asking them where the local guerrillas were hiding, and shooting them if they failed to provide useful intelligence.

Dutch pride in the imperial past is still strong. As recently as 2006 a conservative Dutch prime minister urged a revival of the can-do "mentality" of the Dutch East India Company, a slave- and spice-trading outfit. In a YouGov poll of eight ex-colonial powers in 2019, the Dutch were the most likely to say that their former empire was "more something to be proud of than ashamed", with 50% agreeing and only 6% expressing the opposite view.

Mr Van Reybrouck offers evidence that such pride is misplaced. He chronicles brutal plunder in the 17th century, forced labour in the 19th and a racial caste system in the early 20th. He tracks down perpetrators, such as Goos Blok, a conscript who describes having to inflict electric-shock torture on teenagers. Indonesians explain how at first they welcomed the Japanese, until they saw them behaving even more viciously than the Dutch. As one of them concluded: "Colonialism is colonialism."

Mr Mykhed's book is more personal. He lived in Hostomel, a suburb of Kyiv with an airport that Russian special forces tried to capture at the start of the invasion. Thus Mr Mykhed's block was overrun on day two, by Russians who forced people from their homes, pointing guns at their heads. He and his wife managed to escape.

"The Language of War" brims with horror. Girls are pulled out of a basement by their hair and raped. A 96-year-old survivor of Nazi concentration camps is killed during the supposed "denazification" of Ukraine. The deliberate murder of 50 Ukrainian prisoners of war is made to look like an errant mortar.

Mr Mykhed wields a skilful, angry pen. He sees motorcycles melted by the heat of battle, "like puddles of solidified metal left over from the evil T-1000 robot from 'Terminator'". He describes how soldiers look forward to haircuts, just to "feel the warmth and care of a woman's hands". He records how Russian invaders, like the crudest burglars, habitually defecate on the beds of homes they loot.

The author's rage against the invaders is entirely justified. But he spreads it too broadly. He says no Russian film, book, artwork or TV show should be shown, sold or streamed. "Russia must be silenced," he writes, regardless of whether the writers and artists are anti-war, anti-Putin or long dead. A Russian acquaintance, who hates Mr Putin and fled, texts Mr Mykhed's wife to ask how he can help. She tells him that he, too, is responsible for the war. "You are all guilty," Mr Mykhed says.

This is myopic. Russians who choose exile because they do not want to be drafted to kill Ukrainians share an obvious



common interest with Ukrainians who do not wish to be killed. The same goes for Russians who yearn for a democratic, post-Putin Russia. To refuse to make common cause with such people may be emotionally satisfying, but it is strategically daft. The notion that guilt is collective, regardless of individual actions, is a recipe for unending strife, and not just in Ukraine.

Yet Mr Mykhed's testament is valuable, since Mr Putin fights with lies as well as bullets. One of the first things Russian forces do when they occupy a town is to purge libraries of "harmful" books and dismantle any monument to Soviet-era crimes, such as those marking Stalin's starvation of millions of Ukrainians in the 1930s. As Mr Mykhed puts it, "My faith in the power of literature is being restored by the...occupiers' fear of our books." ■

The history of piracy

Not so Jolly Rogers

Enemies of All. By Richard Blakemore. *The History Press*; 336 pages; £25. To be published in America by Pegasus in August; \$29.95

THE VERY word "pirate" has a cheery ring. It evokes wooden legs, eyepatches, coins and cutlasses, as well as the likes of Francis Drake, William Kidd, Blackbeard and Henry Morgan. Children's and adult fantasy is pirate-packed, from Captain Hook in "Peter Pan" to Johnny Depp's swashbuckling turn as Jack Sparrow in the "Pirates of the Caribbean" films. In Gilbert and Sullivan's "The Pirates of Penzance", an opera, the obliging pirates release any captives claiming to be orphans.

The reality is more sordid than that, as Richard Blakemore, a lecturer at the University of Reading, argues in a new book. Labels like "buccaneer", "corsair" or "privateer" sound even more romantic than "pirate". So those practising piracy used them. This is not just a question of etymology. In the early part of the golden era of piracy—from roughly the late 17th to the early 18th centuries—pirates under respectable labels often had at least the tacit approval of monarchs and states.

Piracy itself is as old as seamanship. But in the author's telling, it took off after the European discovery of the Americas. The gold, silver and slaves brought back by Portuguese and Spanish ships proved irresistible targets. As well as the lure of booty came the knowledge that, in frequent times of war, pirates were inflicting damage on a sovereign's opponents. Hence the

search for vaguely written official "commissions", documents that created a veneer of government endorsement for privateering against a state's declared enemies. Many well-known pirates forswore attacks on ships flying their own national flags.

None of this made their acts of piracy any less bestial. British, Dutch and French pirates, often based outside legally constituted colonies, such as off the Azores or on the island of Tortuga near Haiti, lay in wait for Iberian fleets before attacking them. They would raid newly established forts and settlements on the American mainland. No quarter was given: those sailing on captured ships were tortured to reveal where treasure was; slaves were tossed overboard or sold; any women found were treated as mere spoils of battle.

As the flow of bullion from Latin America started to dry up, pirates looked elsewhere, often following shipping routes. Some sought to ingratiate themselves with colonial authorities: after making a fortune as a privateer, Henry Morgan (who became the namesake of Captain Morgan rum) even served as lieutenant-governor of Jamaica. As its wealth increased, the North American seaboard became a target, with pirates operating out of the Bahamas. Another hunting ground was the Indian Ocean. Mr Blakemore includes a harrowing account of how pirates flying English flags captured a ship bringing Muslim pilgrims back to India. For days the buccaneers pillaged the ship, tortured victims and raped the female passengers, plundering loot worth some 5m rupees (over £500,000, or \$635,000, at the time).

As shipping and colonial ambitions shifted, piracy moved too: to the Pacific, to the Barbary Coast of north Africa and indeed to anywhere suitable for plundering. But by the early 18th century, European states had lost patience with these vicious criminals. State-built navies started tackling pirate ships in their lairs.

This coincided with the publication 300 years ago of "A General History of the Pyrates", a book that sold so well that it had four editions and many translations. Mr Blakemore draws on the book extensively, as did Robert Louis Stevenson for "Treasure Island" and J.M. Barrie for "Peter Pan". Its most intriguing characters were two female pirate leaders, Anne Bonny and Mary Read, who fooled many of their crews into believing they were men and were later rumoured to have been lovers.

Piracy continues even today. The author closes his story not just with reflections on the inaccuracies of Hollywood's romantic portrayal of pirates, but also with a look at those still operating, including off Somalia. Nowadays profits come more from ransoming ships and crews than from plunder and rape. But the evil of these aquatic enemies persists all the same. ■

New fiction

Battle lines

The Road to the Country. By Chigozie Obioma. *Hogarth*; 384 pages; \$29. *Hutchinson Heinemann*; £16.99

NIGERIANS DO NOT speak much of the civil war of 1967-70. Most schools do not teach it in their curriculums. The median age of Nigerians is 17, so only a fraction of the 219m-strong population lived through the conflict. Those that did are often too scarred, or scared, to talk about it for the memories it might prompt.

Simmering ethnic tensions boiled over. An attempted coup d'état in 1966 was followed by a series of pogroms in the north in which tens of thousands of Igbo people were killed. Biafra, a mostly Igbo region in the south-east, declared independence; the Nigerian government, then dominated by Hausas and Fulanis, fought alongside Yorubas to keep the oil-rich region from seceding. They prevailed; estimates vary widely, but around 1m-2m Nigerians are thought to have died in, or due to, the war.

Chigozie Obioma sheds light on this dark period. The 37-year-old author explored his country's recent history in two acclaimed novels, "The Fishermen" (2015) and "An Orchestra of Minorities" (2019), which were both nominated for the Booker prize. His new book warns of what happens when nation-building fails.

It follows Kunle, a young Yoruba man who is recruited into the Biafran army while searching for his missing brother. He ►►



Staring into the eyes of war

is given a suitably Igbo name and fights valiantly for a people not quite his own. Still wrestling with the guilt of a childhood accident that left his brother unable to walk, Kunle is determined to save him. But first he has to stay alive—and sane.

Mr Obioma describes the battlefields and the swampy terrain of the Niger Delta with disturbing viscerality. You can almost smell the putrid mix of blood, faeces and vomit in the trenches. Transfixed by the book's gory conflict scenes, the reader, like

the fighters, loses sight of what is happening in the wider war.

The novel captures Nigeria's fault lines in both language (with a mix of English, Yoruba and Igbo) and form. It flits between the real and the supernatural. The novel is narrated in part by a Yoruba seer who predicted the conflict and features an interlude with testimonies of people who died in battle, evoking an Igbo proverb: "The story of a war can only be fully and truly told by both the living and the dead."

Almost 60 years on, the war's after-shocks can still be felt. A separatist movement, the Indigenous Peoples of Biafra, is striving to create a modern-day Biafran state. As a result, "The Road to the Country" links the past and present. Mr Obioma has been described as the heir to Chinua Achebe, a 20th-century Nigerian novelist. He pulls from the same wells of rage and horror as his literary forebear did in a book from 2012 about the same war. Nigeria's wounds, still untreated, have festered. ■

BACK STORY

Killer casts

Romeo and Richard III are enlisted in the casting wars

TWO HOUSES, both alike in dignity, have invoked ancient grudges and sparked new mutinies on the vexed question of who should play whom in drama. Both are theatres in London that have made headlines with Shakespearean leads. In different ways they suggest the commotion that casting decisions can cause, the benefits they can confer and the problems left unsolved.

There is a nice dramatic symmetry in casting Tom Holland, who plays Spider-Man in the Marvel films, in another classic tale of volatile adolescence, "Romeo & Juliet" (pictured). Both Spider-Man and Romeo hide big secrets; dragged into old enmities, both find their crush is the daughter of a foe.

There is a commercial logic, too. A megastar among young audiences, Mr Holland may be the most famous of the Hollywood A-listers to appear recently in the West End and on Broadway. After performances at the Duke of York's theatre he is mobbed at the stage door. Almost all the few remaining tickets, in a run that lasts until August, cost £345 (\$440). Critics of celebrity casting worry that it contributes to rising prices. Not every screen idol, they point out, has the chops for a soliloquy.

Mr Holland enters in a hoodie and the sort of nasty short-fringe haircut that some teenagers now go in for. With wit and warmth, plus a flash of bicep, he proves the doubters wrong. Nuanced and lucid, Francesca Amewudah-Rivers, a relative unknown, is even better as Juliet. (A black actor, she has been vilely abused by racists purporting to know what Juliet really looked like.) There is no balcony in this pared-back production. The star-cross'd couple sit touchingly side by side to declare their love.

Jamie Lloyd, the director, has brought



in lots of young punters. Alas, his stylised staging lets them and the actors down. He uses cameras and screens to relay action from the foyer and roof; passion is intercut with bloodshed. Much less successful is the choice to have many lines declaimed into standing microphones, as if in a slam-poetry contest. Weakening the links between characters, this trick frays their bond with the audience.

Across the Thames at Shakespeare's Globe, a new "Richard III" has set off another kind of ruckus. Michelle Terry, the theatre's artistic director, is the titular villain in an almost entirely female cast. She has received abuse for presuming, as a woman, to play a king. But gender is not the main flashpoint.

Rather it is the flouting of a new orthodoxy. This holds that, for reasons of authenticity and justice, disabled parts must be played by disabled actors (and trans parts by trans actors—and so on with other marginalised groups). Richard III is described and typically portrayed as disabled. Thus, the Disabled Artists Alliance protested, "This role belongs to us."

Like many battles in the culture wars, this is not a skirmish between lefties and reactionaries, but between progressives with diverging tactics. Committed to "anti-literalism" in casting, the Globe is a champion of inclusivity. Recently Francesca Mills, who has a form of dwarfism, was a sensational Duchess of Malfi. Nadia Nadarajah, who is deaf, will soon star in "Antony & Cleopatra".

If the Globe is the wrong theatre to berate, this is also the wrong show. Largely described in insults, Richard's physical affliction is sketchy in Shakespeare's text. Here almost all these references are excised; the focus is on the play's deep seam of misogyny. An able-bodied Richard glories in forcing the widow of a man he killed to marry him—then murders her. He hates women and, perceptively, they hate him back. The cross-gender casting makes you think anew about the play's macho violence.

Yet this show, too, has a tragic flaw. It wants you to see the parallels between Richard and bullies today, especially Donald Trump. Unfortunately it whacks you over the head with this analogy like a Plantagenet knight with a mace. It is anyway a flimsy comparison. True, both men are dangerous bosses to serve; both disparage norms and women. But the king is less a demagogue than a machinator. He is funnier than Mr Trump—and has a glimmer of conscience.

Shakespeare, and the stage, belong to everyone. By and large directors should cast whomever they think best for a role. Wanting to make a point or turn a profit is perfectly fine. All the same, these productions fall down for the same reason their critics are mistaken. A casting choice is the beginning, not the end, of telling a story. Making art involves much more than causing a stir.



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Economic & financial indicators

	Gross domestic product				Consumer prices				Unemployment rate		Current-account balance		Budget balance		Interest rates		Currency units	
	% change on year ago		latest		% change on year ago		latest		rate		% of GDP, 2024 [†]		% of GDP, 2024 [†]		10-yr gov't bonds		per \$	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Jun 5th	% change on year ago
United States	2.9	1.3	2.2	3.4	Apr	3.0	3.9	Apr	-3.8	-6.3	4.3	64.0	-	-	-	-	-	-
China	5.3	Q1	6.6	4.7	0.3	Apr	1.0	5.0	Apr [§]	1.2	-4.8	2.1	\$6	-39.0	7.25	-1.8	-	-
Japan	-0.2	Q1	-2.0	1.3	2.5	Apr	2.3	2.6	Apr	2.9	-4.8	1.0	61.0	156	-10.7	-	-	-
Britain	0.2	Q1	2.5	0.4	2.3	Apr	2.6	4.3	Feb ^{††}	-2.8	-4.2	4.2	6.0	0.78	3.9	-	-	-
Canada	0.5	Q1	1.7	1.9	2.7	Apr	2.4	6.1	Apr	-0.4	-1.1	3.5	22.0	1.37	-2.2	-	-	-
Euro area	0.4	Q1	1.3	1.0	2.6	May	2.4	6.4	Apr	2.9	-3.0	2.5	22.0	0.92	1.1	-	-	-
Austria	-1.1	Q1	0.7 [†]	0.5	3.4	May	3.5	4.7	Apr	2.9	-2.3	3.0	7.0	0.92	1.1	-	-	-
Belgium	1.3	Q1	1.3	1.1	4.9	May	3.0	5.8	Apr	-0.2	-4.6	3.0	-1.0	0.92	1.1	-	-	-
France	1.3	Q1	0.6	1.1	2.7	May	2.7	7.3	Apr	-0.7	-4.9	3.1	19.0	0.92	1.1	-	-	-
Germany	-0.2	Q1	0.9	0.2	2.8	May	2.1	3.2	Apr	6.5	-1.5	2.5	22.0	0.92	1.1	-	-	-
Greece	1.1	Q4	0.6	2.8	3.2	Apr	3.2	10.8	Apr	-5.5	-1.4	3.6	-10.0	0.92	1.1	-	-	-
Italy	0.7	Q1	1.4	1.0	0.8	May	1.5	6.9	Apr	1.0	-5.4	3.8	-14.0	0.92	1.1	-	-	-
Netherlands	-0.7	Q1	-0.4	0.4	2.7	May	2.8	3.7	Apr	8.2	-1.2	2.8	14.0	0.92	1.1	-	-	-
Spain	2.4	Q1	2.9	2.4	3.8	May	2.9	11.7	Apr	2.5	-3.5	3.5	14.0	0.92	1.1	-	-	-
Czech Republic	-0.3	Q1	1.3	1.4	2.9	Apr	2.2	2.8	Apr [†]	-0.3	-2.5	4.2	-25.0	22.7	-3.0	-	-	-
Denmark	-0.2	Q1	-6.9	1.4	0.8	Apr	1.7	2.9	Apr	9.5	1.6	2.6	-5.0	6.86	1.3	-	-	-
Norway	-0.8	Q1	0.7	1.0	3.6	Apr	3.3	3.9	Mar ^{††}	15.9	12.0	3.6	23.0	10.6	4.2	-	-	-
Poland	2.0	Q1	2.0	2.9	2.5	May	3.8	5.1	Apr [§]	0.2	-5.2	5.6	-37.0	3.96	5.6	-	-	-
Russia	5.4	Q1	na	2.7	7.8	Apr	7.1	2.6	Apr [§]	1.8	-1.6	14.6	370	89.0	-9.0	-	-	-
Sweden	0.3	Q1	2.9	0.3	3.9	Apr	2.0	8.9	Apr [§]	5.6	-1.0	2.3	-8.0	10.4	4.3	-	-	-
Switzerland	0.6	Q1	1.8	1.0	1.4	May	1.4	2.3	Apr	6.6	-0.3	0.8	-5.0	0.89	2.2	-	-	-
Turkey	5.7	Q1	9.9	3.0	75.4	May	55.8	8.8	Mar [§]	-2.9	-4.7	26.0	1,277	32.3	-34.2	-	-	-
Australia	1.1	Q1	0.5	2.0	3.6	Q1	3.2	4.1	Apr	1.2	-1.0	4.4	70.0	1.51	nil	-	-	-
Hong Kong	2.7	Q1	9.6	3.2	1.1	Apr	2.2	3.0	Apr ^{††}	8.1	-2.8	3.7	13.0	7.81	0.4	-	-	-
India	7.8	Q1	5.4	6.6	4.8	Apr	4.9	7.0	May	-1.1	-5.3	7.0	3.0	83.4	-0.8	-	-	-
Indonesia	5.1	Q1	na	5.1	2.8	May	3.0	4.8	Q1 [§]	-0.3	-2.2	6.9	53.0	16,285	-8.6	-	-	-
Malaysia	4.2	Q1	na	4.4	1.8	Apr	2.5	3.3	Mar [§]	2.1	-4.4	3.9	8.0	4.70	-2.5	-	-	-
Pakistan	2.8	2024 ^{††}	na	1.8	11.8	May	19.7	6.3	2021	-2.9	-7.0	14.1	†††	-98.0	278	2.6	-	-
Philippines	5.7	Q1	5.3	5.4	3.9	May	3.7	4.5	Q1 [§]	-2.5	-5.9	6.7	81.0	58.8	-4.5	-	-	-
Singapore	2.7	Q1	0.2	2.4	2.7	Apr	3.0	2.1	Q1	18.3	0.1	3.3	33.0	1.35	nil	-	-	-
South Korea	3.1	Q1	5.3	2.7	2.7	May	2.6	3.0	Apr [§]	2.5	-1.6	3.5	-9.0	1,373	-4.7	-	-	-
Taiwan	6.6	Q1	1.1	3.3	2.0	Apr	2.0	3.4	Apr	14.5	0.1	1.6	43.0	32.4	-5.2	-	-	-
Thailand	1.5	Q1	4.6	2.8	0.2	Apr	0.8	1.1	Apr [§]	2.5	-3.6	2.8	25.0	36.7	-5.9	-	-	-
Argentina	-1.4	Q4	-7.3	-3.4	289	Apr	223.2	5.7	Q4 [§]	nil	-0.8	na	na	898	-73.0	-	-	-
Brazil	2.5	Q1	3.1	2.0	3.7	Apr	4.1	7.5	Apr ^{§††}	-1.4	-7.7	11.8	41.0	5.29	-7.0	-	-	-
Chile	2.3	Q1	7.8	2.8	3.5	Apr	3.6	8.5	Apr ^{§††}	-3.3	-2.3	6.1	64.0	906	-12.1	-	-	-
Colombia	0.9	Q1	4.4	1.0	7.2	Apr	6.6	10.6	Apr [§]	-2.8	-5.7	10.7	-45.0	3,929	9.6	-	-	-
Mexico	1.6	Q1	1.1	2.3	4.7	Apr	4.5	2.6	Apr	-0.3	-5.0	9.9	107	17.6	-0.5	-	-	-
Peru	1.4	Q1	3.2	2.5	2.0	May	2.6	8.5	Apr [§]	-0.4	-3.1	7.1	-2.0	3.73	-1.6	-	-	-
Egypt	2.3	Q4	na	2.6	32.6	Apr	30.7	6.7	Q1 [§]	-3.4	-5.0	na	na	47.6	-35.1	-	-	-
Israel	-0.6	Q1	14.1	1.6	2.8	Apr	3.0	3.4	Apr	5.9	-6.8	4.8	104	3.71	0.8	-	-	-
Saudi Arabia	-0.8	2023	na	2.0	1.6	Apr	2.1	4.4	Q4	0.5	-1.5	na	na	3.75	nil	-	-	-
South Africa	0.5	Q1	-0.2	1.6	5.1	Apr	4.8	32.9	Q1 [§]	-2.0	-5.2	10.6	-67.0	19.0	1.6	-	-	-

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. ‡Not seasonally adjusted. §New series. **Year ending June. ††Latest 3 months. †††3-month moving average. ‡‡5-year yield. ‡‡‡Dollar-denominated bonds. Note: Euro area consumer prices are harmonised.

Markets

In local currency	Index	% change on:	
		one week	Dec 29th 2023
United States S&P 500	5,354.0	1.7	12.2
United States NASComp	17,187.9	1.6	14.5
China Shanghai Comp	3,065.4	-1.5	3.0
China Shenzhen Comp	1,706.3	-1.6	-7.2
Japan Nikkei 225	38,490.2	-0.2	15.0
Japan Topix	2,748.2	0.2	16.1
Britain FTSE 100	8,247.0	0.8	6.6
Canada S&P/TSX	22,145.0	1.1	5.7
Euro area EURO STOXX 50	5,035.7	1.5	11.4
France CAC 40	8,006.6	0.9	6.1
Germany DAX*	18,575.9	0.6	10.9
Italy FTSE/MIB	34,507.8	1.0	13.7
Netherlands AEX	918.7	1.4	16.8
Spain IBEX 35	11,353.1	1.9	12.4
Poland WIG	85,342.6	-0.4	8.8
Russia RTS, \$ terms	1,140.4	-2.3	5.3
Switzerland SMI	12,150.0	3.0	9.1
Turkey BIST	10,351.0	-1.2	38.6
Australia All Ord.	8,022.2	1.1	2.5
Hong Kong Hang Seng	18,425.0	-0.3	8.1
India BSE	74,382.3	-0.2	3.0
Indonesia IDX	6,947.7	-2.7	-4.5
Malaysia KLSE	1,608.5	0.2	10.6

	Index	% change on:	
		one week	Dec 29th 2023
Pakistan KSE	74,219.4	-0.8	18.8
Singapore STI	3,330.0	0.2	2.8
South Korea KOSPI	2,689.5	0.5	1.3
Taiwan TWI	21,484.9	-0.8	19.8
Thailand SET	1,338.3	-0.9	-5.5
Argentina MERV	1,570,749.7	0.2	69.0
Brazil BVSP*	121,407.3	-1.1	-9.5
Mexico IPC	54,410.5	-1.5	-5.2
Egypt EGX 30	26,634.3	-1.7	7.0
Israel TA-125	1,963.4	-1.3	4.0
Saudi Arabia Tadawul	11,553.2	-1.2	-3.5
South Africa JSE AS	76,829.1	-2.2	-0.1
World, dev'd MSCI	3,453.7	0.7	9.0
Emerging markets MSCI	1,052.0	-1.9	2.8
US corporate bonds, spread over Treasuries			
		Dec 29th	
Basis points		latest	2023
Investment grade		104	154
High-yield		368	502

Sources: LSEG Workspace; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

commodities

The Economist commodity-price index				% change on
2020=100	May 28th	Jun 4th*	month	year
Dollar Index				
All Items	141.7	137.7	0.2	12.7
Food	150.1	149.0	1.9	9.7
Industrials				
All	134.8	128.4	-1.4	15.8
Non-food agriculturals	137.9	136.9	2.0	22.8
Metals	134.0	126.2	-2.3	13.9
Sterling Index				
All items	142.5	138.5	-1.6	9.4
Euro Index				
All items	148.9	144.7	-0.8	10.7
Gold				
\$ per oz	2,356.1	2,326.8	0.4	18.8
Brent				
\$ per barrel	84.0	77.6	-6.7	1.7

Sources: Bloomberg; CME Group; Fastmarkets; FT; LSEG Workspace; LME; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; Uner Barry; WSJ. *Provisional.

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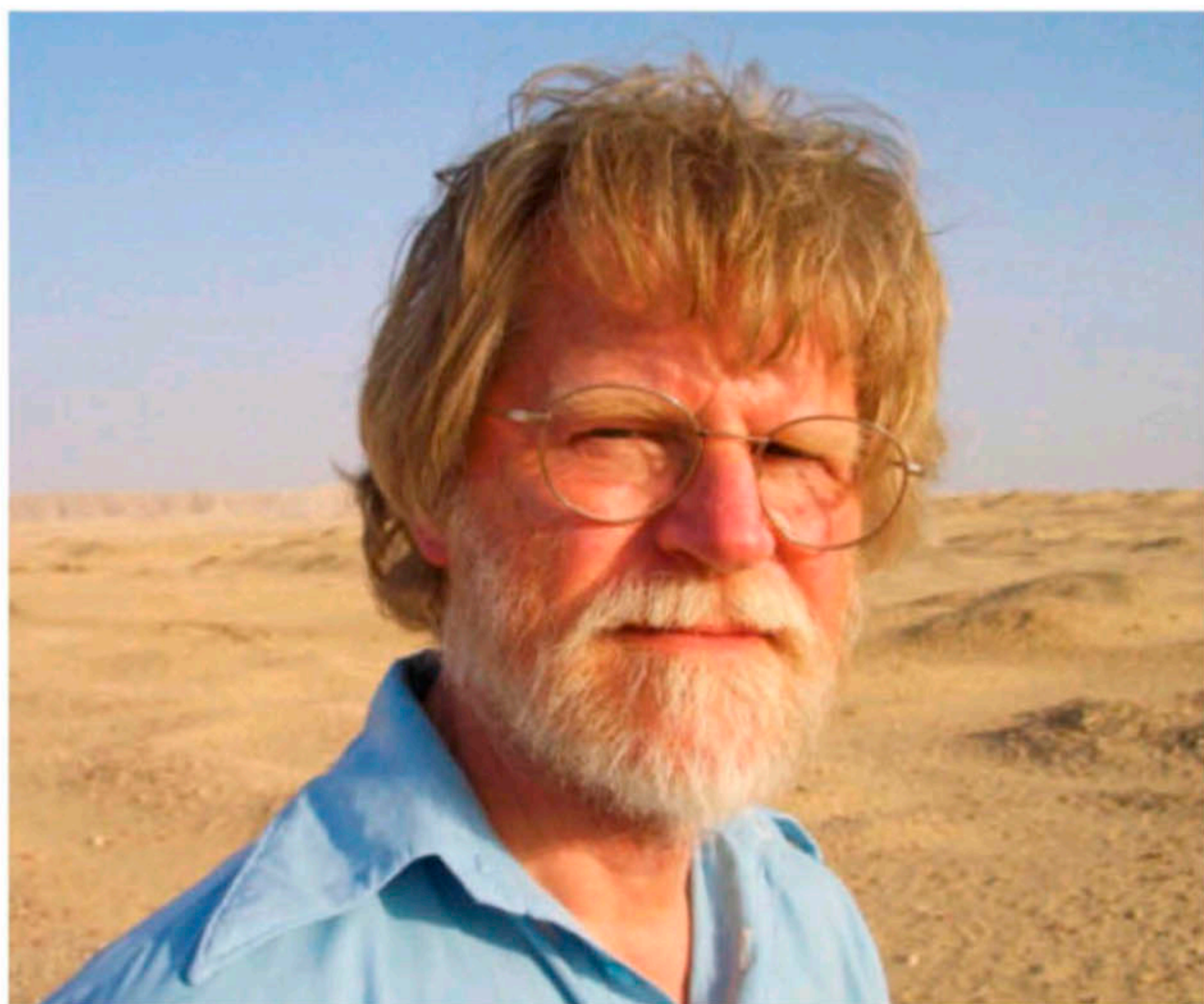
Sources: Bloomberg; CME Group; Fastmarkets; FT; LSEG Workspace; LME; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

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OBITUARY

Barry Kemp

The Egyptologist who brought to light Akhenaten's abandoned city died on May 15th, aged 84



FOR MORE than four decades Barry Kemp lectured and taught at Cambridge University. But for almost all that time his mind, and preferably his body too, were elsewhere. Cambridge is a well-watered place of meadows and college greens; Professor Kemp, with the tan, full beard and far-seeing eyes of an explorer, was walking in the pale red sand of Egypt's eastern desert. In Cambridge, noble old buildings surrounded him. In the city that filled his thoughts, Amarna, 200 miles south of Cairo, little was left but low mounds and remnants of walls. In between writing the core text for Egyptology courses, a primer on hieroglyphs and a guide to "The Book of the Dead", he ceaselessly searched that tract of land for what had once been there.

Amarna had been dreamed up by Akhenaten, a radical among Egypt's pharaohs. He said he had been led to the site by the Aten, the disc of the sun, whose cult as a single divinity he had established in place of Egypt's myriad gods. The site lay to the east, facing tall cliffs through which the sun rose. Around 1344BC Akhenaten began to build a new city there. Temples, administrative buildings, warehouses and worker dwellings went up at breakneck speed. The pharaoh ordered 20,000 people to move in; they found themselves on a bleak desert bluff above the Nile, with little drinkable water and where few crops could grow. Since he was absolute, no one had dared to tell Akhenaten that this was a bad idea. After 20 years the city was abandoned. For the next 31 centuries wind, sand and plunderers took it over.

Professor Kemp naturally hoped to uncover buildings, tombs and artefacts. That passion had been whetted by postcards of Egypt sent back by his father, who served there in the second world war. A beautiful painted bust of Akhenaten's wife Nefertiti had been found in Amarna in 1912, quite close to the dig-house where he stayed. But archaeology from the 1960s onwards also asked larger questions. Amarna was a time-capsule, never built over. Alongside the temple and palace sites, including the Great Aten Temple with more than 900 tables for food offerings, there was a workmen's village. The almost-lost city could tell him how ancient Egyptian urban society was organised, how it functioned and the way of life it supported. It might also tell him more about

Akhenaten, and how that strange mind worked.

In practice, getting the answers was often frustrating. For much of the 1970s and again in the mid-1990s, war or uprisings closed the site. It was 1977 before he and his team got there, travelling by felucca down the Nile. In subsequent years farmers tried to grab the land for fields, and the bordering village of El-Till wanted to expand its cemetery; rubbish was routinely dumped there. And not only the land, but the ruins themselves, needed constant vigilance. Many were fragile mud-brick, wearing away in the weather as fast as they were repaired.

He worked slowly, with maximum care, as modern methods dictated and as he would have done anyway, loving every detail of his work. (Even the writing up of a plain mud wall was enjoyable.) When tracking the lives of the people he was looking for infinitesimal clues: threads, seeds, an insect wing. From rough farm sieves his team moved to finer and finer ones, sifting and recording everything that came out of the ground. He had an electronic distance measurer, accurate to less than a centimetre, and a computer that could do imaging for surveys. But he preferred to rely on detailed planning with pencil on tracing film, in the old style. Money for new technology was short, especially after 2005, when the Egypt Exploration Society stopped funding him and he had to set up the Amarna Trust to take private donations. Besides, there was no substitute for the human eye, which after a while could recognise the subtlest shadows in the sand. Human imagination remained useful, too. And interpretation could never end.

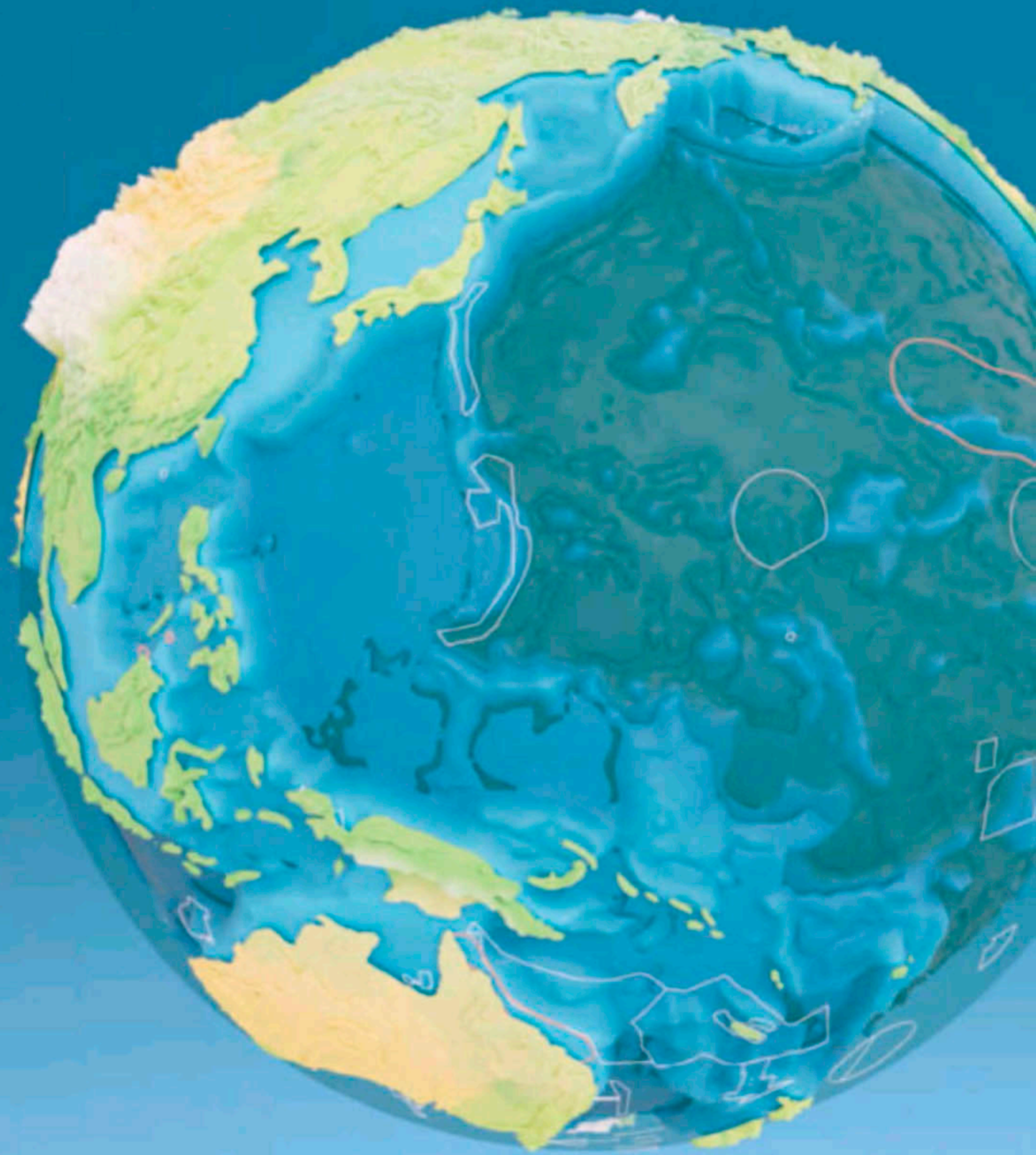
What he concluded about Amarna had to be provisional. Few texts survived to help him. But it seemed that the whole city was a workshop, organised to serve the pharaoh's court at its heart. The workmen's village produced glass, faience and bronze objects; the tiny gardens mostly grew leaves and berries for ceremonial garlands. The people, he surmised, were fed from the offering tables in the temples. And they were not fed well. Their bones showed they were stunted, arthritic, stooped from heavy loads, and died young. Life in Amarna was perhaps harder than elsewhere.

So what of the man who was the cause of it all? At first, Professor Kemp had little interest in Akhenaten. But soon enough he was writing books on him and leaping among the northern rock tombs of Amarna, decorated in Akhenaten's new flowing style, with true enthusiasm. This pharaoh was a visionary, no doubt. He had firm ideas and pursued them, though even his clarity could be baffling. He once declared that he lived on *maat* (truth and righteousness) as if they were his food: a rich remark, when his subjects were suffering. Yet he may have been no worse than other rulers. As for Atenism, worship of the One God, it was squashed too soon by the traditionalists to mark a cultural shift. Besides, it had never caught on. The Otherworld was a terrifying place; humbler burials in Amarna featured the old, comfortable gods.

Much about the city and its people remained unknown to him. But after 40 years of work his imagination could roam freely there. At dawn he threaded his way between the grey-brown mud houses, breathing in their smoke and peering into workshops where small, bent people met his gaze. Servants squeezed by, most carrying water from the distant river. Conscripts for labour gathered to be checked off; they carried bread, onions and pots of beer. He entered the gridded gardens to admire the fresh leaves of wild celery and coriander. A funeral went past, with the body wrapped in a mat of sticks and women throwing dust on their hair. In silent sympathy, he watched them disappear. ■

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