

The Economist

End of the Castro era

Mr Zuckerberg goes to Washington

A cheaper Reaper

Panspermia: spreading life to the galaxy

APRIL 14TH-20TH 2018

Cool Germany



A SPECIAL REPORT



On the cover

Germany is becoming more open and diverse. With the right leadership, it could be a model for the West: leader, page 9. A more plural and fragmented country will need to rethink many ingrained habits. See our special report after page 40

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5 The world this week

Leaders

- 9 **Geopolitics**
Cool Germany
- 10 **Facebook**
Unmarked
- 10 **War crimes in Syria**
The duty to deter
- 12 **Brexit and the economy**
Brittle Britain
- 14 **Undertakers**
Death, disrupted

Letters

- 16 **On Russia, political divides, Martin Luther King, prison, trains**

Briefing

- 20 **Puerto Rico**
After the hurricane

Europe

- 23 **France**
La République en grève
- 24 **Hungary**
Viktor victorious
- 24 **Turkey and Greece**
Rough seas
- 25 **Azerbaijan's election**
Stayin' Aliyev
- 26 **Conspiracy theories**
Flights of imagination
- 26 **Russia**
Foul play
- 27 **Charlemagne**
The perky Portuguese

Britain

- 28 **Productivity**
Fix up, look sharp
- 29 **Assisted dying**
An island entire of itself
- 30 **Bagshot**
A new party?

Middle East and Africa

- 31 **America's Syria policy**
A devilish dilemma
- 32 **Israel v Iran**
More trouble in Syria
- 32 **Gulf money in Somalia**
A storm over a port

- 33 **South Africa's opposition**
Time to regroup
- 34 **Sierra Leone**
At last, a little hope
- 34 **African farming**
The problem with maize

United States

- 35 **Mark Zuckerberg**
Face-off
- 36 **The Republican Party**
Saving private Ryan
- 37 **Organic farming**
Corn beef
- 38 **Philanthropy**
Giver's remorse
- 38 **Prison work**
Capital and punishment
- 39 **Schools**
Discipline and punish
- 40 **Lexington**
Trump and the law

Special report: Germany

The new Germans
After page 40

The Americas

- 41 **Cuba**
The Castros' long goodbye
- 42 **Canada**
Vancouver's Chinatown
- 43 **Foreigners in Chile**
A smaller welcome mat
- 44 **Bello**
Lula and Brazil's election

Asia

- 45 **Elections in Indonesia**
Voting for God
- 46 **Investment in Vietnam**
Phone home
- 46 **Tourism in South-East Asia**
China whirl
- 47 **Malaysian politics**
Malay mēlée
- 48 **Sumo wrestling**
Stoutly sexist
- 49 **Banyan**
Paranoid majorities



Syria Bashar al-Assad has used chemical weapons, again. If he is not punished, others will do so, too: leader, page 10. Donald Trump and his advisers agree on a forceful response to chemical-weapons use in Syria, but not much else, page 31



Britain's economy

Productivity is rising at last. On its current course, Brexit threatens to undermine those gains: leader, page 12. Tentative signs that Britain's single biggest economic problem is being fixed, page 28



End of Castro era

The revolutionary generation is leaving power. What comes next? Page 41



Facebook Mark Zuckerberg and his questioners in Congress fail to reassure: leader, page 10. If Facebook will not fix itself, will Congress do it? Page 35



Dismal science Economists understand little about the causes of growth. The first in a series of columns on the profession's shortcomings: Free exchange, page 66



Undertakers Great news for the dead—the funeral industry is being shaken up: leader, page 14. Undertaking has long thrived on a steady stream of loyal, uninformed customers. Changing norms, new businesses and technology are challenging this, page 52

China

- 50 The Arctic**
A "silk road" through ice
- 51 Davos in the tropics**
The party woos the global elite

International

- 52 Death**
Funerals of the future

Business

- 55 America's chemicals industry**
Cracking on
- 56 Volkswagen**
New hands on the wheel
- 57 Law-firm mergers**
Transatlantic trysts
- 57 Rakuten**
Downwardly mobile
- 58 Pipelines in Canada**
Three-ringed circus
- 59 Meal kits**
Sliced and diced
- 59 Shipping**
Smoke on the water

Finance and economics

- 60 Shareholder activism**
Voting with your pocket
- 61 US government debt**
Shake it off
- 62 Buttonwood**
Catching the bitcoin bug
- 63 Sanctions on Russia**
Investing on the edge
- 63 Deutsche Bank**
Yet another new boss
- 64 Anti-poverty programmes**
Weaving safety nets
- 64 India's state finances**
Who counts?
- 65 US-China trade**
Drawing the battle lines
- 66 Free exchange**
Understanding growth

Science and technology

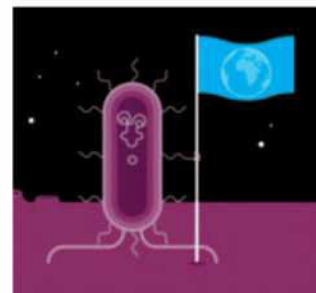
- 68 Spreading life to the galaxy**
Long shots
- 69 Bone of contention**
Early humans
- 70 Neuroscience**
Brain teaser
- 70 Innovation prizes**
Turning carbon into gold

Books and arts

- 71 Fascism in the 21st century**
March of the times
- 72 Art and addiction**
Through a glass, humbly
- 72 Puttin' on the Ritz**
Sober cooks, tight shoes
- 73 Life after death row in Mississippi**
I knew I didn't do it
- 74 Johnson**
Twelve confused men
- 76 Economic and financial indicators**
Statistics on 42 economies, plus our monthly poll of forecasters

Obituary

- 78 Louie Kamookak**
To Franklin's grave



Seeding other planets

The idea of sending Earthly organisms to alien worlds is now being discussed, page 68

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Politics



The regime of Bashar al-Assad used chemical weapons in Syria again, this time attacking the town of Douma in the besieged rebel enclave of Eastern Ghouta. Dozens of people were reported to have been killed. Donald Trump described the attack as “barbaric” and vowed that **America** would respond with force. But **Russia** said it found no evidence that chemical weapons had been deployed, dismissing the incident as “fake news”. It warned it would shoot down any missiles aimed at Syrian forces.

Israel was on high alert after **Iran** threatened retribution for an Israeli air strike on a Syrian air base in which seven Iranian military advisers were killed. Throughout the Syrian conflict Israel has struck at targets thought to be aiding Hizbullah, the Lebanese-based militia backed by Iran.

The ruler of **Qatar**, Sheikh Tamim bin Hamad Al Thani, visited the White House, where he was commended by Mr Trump for working to tackle terrorism financing. That was a stark contrast to last year, when the American president sided with Saudi Arabia and its neighbours after they cut ties with Qatar for allegedly supporting terrorism. Mr Trump noted the large American base in Qatar, and that it buys “a lot of military airplanes, missiles”.

A **military plane** crashed near Algiers, the Algerian capital, killing all 257 people on board. Around two dozen members of the Polisario Front, a rebel group in Western Sahara that is backed by Algeria, were on the

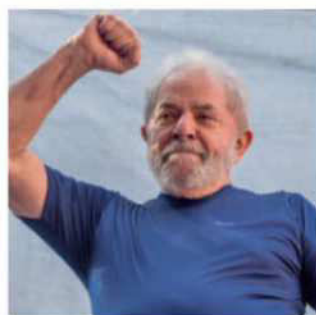
aircraft. It was the world’s worst air disaster in four years.

Nigeria’s president, Muhammadu Buhari, ended months of speculation by confirming that he will run for a second term next year. The 75-year-old has been plagued by bad health in office.

The no-shows

Donald Trump cancelled his first official trip to Latin America because of the Syrian crisis. His absence from the **Summit of the Americas** in Peru may be a relief for regional leaders. A recent poll showed that only 16% of Latin Americans approved of Mr Trump. Nicolás Maduro, the socialist president of Venezuela, has been banned from the summit.

Mexico’s electoral authorities ordered that a fifth name be added to the ballot for July’s presidential election. Jaime Rodríguez will be allowed to run as an independent candidate, despite an earlier ruling that more than half of the signatures he collected were invalid.



Luiz Inácio Lula da Silva, a former president of **Brazil**, turned himself in to police after a three-day showdown and began serving a 12-year sentence for corruption. The Worker’s Party denounced his conviction as “baseless” and said that for now he will remain its candidate for October’s presidential election.

Colombian police arrested a former senior leader of the FARC on drug-trafficking charges. President Juan Manuel Santos said that the man, known as Jesús Santrich, conspired to smuggle cocaine into the United States after

signing Colombia’s 2016 peace accord, and thus cannot be shielded by its amnesty. The FARC, which is now a political party, condemned the arrest.

Viktor victorious



Viktor Orban won his third successive term as prime minister of **Hungary**, his Fidesz party taking two-thirds of the seats in parliament. Critics denounced Mr Orban’s campaign, which focused on decrying migration, and predicted a new crackdown on civil society.

In **Azerbaijan**, the incumbent president, Ilham Aliyev, was elected to a fourth term. The election commission said he got 86% of the vote on a 75% turnout; opposition parties boycotted the election, accusing him of suppressing dissent.

How to make markets happy

China’s president, Xi Jinping, attempted to reduce trade tensions with America by reaffirming his country’s commitment to open its markets to foreigners. In a speech at the Boao Forum for Asia he offered tariff reductions on car imports. The governor of China’s central bank, Yi Gang, said caps on foreign ownership of financial firms would be raised or removed within months.

A court in **South Korea** jailed Park Geun-hye, a former president, for 24 years for corruption. Ms Park was impeached last year after mass demonstrations calling for her removal.

The Liberal-National coalition led by Malcolm Turnbull, **Australia’s** prime minister, trailed its main rival, Labor, for a 30th consecutive biweekly poll. A similar 30-poll slump was one of the reasons Mr

Turnbull cited for leading a parliamentary coup against his predecessor, Tony Abbott.

India’s Supreme Court overturned a ruling from a lower court that had annulled the marriage of a Hindu woman who had converted to Islam and wed a Muslim man. The decision was a victory for individual rights in the face of a concerted campaign by Hindu nationalists against conversions, which they consider a Muslim ploy to eliminate India’s Hindu majority.

America said it had killed Qari Hekmatullah, the leader of Islamic State in **Afghanistan**, in an air strike. Mr Hekmatullah had been expelled from the Taliban for excessive savagery.

The Cohen bother

The FBI raided the office of Michael Cohen, **Donald Trump’s** personal lawyer. Among the items reportedly seized were papers relating to a payment made to a porn star to keep quiet about an alleged affair with Mr Trump. Mr Trump described the FBI’s legal swoop as a “disgrace”. The raid is not connected directly to Robert Mueller’s investigation into Russian contacts with Trump officials, but the White House said the president now thinks he has the power to fire Mr Mueller.

The most senior Republican in the House of Representatives, **Paul Ryan**, decided not to run for re-election in November. Since becoming Speaker in 2015, Mr Ryan has had to contend with the rise of Mr Trump and a congressional party frustrated by the lack of progress in its agenda.

Tammy Duckworth became the first **senator** to give birth while in office (a girl, Maile). And Cindy Hyde-Smith took up her Senate seat this week, the first woman to represent Mississippi in either chamber of Congress. There are currently 23 female senators (out of 100), the largest proportion to date, accounting for almost half the 52 women who have served as senators in total.

Business

Mark Zuckerberg attended hearings in Congress to defend Facebook, after the revelation that information on 87m users had been obtained by a political-analytics firm linked to the Trump campaign. Mr Zuckerberg said he could accept regulation of the social network, provided it was under the “right framework”, which he suggested might be something akin to impending data-protection rules in Europe. Mr Zuckerberg’s assured performance helped lift Facebook’s share price by 5.7% over his two days on the Hill.

Get ready Russia!



America’s latest round of sanctions against Russia hit hard, causing Russian stockmarkets to dive and the rouble to plunge. Chief among the sanctions’ targets were seven oligarchs and 12 companies they own or control, but investor disquiet was more widely felt, spreading to Sberbank, Russia’s biggest bank, among others. The list included Oleg Deripaska and his companies, such as Rusal, a producer of aluminium. Underlining the sanctions’ potency, Ivan Glasenberg, the chief executive of Glencore, resigned from Rusal’s board, which he had joined in 2007.

Stockmarkets in general had another volatile week, in part because sentiment fluctuated about the prospects of a trade war between America and China. Heightened geopolitical tensions over Syria pushed oil prices higher (some good news at least for the Russian economy). Brent crude climbed above \$72 a barrel, its highest level since 2014.

Deutsche Bank ousted John Cryan as chief executive, three years into his five-year contract. The German lender has suffered three consecutive annual losses and Paul Achleitner, the chairman, was said to be unhappy with the slow pace of the bank’s turnaround. Still, several investors complained about the manner of Mr Cryan’s defenestration, which could make for a turbulent annual shareholders’ meeting next month. The new CEO is Christian Sewing, who headed Deutsche’s retail bank.

A new driver

Deutsche Bank wasn’t the only illustrious German company shaking up its management. **Volkswagen** was reportedly ready to replace Matthias Müller as chief executive with Herbert Diess, who heads its core passenger-car brand. Mr Müller got the CEO’s job in September 2015, when Martin Winterkorn resigned in the wake of the carmaker’s emissions-cheating scandal.

The Turkish lira fell to another low against the dollar in part because of concerns about **Turkey’s** push for growth at any cost. Recep Tayyip Erdoğan, the president, unveiled an investment package this week and again called for interest

rates to remain subdued. That spooked investors already worried that Mr Erdoğan’s pronouncements on monetary policy are hampering the central bank’s freedom to raise rates. Inflation remains stubbornly high at 10% and the current-account deficit has risen on an annual basis.

Investors were taken by surprise when **Saudi Arabia** sold \$1bn-worth of bonds without the customary roadshow. It is thought that the kingdom may have been trying to get a jump on **Qatar**, which it has been feuding with since last June and which is in the process of drumming up support for its own sale of government debt.

Novartis added to its expanding gene-therapy business by agreeing to pay \$8.7bn for **AveXis**, which specialises in treatments for spinal muscular atrophy, a genetic condition that causes progressive muscle wasting.

The prancing unicorn

Jack Ma was reportedly preparing to raise up to \$10bn in a round of private funding for **Ant Financial**, a mobile-payments group that he controls. Mr Ma created Ant in 2011 to house the Alipay network, which he spun out

from his Alibaba empire. With 520m users, Alipay is the world’s biggest mobile-payments platform, though most of its business is in China. Mr Ma’s latest round of fundraising could value Ant at \$150bn, which would make it the most valuable startup in the world, way ahead of the likes of Uber and Didi Chuxing, two ride-hailing firms.

The European Banking Authority reported that 77% of the top earners among **European bankers** (those with remuneration packages of at least €1m, or \$1.1m, in 2016) were based in Britain. That was a long way ahead of Germany, the next country in the ranking, where 5% of top earners resided.

A **fat-finger** mistake by an employee at a South Korean brokerage led to 2.8bn shares worth \$100bn being issued to staff in error. The employee typed “shares” instead of “won” when distributing dividends in the Korean currency. It took the brokerage half an hour to spot the slip, during which time 16 members of staff took advantage of their windfall and sold their wrongly allocated stock.

For other economic data and news see Indicators section



Cool Germany

Germany is becoming more open and diverse. With the right leadership, it could be a model for the West



SINCE the fall of the Berlin Wall the *Ampelmännchen*, the jaunty, behatted “little traffic-light man” of communist East Germany, has escaped his dictatorial roots to become a kooky icon of Germany’s trendy capital. Tourists pose with life-size models and snap up memorabilia in souvenir shops. The *Ampelmännchen*’s quirky coolness is an increasingly apt symbol of the country as well as its capital. As our special report in this issue describes, Germany is entering a new era. It is becoming more diverse, open, informal and hip.

At first blush that seems a preposterous suggestion. The Germany of international newspaper headlines is a country with anxious citizens and stagnant politics. Angela Merkel is Europe’s longest-standing political leader, a woman who epitomises traditional German caution. Last September’s election saw a surge in support for the far-right Alternative for Germany (AfD); it took Mrs Merkel six months to cobble together a lacklustre new coalition. To conservative foreign observers Germany is a byword for a reckless refugee policy; to others it is the country that bullied indebted southern Europeans.

But take the long view, and the *Ampelmännchen* captures how Germany is changing. Post-war German history has moved in cycles of about 25 years. First came the era of reconstruction. Then, from the late 1960s, the federal republic began to reckon frankly with its war guilt. In its latest phase, from the 1990s, Germany has reunified, become a normal country again and shed some of the fetters of its past. Now the wheels of history are turning once more. The Merkel era is drawing to a close. Many of the country’s defining traits—its ethnic and cultural homogeneity, conformist and conservative society, and unwillingness to punch its weight in international diplomacy—are suddenly in flux.

Promising signals

The biggest change comes from Mrs Merkel’s “open door” policy towards refugees, which brought in 1.2m new migrants in 2015-16. This has confirmed once-homogeneous Germany’s transformation into a melting-pot. A more inclusive identity is emerging—a country that waited until 2000 to extend citizenship to many of those without native ancestors increasingly defines nationality in civic rather than ethnic terms. A patriarchal culture has become more gender-balanced: the share of working-age women with jobs has risen from 58% to 70% in the past 15 years. Germans are divorcing more and marrying less. Even the *Mittelstand*’s firms are adopting disruptive technologies such as artificial intelligence. And having undertaken no foreign military operations in the half-century to 1999, Germany has sent troops to Mali, Afghanistan and Lithuania.

This is shaking up a society that has long prized stability, opening cultural divides between those who embrace the new Germany and those who hanker for the familiar; between urban and rural voters; between young and old. The emergence of a new generation of more combative lawmak-

ers, the AfD’s arrival in the Bundestag and the battle over the future direction of Mrs Merkel’s Christian Democrats are all stoking debates about the country’s identity.

The outcome will determine the future of Europe’s biggest economy. It will also matter beyond Germany’s borders. The country is grappling with the rise of a more plural society at the same time as many others are doing so. Germans are temperamentally moderate and, thanks to their history, particularly sensitive to the dangers of demagoguery. How they navigate their country’s transition could set an example for others.

At home, the new Germany has shed its post-reunification economic woes and is booming, but it is also ageing fast; the largest age group is the 50-to-54s. Preserving its prosperity requires forward-looking reform. Internet access is patchy and slow; roads and classrooms can be surprisingly shabby; a tangle of red tape restricts service industries; and under Mrs Merkel the retirement age has fallen for some and will soon be lower than in France. The flow of newcomers to Germany can help cushion the demographic crunch, especially if immigration procedures are streamlined, education is improved to break the tight link between background and results, and the strictly regulated German professions are made more accessible.

Abroad, the new Germany could also become a different sort of power. It remains frustratingly prone to a small-country outlook: reluctant to spend enough on defence, to confront the imbalances caused by its trade surplus and to accept more burden-sharing in the euro zone. Yet there are signs of movement. Under pressure from France’s president, Emmanuel Macron, it will reluctantly accept some moves towards euro-zone integration, albeit tentative and insufficient ones. Germany’s vulnerability to trade disruption makes it a natural broker in an age of tariff wars. Last month its new economy minister helped to persuade the White House to suspend planned steel and aluminium duties on the EU and other allies.

Meanwhile, the refugee crisis is expanding German horizons. At its peak Mrs Merkel requested a map shaded to highlight Germany’s true borders: North Africa, Ukraine and Turkey. Then at last year’s G20 summit in Hamburg the chancellor advanced a “Compact with Africa” to accelerate development and improve governance on the continent. Though overhyped and underfunded, it gives a hint of the convening and stabilising role a normalised Germany could yet play.

Green for go

All of which makes the character of Mrs Merkel’s successor pivotal. Her uncontentious, reactive style has suited her times. But a new Germany requires a different type of chancellor: proactive at home, ambitious abroad and with the skills to persuade German voters of the case for this ambition.

With the right leadership, there is little doubt about the country’s capability. In its latest historical phase alone it has absorbed the sclerotic, ex-communist east, overcome economic crisis in the early 2000s, taken in over 1m poor, often desperate immigrants—and coped. Now, as in the past, it would be a mistake to underestimate Germany. Like the *Ampelmännchen*, it has a knack for reinvention. ■

Facebook

Unmarked

Mark Zuckerberg and his questioners in Congress fail to reassure



SAYING sorry can be an enriching experience. For Mark Zuckerberg, who this week endured two days of questioning in front of Congress, the rewards of contrition are not just metaphorical. Over the course of his testimony, as the Facebook boss apologised for the leakage of data on 87m users to a political-campaign firm, his company's shares rose by 5.7% and his own net worth by \$3.2bn.

Shareholders were doubtless relieved by Mr Zuckerberg's robotic but gaffe-free display. And even the firm's fiercest critics ought to acknowledge the distance that it has travelled since the Cambridge Analytica story broke in March. Mr Zuckerberg welcomed the idea of regulation and cautiously endorsed a forthcoming European law on data protection. By saying explicitly that Facebook was responsible for the content on its platform, he has opened the door to bearing greater liability for the material it carries. But the bounce in the share price also signals something worrying: that neither the firm nor American legislators have grasped the need for radical change.

Start with Facebook. Mr Zuckerberg told Congress that any firm that has grown at the speed of Facebook was bound to make mistakes. But the dorm-room excuse is wearing thin. Facebook is the sixth-most-valuable listed firm on the planet. It spent \$11.5m on lobbying in Washington in 2017. Its endless guff about "community" counts for little when it has repeatedly and flagrantly disregarded its users' rights to control their own data. The company has carried out lots of fiddles in recent weeks—from making privacy settings clearer to promising an audit of suspicious apps. But it should go much further.

An internal investigation into how third-party apps have been using Facebook users' data is not enough to restore trust:

it should appoint an outside firm to conduct a full independent examination of its own conduct. That would help address lingering questions; Cambridge Analytica may be just one of many such outfits to have got hold of user data, for example. The appointment of an independent chairman would be another way to improve the quality of debate and scrutiny within Facebook. Along with other tech firms, it should create an industry ombudsman whose jobs would include making access to platforms easier for independent researchers. Instead of opening up, however, the risk is that Facebook will throw up walls: its decision to kick third-party data-brokers off the platform has the convenient effect of both protecting users' data and entrenching its power as a source of those data.

Wanted: well-informed legislators

Even if Facebook did all this, there would still be a need for data-protection regulation in America. Mr Zuckerberg has a majority of the voting rights at the company: an independent chairman would not stop him wielding ultimate control. The firm's advertising-led business model incentivises it to turn users' personal data into targets for ads. Facebook has said nothing about allowing people to opt out of being tracked across the web. It is inherently hard for users of online services to make informed choices about how their data should be stored. In any case, these issues span more firms than Facebook.

That leads to the other concern raised by this week's hearings: the capacity of policymakers to put together good legislation. Where Mr Zuckerberg was competent, his interrogators were often clueless (see United States section). One seemed not to know that the firm made money from advertising; another was more interested in getting Facebook to build fibre-optic cable in her state. To work for its users, the data economy requires thoughtful policy and a sea-change in the way tech firms are run. On this week's evidence, neither looks likely. ■

War crimes in Syria

The duty to deter

Bashar al-Assad has used chemical weapons again. If he is not punished, others will do so, too



AFTER seven years of war and hundreds of thousands of deaths, it takes an act of utter barbarism to shock the world out of its indifference. But every so often, Bashar al-Assad supplies one. On April 7th more than 40 Syrians were killed with poisonous gas in the town of Douma. Videos showed men, women and children lying lifeless, with foam dribbling over their lips. Such horrors are why most countries outlawed the use of chemical weapons long ago—and why Syria's despot flouts that ban. He has carried out dozens of chemical attacks

over the course of Syria's war, sowing terror in rebel-held areas. The world should not let him get away with it.

As *The Economist* went to press, America and its allies were considering responding to the atrocity in Douma with military action. If they are convinced of the evidence against Mr Assad (who denies responsibility), then they should punish him hard enough to deter him from gassing his people again. That will take more than a flurry of cruise missiles. Air strikes should be aimed at the dictator's chemical-weapons plants and command-and-control centres. Turning one of his palaces to rubble (after a suitable warning to let civilians escape) would give ordinary Syrians visible evidence of the disgust the world feels for their ruler. ►►

Some argue that a bombing campaign would merely prolong Syria's war, which Mr Assad, regrettably, has all but won. Rebels control only a few pockets of territory in the north and south and are largely cut off from international support. Deterrence has already failed, say others, and hitting the dictator again might provoke a response from Russia, which has threatened to shoot down American missiles and fire at their launchers. More risks come with the man in charge of the mission, President Donald Trump. His Syria policy is scandalously inconsistent (see Middle East and Africa section). Only last month he indicated he would withdraw American troops, saying "Let the other people take care of it now."

The costs of inaction

These are serious concerns. But they do not justify inaction, which would embolden Mr Assad to commit more atrocities. In the past, a failure to act has had precisely this effect. Barack Obama called the use of chemical weapons a "red line". Yet when Mr Assad used Sarin nerve gas to kill 1,400 civilians in Ghouta in 2013, Mr Obama did too little, settling for a disarmament deal that Mr Assad quickly broke. Mild punishments have not worked, either. When Mr Assad used Sarin again last year, Mr Trump launched 59 cruise missiles at a Syrian air base, and then stopped. That did not deter the attack on Douma.

Mr Assad's next target is rebel-held Idlib, where thousands of civilians are hunkered down—and where new chemical massacres are likely if nothing is done. Hitting him hard

enough to prevent such horror runs the risk of provoking Vladimir Putin, Russia's leader and Mr Assad's protector. Care should therefore be taken to avoid killing Russians. Existing "deconfliction" arrangements should be used to give Russian commanders warning of imminent attacks, and thus a chance to get their men out of the way. America should make it clear that it wishes to avoid a direct confrontation with another nuclear power. Such a campaign will require nerve and precision. Even with both, it is not without risks.

Yet it is the least bad option. Syria has made a mockery of the UN's Chemical Weapons Convention, which Russia and Mr Assad himself have signed. If such agreements are to be taken seriously, they must be enforced. Alas, the UN cannot perform this task as long as Russia wields its veto at the Security Council. So the burden falls on countries that believe that the rules-based international order is worth upholding.

Mr Trump champions such rules only when it suits him. Nonetheless, he is right to argue that Mr Assad should pay a "big price" for his crimes, and he deserves credit for calling out Iran and Russia for backing Syria's tyrant. If he means what he says, he will not be alone. Countries as diverse as France and Saudi Arabia are urging that Mr Assad be held accountable.

Punishing the use of chemical weapons will not end the suffering in Syria, or unseat Mr Assad. But if the taboo on chemical weapons is allowed to fade away, other despots will be tempted to use them, too. And war, already vile, will become even more so. ■

Brexit and the economy

Brittle Britain

Productivity is rising at last. On its current course, Brexit threatens to undermine those gains



done worse. Productivity drives a country's living standards in the long term. It is a relief, then, that the stagnation may at last be coming to an end. In the second half of 2017 productivity grew at an annual rate of 3.4%, the fastest growth since 2005.

Accelerating productivity is the latest, and most important, piece of good news on Britain's economy. Capital spending is improving. As a share of GDP, total investment is a percentage point above its average since the crisis. Foreign firms are readily investing. A tenth of global mergers and acquisitions announced so far in 2018 have involved a British target. Wage growth is picking up in nominal terms and, with inflation falling, real wages may soon start to grow again.

The strength of Britain's labour market stands out. America may have a lower official unemployment rate, but nearly a fifth of people there aged between 25 and 54 are not even looking for work, meaning they are not counted in the figures. Not so in Britain, where the employment rate for this age group is 84%, among the highest of large economies.

Inevitably in a country still riven by the referendum deci-

sion to leave the European Union, Britain's economic performance is analysed through the prism of Brexit. Those in favour of leaving the EU gleefully recall predictions, made by the Treasury and others, of a collapse in confidence after the referendum, and then a recession. Not only have those forecasts proved wrong but, some Brexiteers say, Brexit may actually be helping the economy. On their view, productivity is rising because falling net migration from Europe has led to a tighter labour market, spurring firms to find ways to do more with less.

Too soon to celebrate

Not so fast. The reasons for the rise in productivity are not yet clear (see Britain section). But there are two ways in which the recent economic news must be put into perspective.

The first is that the aftermath of the referendum has coincided with a broad, sustained rise in global growth. Against that backdrop, it is not surprising that Britain's economy has performed better than anticipated. It has nonetheless slowed. The economy grew by only 1.4% in the year to the end of 2017, down from 2% a year earlier. And it has slipped sharply relative to others. Not long ago Britain had the fastest growth in the G7 group of rich countries. Now it has the slowest. Comparing Britain's growth with that of the world economy, one estimate puts the running cost of Brexit at 1.3% of GDP, or £300m (\$426m) a week. Had the global economic cycle not turned in 2017, some of the more blood-curdling forecasts made before the referendum might not have looked quite so silly. ►►

▶ Second, the biggest downside to Brexit was never going to be immediate economic pain. If Britain leaves the single market and customs union in an orderly manner, the short-term shock should be manageable. But there is still the swingeing cost to longer-term growth from higher trade barriers. Firms selling to the continent will gradually cut Britain out of their supply chains. Britain's workers and capital will have to be re-directed to produce things that previously were imported more cheaply. Britain's exports to Europe will cost more. With free movement curtailed, it will be harder for knowledge to flow across borders. The economy will be less efficient.

Brexiters retort that economists have been proved wrong once and will be proved wrong again. Yet the profession is much better at predicting trade flows than it is at guessing how investors will respond to events. Few economic models have had as much success in explaining the real world as the one saying that as distance between trading partners doubles, trade flows fall by roughly half. There is no replacement for frictionless trade with a single market of 450m people on Britain's doorstep, whatever the government's hopes for trade deals

with countries, like America, that are oceans away.

Reliable trade models predict long-term losses from Brexit of up to 10% of GDP, depending on how it is conducted. According to analysis by civil servants, even if Britain retained tariff-free access to the single market and maintained free movement of people, as Norway does, the eventual hit to GDP per person could be as high as 2.6%—enough to undo its growth during 2017 almost three times over.

In theory, investment could boost productivity enough to outweigh the effect of lost trade. Policymakers are, slowly, getting some things right. Government investment, as a share of GDP, may soon reach its highest sustained level for 40 years. Philip Hammond, the chancellor of the exchequer, is saying some sensible things about solving Britain's housing shortage.

Yet the government is walking down a train that is speeding in the opposite direction. The effects of merely tinkering with policy will be of a different order of magnitude to those of upending Britain's trading relationships with its neighbours. For productivity, as for so much else, how Brexit is conducted is the thing that matters most. ■

Undertakers

Death, disrupted

Great news for the dead: the funeral industry is being shaken up



FEW choose how they die, but they can choose what happens next. Most leave this to loved ones who, in their distress, usually outsource the decision to an undertaker. The transaction is often a let-down, with hardly any choices beyond

“Burn or bury?” and “Cheque or card?”

The average American funeral with a burial costs nearly \$9,000. In some countries, the exorbitant cost of staging a “proper” funeral can lead families to financial ruin. Nearly everywhere, the bereaved have put up with rip-off last rites because of the lack of better options. At last, technology and competition are starting to disrupt this most conservative of industries (see International section). This is good news for anyone who plans to die one day.

The funeral trade has the most basic of business advantages: inexhaustible demand. Every minute more than 100 people die somewhere. Not all pay for a funeral. Tibetans still practise sky burial, leaving bodies on mountaintops; the Caviteño in the Philippines bury their dead in hollowed-out tree trunks. But in the rich world, dying is big business—an industry, for example, worth \$16bn in 2017 in America.

Undertakers have long been able to get away with poor service. Their customers are typically distressed, under time-pressure and completely inexperienced (people in rich countries buy more cars than they do funerals). As a result, few shop around, let alone haggle. With consumers docile, providers can keep quality low and prices high—much like tourist-trap restaurants, another one-off purchase made in haste with little information. Some sellers have made matters worse with techniques ranging from opaque pricing to emotional blackmail. The asymmetry in knowledge between undertaker and

grief-stricken client allows ludicrous markups on things like coffins. It also makes it easier to sell services that people do not realise are mostly unnecessary, such as embalming.

But now undertakers' market power is being challenged on at least three fronts. One is changing customer demand. Driven in part by the decline of religion, and broader shifts in attitudes to death and dying, fewer bereaved are ready to cede their dead unthinkingly to an off-the-shelf burial. They prefer shrouds and woodland burials to coffins and graveyards; celebrations of life to sombre rituals in funeral homes; and video tributes to a life just lost to displays of the embalmed dead.

Second, more and more, they choose cremation, which is cheaper than burial, and allows a “direct” form in which the disposal of the body is handled without fuss, and kept separate from the commemoration of the life lost. And third, the internet is disrupting death as it has life. Comparison sites shed light on funeral providers' services. And though not many bereaved relations yet “bring their own coffin”, a quick browse online gives people a far better idea of what it should cost. Startups are offering more radical disruption: rocket-launches for ashes; QR codes on graves linked to online tributes; new ways of disposing of bodies besides burying or burning.

The nail in the coffin?

Nobody is yet writing undertaking's epitaph. But the industry will have to adapt. The first signs of a shift are already on display in America, where funeral-home revenue is projected to stagnate despite an annual death rate—the industry's lifeblood, after all—that is expected to rise. In Britain a price war between the largest providers may at last cause prices to drop.

The most important effect of all this disruption is not just cheaper funerals and fewer debt-burdened families. It is a more profound shift in returning to consumers perhaps the most personal of all decisions: control over their farewell. ■

A party of the people



Although your briefing on Russia's young post-Gorbachev generation offered optimism for the future, it fell into the trap of relying on elites for change ("Gorbachev's grandchildren", March 24th). Elites can spearhead social and political reform, but it is mass behaviour that ultimately entrenches norms, values and practices. Previous generations of Russian reformers, from the Bolsheviks to the post-Soviet New Russians, ignored this at their peril. Boris Yeltsin's young technocrats never managed to cultivate popular support for their reforms. As a result, change was driven from above, resulting in a preponderant presidency counterbalanced not by a strong parliament or civil society but by a fractious coalition of oligarchs. This created the conditions for Vladimir Putin's autocracy.

If Russia is to develop the institutions and customs necessary for a competitive democracy and market economy, it will require a national movement. Even though the Communists and (self-styled) Liberal Democrats are widely recognised as being deferential to the regime, they are nonetheless able to command a limited popular following, while liberal outfits such as Yabloko barely take a bite of the vote. The reason why Alexei Navalny is perceived as such a threat to the system is because he has sought to broaden the opposition beyond the metropolitan elite and into the Russian heartland by tapping into the nationalist vein of grievance that Mr Putin has mined to maintain power.

Meanwhile, Ksenia Sobchak ran a traditional

campaign aimed squarely at your new generation and came away with less than 2% of the vote. Only one of these approaches offers a long-term path to power, as well as the popular mobilisation necessary to entrench democracy after its establishment.

MARK DUNCAN
Moscow

Measuring social discord

Bagehot took issue with the "open" and "closed" division in politics that Global Future discussed in its most recent report (March 24th). We agree that in this debate it is important to show empathy and respect for all sides. But Bagehot overlooked the extent to which our argument is based on clear evidence. Our data show that there is a demonstrable open/closed values divide in Britain, starkly correlated with age. That divide increasingly helps predict and explain voting behaviour in Britain, as is already the case elsewhere, perhaps most notably in France and the United States. Whether we like it or not, open/closed is fast emerging as a new political reality around the world.

More importantly, Bagehot made too much of the distinction between those with academic qualifications and those without as a better explanation for political polarisation. His assertion that "exam-passers" gain "access to a world that is protected from the downside of globalisation" will come as a surprise to the army of graduates who grapple with insecure, low-paid jobs, high levels of student debt and house prices that are way beyond their means. Casting all these people as "winners" who play down the legitimate concerns of "losers" understates their legitimate economic worries, as well as the extent to which openness is dominant among under-45s in general, not just among the elites.

We strongly agree with Bagehot that it is important to ensure that the benefits of openness are spread as widely as possible in order to deepen

support for it. But this should not be at the expense of ignoring important truths or more widely ducking a fight that will shape our world for decades to come.

PETER STARKINGS
Managing director
Global Future
London

Let freedom ring

"Like a mighty stream" (March 31st) implied that Martin Luther King borrowed the phrase "Free at last! Free at last! Thank God almighty we are free at last!" from a novel by Zora Neale Hurston published in 1939, rather than from an "old Negro spiritual". But my high-school choir sang that very same spiritual in 1962. It can be traced to John Wesley Work's collection in 1907, "New Jubilee Songs and Folk Songs of the American Negro". Hurston may well have picked up the line from there.

JOHN KIHSTROM
Richmond, California

You mentioned some of the plagiarism that King has been accused of. But you referenced the quote that Winston Churchill "mobilised the English language and sent it into battle" to John F. Kennedy. Actually, that was how Edward Murrow put it, and how JFK plagiarised it years later when he conferred honorary American citizenship on Churchill. You thus provided an eloquent reminder that words can be well-borrowed, and that we should mind the ubiquitous glasshouses when throwing stones. Or so I think someone once said.

MARC KURITZ
San Diego

Beyond porridge

"Steady work" is cited as one factor, in your article on court convictions in Britain, that can stop criminals from reoffending when they leave prison ("Stuck on repeat", March 24th). One charity organisation, called Clink, is trying to help prisoners gain such steady work by running restaurants at some prisons where

the public are the customers. Clink hopes to boost the self confidence of the inmates and provide them with skills that can be employed in the hospitality and horticultural industries. The prisoners in the restaurants work towards the City & Guilds NVQ in food preparation, service and customer service. They are given full training, support, employment and are assigned a mentor. Education seems to be the answer. More than 800 prisoners have graduated from Clink's training projects. My husband attended one of its restaurants last week; he was considerably impressed with the quality, not only of the food on offer, but of the prisoners themselves.

SYLVIA RING
London

Great railway journeys

Your story on "The Malmo-Palermo express" (March 24th) reminded me of an encounter with John Price, the editor of Thomas Cook's railway timetable. Someone wanted to know how to get by train from Oslo to Palermo. Price had the most extraordinary memory. "Well", he said, the concentration etched on his forehead, "you leave Oslo at 22.40, arrive in Copenhagen in time for breakfast. Then you take the 10.15 to Hamburg, have some lunch on the train, be in Hanover in time for tea and then in Frankfurt for a quick bite before catching the 21.19 Italia Express to Rome. You will be in Rome at 14.05 the next day which gives you time to see some sites before hopping on the 17.00 for Palermo."

There was a pause, and for the first time Price referred to his timetable. "My mistake. That Italia Express at 21.19, it leaves at 21.18."

ROBIN LAURANCE
Oxford ■

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E-mail: letters@economist.com
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After the hurricane

PUNTA SANTIAGO AND SAN JUAN

America let down its Caribbean citizens. But to salvage their island's fortunes, Puerto Ricans must look first to themselves

PUERTO RICO'S distant overlords have often displayed mixed feelings towards it. With its central Caribbean location and natural harbour at San Juan, the island was a strategic asset for the Spanish for four centuries. It was, said Philip IV in 1645, "front and vanguard of all my Western Indies and, consequently, the most important of them and most coveted by the enemies." On the other hand, its rugged terrain was less productive than Hispaniola. It was also plague-ridden, expensive to fortify and the garrison in San Juan kept deserting because the Spanish kings rarely paid their troops.

Their enemies squandered the opportunity this presented: perhaps they felt similarly about the place. Puerto Rico was seized or assailed by the English, French and Dutch, then abandoned and returned to Spain. Until, in 1898, America grabbed the island in the spasm of empire-building that also took it to Cuba, Guam, Hawaii and the Philippines, and it stayed. But it has been even more ambivalent about its Caribbean prize than Spain. This was evident after the island was ravaged on September 20th by the fifth-fiercest Atlantic storm to make American landfall.

Fuelled by unusually warm Atlantic waters, Hurricane Maria swept the island from the south-east, sustaining wind

speeds of up to 280 kilometres an hour (175mph). It obliterated Puerto Rico's electricity grid, mobile-phone towers, and air-traffic-control system and radar. It broke or blocked hundreds of kilometres of roads and bridges and damaged or levelled over 470,000 houses. At least 64 people perished during the storm, drowned in their houses or brained by flying debris. Perhaps another 1,000 died in the aftermath, including old people who suffocated after their hospital respirators packed up. "No power, no water, no transport, roads were closed, many streets broken, houses destroyed and people crying," is how María Meléndez, the mayor of Ponce, the biggest city in southern Puerto Rico, recalls the devastation her namesake wreaked.

As an overseas territory, with most of the rights of a state, less a vote in general elections or in Congress, Puerto Rico was due the same emergency response as any other part of America. Its 3.4m inhabitants got so much less, in such desultory fashion, with such horrible consequences, that the storm has rekindled a painful debate about the island's relations with America. "A senator told me that if the power hadn't been fully restored in his state within a month, there would have been mayhem," says its governor, Ricardo Rosselló, seated in his elegant 16th-century residence in San

Juan. "Puerto Rico has been part of the US for more than 100 years, but we're still treated as second-class citizens. Anything would be better than this."

Indeed, the effects of Maria were so severe because the island was already in such bad shape. That is in part, though by no means only, due to the federal government's neglect. Almost half of Puerto Ricans—or Boricuas, as they call themselves—are poor. The economy has been in recession for 12 years; gross national product has fallen by 15% in that time. Almost a fifth of the population has quit the island for Florida, New York and other Puerto Rican enclaves of the mainland, including around 300,000 since Maria struck. The government is bankrupt. The island's politicians are meanwhile haplessly fixated on its status. The ruling New Progressive Party, led by Mr Rosselló, wants it to become a state, the Popular Democratic Party prefers the status quo; a few socialists and other romantics want independence.

Despacito

Natural disasters can at least spur economic growth, which Puerto Rico urgently needs: there are already signs of this in strong car sales and debit-card transaction numbers. By strengthening Mr Rosselló, who was elected in 2016 on a promise of structural reform, the hurricane might also lead to improvements in the island's governance. The 39-year-old governor calls it a "transformational opportunity". But that is not to gloss the horrors Maria caused, or the inadequacy of the American response.

"I was expecting it to be like the Berlin airlift," recalls Nicholas Prouty, a financier from New York now based in San Juan, ►►

who used his helicopter to survey the disaster. In fact, there was a more recent example of what Puerto Ricans were entitled to. A month before Maria, Hurricane Harvey hit Houston and within six days the American army's Northern Command had deployed 73 helicopters to the city. Yet a week after Maria, Mr Prouty still had the skies over Puerto Rico pretty much to himself: "There was nothing, no Black Hawk up in the air, no C130." It took Northern Command at least three weeks to send 70 choppers to the island.

Digging by Politico suggests the federal government sent 30,000 relief workers to Houston within nine days of its hurricane; it sent 10,000 to Puerto Rico. Over the same period, the Federal Emergency Management Agency (FEMA) approved payments of \$142m to victims of Harvey, and \$6m to victims of Maria. Ms Meléndez says it was two weeks before she heard from FEMA, and two months before the Army Corps of Engineers started dispensing tarpaulins to patch up Ponce's 49,000 damaged houses.

In the coastal town of Punta Santiago, in the poor south-east of the island, Father José Colón says it was two months before he saw any sign of FEMA, when two of its workers came to his church asking for directions. The priest was by then dispensing \$1m of supplies, which he had raised in private donations over the internet. "At least the response from the American people was extraordinary," he says.

Even the most attentive government would have struggled with Maria. FEMA was overstretched in Texas, Florida and California. Puerto Rico, unlike Houston, is rugged, 180 kilometres long, and has worn-out infrastructure and weak institutions. The state-owned electricity monopoly, whose 700 pylons came crashing down, is especially inept. Yet instead of strong leadership, to cut through the difficulties, Donald Trump provided little help. The president at first sought to downplay the disaster, then suggested Puerto Ricans were doing too little to help themselves. Three weeks after Maria, he suggested it would soon be time for the feds to leave. "We cannot keep FEMA, the Military & the First Responders, who have been amazing (under the most difficult circumstances) in P.R. forever!"

Overseas, not abroad

He might almost have been speaking of a foreign country. Maybe he thought he was. Before Maria, over half of Americans did not know Puerto Ricans were American citizens. No wonder they were treated like second-class ones. Even now, six months after the disaster, over 50,000 have no electricity and San Juan is prone to daylong power cuts. The poor, whose tin-roofed shacks were most damaged by the storm, have found it especially hard to secure assistance. Of the nearly 1.2m applications

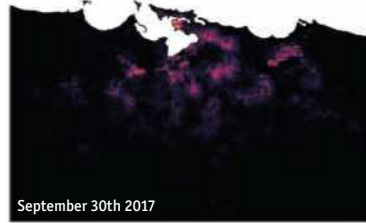
Illuminating

Night-light intensity in San Juan

Before Hurricane Maria makes landfall



Immediate aftermath of Hurricane Maria



Six months after Hurricane Maria



Source: Suomi NPP VIIRS data from Miguel Román, NASA Disasters Programme

FEMA has received for money to repair damaged houses, it has rejected 60% for lack of title deeds or because the shacks in question were built on stolen land or in contravention of building codes.

The economic toll is enormous. Around 80% of the island's agricultural crop was destroyed, including coffee and banana plantations that will take years to regrow. An estimated 10,000 firms, one in five of the total, remain closed, including a third of the island's hotels. Glinting in the Caribbean sun behind Father Colón a bulldozer was clearing debris from Punta Santiago's once-popular, now deserted, beach. After the storm scores of dead monkeys were washed up on it from a research station on an outlying island. The local fishery has also suffered, its reef having been buried under debris, including a car.

The government forecasts output will shrink by another 11% in the year to June 2018. A burst of growth should then follow—estimated at 8% over the following year—on the back of \$35bn in federal assistance, an estimated \$20bn in private-insurance payments and as Puerto Ricans dip into their savings to repair their houses. Yet even allowing for the effects of that growth, Puerto Rico and the nearby US Virgin Islands will by one estimate lose \$47.5bn in output and employment equivalent to 332,000 people working for a year.

The 3,000 people estimated to have left the Punta Santiago area, mostly for Florida, may not return soon.

Yet the storm has also reinforced two positive trends. One concerns the political effect of the island's swelling population on the mainland, where there are over 5m Puerto Ricans. Most recent departees have headed to Florida, whose Puerto Rican population has surged to over 1m. Given that Mr Trump won Florida in 2016 by a little over 100,000 votes, and most Puerto Ricans on the mainland vote Democratic, this gives them leverage. On a post-Maria embassy to Washington, Ms Meléndez went to see Senator Marco Rubio of Florida to try to capitalise on that. After a round-about discussion about debt relief and aid, conducted in Spanish and English, the pugnacious mayor of Ponce says she slammed her fist onto Mr Rubio's desk. "I said, 'Sir, treat us the same as any other Americans or we are going to tell our relatives in Florida not to vote for you and you will not win another election.'"

The second, more important, benefit concerns the creative potential of the destruction wrought by Maria on the island's government and businesses. Saddled with massive debts—including \$70bn to bondholders and another \$50bn in pension liabilities—Mr Rosselló's administration is making deep cuts. Before Maria, it was committed to slashing funding to local governments by \$175m, closing 184 schools and trimming public-sector pensions that, at an average of \$1,100 a month, are not generous. It will now be able to cut during a burst of growth and less steeply, at the discretion of its overseer—a seven-person fiscal control board that was tasked in 2016 with approving the government's budgets in return for negotiating with its creditors. But much more is required.

Is this the end of Puerto Rico?

Assisted by federal tax incentives, Puerto Rico's economic model was for decades based on manufacturing, especially of drugs. Its economic collapse was a result of those incentives being taken away by a Republican-controlled Congress, between 1996 and 2006. The debt crisis is an equally predictable product of the government's efforts to sustain its operations, at boom-time levels, with borrowed money. This reflected, beyond foolishness, an assumption that Washington would provide a replacement incentive. The fact that three successive administrations, Democratic and Republican, have refused to do so, even after the horrors of Maria, points to the emptiness of that hope. To climb out of its hole, Puerto Rico needs to become more competitive. Given that it lags the United States by 58 places in the World Bank's ranking of the ease of doing business, it at least has a lot of options, some of which the hurricane has made more palatable. ►►



There was previously little enthusiasm for reforming the state-owned electricity company, which is saddled with debts of \$9bn (an impressive feat of incompetence for a monopolist with high demand for its product). There is now broad support for the government's ambition to privatise power stations and contract out transmission and distribution. The grid, which will be rebuilt with federal money, will probably be redesigned to make it more resilient to hurricanes, which climate change is expected to make more frequent and severe. There is talk of micro-grids and more distributed sources of power, especially solar panels. Also, by necessity, some officials are trying to clean up the island's messy land registry, to help poor householders denied help by FEMA. Pointing to a map of San Juan, Carmen Yulín Cruz, the city's mayor, who enjoyed brief celebrity for butting heads with Mr Trump, points to slum areas she plans to provide with titles or land-use permits

Livin' la vida loca

Mr Rosselló introduced modest labour market reforms last year; more are needed. Puerto Ricans enjoy among the most generous protections of any American workers, including mandatory holidays and severance pay. They also have the highest unemployment rate in the country (it was 10.6% before Maria) and are losing workers to states such as Florida and Texas that have few state-level labour laws. That is nuts. So are the island's onerous business permits, including half a dozen different certificates of tax compliance. Mr Rosselló has sworn to reform that, too, and there is little doubt about his sincerity. The question is whether the greenhorn governor has the political strength and courage to see it through. He will have no better opportunity than the fleeting growth window the hurricane is about to provide.

The havoc wreaked by Maria could be especially creative for the island's private sector, which represents a chronically missed opportunity. Puerto Rico, for all its problems, is a beautiful tropical island, with white-sanded beaches, rainforest, fascinating history, lovely colonial buildings and a vibrant mix of Latin-American and European culture. Yet, with 3.5m visitors a year, its tourism industry is less than half

the size of Hawaii's. It has an excellent climate for growing coffee and other highly marketable products, yet its agriculture sector is inefficient and tiny. The island has a well-educated, bilingual middle-class, including a surfeit of engineers, trained at the well-regarded University of Puerto Rico for the manufacturing industry, and cheap to hire. But in the wake of the departing multinationals, they are also leaving. Isabel Rullán, a 20-something former migrant, who has returned to the island from Washington to try to improve linkages to the diaspora, estimates that half her university classmates are on the mainland.

But there are signs of improvement, which Maria has reinforced. Almost all the shuttered hotels are being refurbished. Marketing of the island has been handed to a private entity which aims to double revenues from tourism over five years. Ms Rullán is using some of the \$3m her organisation crowdsourced during the hurricane to help 2,500 coffee farmers replant more productively. As manufacturing shrinks, the island's remaining entrepreneurs are shifting towards services, including call-centres, business processing, IT services and, perhaps soon, medical tourism, that are more suitable to a high-skilled island economy.

"Every week I hear from someone who wants to come back from the US to start their own thing," says Ángel Pérez, whose IT-services company, Rock Solid Technologies, exports to governments in Central America and across the Caribbean. Puerto Rico's government offers good tax incentives for startups. If it can also provide more basic inducements, such as reliable electricity, it is not hard to imagine entrepreneurs returning. Besides its natural advantages, Puerto Rico is their home: the minimal degree to which it has succumbed to American culture is indeed remarkable.

That speaks to the albatross hanging around the island's neck: the uncertainty over its status. Jealous guardians of their language and culture, misty-eyed even now over Spain (*la madre patria*, "the

mother country", as Boricuas call it), Puerto Ricans have maintained a strikingly transactional view of America. It took a big expansion in health-care and other benefits, during the 1950s and 1960s, to quell a surge in violent nationalism on the island. And though many thousands of Puerto Ricans have fought and died in America's armed forces, they still tend to cherish the Puerto Rican Olympic team and other tokens of national identity. A class of 30 political science students, at the University of Puerto Rico's campus in the south-east city of Humacao, said they had nothing particularly against America; it just wasn't their country. None of them knew the pledge of allegiance or more than a few words of the "Star-Spangled Banner". And now, as Maria underlined, America's interest in and inducements to the islanders are running dry.

This has left Puerto Ricans angry and uncertain. Pre-Maria polls pointed to perhaps a small majority for statehood. Yet the quasi-colonial status quo, which has robbed their government of initiative while putting them at the back of the line for federal attention, now seems intolerable. Mr Rosselló says even independence would be preferable: "At least it is a dignified alternative to the current status." Yet that status is not up for review currently. That is probably a good thing.

It seems likely that Puerto Rico will become a state eventually. But to manage that transition, without risking a violent nationalist repulse, it needs to do so from a position of relative strength, not in its current shattered state. The island's government seems to know what is required. Its fiscal overseers will try to keep it moving. If they succeed, the economy will start growing sustainably and the flood of emigration will slow. Or else the brain-drain will become a demographic death-spiral, leaving the island with too few taxpayers to cover its costs. The horrific aftermath of Hurricane Maria might almost be considered an augury of what that would look like, every day. ■



When will the crowds flock back to the beaches?



Also in this section

- 24 Hungary's victorious incumbent
- 24 Azerbaijan's election
- 25 Greek-Turkish tension
- 26 Conspiracy theories and Russia
- 26 Moscow's rubbish problem
- 27 Charlemagne: The perky Portuguese

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France

La République en grève

PARIS

Emmanuel Macron's presidency hinges on how he handles a wave of strikes

IN THE western city of Nantes, protesters burned an effigy of the president. On the university campus of Nanterre, riot police had to break up a sit-in. Across the country, railwaymen this week entered the third round of rolling strikes. As France approaches the 50th anniversary of the uprising of May 1968, it seems once again to be caught up in a wave of defiant rebellion. The French may have elected a young leader, Emmanuel Macron, who promised change. But nearly a year later it appears that they have already had enough.

The sources of discontent are various. Railway workers, or *cheminots*, are on strike against a reorganisation of the SNCF, the national railway, which would put an end to jobs-for-life for new recruits. Air France pilots have grounded planes over a pay dispute. Retirees are unhappy because they face higher social charges on their pensions. Students are protesting against a new application process, which gives universities more say over the undergraduates they take (currently, they cannot select at entry on academic grounds).

These conflicts are mostly unconnected. But the overall impression is one of chaos. Spring in France is protest season, and *manifestations* (demos) sprout in the warmer weather like crocuses. It is a measure of how seriously he takes the revolt that Mr Macron, who thinks the French president should take a "Jupiterian" approach to power and remain above the daily grind, agreed unusually this week to two live tele-

vised interviews. One was for a lunchtime news programme, popular with provincial viewers and pensioners.

Up to a point, Mr Macron is indeed facing the most demanding, and symbolic, test of his reformist resolve. The reorganisation of the SNCF is designed to prepare (though will not privatise) the railways for upcoming competition under previously approved European rules. The railwaymen, some of whom can still retire at the age of 50, know that such perks cannot last. Mr Macron was elected on a promise to unify the disparate rules governing French public pensions, and this reform lies ahead. Pensioners too knew that he would raise their contributions, to compensate for his decision to lower social charges on people in work. It is scarcely surprising

that, as the reality of such changes sinks in, disgruntlement has spread.

The current conflict could yet harden, and drag on. Yet it would be a mistake to conclude that France is merely stuck on the same old track. Over the past 11 months, one of the most surprising features of the new government has been its ability to push through a raft of reforms with a minimum of fuss.

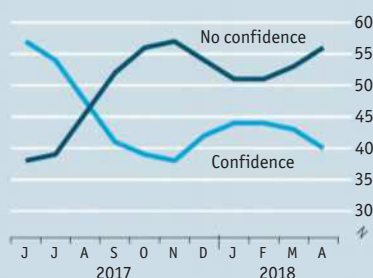
Last September Mr Macron liberalised the labour market and simplified redundancy rules, without protracted protests. More recently his labour minister, Muriel Pénicaud, tore up a soft deal agreed between unions and bosses over reform of France's inefficient publicly mandated training schemes and imposed her own more radical scheme, prompting little more than a whimper. The government has ended the wealth tax, and put a flat tax on financial income. Bruno Le Maire, the finance minister, now forecasts a government budget surplus by 2022, which would be the first for France since 1974.

A broader set of policies has also slid through. Last summer parliamentary rules on employing relatives were tightened. Mr Macron now wants to shrink the number of deputies in the National Assembly from 577 to 404. An ambitious overhaul of the treasured school-leaving *baccalauréat* exam is under way, as are negotiations over phasing out jobs-for-life in the civil service. Class sizes were halved for five- to six-year-olds in tough schools in time for the start of the current academic year. "Macron has delivered far more than I expected," says Jacques Delpla, an economist at the Toulouse School of Economics, who judges the SNCF restructuring the key to unlocking further reform.

Mr Macron has been helped by a big parliamentary majority, and an opposition enfeebled by his new party's rise. By laying out his plans during the campaign, ►►

Boom and bust?

France, confidence in President Macron
 % polled



Source: Kantar TNS

▶ and securing a mandate for them, the president has managed to tick off a fair number of items on his to-do list. His ministers have tried to marginalise hard-line unions. Mr Macron is also hoping to lean on public opinion, explaining, for instance, that his plans for pensions and training are not just about penny-pinching.

If Mr Macron is nudging France in the right direction, why then is there so much discontent, on and off the street? From a high of 57% last June, his approval rating has dropped to just 40%. One answer is that he is touching vested interests. Fully 63% of retirees, for instance, disapprove of his presidency, according to an Ifop poll.

Another is that, in his quest to govern from on high, Mr Macron tends to come across as disdainful, and out of touch with ordinary folk. The French like the way he has improved their country's image. As many as 66% think he defends the country well abroad. Yet only 34% of the French judge the former investment banker close to the everyday preoccupations of his fellow citizens. He has been tagged "the president of the rich".

All French leaders are haunted by the memory of 1968. Mr Macron, though, was born nearly a decade later, and seems to have less of a complex about it than most. Of all his reforms, the SNCF restructuring is not the most radical. But the *cheminot* remains a romantic figure, and high-speed railways are an emblem of French technological prowess. Public opinion could swing behind the strikes. The railways may not be Mr Macron's defining reform. But his handling of the conflict could be the decisive moment of his presidency. ■

Hungary

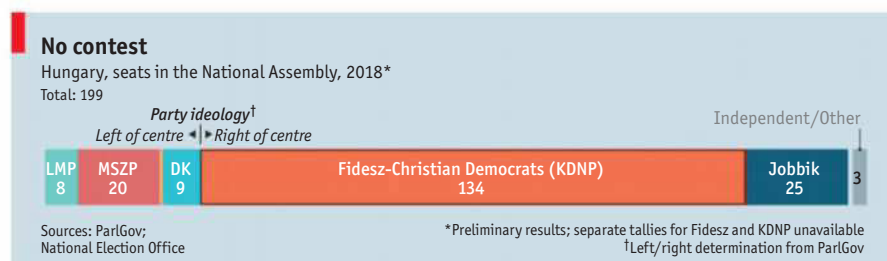
Viktor victorious

BUDAPEST

Hungary's prime minister wins another landslide; fears for democracy deepen

VIKTOR ORBAN, the Hungarian prime minister, swept back to power on April 8th for the third time in a row, as his right-wing Fidesz party took 134 seats in the 199-seat parliament. His opponents were left in the dust: Jobbik, a nationalist party now moving to the centre, won 25, while the Socialists and their allies took 20. Fidesz won thanks to an ugly but effective campaign that focused almost entirely on supposed threats to Hungarian sovereignty from George Soros, a Hungarian philanthropist, the EU and the United Nations.

Mr Orban's fourth term in office (he also governed from 1998-2002) is likely to see him entrench his vision of an "illiberal democracy", and cause further problems



for liberal NGOs, especially those dealing with migration. It will doubtless deepen Hungary's cultural and generational divide, widening the rift between liberal Budapest, which mostly voted against him, and the more traditional countryside. Doubtless, it will inspire nationalist demagogues in other parts of Europe, too. Mr Orban, now Hungary's longest-serving prime minister since the end of communism, greeted his own victory by declaring that he intends to push for a Europe of sovereign states, and to oppose the development of a "United States of Europe". Liberal NGOs and civic organisations are bracing themselves for a further crack-down when a new tranche of laws, nicknamed the "Stop Soros" package, is passed. The laws require NGOs that deal with migration to obtain a government licence and to pay a 25% tax on foreign donations. The government does not want to close down such NGOs, but to close the "legal loopholes" around them, said Zoltan Kovacs, a government spokesman. "They believe there are no limits to how they operate, but there are limits."

Mr Orban's thumping victory was overshadowed by strong criticism from the Organisation for Security and Co-operation in Europe, which had deployed observers. The OSCE claimed the campaign was marked by "intimidating and xenophobic rhetoric, media bias and opaque campaign financing", while public television "clearly favoured the ruling coalition". But the OSCE also said that "fundamental rights and freedoms were respected overall", and that election-day organisation was professional and transparent; Hungarian media reported a few local anomalies. Government officials accused the OSCE of overstepping its remit. "This is political content. The OSCE's role is procedural," says Mr Kovacs. "They have no mandate for this."

The result was a shattering blow for Hungary's fractious left-wing and liberal parties. The left, says Gyorgy Schopflin, a Fidesz MEP, should give up its "exhausted proposals" to undo everything Fidesz has done, and rethink what it means to be left-wing and Hungarian.

Concerns over media diversity will grow after Lajos Simicska, a former ally of Mr Orban and the publisher of *Magyar Nemzet*, an opposition paper, closed it down this week because of financial problems. That follows the closure in 2016 of

Nepszabadsag, a left-wing daily.

Ideology aside, many Hungarians voted with their wallets. Buoyed by lavish EU subsidies—sometimes equivalent to 6% of GDP—the economy is in decent shape. Unemployment is down and GDP is growing at a steady pace of 4% or so. In Budapest and provincial cities, especially in the more prosperous west of the country, gyms and bars, cafés and restaurants are crowded with young professionals with disposable income. For much of the middle class, "Orbanomics" is working—so long as Europe keeps on subsidising it. ■

Turkey and Greece

Rough seas

ISTANBUL

Trouble is brewing in the eastern Mediterranean

WHEN Recep Tayyip Erdogan travelled to Greece late last year, the first such trip by a Turkish president in more than six decades, hopes surfaced that he and his hosts might hammer out a formula to reduce tensions. The past couple of months have disappointed the optimists. Rather than coming to grips with old grievances, Turkey and Greece are creating new ones instead—in the skies and in the seas.

On March 27th a Turkish court denied bail to two Greek soldiers arrested weeks earlier after crossing the border with Turkey. The soldiers say they strayed into Turkish territory because of thick snow and fog. ▶▶



▶ Turkish prosecutors have charged them with espionage: Alexis Tsipras, the Greek prime minister, compared Mr Erdogan to a sultan and accused him of turning the men into hostages. Turkey has repeatedly leaned on Greece to extradite eight Turkish soldiers who fled across the Aegean after a botched coup in 2016.

With help from rabble-rousers on both sides, disputes over airspace and maritime borders, which have poisoned relations between Greece and Turkey for decades, are doing so again. A row over a pair of uninhabited islands in the Aegean, which nearly caused the two NATO allies to go to war in the 1990s, flared up in February when a Turkish ship touring the area collided with a Greek vessel. More recently, Greek fighter jets intercepted a Turkish drone hovering above Rhodes. The accompanying polemics have not helped. Turkey's prime minister has warned the Greeks to stop "pretending to be pirates". Mr Erdogan, eager to sustain a nationalist frenzy ahead of elections scheduled for next year, invoked a Turkish victory over an invading Greek army in 1922. On April 4th the Greek defence minister said his country would "crush" any Turkish incursion and announced the deployment of 7,000 additional troops to the border.

The discovery of natural-gas reserves in the eastern Mediterranean, once hailed as a key to peace in the region, has raised the stakes, pitting Turkey against a number of countries in addition to Greece. Turkey has already disrupted plans by Cyprus to develop some of its offshore fields. Earlier this year, its warships blocked a rig owned by an Italian energy company from drilling for gas east of the island, which is divided between the internationally recognised Greek-Cypriot south and a breakaway Turkish-occupied north. (Turkey, the only UN country not to recognise Cyprus, does not acknowledge its maritime borders.) Turkey has also clashed with Egypt, which recently agreed to develop some gasfields in co-operation with Cyprus.

Plans to build a pipeline delivering Israeli and Cypriot gas to Greece, already under commercial scrutiny, now face rising geopolitical tensions, says Matt Bryza, a former White House official. A project connecting Israel with Turkey is also on ice, with the two governments at odds over the situation in Gaza and the status of Jerusalem. (At present, Israel seems more likely to export its offshore gas to Jordan and through Egypt.) Turkey's gunboat diplomacy is deepening its isolation. "There's a new axis emerging between Egypt, Israel, Cyprus and Greece to confront Turkey, which they believe is breaching international law," says Mehmet Ogutcu, an energy expert. "Turkey feels there is a conspiracy to cut it off from the Mediterranean." A violent confrontation at sea, by accident or design, may only be a matter of time. ■

Azerbaijan's election

Stayin' Aliyev

The president wins yet another term, thanks in part to geography

THE last time a presidential election was held in Azerbaijan, in 2013, the central election commission began releasing the results a day before voting had even started. Embarrassed officials blamed a technical glitch. This time round, in the election held on April 11th, officials at least kept up the pretence of democracy by withholding results for a full four hours after the final vote was cast. But the outcome was never in doubt. Ilham Aliyev, who succeeded his father in 2003, won a fourth term with around 86% of the vote.

The result was hardly a cliff-hanger. Both of the two main opposition parties—Musavat (Equality) and the National Council of Democratic Forces—boycotted the election, which Mr Aliyev had unexpectedly brought forward from October. Although there were seven presidential challengers, "all of them were fake candidates", says Shahin Rzayev, a Baku-based political analyst.

Mr Aliyev is well entrenched. Amendments to the constitution adopted in 2009 scrapped term limits on the presidency. Further changes forced through in 2016 extended its duration from five to seven years. At 56, Mr Aliyev is the youngest of the Eurasian potentates. If anything were to happen to him, his wife, Mehriban Aliyeva, whom he appointed vice-president last year, would succeed him. (The position of second vice-president is vacant, leading some to suspect that he may be grooming

his son to fill it.)

The government, doubtless rattled by the Maidan uprising in Ukraine in 2014, has stepped up its repression in recent years. Independent media outlets have been shut down and investigative journalists detained. Over a hundred political dissidents are said to languish in jail. Corruption and cronyism are blatant. A few politically connected families control the vast majority of industries.

Yet Azerbaijan is doing well in some ways. Thanks to abundant oil and gas, its economy grew by an average annual rate of 13% in the decade to 2014, making it the fastest-growing in the world for three consecutive years in the late 2000s. The country of 10m has seen its poverty rate fall from 50% in 2000 to 5% today. Many Azerbaijanis are grateful to Mr Aliyev for rising living standards and political stability in a turbulent part of the world. They also like his tough talk on Armenia, which occupies the disputed Nagorno-Karabakh territory that Azerbaijan calls its own. But relying on fast-dwindling hydrocarbons is unlikely to be a sustainable model. Mr Aliyev instead wants to turn Azerbaijan into a transit hub on China's new Silk Road.

The opening of a new railway last October connecting the Azeri capital, Baku, to Kars in Turkey and onwards to the Balkans, means that the shortest route between China and Europe now runs through Azerbaijan. In 2016 two-way trade in goods between China and the EU reached €515bn (\$560bn). More than 90% of that trade currently goes by sea, which takes twice as long. Another "north-south" transport corridor is shortly to link Mumbai and Moscow by rail, passing through Azerbaijan. Mr Aliyev started by tapping natural resources buried underground. Now he is latching on to his country's most valuable above-ground asset: location. ■



Booming Baku

Conspiracy theories

Flights of imagination

WARSAW

From Smolensk to Salisbury

RUSSIA attracts conspiracy theories. Just ask the thousands of Poles who marched on April 10th, the eighth anniversary of the plane crash near Smolensk, Russia, that killed Lech Kaczynski, then Poland's president, and 95 other passengers. As always, the annual commemoration (there are smaller monthly ones) began with mass at Warsaw's cathedral, and ended with a speech by Mr Kaczynski's twin brother Jaroslaw, head of the populist Law and Justice (PiS) party and Poland's de facto leader. He promised that Poles would soon know the truth about how their president died. Mr Kaczynski and his party have long implied that Russia downed the plane on purpose.

There has never been much evidence for this. The plane fell short of the runway in heavy fog. Investigations by Russian and Polish authorities blamed the weather, poor airport maintenance and human error. Yet Mr Kaczynski and his allies hinted that it was an assassination. In recent years PiS has even alleged collusion by Donald Tusk, Mr Kaczynski's political nemesis, who was prime minister at the time and is now president of the European Council.

Hardly anyone outside Poland's ruling party believes the Smolensk conspiracy theories. But Russia also faces more credible allegations of skulduggery, notably the attempted murder in Britain on March 6th of Sergei Skripal and his daughter, Yulia. In this case, the most far-fetched theories are those that absolve Russia.

The evidence points to Moscow. Mr Skripal is a former Russian spy who was exposed as a double agent. The nerve toxin that poisoned him, novichok, was developed by the Soviet Union in the 1970s. Russia has a track record: in London in 2006 its agents assassinated Alexander Litvinenko, another ex-spy, by slipping polonium into his tea. Britain's allies, convinced that Russia is the only plausible suspect, have expelled 160 Russian spies and diplomats.

In response, Russia has thrown up flimsy alternative explanations. Its state-controlled press has suggested that the novichok might have come from Kazakhstan, or that it could have been obtained by the mafia or Ukraine. With breathtakingchutzpah, the Russian embassy in London castigated Britain for failing to protect Russian citizens on its soil—citing Mr Litvinenko's death. The Kremlin settled on the story that the British poisoned Mr Skripal themselves, to malign Russia ahead of its presi-

Russia

Foul play

VOLOKOLAMSK

Residents throughout the Moscow region are raising a stink over landfills

THE stench hanging over Volokolamsk, a sleepy town west of Moscow, stings the nostrils like tiny needles. Downwind from the nearby Yadrovo landfill site, the noxious blend of sulphur, rot and methane becomes unbearable. Last month it sent at least 50 children to the hospital with respiratory ailments and rashes, and has brought thousands onto the streets in protest. In late March residents physically attacked the head of the local district. A ten-year-old girl in a pink hat became the movement's symbol after making a throat-slitting gesture towards the regional governor, Andrei Vorobyov.

As the authorities struggle to snuff out the smell, unrest has spread. At least half a dozen districts in the Moscow region have seen garbage-related pickets in

recent weeks. Residents have focused their rage on local officials, such as the mayor and Mr Vorobyov. They take pains to present their protests as apolitical. "What politics?" said Valery Karpinsky, a self-described "Orthodox monarchist" dressed in a Russia-branded tracksuit, during a protest last month. "We came for the children." As is often the case in Russia, the good tsar Vladimir Putin is seen as part of the solution—if he only knew what his bad boyars had done.

The Kremlin has duly taken note. Ecological issues have a history of feeding wider dissent. In the wake of the Chernobyl disaster, environmental protests were influential in the late Soviet era. Protests against the destruction of the Khimki forest, part of Moscow's green belt, were part of a wave of local activism that preceded the outbreak of huge protests in the capital in 2011-12.

Dealing with waste has long been a problem in Russia. But the trouble in Volokolamsk can in part be traced back to last summer, when residents near the Kuchino landfill, one of the Moscow region's largest, complained to Mr Putin during his annual call-in show. Though regional authorities had hoped to keep the dump open until they could build new infrastructure, the president then ordered the landfill closed. So it was, and rubbish was diverted to other dumps in the region, including Yadrovo, pushing them beyond capacity. The can was kicked down the road; or rather, a huge heap of cans was. And it will probably now be booted again.



Blame the boyars

dential election last month.

These theories have not convinced many Europeans, but they have sown doubt. Fringe parties sympathetic to Russia warn of a plot to restart the cold war. ("I have a feeling something else is behind this," said Marine Le Pen, leader of France's National Front.) After Boris Johnson, Britain's foreign secretary, got embroiled in a row over where the evidence came from, the misgivings spread. Several officials in Germany's Social Democratic Party warned that the measures against Russia outpaced the proof. On social media, sceptics wondered why Russia would take the risk—the logic used by Dmitry Kiselev, a Kremlin TV propagandist, who opined last month that since "only Britain stands to benefit", it must be to blame.

It is a common observation that overuse of the *cui bono*? ("who benefits?") style

of thinking leads to conspiracy theories. They appeal strongly to people who desire to feel special, according to research by Roland Imhoff, a German social psychologist. Joseph Uscinski, an American political scientist, finds that they are popular among groups that lose political contests, and may disappear when they win.

That could help explain why, in PiS's third year in power, interest in Smolensk theories remains marginal. Just 17% of Poles believe the crash was caused by an explosion, whereas 55% do not, according to a poll this week. Antoni Macierewicz, the government's most ardent Smolensk-explosion believer, was sacked as defence minister in January. A report he commissioned has been delayed. Mr Kaczynski has ended the monthly Smolensk rallies. But the annual one will continue, and he vows to find the "real" killer. ■

Charlemagne | The perky Portuguese

Social democracy is floundering everywhere in Europe. With one possible exception



ANTONIO COSTA, Portugal's affable prime minister, greets your columnist with a broad grin as he settles his hefty frame into a sofa in his official residence. He has a lot to smile about. Lisbon, among Europe's hottest tourist destinations, is enjoying a mini startup boom. Portugal's footballers are the European champions, and its politicians have nabbed a clutch of senior international jobs. And above all, he is the winner of a high-stakes political gamble.

When Mr Costa's Socialist Party lost an election in 2015 to the centre-right (and confusingly named) Social Democrats, who had overseen a harsh EU-imposed austerity programme during a three-year €78bn (\$107bn) bail-out, most observers expected the Socialists to prop them up in a left-right "grand coalition" of the sort now common across Europe. Instead Mr Costa, the son of a communist intellectual from Goa, Portugal's old colony in India, convinced two hard-left parties—the old-school Communists and the modish Left Bloc—to support a minority Socialist government in exchange for modest policy concessions.

Nothing like this had been tried before in Portugal. Mr Costa's new friends wanted, variously, to write off debt, leave the euro zone, renationalise vast swathes of industry and quit NATO. The fury was swift, deep and near-universal. Foes nicknamed Mr Costa's experiment the *geringonça* ("contraption"), and gave it six months at most. Portugal's president threatened to reject the proposed government outright. Creditors feared a free-spending leftist government would send investors packing.

Yet over two years later the contraption is grinding along and the sky has failed to fall in. Some wage and pension cuts have been reversed, firms are creating jobs at a neat clip, foreign investors are eagerly sniffing around and the public finances are in rude health; the government hopes to balance the books next year. Portugal has become a bond-market darling while claiming to stand in the vanguard of the battle against austerity. "We showed that there is an alternative to 'There is no alternative,'" says Mr Costa. He enjoys approval ratings most leaders would kill for. Little wonder Europe's beleaguered social democrats are beating down his door.

Does Portugal have anything to teach them? Mr Costa notes modestly that "every country is specific." Still, he has one or two

ideas. Grand coalitions play into the hands of populists, he suggests, because they signal to voters that political contests are redundant. He cites Germany, the Netherlands and Austria as cautionary tales; social democratic parties in all three are floundering after governing with the right. An aide says that "civilised conflict" helps keep politics, and parties, alive. That is a bracing message in an era of cosy political pacts.

Pedro Magalhães, a political scientist at the University of Lisbon, points out that Portugal's Socialists differ from many of their counterparts in Europe. The party sprang not from trade unions but from elites desperate to establish a bulwark against communism after the end of military rule in the mid-1970s. The party thus seeks power, not purity, and the election result gave a united left the chance to block a right-wing minority government. No one likes grand coalitions, but in many countries parliamentary arithmetic leaves centrist parties no choice but to team up against the extremes. Mr Costa's gambit was bold, but also opportune.

The Left Bloc and the Communists hammer the Socialists on matters like foreign policy but hold fire when it matters, notably on the budget. Neither is fully comfortable with the deal, but both know they would find the centre-right alternative less palatable, and they can take credit for policies like raising the minimum wage or halting transport privatisations. Helpfully, the growth in Socialist support since 2015 has come largely at the expense of the right, soothing the leftists' fear that the contraption would turn out to be their death warrant. Mr Costa says the arrangement will survive until next year's election. And beyond? "Why not?"

Not a panacea

Even Mr Costa's opponents concede that he is a canny operator. But his success has been oiled by a healthy squirt of good luck. The Socialists assumed office as Portugal's recovery took off, aided by growth in the European markets that take 70% of its exports, and built on the measures taken by the previous government. The European Central Bank's bond-buying had calmed markets. Tourism has boomed, thanks to instability in other warm countries. Perhaps most importantly immigration, the issue tearing apart so many European parties of the left, does not animate Portuguese voters. It is the departure of people that causes a bigger headache: during the crisis 250,000 Portuguese, disproportionately of working age, upped sticks in four years.

Portugal's squeeze on spending had to be financed from somewhere. The axe has fallen on public investment, which was slashed in 2016 to the lowest level in the EU. Mario Centeno, the finance minister, says this was largely the result of a temporary drop in EU subsidies, and chuckles at the sight of "so-called neo-liberals" who now consider Keynes their "god". He prefers to draw attention to Portugal's healthier banks and buzzing universities, though he adds that investment is climbing again. Another fear surrounds Portugal's huge debt, which explains Mr Centeno's relentless focus on the deficit.

As this suggests, Portugal's left-wing government is thriving partly because it is not especially left-wing. For now it is fixated on deficits and debt rather than investment and public services. A centre-right government would be doing much the same. And so, despite Mr Costa's warm words, the contraption will surely prove to be a temporary marriage of convenience; his party is already said quietly to be putting out feelers to the Social Democrats. European leftists may find inspiration in Portugal. But they will have to seek ideas elsewhere. ■



Also in this section

29 Assisted dying on Guernsey

30 Bagehot: A new political party?

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Productivity

Fix up, look sharp

Britain shows tentative signs of fixing its single biggest economic problem

A FEW years ago the traffic lights around Trafalgar Square in London had a makeover. In place of the usual green man, which flashes when it is safe to cross the road, some lights had an image fitted of a same-sex couple holding hands. Timed to coincide with a gay-pride parade, the change was meant to symbolise London's cosmopolitanism. But some economists joked that it was a symbol of something quite different. Where once a single worker was able to shepherd pedestrians across the road, two are now required. What better metaphor for Britain's woeful labour-productivity growth?

It is little wonder that economists see weak productivity wherever they look. Britain has had a decade of barely any growth in the amount of output per hour of work (see chart). In the long term, productivity determines how much workers get paid. Stagnation over the past decade has thereby left Britons' pay packets some 20% smaller than they would otherwise have been. It has also pressed down on the government's tax take, ensuring that fiscal austerity has lasted longer than it otherwise might have. It is no stretch to say that weak productivity is Britain's biggest economic problem—bigger, even, than the prospect of Brexit.

Lately, however, things have been looking better. Since 2016 productivity growth has been moving in the right direction.

And in the second half of 2017, the latest period for which figures are available, output per hour grew by 1.7%, marking the country's strongest performance in more than a decade. Are British workers shaping up at last?

Hear the bang, see the spark

The uptick has taken economists by surprise. It was only in November that the Office for Budget Responsibility, the official fiscal watchdog, sharply downgraded its future projections for productivity growth, having been over-optimistic time and again. The pessimists may yet be proved right. In the post-crisis period productivity growth has occasionally jumped up, only

to turn negative once again, as happened in 2011.

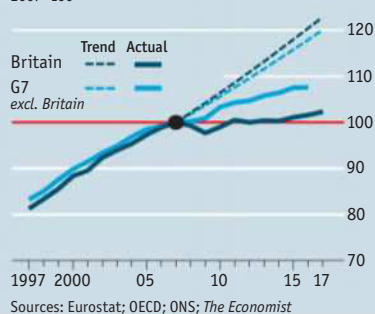
Yet there is a case for optimism. In the second half of 2017 two-thirds of British industries saw productivity growth above their pre-crisis average. Productivity growth has not been so broad-based since the economy picked its way from the wreckage of the financial crisis. Output per hour in the manufacturing sector, which has weighed heavily on overall productivity, jumped by 2.6% in the final quarter of 2017, its biggest rise in over a decade. Our back-of-the-envelope estimate of productivity growth in early 2018 suggests that although it has slowed, it has not stopped.

One possible explanation for the boost is a tighter labour market. The unemployment rate is at its joint-lowest in 40 years. Add to that a 50% fall in net migration from the European Union since June 2016, and labour is getting harder to find. Nominal-wage growth is slowly rising, as employers compete more fiercely for workers. In April the minimum wage went up from £7.50 (\$10.65) to £7.83 an hour, adding to the pay packets of over 2m people.

Rising labour costs may have two effects on productivity. The first is that it becomes harder for firms in unproductive industries, such as hospitality, to expand. Our analysis suggests that in 2010-17 the number of poorly paid jobs (ie, those paying below 70% of the average wage) grew twice as fast as the number of better-paid ones. Employment in hairdressing—an indispensable industry but not a very productive one—is some 50% higher than in 2010. As unproductive industries grew faster than productive ones, the overall figures were dragged down. In the past year, however, that trend has gone into reverse, with employment growing more quickly in the snazzier professions.

Splits like banana

Output per hour worked, actual v trend
2007=100



▶ The second effect is on investment. Since the financial crisis depressed wages, it has made sense for many firms to rely on labour rather than capital—ie, to hire a person to do a job instead of buying a robot to do it. But with labour getting pricier, more companies seem to be choosing machines over man. Business investment as a share of GDP has edged up since the end of 2016. It is now above the average of the past decade. Investment in computers is booming. In 2016 purchases of industrial robots rose for the first time in five years. As Britain's capital stock gets more sophisticated, workers can become more productive.

The country's banks, which are healthier than they have been in some time, have helped business investment along. The latest figures show that lending to non-financial firms is growing at 3% a year, far faster than in the post-crisis period. On the other

side, banks appear less likely than they were to show forbearance to underperforming businesses that have no realistic chance of paying back loans. The rate of business failures has been edging up, points out Paul Hollingsworth of Capital Economics, a consultancy. That allows capital to be moved away from unproductive outfits and towards more productive ones.

Britain still has a long way to go. Its workers are some 15% less productive than others in the G7. A particular concern is the economy's long tail of slothful firms. According to one calculation, a third of British businesses have seen no productivity growth at all this century. If Brexit ends up causing trade and investment to decline, productivity is bound to suffer in the long term. But if the latest trends continue, double-manned traffic lights will look increasingly out of place. ■

Yerby, a left-leaning deputy, worries about "a mess of Brexit proportions".

It would certainly not be easy to lead the way. The first hurdle is presented by the medical profession. Doctors in Guernsey are regulated by the General Medical Council (GMC), the official British body, which directs practitioners to follow the law as it stands, and has not said what it would do if the law in Guernsey changed. Some think it might continue to block assisted dying, even if there is a change of law on the island, in order to stay in line with the rules of the mainland. In response, campaigners point out that the GMC allows doctors to follow abortion laws in Northern Ireland that are stricter than those in the rest of the country.

Either way, the introduction of the right to die in Guernsey would probably require legislation in Westminster. England's law on suicide, introduced in 1961, makes it illegal to encourage or assist a patient to end their life, and is rare in being extraterritorial in effect (so that a citizen who commits a crime abroad may be charged at home). Mr St Pier believes that Parliament would have to pass primary legislation to avoid a constitutional wrangle, since Guernsey has the right to govern its domestic affairs. Assisted-dying campaigners are watching closely, as such a law would have ramifications for other parts of Britain with devolved powers.

These hurdles give succour to those campaigning against assisted dying. The issue—a tricky question for a legislature of any size, let alone a body of 40, all of whom are independents—has caused angst among the island's 63,000 residents. But the *requête's* proponents make no excuses. As Hunter Adam, a retired doctor and former health minister, says: "It's not about doctors. It's not about churchgoers. It's about what people want when they are coming to the end of their lives." ■

Assisted dying

An island entire of itself

ST PETER PORT

A small crown dependency faces up to a big question

PEOPLE used to joke, "Welcome to Guernsey, please put your watch back 50 years," recalls Tony Lee, who moved to the island in the 1970s to work as a doctor. The British crown dependency off the coast of France, formerly part of the ancient duchy of Normandy, is a conservative place (its politics are characterised by "inertia", notes one politician). Only in 2015 did all shops gain the right to trade on a Sunday, for instance, and its narrow lanes are dotted with churches. All this makes it an unlikely place for the trailblazing introduction of a controversial policy.

Nevertheless, in May the island's parliament, the States of Deliberation, will vote on whether to legalise assisted dying. If its 40 members come down in favour, a working party would examine issues like whether to restrict the right to those with terminal illnesses, and how doctors' approval might work, before returning with a fleshed-out proposal in 18 months. Such a vote would set Guernsey on the path to becoming the first place in the British Isles to legalise assisted dying—and, in doing so, raise thorny constitutional questions.

Politicians on both sides expect the vote to be close. Gavin St Pier, Guernsey's chief minister and the lead signatory of the assisted-dying *requête*, which is similar to a private member's bill in Westminster, says campaigners have learnt from other islanders who recently voted in favour of assisted dying—in Hawaii—and are focusing their message on personal freedom, rather

than death. #MyCareMyChoice runs the favoured hashtag.

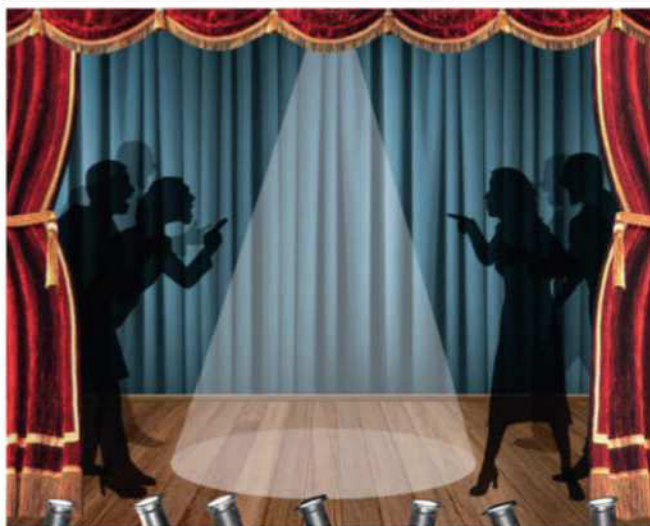
But the island's churches remain powerful, and they have been supported by those farther afield. "Let there be no death clinics in Guernsey," declared the Bishop of Portsmouth in a letter read out on Easter Sunday. "I appeal to Catholics to mobilise. Speak out against this proposal. It is never permissible to do good by an evil means." They are allied with politicians who warn that introducing assisted dying would clog up the island's small bureaucracy. Emilie



St Peter Port seeks the keys of the kingdom

Bagehot | The empty centre

Britain doesn't need a new centrist party. It needs new ideas



THIS is supposedly an age of disruption. Across the world, established giants are being slain by startups fuelled by nothing more than brains and bravado. The most exciting question hanging over Britain at the moment is whether the same spirit can be applied to the country's ossified political structure.

Rumours of a new political party abound. The *Observer* has suggested that Simon Franks, a film mogul, has amassed £50m (\$70m) to fund a new party. The *Times* has revealed that David Miliband, a former Labour foreign secretary, is willing to return from New York to offer his services. Sir Nick Clegg, a former Liberal Democrat leader and David Cameron's deputy prime minister, has hinted that he might join a new party.

It's easy to see why this talk generates such excitement. Many Britons are repulsed by both Jeremy Corbyn's hard-left Labour Party and Theresa May's Brexitified Tories. Some 56% tell pollsters that no party represents their views. Moderate MPs from both sides of the aisle make no secret of their contempt for their leaders. Emmanuel Macron, who founded a new party to seize the French presidency last year, provides a model and an inspiration.

Yet the British political system is likely to prove much more difficult to disrupt than, say, the British high street. The first-past-the-post system is hard on startups—Britain has had only one nationally successful and enduring new venture in the past hundred-odd years, the Labour Party—and it is particularly hard on centrist ones, because their voters tend to be evenly spread across the country. The last centrist startup, the SDP-Liberal Alliance, won 25% of the vote in 1983 compared with Labour's 28%, but only 23 seats compared with Labour's 209.

People who hope for a great political realignment need to reckon with two obvious problems. The first is that Britain already has a centre party. The Liberal Democrats, the heirs to the SDP-Liberal Alliance, polled only 8% in last year's election, on a platform of reversing Brexit. The second is that the country is awash with new parties. In the first three months of this year 35 new ones were formed, including one called the Sensible Party.

Those who say the mooted new party would be different point out that it is garlanded with big names. But the names are the very opposite of what you want in a disruptive party: fallen Goliaths rather than plucky Davids. Mr Miliband is Davos Man

incarnate (the *Times* article lauding his reappearance quoted a friend pointing out that the great man is "still attracted to Britain"). Sir Nick is a titled throwback to the Cameron years (perhaps a rule of thumb for breaking the mould is not to give prominent roles to people with knighthoods). The people problem is most acute among the Lib Dems, who are led by a quintessential yesterday's man, the 74-year-old Sir Vince Cable, and are represented in Parliament by 12 lacklustre MPs and 98 peers.

Britain's centrists are hopelessly divided over the most basic strategic question: should they upturn British politics by starting a new outfit, or try to reclaim their ancestral parties from within? This debate is most intense in Labour. Moderate MPs tried hard to get rid of Mr Corbyn, only to see him hold onto his job and win 40% of the vote in last year's election. Now they are restive again, following rows over Russia and anti-Semitism. Some Labour MPs still talk of forming a moderate parliamentary bloc and leaving Mr Corbyn with the hard-left dregs. But the result is likely to be exactly what it was last time: paralysis and drift, while Mr Corbyn tightens his grip on the party apparatus.

The biggest problem for centrism is not practical but intellectual. At the start of the century, centrists were convinced that they had a winning formula: a free market in morals as well as economics, and a determination to use the proceeds of growth to help the poor. This philosophy colonised all three main parties. But today it lies in ruins. The financial crisis has destroyed the centre's reputation for economic competence. The concentration of wealth in London has undermined its claim to stand for social justice. And social liberalism is alienating conservative voters.

So far, centrists have done a singularly unimpressive job of putting their philosophy back together. This is partly because they are divided: between fundamentalists, who dismiss criticisms of the old model as manifestations of closed-mindedness, if not outright racism; and reformers, who recognise the need to fix the model's weaknesses. Brexit is also to blame. Many centrists are being driven so mad by the vote to leave that they haven't got the mental energy to think about why it happened in the first place.

Blame the script, not the actor

Reconstructing this centrist philosophy will be harder than building it was. New centrists need to start by understanding why their philosophy has imploded, which means learning not only why the financial system went into seizure but also why, even before the crisis, so many people felt left behind, culturally as well as economically. They also need to reconcile opposites. How do you remain in the sensible centre while leading a revolution against Britain's new oligarchy, the clique of second-rate people in both the public and private sectors who have got rich by sitting on each other's boards and marking each other's homework? How do you address technocratic questions about the wiring of capitalism (stock options, public listings, takeover rules) while fashioning a compelling vision of a capitalism that works for everyone?

Time spent trying to rethink liberalism is much more likely to be repaid than time spent building a new party. New parties sink into the sand unless they are very lucky. New ideas can colonise old parties and redirect old debates. Beatrice and Sidney Webb said that the best way to change the country was to "permeate" all its parties, left, right and centre, with ideas. Today's centrists need to do likewise, and focus on thinking up new ideas rather than inventing new parties. ■



Also in this section

- 32 Israel takes on Iran in Syria
- 32 Gulf money helps and hurts Somalia
- 33 South Africa's opposition regroupes
- 34 A little hope for Sierra Leone
- 34 The problem with maize in Africa

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America's Syria policy

Donald's dilemma

The American president and his advisers agree that chemical-weapons use should be punished, but not about much else

BASHAR AL-ASSAD'S chemical attack on the town of Douma on April 7th has been widely condemned. But punishing Syria's dictator is simpler than devising a coherent Syria policy. If Donald Trump orders a limited bombing campaign on Mr Assad's palaces and military assets, it will not alter the course of the Syrian war. Thanks to his Iranian and Russian protectors, nothing now can realistically prevent Mr Assad from, in some sense, winning.

A retaliatory strike might at least change Mr Assad's calculus about the use of chemicals as a way to terrorise the resistance. If he concluded, belatedly, that the price he will pay for using banned weapons again has become too high, Mr Trump would be justified in taking some credit. But, in other ways, Mr Trump is sowing confusion about America's aims in Syria and threatening to undermine both its interests and those of its regional allies.

In a speech supposedly about infrastructure investment on March 29th, the president declared: "We're knocking the hell out of ISIS. We'll be coming out of Syria like very soon. Let the other people take care of it now." On April 3rd Mr Trump said that having been "very successful against ISIS... it is time to come back home."

At almost the same time, General Joseph Votel and Brett McGurk, America's military commander in the region and the State Department's envoy to the coalition against Islamic State (ISIS or IS), were deliv-

ering a very different message. Although the jihadists had been kicked out of most of the territory they once controlled in Syria, there were still pockets to be cleared, they said. General Votel warned that "the hard part is in front of us". The tasks ahead, he said, are consolidation, stabilisation and reconstruction—the first two of which require a continuing military presence.

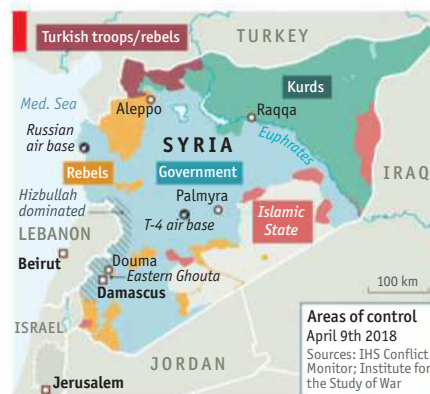
That presence currently comprises about 2,000 American troops in eastern Syria, largely engineers and special-operations soldiers, who are working and fighting alongside the Syrian Democratic Forces (SDF), a Kurdish-led group of militias. In the past year the SDF, with the help of American air power, has liberated most of the country's eastern provinces from IS. The Americans and the SDF operate in an

area east of the Euphrates. The river acts as an informal demarcation line between them and the Russian, Iranian and Syrian government forces, which control the territory to its west.

In January Rex Tillerson, then America's secretary of state, made a far-ranging speech about the administration's aims in Syria. Promising to not repeat Barack Obama's mistakes in Iraq and Libya, Mr Tillerson said that America's military commitment would be conditions-based rather than time-limited. American troops would stay in Syria long after the defeat of IS, both to ensure that it does not return and to keep Iranian and regime forces from entering the newly-liberated areas. He outlined five policy goals: preventing IS and al-Qaeda from re-emerging in Syria; supporting the UN-led peace process; countering the influence of Iran; helping to bring about the safe repatriation of Syrian refugees; and clearing the country of weapons of mass destruction.

As a statement of intent, it was far removed from Mr Trump's campaign commitment to destroy IS quickly and then get out. Mr Tillerson won praise from traditional foreign-policy experts, but there was scepticism too. In congressional testimony, Robert Ford, America's last ambassador to Syria and a bitter critic of Mr Obama's failure to arm moderate rebels before they were displaced by more extreme groups, described Mr Tillerson's goals as admirable but mostly unachievable, given the resources available and the reality on the ground.

Groups affiliated with al-Qaeda are in the north-west of the country, far from American forces, said Mr Ford. The UN peace process has faded into irrelevance, he added. Moreover, the American force in the east will have little impact on Iran's clout in the west; most refugees want to re- ▶▶



▶ turn to territory held by the regime; and Mr Assad has shown little interest in giving up his chemical weapons, with Russia and China blocking UN efforts to compel him.

Yet that does not mean the American mission in the east should be aborted, as Mr Trump would probably like. For a start, there would be a serious risk of its re-emerging before local forces could deal with it unaided. Even if it did not make a comeback, with the Americans gone, regime forces and Iranian-backed militias would soon be pushing across the Euphrates in an attempt to retake territory.

An emboldened Iran (and Russia) would undoubtedly see an American withdrawal from Syria as the likely prelude to pulling out of Iraq and perhaps the wider Middle East. Turkey would step up its assault on America's Syrian Kurdish allies in the north. The relative safety that American forces have brought to some Syrians would evaporate. Finally, what little leverage America has recently bought in the process to determine Syria's future would have been lost.

America's allies in the region, particularly Israel and Saudi Arabia, want it not only to stay but to beef up its presence. Mr Tillerson's successor as secretary of state, Mike Pompeo, and Mr Trump's new national-security adviser, John Bolton, want to confront Iran, not concede the field to it. James Mattis, the defence secretary, is committed to finishing the job his troops started in Syria. They could yet convince Mr Trump. But the president's tendency is to heed what his gut tells him his political base wants. If that is withdrawing quickly, as he promised on the campaign trail, then that is what is most likely to happen. ■

Israel v Iran in Syria

Heating up

JERUSALEM

Israel is determined to stop Iran from establishing bases in Syria

IN THE early hours of April 9th Israeli fighter jets crossed into Lebanese airspace and fired a salvo of cruise missiles eastward. Their target was the T-4 military airbase in central Syria (see map on previous page), not far from the ancient city of Palmyra. More specifically, the missiles were aimed at a hangar in a secluded compound on the west side of the airfield. The building was used by Iran's expeditionary Quds Force, the foreign wing of its Islamic Revolutionary Guards Corps (IRGC). Russia and Syria both claimed that they detected the Israeli aircraft and the incoming missiles, and that at least some of them were intercepted. But enough of them got



Vlad, I'm disappointed in you

through to cause significant damage and kill at least seven Iranian officers, including a colonel. The Israeli government has not publicly acknowledged that it was behind the attack.

Since the start of the Syrian war in 2011, Israel has carried out at least 100 cross-border strikes. Most were aimed at weapons convoys and depots belonging to Hizbullah, the Iranian-backed Lebanese Shia movement. The latest strike is only the third in which Iranian personnel were directly targeted. The last time Israel hit them was two months earlier, at the same base, after an Iranian drone breached Israel's airspace. But this strike appeared to be pre-emptive, not reactive.

For decades Israel has fought a shadow war with Iran, which funds Lebanese and Palestinian proxies that attack the Jewish state. In recent months, though, the war has escalated: Israel and Iran have come into direct confrontation on Syrian soil, where the IRGC is determined to establish permanent bases. To do so, it must find a way to limit Israel's freedom to carry out air strikes there. Its officers at T-4 were working to build up an air-defence capability meant to threaten Israeli aircraft—which is why they were targeted.

Binyamin Netanyahu, the Israeli prime minister (pictured right), has placed great stock in his personal relationship with Russia's president, Vladimir Putin (left). They meet and talk frequently. But Israel's security chiefs are coming to realise that the Kremlin will not exert itself to limit Iran's role in Syria. Mr Putin has committed himself to the survival of Bashar al-Assad's regime. His air force provides it with overwhelming firepower, though for domestic political reasons he is reluctant to put Russian boots on the ground.

Instead the Assad regime has turned to

Shia militias, often made up of Afghans drafted and organised by Iran, as cannon fodder. Some of the toughest battles in Syria were fought by Hizbullah. "Putin respects Netanyahu and Israel's military power, and would prefer to be co-ordinated with Israel," says an Israeli spook. "But to safeguard his interests in Syria, he needs Iran more right now."

Russia and Israel have a military "de-confliction" process that, over the last two and a half years, has kept the countries' aircraft from clashing over Syria. Russia has turned a blind eye to Israel's frequent air strikes. But after the latest attack, Israel's ambassador to Moscow was summoned to explain it.

In the past Israel has assured Russia that it does not seek to harm the Assad regime, as long as its own strategic interests in Syria are not jeopardised. That line is starting to change. Yoav Galant, the housing minister and a former general, has made a round of interviews calling for Mr Assad's removal. While this is not yet official Israeli policy, Mr Galant is close to Mr Netanyahu. It is hard not to interpret this as a message to Moscow. Israel is determined to prevent Iran from expanding its foothold in Syria, even if it means threatening Russia's client in Damascus in the process. ■

Gulf money in Somalia

A storm over a port

BERBERA

An Emirati project in Somaliland infuriates Somalia

THE ancient port town of Berbera in Somaliland, a breakaway state in northern Somalia, is generally a sleepy place. The heat, which can reach 50 degrees Celsius in the summer, stifles even the dogs. Yet visitors will find it buzzing at the moment. Near the edge of town, sand and rubble fill the space where, until recently, there were 19th-century Ottoman traders' houses. New buildings are springing up. A little out to sea, as half a dozen ships idle in the sun, a barge from Dubai hauls a colossal crane towards the shore.

All of this activity relates to a new port being built by DP World, a company mostly owned by the government of Dubai, part of the United Arab Emirates (UAE). At the moment, Berbera's port is small—used mostly for the export of livestock to the Persian Gulf, and the import of goods to Hargeisa, the capital of Somaliland. However, over the next decade or so, thanks to DP World, it could turn into one of east Africa's biggest. The port and another Emirati project, to build a military base in Berbera, are powerful reminders of how money ▶▶

from the Gulf is changing the Horn of Africa. It also risks exacerbating the struggle between Somalia's weak, but internationally recognised federal government in Mogadishu and its restive, secessionist regions.

The Berbera port, which will cost some \$450m, is by far the biggest investment in Somaliland since the province declared independence from Somalia in 1991 (in practical, but not legal, terms it is a separate country). It has taken on a new significance since February, when DP World was thrown out of neighbouring Djibouti, where it had operated the main port since 2009. Djibouti currently handles over 90% of Ethiopia's sea trade, and also hosts French, American and Chinese naval bases. Somaliland officials probably hope to steal some of that traffic. In March Ethiopia announced it had bought a 19% stake in the Berbera port.

The project annoys politicians in Mogadishu, who fear losing more of their already meagre authority. So they have kicked back at the UAE. Last month parliament passed a law banning DP World from all of Somalia (something it cannot enforce). On April 8th the authorities in Mogadishu temporarily seized an Emirati plane carrying some \$9.6m in cash, apparently intended for soldiers in Puntland, another autonomous state, being trained by the UAE. On April 11th the defence minister announced that Somalia would end a similar programme in which the UAE paid and trained soldiers in the national army, who will henceforth be paid by the (penniless) federal government.

Officials in Somaliland are unruffled. The federal government "cannot control even ten square kilometres of Mogadishu", says Liban Yusuf Osman, Somaliland's deputy foreign minister, dismissing its objection to the port deal. But the dispute drives a big wedge between the two governments, says Rashid Abdi of International Crisis Group, a Brussels-based NGO. It does not help that many politicians in Mogadishu are thought to have taken money from Qatar, the UAE's rival, or that Turkey, another rival, is one of Somalia's biggest foreign investors.

Indeed, the government in Mogadishu is a mess, thanks in part to constant

manoeuvring by foreign-funded politicians. On April 9th the speaker of parliament, Mohamed Osman Jawari, stood down, having apparently lost a power struggle with the prime minister, Hassan Ali Khayre, and the president, Mohamed Abdullahi Mohamed, known by his nickname "Farmaajo".

A few days before, African Union soldiers had to step in after Mr Jawari's bodyguards stormed the parliament and ran up against troops loyal to the prime minister. Both sides ostensibly oppose the port in Berbera, but Mr Jawari saw an opportunity to seize more power for parliament by holding a (symbolic) vote on the deal, without consulting Mr Mohamed.

The bickering does not help the cause of a unified Somalia. The government in Mogadishu has little to offer the country's regions. That allows countries like the UAE to swoop in and fill the gaps. Al-Shabab, a terrorist group linked to al-Qaeda, continues to mount successful attacks. On April 1st dozens of Ugandan soldiers were killed by the jihadists in the most deadly raid in over a year. The greater the chaos in the areas ostensibly controlled by federal government, the smaller the incentive for regions such as Somaliland to care what its politicians think. ■

South Africa's opposition

Time to regroup

PRETORIA

The opposition flourished under Jacob Zuma. Now they need new targets

CLOUDS of confetti and pyrotechnics marked Mmusi Maimane's re-election as leader of South Africa's main opposition party on April 8th. The conference of the liberal Democratic Alliance (DA) was well-organised, unlike those of the ruling African National Congress (ANC). Journalists were welcomed into the main hall, not held at a distance by metal fences and thugish guards. But the DA's dreams of trouncing the ANC in next year's general election have faded since Jacob Zuma was forced to resign as president in February.

Mr Zuma's presidency was a disaster for South Africa. He undermined institutions and wrought havoc on the economy. On April 6th he appeared in a Durban court to face corruption charges. But his scandal-ridden tenure was a gift to the opposition. Support for the ANC, which Mr Zuma led, fell from 62% in the general election of 2014 to 54% in local polls two years later. The DA, meanwhile, used the help of smaller parties to push the ANC out of power in Johannesburg, Port Elizabeth and Pretoria, the capital, in 2016.

They won partly because many ANC supporters, repelled by Mr Zuma, stayed at home. But these voters may not have abandoned their beloved liberation party. Many will turn out again now that the genial Cyril Ramaphosa has succeeded Mr Zuma as ANC boss and South Africa's president. Since taking office in February, Mr Ramaphosa has enjoyed broad support for his reform plans and strong stance against corruption. Without Mr Zuma to denounce, the opposition is struggling to remain relevant.

The Zuma years highlighted the importance of an energetic opposition. Mr Zuma is facing corruption charges only because the DA filed so many court actions to make it happen. The Economic Freedom Fighters (EFF), a far-left splinter from the ANC, brought the case that forced Mr Zuma to pay back public funds spent on gussying up his private estate.

Mr Maimane argues that with Mr Zuma gone, there can be a battle of ideas between the parties. His platform focuses on jobs, a no-brainer in a country with 36% unemployment. But the DA has been distracted by a nasty internal dispute over the mayor of Cape Town, Patricia de Lille, who has been accused of misconduct by the party leadership. It has tried to oust her.

Party bosses have adjusted their expectations for next year's polls. Success, they say, would mean taking control of Gauteng province, the country's economic hub. To go further the DA must win over more of the black majority. The party is planning a door-to-door campaign to counter perceptions that it is only for white people. It is also identifying and training young, racially diverse leaders—a marked contrast to the ageing ANC.

The EFF, led by Julius Malema, a former leader of the ANC's youth wing, is also struggling. Desperate for attention, it is growing ever more radical. Its supporters have ransacked H&M clothing shops over an allegedly racist advert. Mr Malema has urged black South Africans to seize land. After the DA refused to back an EFF motion calling for the expropriation of land without compensation, Mr Malema announced that his party would vote out the DA mayor of Port Elizabeth, who is white. "Cutting the throat of whiteness," is how he described the effort, which failed. Support for the EFF remains low.

The ANC, meanwhile, is still divided over Mr Zuma's ouster. The ex-president has retreated to KwaZulu-Natal, his home province, where he is rallying supporters and grumbling about his comrades' betrayal. That is making it harder for Mr Ramaphosa to reinvigorate the party. The DA's federal chairman, James Selfe, says that "Ramaphoria" will fade as the new president finds it difficult to deliver on his promises. But the main threat to the ANC may come from within its own ranks. ■



Sierra Leone

At last, a little hope

FREETOWN

But the new president may not have the money to keep his promises

JULIUS MAADA BIO wasted no time before being sworn in as president of Sierra Leone. Just an hour and a half after his narrow election victory was announced on April 4th, Mr Bio took the oath of office, forgoing the state house for a dimly lit room at the Radisson Blu hotel. The unusual circumstances were prompted by security concerns. During a long and tense campaign Mr Bio had accused the All People's Congress (APC), the party of his opponent, Samura Kamara, of trying to assassinate him. Mr Kamara, for his part, said the vote was rigged.

The election was Sierra Leone's fourth since its civil war ended in 2002. Memories of the brutal 11-year conflict still linger. Tensions based on ethnic, political and regional divisions simmered throughout the campaign, then boiled over when the result was announced. Supporters of Mr Bio's Sierra Leone People's Party (SLPP) attacked followers of the APC, which previously held the presidency. Much of the violence has taken place in the SLPP's southern strongholds. But more than 100 people have also fled Kono, a volatile swing state in the east.

Mr Bio, a former general who participated in two coups in the 1990s, and who briefly took power himself in 1996, has tried to calm things down. "No Sierra Leonean should feel threatened by my ascension to power," he has said, even promising to let APC supporters stay in their government jobs. He has called on Sierra Leone's 7m people to reject tribalism and regionalism, which have poisoned the country's politics. He has set a good example himself, reaching out to Mr Kamara (who still plans to challenge the result of the election). The president will need to work with the APC, which has a majority in parliament.

Though it has huge mineral and diamond deposits, Sierra Leone faces big economic challenges. It is still recovering from an outbreak of Ebola in 2014, which killed 4,000 people and scared away investors. A slump in global commodity prices in 2015 deepened its woes. And the APC did not help matters. During its decade-long hold on power, the party looted the country's coffers. A government audit recently revealed that much of the money earmarked for fighting Ebola during the crisis is unaccounted for.

To the delight of voters, Mr Bio pledged to tackle corruption by launching a com-

African farming

Escaping the maize

CHILANGA

Many Africans rely on a single crop. Can they acquire a taste for others?

"IT'S what our forefathers used to eat," says Kennedy Kapami, a Zambian phone salesman, rolling a ball of stiff maize porridge in his fingers. Maize is the staple food in eastern and southern Africa, where in some countries it provides over half of calories consumed. But Mr Kapami is wrong about his forefathers, or at least, his distant ones. Until the 20th century they mostly ate sorghum and millet. Maize came to Africa with the colonists. Governments now fret about its dominance.

Portuguese slavers were the first to bring it to Africa. Sometimes the crop took roundabout routes. Swahili-speakers know it as *mahindi* (of India). Bamba-speakers in Mali call it *kaba*, after the sacred site in Mecca, from where pilgrims returned with exotic foods.

In southern Africa maize was grown on large estates by white settlers. After

independence, governments doled out maize seed and fertiliser, even where soils were unsuitable. Towering maize stalks filled fields like Roman legions; in Zambia, the entrance to the farmers' union is held up by two columns sculpted into cobs.

But using land to grow a single crop increases the risk from pests and weather. And a diverse diet is more nutritious. In February Edgar Lungu, the president of Zambia, asked "whether maize should be the ultimate crop for survival as a people". Cultivating several different crops reduces stunting in children, says Rhoda Mofya-Mukuka of the Indaba Agricultural Policy Research Institute, a Zambian think-tank, although growing too many makes small farms inefficient.

Zambia now gives farmers an electronic voucher to buy whatever farm inputs they choose. Meanwhile, in the gleaming labs of the Zambia Agricultural Research Institute, a government agency, researchers nurture shoots of disease-resistant cassava in test tubes. They have cultivated bitter-tasting sorghum, which birds don't like but brewers do. And they have improved maize itself, developing orange varieties rich in vitamin A.

The biggest push to diversify comes from climate change. In 2010 researchers from Columbia and Stanford universities estimated that, by mid-century, global warming could reduce maize production in Africa by a fifth. Cassava copes better with drought and is shaking off its status as "a poor man's crop". But many Africans love maize, and tastes change slowly. Mr Kapami has never tried sorghum or millet. As they say in neighbouring Malawi, "Maize is life."



That's not the way out

mission to investigate past crimes and creating a special division in the country's high court to focus on cases of graft. All government revenues will flow into a single pot, he says, making the country's finances easier to audit.

Education is another problem. Three out of five adults in Sierra Leone are unable to read or write. Though primary schools are free in theory, parents often cannot afford the books and uniforms. Mr Bio vows to provide all that, and free secondary education, with money saved by "reducing leakages". That may be unrealistic, given the state of government finances. His transition team is taking stock of the situation. Rumours abound that the kitty is empty.

So Mr Bio must convince foreign do-

nors, such as the IMF, to trust him with their aid, much of which has been suspended or restricted because of the previous government's failure to implement economic reforms. Funds from a \$224m loan package negotiated last summer with the IMF were withheld over the APC's failure to achieve stricter enforcement of import taxes and collection of market-rate royalties on mineral exports. Mr Bio has already made progress in both of these areas.

Most Sierra Leoneans are hopeful that Mr Bio will make good on his campaign slogan, "Salone foh betteh" (Sierra Leone must improve), which continues to be heard on the streets of Freetown, the capital. If he can curb corruption a bit, then Sierra Leone may indeed get better. ■



Also in this section

- 36 Exit Paul Ryan
- 37 Organic farming
- 38 Philanthropy
- 38 The economics of prison work
- 39 School discipline
- 40 Lexington: The president and the law

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Mr Zuckerberg goes to Washington

Face-off

SAN FRANCISCO

If Facebook will not fix itself, will Congress do it?

“THEY ‘trust me’...dumb fucks,” Mark Zuckerberg, the boss of Facebook, wrote in an instant message to a friend in 2004, after boasting that he had personal data, including photos, e-mails and addresses, of some 4,000 of his social network’s users. He offered to share whatever information his friend wanted to see. Mr Zuckerberg may use less profane language today, but many feel he has not yet outgrown his wilful disregard for users’ privacy. On April 11th he testified before testy politicians in Washington about the firm’s latest privacy controversy, first to a joint hearing of two Senate committees that lasted around four hours, and then again on April 12th to a House of Representatives committee. Not since the 1990s, when Microsoft was taken to task for its monopolistic behaviour, has there been such “intense public scrutiny” of a technology firm in Washington, as Orrin Hatch, a Republican senator, informed Mr Zuckerberg.

Some of his inquisitors appeared annoyed by Mr Zuckerberg’s rehearsed responses, but that did not stop many onlookers from being chuffed by his smooth, slightly robotic, performance. Facebook’s share price closed 5.7% higher after his two days on Capitol Hill. Investors may be betting that the worst of “Facegate” could be over, but it is too soon to count on it.

The immediate scandal is the most acute and far-reaching crisis in Facebook’s 14-year history. Last month it was revealed by Britain’s *Observer* and the *New York Times* that a researcher from Cambridge University, Aleksandr Kogan, had obtained information about some 300,000 Facebook users by encouraging them to download an app and take a survey in 2012. He then shared these data with Cambridge Analytica, a political consultancy, which reportedly made them available to others, including Donald Trump’s campaign. Some 87m Facebook users are affected, because Facebook’s policies at the time were so loose that people using a third-party’s app often shared details not only about themselves but also about their friends without their knowledge. Facebook changed its policies in 2014.

These revelations are especially damning because Facebook first learned about this problem in 2015 and did little to address it. In fact, instead of focusing on Cambridge Analytica’s bad behaviour, Facebook threatened to sue the *Guardian Media Group*, which owns the *Observer*, if it published the exposé. Only after a media backlash and public outcry did Facebook begin to take action. It has started making it easier for users to control their privacy settings, reduced the amount of data that are

shared with third parties, and promised to audit suspicious third-party apps. But these are things that many of its users wrongly believed Facebook had long been doing anyway.

Politicians and users want to know more about how Facebook will adequately safeguard people’s privacy and offer enough transparency about how it operates. While encouraging its users to over-share minutiae from their own lives, the firm has been guarded in the past about sharing details of how its extensive data-collection machine works and what it tracks beyond the data users provide directly. The company’s business depends on observing users’ online behaviour and selling their attention to advertisers, who pay money to reach specific groups of users based on minute details gleaned about their identities, their interests and where they are. This requires a delicate balancing act between catering to users, whose attention Facebook must keep, and advertisers, who pay the bills. To date the firm has mostly favoured growth over careful checks that its “community”, as it calls its 2.1bn users, is being properly protected.

Sorry seems to be

Facebook’s corporate tradition of evasion was on display on Capitol Hill. When asked during the Senate hearing about whether Facebook tracks users who have logged out, Mr Zuckerberg said he did not know and would have to supply the answer at a later date (although many advertisers believe Facebook does exactly that). It has recently been revealed that Facebook collected Android users’ call logs and messages without most users’ knowledge, which offers another example of the firm’s ►►

▶ disregard for people's right to control and see their data. Even in Silicon Valley, which is known for producing eerily predictive algorithms, people find Facebook's stealthy tracking and targeting of users creepy.

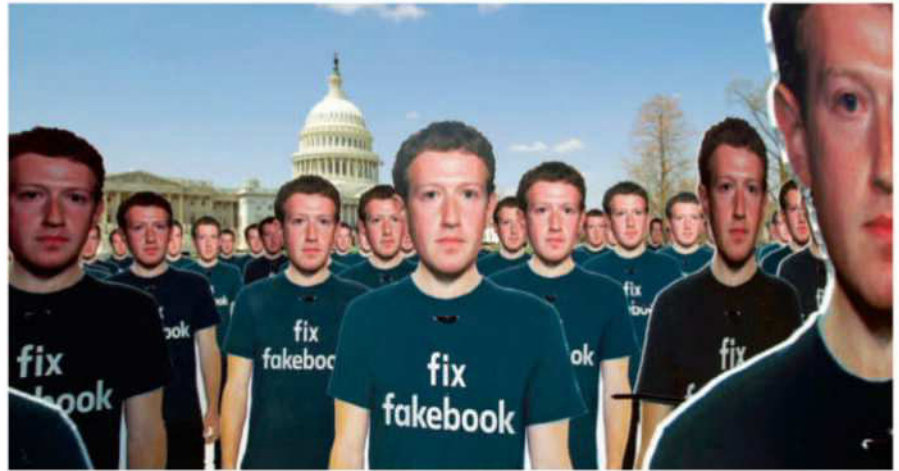
In addition to privacy, the Cambridge Analytica scandal points to two big concerns. One is the lack of transparency in political advertising. Corporate and political advertising are being "mushed together" as a single topic of discussion, but it is political micro-targeting that is most bothersome to consumers, says Karen Kornbluh, senior fellow for digital policy at the Council on Foreign Relations. Users are probably willing to see advertisements from car companies, but it feels more sensitive and invasive to be targeted with ads based on what is known or presumed about their views on divisive political issues, such as immigration, race, religion and gay rights. The company has vowed to start showing who is behind political ads and verifying the buyer's identity.

Another issue is foreign meddling, and the risk that hostile governments and non-state actors may harvest users' data. Already Facebook has disclosed that Russians were responsible for targeting ads and content to Americans in the lead-up to the 2016 election. It is becoming clearer that foreign governments, including Russia and presumably China, may have obtained rich data sets about Facebook users from the likes of Cambridge Analytica or other groups. Christopher Wylie, the whistleblower who sounded the alarm about Cambridge Analytica, has said that the company may be storing its data in Russia, suggesting a close connection.

The easiest word

Mr Zuckerberg will have plenty to grapple with in the coming months. One risk is that Cambridge Analytica is just the first of many outfits that receive scrutiny and media attention. According to someone close to the firm, the social-networking giant is already aware that Cambridge Analytica is only one of many outside groups with political motivations that stealthily gained access to detailed data about Facebook users. More revelations will probably become public, especially if politicians and investigators press Facebook on this point. If one of Facebook's employees decides to become a whistleblower in the vein of Mr Wylie from Cambridge Analytica, it could mean yet more apologies from Mr Zuckerberg and another summons for him to give congressional testimony.

Another risk to Facebook is action from American regulators. Bruce Mehlman, a lobbyist in Washington, says Facebook's Cambridge Analytica data spill could be much like the Exxon Valdez oil spill, which brought public scrutiny and regulation to an industry that had previously operated without much oversight. Mr Zuckerberg in-



Marks on Washington

sists that his firm is open to new laws, especially in areas that are sensitive, such as facial recognition. But it has been fighting state-level privacy laws, in California and elsewhere, that could restrict its normal course of business.

America's Federal Trade Commission (FTC) has launched an investigation into Facebook for its privacy practices. This is not the first time. As part of a consent decree agreed to in 2011 after the FTC charged it with deceptive practices, Facebook promised to be more transparent with consumers about the data that were gathered and shared publicly. The Cambridge Analytica fiasco appears to have been in violation of what Facebook promised. According to one former FTC official, Facebook could be facing a fine of around \$2bn or more, which could be the largest fine in history for violating an FTC order.

Some openly wonder whether America will eventually pass restrictions like those that will come into effect next month under the General Data Protection Regulation (GDPR), a European law that requires companies to obtain consent to gather and share users' data. If principles like this spread and American users are required, for example, to opt in to Facebook's tracking, it could dent Facebook's revenues, although by how much is unclear.

While in the long term some sort of regulation is inevitable, it seems less likely in the near term. Laws take years and sometimes decades to come into effect for burgeoning industries: people started talking about regulating telecoms firms in the 1970s, but America did not pass a law to regulate them until 1996. Today Republicans, who control both houses of Congress, do not have much appetite for restricting business. Because of Republican opposition, a benign bill that would require disclosure of who pays for online political ads, called the Honest Ads Act, has not even been granted a hearing.

For Facebook to change in any meaningful way, Congress will have to change

too. One of the most stunning revelations of the highly choreographed hearings was not anything Mr Zuckerberg said, but how little America's politicians seemed to know about Facebook and the way the world of digital communications operates. There is little hope for smart regulation that will protect users' privacy until the people who would draft laws understand the ecosystem they need to tame. The Cambridge Analytica scandal gave Mr Zuckerberg a crash course in political diplomacy, but the education of politicians about the opaque, labyrinthine world of digital data is only just beginning. ■

The Republican Party

Saving private Ryan

WASHINGTON, DC

The Speaker's retirement suggests his brand of conservatism has lost

LONELINESS is a potent force in politics. "I didn't leave the Democratic Party. The Democratic Party left me," Ronald Reagan liked to say, recalling why he became a Republican in his 50s. This week it was the turn of Paul Ryan, the Speaker of the House of Representatives, to explain why he will retire from Congress at the next election in November. Mr Ryan, a former vice-presidential nominee, talked of his three teenage children and of his own father's early death, and noted that if he served another term in Washington, his children "will only have known me as a weekend dad." He was surely sincere. Visit Janesville, his hometown in the dairylands of southern Wisconsin, and even Democratic-voting neighbours attest to Mr Ryan's love of family, whether escorting his brood to church or taking his daughter on a first deer hunt.

But Mr Ryan left unsaid the other way in which his Speakership leaves him pain- ▶▶

fully alone. Still only 48, he was the future of the Republican Party once: a champion of a flinty yet compassionate conservatism admired by both rank-and-file members of Congress and deep-pocketed donors. Paul Ryan's Republican Party cast government debt as both worrying and wicked: a betrayal of the next generation of Americans. It backed free trade and praised immigrants for their work ethic. Mr Ryan spent years telling rank-and-file conservatives that their dislike of government welfare was not mean-spirited but kindly. Delegates at the Republican National Convention in 2012 cheered when he accused Democrats of offering "a dull, adventureless journey from one entitlement to the next, a government-planned life, a country where everything is free but us." Above all, Mr Ryan stood for a credo that America is "the only nation founded on an idea, not an identity". That idea, he would explain with a catch in his voice, is the notion that the condition of your birth should not determine the outcome of your life.

That is not the Republican Party of President Donald Trump, a man not even mentioned in Mr Ryan's retirement statement. Mr Trump scorns conservative ideas and won office by embracing identity politics. As president the former reality TV star has continued to demonstrate that what a Republican does matters less than whom they are for, or more important still, whom they are against. Mr Trump enjoys 89% approval ratings among Republicans, despite a string of unfulfilled campaign promises, because he is a fighter who makes liberals mad, appals hoity-toity intellectuals and frightens foreigners.

To quote Senator Bob Corker of Tennessee, another Republican retiring this year, grassroots support for the president is "more than strong, it's tribal". When colleagues meet Republicans on the campaign trail, "they don't care about issues, they want to know if you're with Trump."

Mr Trump worries greatly about where people were born, attacking a federal judge as "very bad" and a "hater of Donald Trump" during the presidential election campaign of 2016, citing the judge's Mexican ancestry—a charge that Mr Ryan at the time called "the textbook definition" of racism. Mr Trump is blithe about debts and deficits, insisting that tax cuts passed in 2017 will pay for themselves. Unlike Mr Ryan, who calls reforming government support schemes the biggest task facing Republicans today, Mr Trump has ordered aides to leave untouched Social Security and Medicare, pension and health benefits mostly paid to the old, who constitute a core Trump constituency. In 2016 Mr Ryan urged congressional interns to practice civil politics. By all means disagree with opponents' ideas, he told them, but do not question their motives or patriotism.

Mr Trump calls the FBI a corrupt "deep

Organic farming

Corn beef

NORFOLK, NEBRASKA

The world's biggest exporter of maize finds itself importing the stuff

FLAKES of dried chicken droppings blow through the air as Jared Gubbels supervises the transfer of the stuff from an agricultural truck into the fertiliser spreader trailing his tractor. It infiltrates clothes, hair, nostrils. The smell lingers as Mr Gubbels drives away. Twenty minutes later he is back for another load. Chicken droppings are excellent fertiliser for organic corn. But it takes 5,000 pounds (2.3 tonnes) of the stuff to prepare an acre of land for sowing season, compared with just 300 pounds of chemical fertiliser for conventional crops.

"I don't eat organic," says Mr Gubbels as he guides the tractor down the field. "We do it strictly for the profit." Mr Gubbels' father, Greg, started growing organic crops in 1998, enticed by juicy margins. Yields for organic corn are about 70% of those for the conventional variety, but it sells for well over twice as much, more than making up for the shortfall.

Yet of the 4,000 acres (1,600 hectares) cultivated by the father-son duo, only 300 are organic. America is the world's biggest producer and exporter of corn, but it is a net importer of the organic sort. Between 2015 and 2016 the number of

acres devoted to organic corn grew by 28%, to 214,000. That is less than 0.5% of the 90m acres of corn in America. In the same period imports of organic corn jumped 42%, to \$160m. In 2014 that figure was just \$36m, according to the Department of Agriculture. Most of it is used for animal feed—all those cows producing organic milk and turning into organic steaks must themselves be raised on an organic diet.

There are three main reasons farmers have been slow to convert to organic production. The first is investment of both time and money: a piece of land must be cultivated without chemicals or contamination for three years before it is certified organic. In effect, that means putting in all the effort required for organic crops with none of the payback. Moreover, it often means buying separate equipment rather than risking contamination through shared use with machines handling the conventional crop.

Second, it is riskier. Pollen floating over from a neighbouring farm can render some of the crop uncertifiable. Inclement weather or weeds can wreak havoc. "Mother Nature can easily beat you at the game of organic," says Greg. Third, it requires more labour, which is both expensive and, given the seasonal nature of the work, tricky to find.

"I wouldn't want to take on another 1,000 acres," says Jared, while the older Mr Gubbels is more bullish, having seen two decades of ups and downs. But there are factors beyond the control of either farmers or the market. The supply of fertiliser, which comes from a massive poultry farm in nearby Wakefield, is limited by the prodigiousness of its chickens' bowels. They produce about 130 tons (118 tonnes) a day. "I don't know how many million birds they got over there but it's a shitload," says Greg. Even so, the suppliers have been turning down orders from new buyers.



Limiting factor

state" and says the Democrats want drugs and murderous migrants to "pour into our country". Mr Ryan's response is retreat, it turns out. To adapt Reagan's words for a bleaker age, the Republican Party left Paul Ryan, so he is leaving politics. A former Republican leadership staffer predicts that the Speaker will take refuge in the world of conservative ideas. As word of his retirement spread, Washington rumours wondered if he might become the next head of the American Enterprise Institute, a think-

tank. Perhaps in 15 or 20 years Mr Ryan may return to politics, suggests the former staffer, a bit wistfully.

Peter Wehner of the Ethics and Public Policy Centre, a long-time Ryan colleague and friend, notes that the Speaker is now free of both the "adult daycare" role of supervising an intemperate president and from worries about mid-term elections, which look grim for House Republicans. In the meantime, Mr Wehner sighs, "It is Trump's party," more clearly than ever. ■



Philanthropy

Giver's remorse

CHICAGO

One of the University of Chicago's largest donors tries to retrieve \$100m

WHEN he signed the giving pledge, a campaign to encourage the rich to give much of their wealth to good causes, David Rockefeller wrote that effective philanthropy “requires patience to deal with unexpected obstacles; patience to wait for the slight stirring of change; and patience to listen to the insights and ideas of others.” One of the most thoughtful philanthropists of his era, the grandson of the founder of Standard Oil, who died last year aged 101, mainly gave to institutions he was very familiar with, such as the Museum of Modern Art in New York, which was co-founded by his mother and where he was chairman of the board, or the Council on Foreign Relations, a think-tank whose board he also chaired for years. He knew how to talk to these institutions and how to listen.

Lack of communication seems to have been the cause of the acrimonious row between the University of Chicago and the Pearson family, which in 2015 pledged to give to the university \$100m in several instalments, the second-largest gift in its history at the time. By June last year the Pearsons declined to pay the fourth instalment of \$13m. Seven months later they filed a lawsuit asking for all of the \$22.9m they had paid so far to be returned. On April 5th the university filed a countersuit for failure to pay the latest instalment. It is also seeking for the Pearson suit to be dismissed.

Thomas and Timothy Pearson, who are twins, hail from Iowa and have no previous connection to the University of Chicago. They picked the school over around a

The economics of prison work

Capital and punishment

Convict labour hits local workers hard

THE 13th Amendment to the constitution has prohibited slavery and indentured servitude in America since 1865. The one exception is as “punishment for crime”. As a result, prisons use their inmates as forced labour to balance the books, particularly since private firms were allowed to hire them again in 1979. Last year around a third of America's prison population of 2.3m worked.

Most of this labour is done for much less than the federal minimum wage of \$7.25. According to the Prison Policy Initiative, an advocacy group, some prisoners working in industry earn as little as five cents an hour. Regular prison chores are unpaid in Alabama, Arkansas, Florida, Georgia, South Carolina and Texas. Many worry about the impact on local labour markets of undercutting free wage rates. But little research has been done to quantify this. A paper presented on April 6th at the Economic History Society's annual conference at Keele University seeks to do exactly this.*

Michael Poyker of UCLA Anderson has collected data from American prisons and the labour markets in their surrounding counties between 1850 and 1950. Crunching the data, convict labour hit free workers with a double whammy. The introduction of convict labour in a county in 1870-1886 accounted for 16% slower growth in manufacturing wages in 1880-1900, 20% lower labour-force participation, and a smaller employment

share in factories than there would otherwise have been. This is not only because free workers were directly replaced by prisoners. The remaining firms using local workers then replaced them with machinery to compete with other firms using convicts. Mr Poyker reckons that the use of prison labour resulted in 6% of the growth in patenting new technologies in industries that were affected.

Innovation helps the economy overall. But the gains are not shared equally. The owners of firms that used convicts benefited; poorer people lost out when competing with them. The paper finds that the greater a county's exposure to convict labour in the 19th century, the lower the level of social mobility between generations, even as late as the 1980s. This is because there were fewer opportunities for less well-off workers.

Globalisation means that convicts stitching Victoria's Secret bras compete as much with Chinese workers as with locals. But many make items, such as military uniforms, which by law still have to be made in America. As a result, Mr Poyker says, the crowding out of free labour by prisoners still occurs today. In 2012 Tennier Industries, an American military-clothing firm, fired 100 workers because it could not compete with rivals employing convicts.

.....
Michael Poyker, “Economic consequences of the U.S. convict labour system” (2018).

dozen others because of its reputation for rigorous quantitative research and academic excellence. The midwestern businessmen had a clear idea of what they wanted: the creation of the Pearson Institute for the Study and Resolution of Global Conflicts and the establishment of the Pearson Global Forum, a yearly high-calibre gathering of the great and the good in the field of conflict resolution. They stipulated the appointment of a distinguished academic as the institute's director, who is to hold a professorship named after Richard Pearson, the twins' father and a Methodist minister, as well as the endowment of three other professorships named after members of the Pearson clan.

None of this has happened as promised, say the Pearsons. In their suit they claim that the university “failed to deliver on the most fundamental of its obligations” such as the appointment of a director at the institute to run the day-to-day operations, the creation of an original

academic curriculum, the appointment of “pre-eminent individuals” to the professorships in their name and the creation of the first Pearson Global Forum, which was to be held later this year. Jeremy Manier, a spokesman for the University of Chicago, says the claims are “meritless”. The case will probably focus on whether the university met all its obligations before the Pearsons refused to pay the fourth instalment of their gift. Mr Manier maintains it did, but no administrative director of the institute has been appointed yet.

As agreements between donors and beneficiaries become more complicated, more such conflicts are likely, predicts Richard Mittenenthal of the TCC Group, a consultant for foundations and non-profit organisations. Donors who made fortunes in business are used to complex legal agreements and expect to get their way. They have a sense of ownership, especially when their name is attached to the creations their gifts make possible. ■

Schools

Discipline and punish

WASHINGTON, DC, BOSTON AND PHILADELPHIA

American schools reconsider suspensions and expulsions

WHEN the gunshots sounded outside Houston Elementary School, Rembert Seaward and Darryl Webster, the principal and the school social worker, scrambled to the ground and ducked for cover. But one young pupil remained standing and then started to laugh—"It's nothing but some gunshots," they recall him saying. He told them that he would regularly play with his father's TEC-9, a brand of semi-automatic pistol. "You think they're just six, what life experiences could they have?" says Mr Webster. "You'd be surprised. There's no normalcy." Nearly every pupil attending Houston Elementary in Washington, DC, is poor and many have a parent in jail. Some live in homeless shelters and have never had a birthday party, until Mr Webster hosts one. Unsurprisingly, misbehaviour is common. But unlike many other schools, disruptive pupils are hardly ever suspended. "We need to teach them that there is some degree of love in the world," Mr Seaward says.

Across the country school principals and teachers—both in traditional public schools and charter schools—are rethinking their approach to suspensions and expulsions for bad behaviour. In the past few years many of the largest school districts have revised their policies to reduce suspensions. Liberal reformers, citing racial disparities in suspension and the criminalisation of young black men, would like to see further reductions. Defenders of the old disciplinary model, including Betsy DeVos, the education secretary, think that the pendulum has swung too far and is harming school safety. Both reach well beyond the current evidence.

In the 1990s school districts began adopting strict "zero-tolerance" policies for even minor infractions. One young pupil was suspended for chewing his breakfast pastry into the shape of a gun; a nine-year-old was made to undergo psychiatric evaluation after threatening to use a rubber band to shoot a bit of paper at a schoolmate; a six-year-old was suspended for bringing a toenail-clipper to school.

Black pupils were nearly four times as likely to receive a suspension as whites in the 2013-2014 school year, the latest for which data are available. The same racial imbalances exist even for pre-school, where pupils are usually four years old or younger, and they have grown over time. The Obama administration issued guidelines noting that disciplinary policies

could be racially discriminatory if they had a "disparate impact" on minorities—even if they were enforced even-handedly. This scared many districts into rewriting their rules to avoid a federal investigation.

Several complicating factors outside the control of schools, like the greater exposure of black children to poverty, crime and eviction, could account for their elevated rates of suspension and expulsion. One of the cleverest studies to try and assess actual racial bias used data on school fights between white pupils and black ones in the state of Louisiana, and calculated the differences in punishment. The authors found only a very slight disparity—the black pupils were suspended for an additional 0.05 days, compared with whites. The idea that there is a school-to-prison pipeline for young black boys, a phrase often used by reformers, is a bit shaky too. National statistics show that only 0.63% of public-school children are arrested at school or referred to the police.

Going exclusive

"It would be the easiest thing in the world to cut the suspension rate to 0% tomorrow," says Jon Clark, co-director of the Brooke Charter Schools, a well-regarded network in Boston. But simply refusing to suspend misbehaving children would be damaging for their classmates, whose learning would deteriorate in the face of disruption, and for their teachers, whose

jobs would be made much more difficult.

Yet many schools are already turning to less punitive schemes. One programme, called Positive Behavioural Interventions and Support (PBIS), tries to improve schools by explicitly teaching good conduct as though it were any other subject. Another strategy, known as restorative justice, does not take offending children out of the classroom but teaches them to acknowledge that others have been harmed by their actions and then to make a plan to put things right. Both approaches seem to result in better behaviour.

High-performing charters have often been criticised for their strict disciplinary codes, which detractors claim are used to force difficult children out, thereby improving scores. That criticism may be dated, as many charters have revised their policies to be less severe. "We don't do militaristic discipline—one of our main themes is love," says Scott Gordon, the CEO of Mastery Schools, a network of 25 charters in Philadelphia and Camden, New Jersey, which uses restorative justice. Those who do misbehave are moved to a "peace corner" and then to a "restorative conference".

KIPP charter schools, which acquired a reputation for excellent results and strictly regulated behaviour, has now relaxed its attitude. The network is "getting rid of its focus on detention and demerits" in favour of recognising "curiosity, grit and resourcefulness", says Richard Barth, the organisation's CEO. KIPP's Philadelphia schools stopped using the "bench", where misbehaving pupils were made to sit apart from classmates, in 2009, and has not expelled a pupil for several years, says Marc Mannello, the head of the regional office. Behaviour is kept in check in other ways. At KIPP Philadelphia Elementary, eight-year-old pupils practise centring themselves for the day ahead with a yoga session. ■



Sometimes it makes me wonder

Lexington | The coming collision

The Mueller probe is as much about the rule of law as Russian meddling. It is in terrible danger



POWER corrupts, goes the old saw. Yet Donald Trump's presidency is the opposite case. It reflects the still-dumbfounding reality that one of the world's oldest democracies elected a fully formed rascal to its highest office. Mr Trump did not even try to hide his designs. He promised to run the country as he ran his family business, which would logically mean nepotistically, autocratically, with great regard for his personal interests and little for the rules. And so he has.

The president has bent anti-nepotism laws to put his daughter and son-in-law in the house whose first occupant, John Adams, hoped only to "do a little good". He has retained his business interests and cloaked his finances in secrecy. He has spent a third of his time as president at his commercial properties. He persists in claiming to have or to deserve sweeping powers over Congress, the judiciary and the constitution no matter how often he is reminded that he does not. His example permeates his cabinet of grifters. Ben Carson's \$31,000 dining set, Ryan Zinke's secretarial flag, Scott Pruitt's 18-man security detail, and private jets all round, were imitations of Mr Trump's greater vanities.

Only after Mr Trump has left office will a proper accounting of the damage he has done be possible. Yet the fallout from an FBI raid on the offices of his personal lawyer, Michael Cohen, on April 9th could go some way to determining the extent of it. The raid appears to have sent Mr Trump hurtling towards the head-on collision with the rule of law that always seemed likelier than a trade or shooting war to define his presidency.

No one, save Mr Trump, represents the president's tarnishing of American democracy more than Mr Cohen. An aggressive operator whose duties as a lawyer for the Trump Organisation allegedly included paying off his boss's mistresses and threatening journalists ("I'm warning you, tread very fucking lightly, because what I'm going to do to you is going to be fucking disgusting," he reportedly told one from the *Daily Beast*), he became the Republican Party's national deputy finance chairman last year. He was by then known, as an adviser to Mr Trump's campaign, for essaying the same tactics in politics that had earned him the nickname "Trump's pit-bull".

Asked in a memorable interview on CNN why his boss was trailing in the polls, Mr Cohen assumed a blank, show-me-the-ev-

idence expression, and refused to accept the premise of the question. "Says who?" he kept repeating, even after it was put to him that the polls said so. It was an exhibition of Trump-style reality denial without the showmanship, as inept as it was cynical. The same can be said of Mr Cohen's role in the intrigue that appears to have led the FBI to his Manhattan hotel room, residence and law office. It concerns his efforts to buy the silence of Stormy Daniels, a retired porn star, a couple of weeks before Mr Trump's election, and then cover his trail.

Compared with the allegations of collusion between Team Trump and Russian election-hackers being investigated by Robert Mueller, this may seem trivial. Mr Cohen was within his rights to pay Stephanie Clifford, as Ms Daniels is properly known, \$130,000 to keep quiet about having allegedly bedded Mr Trump. The legal difficulty for Mr Cohen concerns his subsequent claim to have done so with his own money and without Mr Trump's knowledge. It is reported that he could have broken banking laws, by raising the money on false pretences; or that he could have broken campaign-finance laws, by failing to declare it as a benefit to Mr Trump. Such transgressions are potentially serious, yet rarely prosecuted. The scandal has nonetheless assumed an outsized importance for two reasons that go beyond Ms Clifford's effectiveness in promoting it.

First, it has been billed as an early test of whether Mr Trump can be held to account. The Justice Department would not have sanctioned the raid, given the sensitivities involved, without strong grounds to suspect wrongdoing. Second, it is hard to imagine Mr Cohen breaking the law on his boss's behalf without his knowledge. Even if he did, moreover, Mr Trump may be in trouble, because rolling up Mr Cohen could help Mr Mueller gain a better understanding of the president's private affairs.

Bye bye bagman

The FBI raid was launched partly on the basis of information provided by the special counsel. It is expected to furnish him with fresh documentation of Mr Trump's financial and other arrangements, opening up new vistas of potential inquiry. If Mr Cohen is found out to be in serious jeopardy, Mr Mueller, who has already struck plea deals with three Trump campaign advisers, might even try to turn Mr Trump's self-declared consigliere, provided the president does not pardon him first. In short, if Mr Trump has crossed serious lines, related to the Russia probe or otherwise, the chances of him being held to account, one way or another, appear to have risen. His frazzled response to the raid seemed to confirm that. He called it a "disgrace" and "an attack on our country" and warned, more aggressively than he had previously, that he might try to sack Mr Mueller.

It is more important than ever to prevent that. Because the Mueller investigation, as the related raid on Mr Cohen has just underlined, is about something even more important than the sanctity of elections. The probe was launched by the Justice Department, as a defensive measure, after Mr Trump sacked his FBI chief James Comey: its unwritten mission is to ensure the wheels of justice remain free of presidential interference. As the investigation into Mr Trump gets broader, that has never looked more necessary or more imperilled. So this presents the Republican congressmen who alone could pass legislation to protect Mr Mueller from Mr Trump's mooted attack with a choice. Either they can stand with their party's elected champion, or they can stand for the rule of law. It seems they can no longer do both. ■

**The
Economist**

SPECIAL REPORT
GERMANY

April 14th 2018



The new Germans



The new Germans

Germany is becoming a more open, fragmented country. That will mean rethinking many ingrained habits, says Jeremy Cliffe

IN JANUARY A food bank in Essen, an industrial city in western Germany, unwittingly caused a political storm by requiring each new claimant to present a German identity document. Three-quarters of users were foreign, explained Jörg Sartor, the food bank's boss; surely that was unfair to locals. First came protesters who daubed "racist" on his vans. Then the far-right Alternative for Germany (AfD) party threw its (unsolicited) support behind him. Cameramen and reporters arrived. Other politicians waded in on all sides. Even Angela Merkel gave her verdict: it was "not good" that Mr Sartor had chosen to distinguish between Germans and others. In early April he lifted the ban on foreign users.

The incident reflects a widespread feeling of what Mrs Merkel has called *Unbehagen*, not easily translated but meaning anxiety or unease. A country that long equated belonging with having four grandparents with German names, and treated many immigrants as temporary visitors, has seen a massive influx of foreigners following the chancellor's decision in 2015 to keep borders open to refugees and asylum-seekers. At the same time Germany's traditionally egalitarian "social market economy" is becoming more polarised as globalisation buffets old industrial centres like Essen; hence the food banks.

Speaking at a conference of her Christian Democrat (CDU) party in Berlin in February, Mrs Merkel argued that this had affected the German election on September 24th last year in three ways: voters felt *Unbehagen* about the state's ability to cope with crises like the massive influx of refugees; about the country's economic future; and about the state of the wider world. That was a fair summary of the mood in the country she has run for more than 12 years.

The chancellor was trying to explain why her centre-right Christian Democratic Party and its Bavarian partner, the Christian Social Union (CSU), had suffered a drop in their share of the vote to a post-war low of 33%. Her partners in the grand coalition that has run the country for eight of her 12 years in power, the centre-left Social Democrats (SPD), also saw their support fall, from 26% to 21%. The anti-immigration AfD, formed only in 2013, took third place with 13%. An unprecedented five months of coalition wrangling to form a government ended only on March 4th

CONTENTS

- 5 Politics**
Between open and closed
- 6 Identity**
Whose Heimat?
- 7 Social divisions**
Ceçi n'est pas un hype!
- 8 Industry**
AI meets autoland
- 9 Foreign policy**
The somewhat reluctant hegemon
- 10 History on television**
Squarely in the frame
- 11 The next era**
Children of Merkel

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► when SPD members voted to support a new grand coalition with the CDU/CSU.

Herfried and Marina Münkler, a pair of academics and writers, capture the mood of today's Germany in their book "The New Germans". Ostensibly a profile of the hundreds of thousands of newcomers, their account makes a wider argument: even ordinary Germans without migrant roots are changing. "The order of the static" in Germany, the Münklers argue, is giving way to more fluid relations and "an end to stark national borders", exposing the country to economic, social and technological changes abroad. A hitherto hidebound place is turning into something more informal, more open and more varied.

The biggest single reason is the huge influx of refugees and asylum-seekers, which peaked in the summer of 2015. Mrs Merkel famously vowed to keep Germany's borders open to hundreds of thousands of newcomers, though later she tightened up the rules. In 2015 and 2016 a total of 1.2m people arrived, a significant addition to the population of 81m. But the old vision of what it means to be German was already being challenged by earlier arrivals. In last year's election, for example, the share of MPs with a migrant background rose to 8%, up from 3% in 2009 (though it would have to go up to 23% to be truly representative of the population).

Cool Germania

The *Unbehagen* also reflects deeper trends. "Germany is in the process of a great transformation into a more plural society," says Marcel Fratzscher, director of the German Institute for Economic Research in Berlin. Church attendance is declining. People are divorcing more and marrying less (apart from gay couples, who were finally given the right to wed last year). A patriarchal country is slowly becoming more gender-balanced. Mrs Merkel's governments have greatly increased the availability of child care,

introduced quotas for women on company boards and boosted wage transparency. In the past 15 years the share of working-age women with jobs has increased from 58% to 70%.

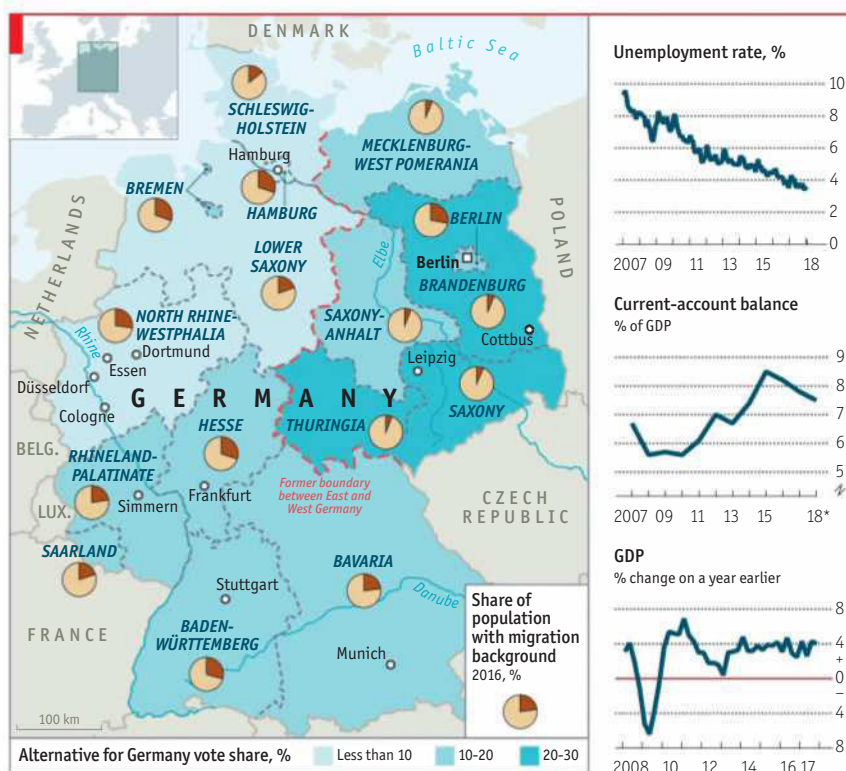
These changes have been widely welcomed. "Germany has become much more relaxed under Angela Merkel," says Peter Altmaier, the new economics minister and the chancellor's closest cabinet ally. Bernd Ulrich, a liberal commentator, reckons that "German angst" has given way to "German coolness". The unofficial anthem of this cool new Germany is a music video in English called "Be Deutsch" (see picture, previous page) by Jan Böhmermann, a German comedian, which has been viewed over 7m times. "Guten Tag, the true Germans are here/ We are xenophobes' biggest fear/ You call for strong leaders, fences and walls/ But being like us takes bigger balls," goes the song, as muesli-munching, European-flag-waving Germans stand up to anti-refugee protesters. "We are no longer murderous vandals/ We'll come for you in socks and sandals."

But not everyone approves. A cultural divide is opening up between urban regions and more conservative suburban and rural areas. "Cities like Munich, Cologne and Berlin now have more in common with each other than with their own hinterlands," says Michael Bröning, author of a new book on nationhood. And rising crime rates and cultural battles like the one in Essen are making society feel more raw. On New Year's Eve 2015 in Cologne some 1,000 women were sexually assaulted by a crowd made up largely of immigrants. A year later an Islamist terrorist from Tunisia drove a hijacked truck into a Christmas market in Berlin, killing 12. The titles of recent books and films—"Nervous Republic", "Fear for Germany", "The End of Germany"—capture the public mood at its gloomiest.

Economically, the new Germans are sitting comfortably. The country has a record trade surplus and record low unemployment and enjoyed a budget surplus of €37bn (\$47bn), or 1.1% of GDP, last year. Yet even here *Unbehagen* is creeping in. Globalisation and technology are hollowing out the German labour market and creating new divides between haves and have-nots. And Germany's mighty engineering industry, the very driver of its prosperity, is being disrupted by new technologies and competitors that upend old business models.

At the same time the world's expectations of German defence and foreign policies are running ahead of what its citizens are willing to endorse. When Donald Trump was elected America's president in 2016, Germany, though reticent on the world stage and pacifist in its instincts, was hailed as the "new leader of the free world", thanks partly to its role in the refugee crisis and partly to its credentials in a Europe where France looked weak. But it was not what the Germans wanted. The election of Emmanuel Macron as president has provided them with a more equal partner in Europe, though his ideas for an integrated euro zone make them deeply uncomfortable.

As the old Germans give way to the new sort, the questions mount. Guntram Wolff, the German director of a Brussels-based think-tank, Bruegel, speaks for many when he asks: "Who are we, what kind of a country are we?" ■



Sources: AFP; Die Welt; national statistics; Eurostat; European Commission

*Forecast

Politics

Between open and closed

The old party system is fragmenting

A STUDY OF attitudes towards immigration in Germany, published in July last year by More in Common, a campaigning organisation, identified five distinct groups of broadly similar size: liberal cosmopolitans (all in favour), humanitarian sceptics (for an open-border policy, but concerned about integration), economic pragmatists (supporting it when it pays), moderate opponents (advocating full repatriation in due course) and radical opponents (strongly against). The report points to the increasing fragmentation of the German electorate, and to a shift from economic debates to cultural ones.

The election sent a record seven parties to the federal parliament (see chart), up from five last time round and four for much of the post-war era. The share of the three big *Volksparteien* (peo-

The AfD is now the largest opposition party in the Bundestag, which strengthens its calls for a closed Germany

ple's parties), the CDU/CSU and the SPD, fell from 67% to 53% of the vote. Smaller parties did well, with big gains for the far-right AfD, which came second in the formerly communist east and first in one of its states, Saxony. There were gains, too, for the pro-market Free Democrats (FDP) and for the liberal-environmentalist Greens. Their rival on the left, the socialist Left party, slightly increased its share of the vote as well.

Immediately after the election the SPD made it clear that it wanted to go back into opposition to renew itself after four years as part of a grand coalition. The CDU opened talks with the only other possible coalition partners that would be able to deliver a majority: the FDP and the Greens. But Green lefty openness proved too difficult to reconcile with FDP pro-business conservatism, so after much arm-twisting the SPD was persuaded to reconsider in January and eventually agreed to enter another grand coalition. The alternative would have been a minority government, which Mrs Merkel had said she did not want, or a fresh election, for which the SPD's miserable poll results did not augur well. In early March the SPD's members approved the deal with a two-thirds majority.

That was a huge relief for the CDU/CSU. It had felt obliged to offer the SPD a generous number of ministerial posts as sweeteners, including the mighty finance ministry, now held by Olaf Scholz, a fiscally conservative former mayor of Hamburg. The coalition deal also offers more child care, tax cuts for middle and lower earners, increased infrastructure investment and strict new limits on the use of short-term work contracts. The CDU/CSU got agreement that refugee arrivals will be capped at 180,000-220,000 a year and family reunification will be limited to 1,000 a month plus "hardship cases". But there is little sign of a wider vision for Germany and its place in the world.

The AfD is now the largest opposition party in the Bundestag, which strengthens its calls for a closed Germany. The party's co-leader and parliamentary boss, Alexander Gauland, has said

Germans would not want to live next door to Jérôme Boateng, a half-Ghanaian player in Germany's national football team. The party is part of a wider web of views and organisations that are uncomfortable with the diversity of modern Germany. The anti-Islam movement PEGIDA marches through (mostly eastern) German cities chanting, "we are the people." "Finis Germania", a bestselling book by Rolf Peter Sieferle, a historian, claims that the country let in refugees out of self-hate induced by post-war guilt.

At the opposite end of the political spectrum from the AfD are the Greens, the party of cosmopolitans. It is booming in polls and confident under a dynamic new leadership. But the real battle will take place in the muddy ground in between those two poles, occupied by the humanitarian sceptics, the economic pragmatists and the moderate opponents. "The future depends on who wins over the ambivalent," says Timo Lochocki, a German expert on populism.

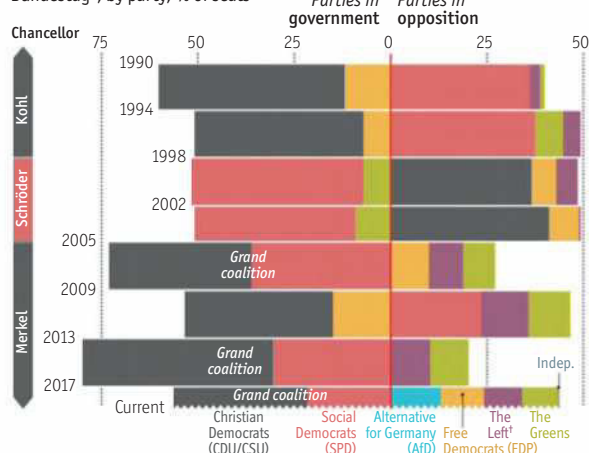
An open-versus-closed divide runs through all the major parties. Many on the centre-right are in favour of creating a firmer German *Leitkultur* (lead culture), revoking dual citizenship and outlawing the *burqa*. Some deem Islam "not part of Germany". All of this could blow up when Mrs Merkel steps down, as she is expected to do by the next election, due in 2021. On one side are Merkel loyalists like Annegret Kramp-Karrenbauer, the new general secretary of the CDU; on the other more conservative figures like Jens Spahn, the new health minister and a long-term critic of Mrs Merkel's refugee policy. The SPD cannot decide whether it has given too much or too little attention to bread-and-butter issues such as pay. The socialist Left party, too, is torn between metro-

politan voters, among whom it gained support at the election, and nativist ones, mostly in the east, some of whom deserted it. The pro-business FDP is similarly divided.

There is a template for this: the Netherlands. Like its Dutch counterpart, politics in Germany may soon be dominated by an economically liberal but socially conservative party, a rump social democratic party competing with greens for the main left-of-centre ground, and other, smaller parties offering different combinations of left and right, open and closed. Who wins and who loses ground will be determined mainly by two factors: immigration and national identity. ■

It's complicated

Bundestag*, by party, % of seats



Sources: ParlGov; Federal Returning Officer

*Election result †Includes predecessors

Identity

Whose Heimat?

These days “Germany” can mean many things to many people

THE HUNSRÜCK IS a high plateau between the Moselle and Rhine rivers, known for its wind turbines and its burbling accent. *Heimat ist da, wo man schwätzt wie mer* (home is where people talk like us), as they say in these parts. The German word *Heimat* can mean landscape, custom, identity, home, family and habit. It is associated with the Hunsrück thanks to a three-part film, “*Heimat*”, set in this region. An epic tale spanning multiple generations of one rural family from the inter-war era to the post-reunification Germany of the 2000s, it is the focus of the Hunsrück Museum in Simmern, the largest village in the area. The film and the museum are enjoying a renaissance.

Growing divisions in Germany, and the rise of the far right, have recently made *Heimat* the hottest topic in the country’s politics. “People have a need for comfort and *Heimat*,” as Jens Spahn, the new health minister from the CDU who is tipped to succeed Angela Merkel, recently put it. Germany’s new government even has a *Heimat* ministry, part of the interior ministry. A society that is rapidly becoming more open and fragmented is harking back to tradition.

The biggest change in recent years has been large-scale immigration. Germany does not have a long tradition of welcoming people from other cultures. The Italians and Turks imported into West Germany to alleviate labour shortages in the post-war economic boom were called *Gastarbeiter* (guest workers), implying that their stay would be limited, and few efforts were made to integrate them. In a speech in 1982 Alfred Dregger, a CDU grandee, famously said that “the return of foreigners to their *Heimat* must be the rule, not the exception.” For decades the only truly accepted immigrants were ethnic Germans from eastern Europe.

That old Germany is becoming more heterogeneous. In 1990 Germany’s football team contained only German names (and one Polish-German one); in the European Cup championship in 2016 it contained a Boateng, an Özil, a Podolski, a Sané and a Gómez, among others. In politics, the share of MPs with a migrant background has tripled since 2009. Dunja Hayali and Cherno Jobatey, Germany’s best-known breakfast-TV personalities, have roots in Iraq and the Gambia respectively. Many of the immigrants who have been integrated are from EU countries in eastern and southern Europe. Germany is increasingly becoming an *Einwanderungsland* (immigration country).

This has happened gradually. Simmern’s first substantial contact with foreigners was in the 1950s, when American servicemen moved into a nearby airbase. Older locals say this was the first time they met anyone of colour. Then in the 1960s Turkish guest workers started to arrive, followed in the 1990s by Russian-Germans from the Volga. Even the tourists from all over Europe landing at Hahn airport, a cold-war air base turned into a budget airport, contribute to the mix of languages.

Over a dinner of *lahmacun* (Turkish pizza), *baklava* and tea in Simmern’s tiny mosque, members of the Turkish community say there is still plenty to do. “It is all about your name: if you’re called Mehmet, you’re Turkish, whatever your passport says,” says Mehmet Ali Kaya, chairman of the mosque’s board. A woman in a headscarf jokes that she should change her name to Hildegard. Such observations—voiced in perfect German—point to



Guns and Glühwein

the challenges of integrating newcomers into a society as rigid and rule-based as Germany’s.

Around the corner from Simmern’s mosque a much more basic form of integration is under way. Eight new arrivals—three Syrians, two Afghans, two Eritreans and a Pakistani—are taking elementary German lessons in the Café Friends. This is the newest wave of immigration into this quiet corner of the country, set off by the refugee crisis in 2015 and its aftermath. Mrs Merkel’s decision to keep the country open in the face of a huge influx that summer seems to have been based on a mixture of pragmatism (there were no obvious alternatives) and idealism (Mrs Merkel, who came from the east, would later explain: “I grew up behind a wall and have no desire to repeat the experience”). “We’ll manage it,” she told her compatriots. Almost two-thirds of the 1.2m who arrived in 2015-16 have stayed on.

What do we do now?

“For three months the only thing we talked about was, ‘what do we do now?’,” recalls Andreas Nikolay, Simmern’s mayor. The first task was to house the new arrivals. Tents went up at Hahn airport, which at the peak of the crisis accommodated 700 people; then refugees were sent to emergency centres like the nearby Haus Helvetia, a handsome Wilhelmine mansion overlooking the Rhine. It is rented by the municipality and run by a charity, Caritas, whose theme last year was “Together we are *Heimat*”. As part of this programme locals and refugees have met up on nature walks and at cooking lessons. Angelika Hillingshäuser, the local co-ordinator, reckons that “you can have more than one *Heimat*...My grandparents came from East Prussia.”

Germany is doing better than most at integrating its immigrants, according to a survey of 5,000 refugees by the European Network Against Racism. It found that 51% of refugees there are taking part in integration programmes, compared with 34% in Sweden and 11% in Greece. Examples of this *Willkommenskultur* (culture of welcome) can be seen across Germany. At the high school in Simmern, for example, teachers decided to add maths and vocational training to the compulsory language lessons for migrants. In one maths class a small group of teenagers, all relative newcomers, respond in confident German when asked what jobs they would like to do. One wants to become a metalworker, another a computer programmer. A 16-year-old Afghan girl wants to be a painter. “Germany is very calm,” she says. ➤➤

Volunteers have played a big role. Simmern's Café Friends is run by locals. The emphasis is on learning the language, "a bridge to the future, to a new *Heimat*", says Bernadette Boos, who teaches German there. Encouragingly, many of those helping out are themselves former immigrants, including Russians, Poles, Spaniards and Lebanese, says Tahir Sucubasi, a second-generation Turkish immigrant running Simmern's integration programme. Ralf Wilhelmi, one of the German volunteers, is upbeat: "You don't feel polarisation here like you do in big cities."

In the big cities, it is true, the picture is different. Unaccompanied young men, some traumatised by war, make up a large share of Germany's refugees, and they tend to gravitate to metropolises. In cities like Berlin applications for asylum and appeals can take years. For those left in limbo, there is not much to do. They are banned from working, and spending money provided by the state is stingy. So tens of thousands of frustrated, poor and sometimes violent young men are at large.

Sometimes the frustration boils over. The mass sexual assault on women in Cologne on New Year's Eve in 2015, mostly by Arab men, has become a *cause célèbre*, as has the attack in December 2016 by Anis Amri, a 24-year-old Tunisian who had been denied asylum six months earlier. The truck he drove into a Christmas market in Berlin killed 12 people. In Lower Saxony violent crime in the two years to 2016 rose by over 10%, with more than 90% of the increase attributable to immigrants. Anti-Semitism, too, is on the rise; on December 8th last year a crowd burned a Star of David at Berlin's Brandenburg Gate in protest at President Trump's recognition of Jerusalem as Israel's capital. A recent wave of knife attacks by and among refugees in the eastern city of Cottbus brought local protesters onto the streets.

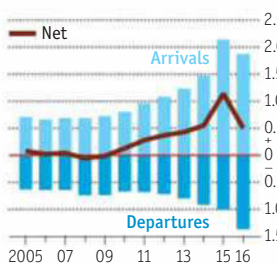
None of this much affects the life of the average German, but a sense of insecurity has crept in. A country with folk memories of the Gestapo and personal recollections of the Stasi is having to get used to armed police patrolling its markets. In 2015-16 the number of small-arms licences surged by 85%.

The big question is whether a civic form of German-ness—a pluralistic *Heimat*—is possible. The Christmas party in the Haus Helvetia is encouraging. There is a piano, candles, baskets of Clementines, coffee and cake. German and refugee kids run around and sing a Christmas carol, *Lasst uns froh und munter sein* (let's be happy and cheerful). Young Pakistani men awkwardly stand round the edge. Shahzad Uddin is looking forward to the summer, and cricket matches on fields by the Rhine. Mahmood Abbas, from Faisalabad in Punjab, is showing pictures on his phone from a recent Ahmadiyya festival in a nearby town where about 1,000 fellow refugees with posters formed a giant German flag. Mr Abbas pauses and explains: "My *Heimat* is Germany." ■

Citizens of the world

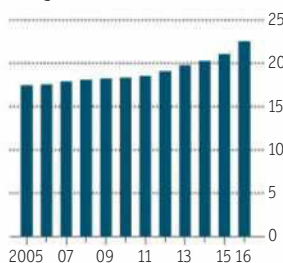
Germany

Migration, m



Source: National statistics

Population with a migration background, % of total



Social divisions

Ceci n'est pas un hype!

Germany's economic boom has left many behind

LIKE MANY CITIES in former East Germany, Leipzig shrank after the fall of the Berlin Wall in 1989, hitting a low of 437,000 residents in 1998. But then clubs and artists started moving into abandoned warehouses and factories. Now the population has risen to 590,000 and the city has come to be known as "the new Berlin" and "Hypezig". That moniker "started as a criticism, but now it's a brand", explains Katja Herlemann, a theatre producer, sitting in the chic bar "Pilot" in the city centre. Her sardonically titled new theatre project, "Ceci n'est pas un hype!", explores the booming city and its diverse people.

In a former car-repair shop down the road in Grünau, a working-class district of the city, there is no sign of hype. Volunteers are unloading crates and arranging oranges, leeks and cheese donated by supermarkets. About 1.5m Germans rely on food banks like this one, where the needy can get a full week's shop for €2 (\$2.50, £1.80) per person (€1 for children). "It's hard being poor in a rich country," says Werner Wehmer, the director. "You see on TV how you're supposed to live, you see the people in cafés you can't afford to go into, you go to a Christmas market and can't afford things."

Want amid plenty

Similar scenes can be observed all over Germany. Globalisation and the liberalising "Hartz" labour-market overhaul of the early 2000s were big factors in Germany's economic success, but they have also made the country more unequal. The share of households below the official poverty line of 60% of average earnings (€917 a month after tax for a single person) was 15.7% last year, compared with 14.7% in 2005, even though unemployment is at a record low. A large government study published last year showed that about 40% of German workers had seen almost no increases in net real wages since the mid-1990s.

Ulrike Pfeiffer, a language teacher, explains that she has to teach for 34 hours a week to make ends meet. Teachers on permanent contracts do just 26, but more and more adult education colleges like those where Ms Pfeiffer works use freelancers instead. "No health insurance, no holiday, no security," she says, "and old-age poverty is programmed in." The lack of a pension is also a worry for Peter Sonntag, who works irregular shifts at a warehouse on the edge of Leipzig owned by Amazon, an online retail giant. After several years' service he is now paid €12 an hour, which does not leave much to save for his retirement. That is true across Germany, where earnings and pensions are more closely linked than in many other countries and the poorest 40% have virtually no assets (because most Germans rent rather than buy housing). In the decade to 2015 poverty among over-64s rose from 11% to 15%. The sight of old people rooting through bins for bottles, which carry a deposit, is a feature of German cities.

Working conditions are changing, too. German workplaces have traditionally been highly unionised, with consensus-based management practices. But the fast-growing service industries have imported a more Anglo-Saxon style, exemplified by Amazon, which arrived in Leipzig in 2006. "Managers monitor if you go on your break one minute too early and they check if you go to the toilet too often; I've never known that in a job before," com- ➤

► plains Mr Sonntag. He is a member of Verdi, a trade union, but Amazon refuses to enter wage negotiations and has hinted it might move the warehouse across the border into Poland.

The growth of low-paid work, combined with rising rents, is reshaping German cities. In Leipzig a typical monthly rent for a flat used to be around €4.50 a square metre, recalls Ms Pfeiffer, but now €7.50 is not uncommon: “People are being pushed out to the city limits.” That, says Ines Kuche of Verdi, creates so-called “Hartz IV” districts: areas with a concentration of social problems that rely on welfare, sometimes exacerbated by racial tension as immigrants move in. The politics reflect these divides. In the smart city-centre area round the bar “Pilot”, the Christian Democrats came first in last September’s election, closely followed by the Greens; out in Grünau, a kilometre from the centre, it was the far-right AfD, followed by the socialist Left party.

Away from the big cities, rising rents and traffic jams seem distant, but life can be tough in different ways. Bitterfeld, about 20 minutes’ journey from Leipzig, was an East German chemicals town with 76,000 people. After reunification, work dried up and many of the younger residents moved out. In the suburb of Wolfen Nord, boards are nailed over the windows of old factories, and communist-era tower blocks stand empty. Many of the 41,000 remaining inhabitants are poor and angry, and many are planning to leave.

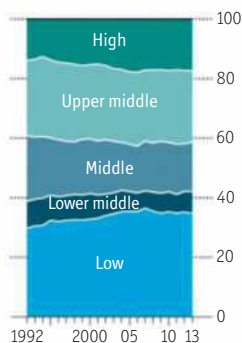
Such economic exclusion can also be found in western post-industrial regions like the Ruhr valley. In the two decades to 2015 the share of low-paid workers in former West Germany rose from 11.9% to 19.7%. But in former East Germany it remained almost unchanged at 36.3%. At the time of reunification West Germany’s chancellor, Helmut Kohl, had promised “blooming landscapes” in the east. Their failure to materialise, apart from big-city successes like Leipzig and Berlin, helps explain why the AfD did so well in the east in the September election. The Social Democrats (SPD), traditionally the champions of the less well off, took just 23% of the working-class vote nationally, down from 48% in 1998—even though as a partner in the grand coalition they had just shepherded through a minimum wage designed to help precisely such people.

In other ways, too, public policy could do much more to help make German society fairer. The country’s education system, which separates academic and vocational streams, entrenches inequality. And although Germany has the most unequal distribution of wealth in the euro zone, the tax system relies heavily on regressive indirect taxes such as VAT.

The new government plans to use some of the country’s giant budget surplus to level some of these inequalities. Some €4bn will go on new social housing and encouraging housebuilding generally. Short-term employment contracts will be restricted and new pension provisions will be made for low earners. Peter Altmaier, the new business minister, has said that priority will be given to strengthening the social market economy and to economic development in the former east. The new government seems to want to “re-Germanise” an economy that has become increasingly Anglo-Saxon. ■

More richer, more poorer

Distribution of gross household income, by income level, %



Source: University of Duisburg-Essen Work and Qualification Institute (IAQ)



Industry

AI meets autoland

An economy built on caution must learn to live with disruption

LAST YEAR GERMANY exported a record €1.28trn-worth of goods, 6.3% more than the year before. The infrastructure can barely keep up. In Rotterdam in the Netherlands, the main port through which these exports are shipped, Rhine barges sometimes have to wait for four days. Germany is suffering a dearth of pallets, and labour shortages are becoming more acute. These are problems that other countries would love to have.

One reason for Germany’s success is that its labour reforms of the early 2000s, combined with the relatively cheap euro, have made its exports highly competitive. Another is a specifically German magic formula: an abundance of conservative, meticulous firms that are good at fine-tuning tried-and-tested methods honed over many decades. Most of the firms in the DAX index, which consists of Germany’s 30 largest traded companies, still make the same sort of things the country was making almost a century ago: cars, chemicals and machine parts. SAP, the youngest DAX company, was founded in 1972. Germany’s corporate birth rate is the lowest in any large European economy.

The country’s conservative industrial model is now being put to the test “on a scale that perhaps has not yet been fully understood”, as Angela Merkel puts it. Technological disruption in many important industries is forcing them to compete with new rivals. Nowhere is that truer than in the mighty car industry, which accounts for one in seven jobs in Germany, one in three euros spent on innovation and one-fifth of all exports by value.

A visit to Stuttgart brings these numbers to life. The home of Porsche and Daimler (the owner of Mercedes-Benz), this south-west German city exudes wealth and success. But in the laboratories and factories, angst hangs in the air. The cause is summed ►►



Germans have a long tradition of seeking perfection and thinking everything through

► up by a new spaceship-like showroom slap in the centre of the city that belongs to Tesla, the innovative car firm created by Elon Musk, an eccentric American billionaire.

Tesla produced the world's first all-electric luxury car back in 2012. Its models have been fitted with the hardware required for full automation since 2016, and it is due to bring out its first car without a steering wheel in 2019. German carmakers are lagging behind, and some have recently been accused of cheating in emissions tests.

It is not that Germans are not innovative. The first hybrid car, the *Semper Vivus* (pictured above), was designed by Ferdinand Porsche in 1900; the first self-driving car, the *VaMORS* van, was built by Mercedes in 1986 (both are now in museums). Mrs Merkel has presided over an increase in R&D spending to 3% of GDP. About 34% of global electric-car patents are German. The country's firms are expert at teaming up with academics and shop-floor workers to put new inventions into practice. Recently they have focused on automating and digitising traditional production processes under the heading "Industry 4.0".

In Sindelfingen, Daimler's airport-sized factory on the edge of Stuttgart, a vast assembly hall is uncannily quiet except for occasional clunks and whirrs. On a production line a robot arm lifts a newly pressed roof, rotates it and sets it onto a car body. Staff monitor the machines, sticking post-it notes on the glass walls of their office. This process of refinement has been going on almost continuously since carmaking began at Sindelfingen in 1926. But Tesla and all it stands for has rendered it insufficient.

"We have a long tradition of seeking perfection and thinking everything through," says Michael Hafner, who runs Mercedes-Benz's self-driving car programme. The German way is to issue a new product only once it is absolutely right, explains Moritz Mueller-Freitag, a technology writer. Whereas Tesla beams refinements of its automated driving software to cars already on the road, Daimler updates its "Drive Pilot" programme (which mitigates the effects of sudden braking) only when it brings out a new model. Mr Hafner points out that new managers at Mercedes-Benz are now trained to accept that not everything will succeed: "If you try out new things quickly and every xth experiment works out, that's sometimes faster than iterative process."

When the car industry's main job was to fine-tune the internal-combustion engine, there was no need for leaps into the dark. But when new technologies are transforming the very meaning of the terms "car" and "engine", makers must make much bolder changes—and the collaborative, corporatist style of German management does not lend itself to those.

Mentality update

The shift to automation highlights the growing importance of computer software even for traditional German engineering firms. In a glass complex amid rolling hills an hour north of Stuttgart, Stephan Hönle, head of automated driving at Bosch, explains his technology firm's co-operation with Mr Hafner at Mercedes-Benz. "This", he says, brandishing an octagonal black sensor for a car bumper, "needs an algorithm." Yet the mentality update is taking its time. The chancellor has repeatedly promised to invest in digital technology and skills but so far has delivered relatively little. As Brigitte Zypries, a former economy minister, likes to put it: "In the age of the internet of things, the United States has the internet. Europe has the things."

German industry recognises the need to catch up. In March last year Daimler announced it was speeding up its work on electric cars and would link up with Bosch to create self-driving taxis within three years; that resulted in the collaboration between Mr Hönle and Mr Hafner. The question is whether German firms can combine their tried-and-true magic formula with some Anglo-Saxon thrust and vim.

Matthias Wissmann, who for nearly 11 years was the German carmakers' chief lobbyist, thinks they can: "Two worlds are coming together." Positive signs include the Daimler-Bosch collaboration; the German government's easing last year of regulations governing self-driving cars, which has made testing easier; and new industry-funded chairs at German universities in subjects like electrochemical engineering to help the country catch up on its rivals. Indeed, Mrs Merkel herself has said she wants a self-driving car when she is older. If her country gets things right, it might even be German. ■

Foreign policy

The somewhat reluctant hegemon

Germany's traditional foreign-policy doctrines are coming under pressure

THERE IS A crack of howitzer fire and a plume of smoke from above the birch trees, then silence falls on the milky winter afternoon in Pabrade, close to Lithuania's border with Belarus. "There come the Marders!" cries Lieutenant-Colonel Bösker of the Mechanised Infantry Battalion 371 of Germany's Bundeswehr as four light tanks roll out of the forest. Their job is to lure the enemy into the line of fire of the Leopard heavy tanks, which issue a series of earth-shattering booms. All this action, the lieutenant-colonel explains, is purely defensive: "The point is to slow down the enemy and buy time for political talks."

The exercise, codenamed "Winter Wolf", is part of NATO's "enhanced forward presence" (EFP) in Poland and the Baltic states, a response to Russian aggression in the region. In each of these countries a "framework nation"—in Lithuania's case, Germany—leads a multinational battalion charged with deterring Russian interference. Until recently such a deployment close to ►►

Squarely in the frame

A string of successful television exports project soft power

GERMAN TELEVISION USED to be dominated by sentimental romantic dramas and worthy but dry documentaries. But a succession of innovative new series is now taking the culture world by storm. In 2015 the first episode of “Deutschland 83”, a spy thriller set in former East Germany, was the most watched subtitled programme ever to air on British television; a sequel, “Deutschland 86”, will hit screens later this year. Now reviewers are raving about “Babylon Berlin”, a Weimar-era crime drama that has been described as “‘Cabaret’ on cocaine”.

Deep-pocketed American studios are working with German writers and actors to make television aimed at global markets. “Babylon Berlin”, the costliest non-English-language series ever made, was half-funded by Sky, a European media group,

and distributed by Netflix, an American entertainment company, which in December produced its own first German-language series—“Dark”, a science-fiction thriller. Amazon, an online giant, did the same last year with the Berlin-based “You Are Wanted”, a series about the aftermath of a cyber-crime attack.

“When our series was popular in the us and the uk, Germans were surprised but I wasn’t,” recalls Anna Winger, one of the makers of “Deutschland 83”. Comfortable in its skin and blessed with a cool, creative capital city, Germany is now seen as sexy. In 2017 it overtook the United States to become the world’s most respected country, according to an annual survey of 50 nations by gfk, a market-research firm. Its long-undigested past is at last considered suitable material for television programmes.

▶ the Russian border would have been unthinkable. The post-war German constitution ruled out any combat deployments of the armed forces, a prohibition that was lifted only in 1994. Between the end of the second world war and 2002, when Germany joined the war in Afghanistan, the number of Germans killed in combat was precisely two. Mr Trump complains that Europe’s largest economy still falls well short of NATO’s target for defence spending of 2% of GDP. But as the Lithuania mission shows, the country is now more engaged.

Across all aspects of Germany’s foreign policy, the country is beginning to give up its cautious traditional doctrines, but much more slowly than many of its allies would like. The country’s role in the world is inevitably coloured by recent history. At NATO’s Lithuanian headquarters in Rukla, a former Soviet army base, Thorsten Gensler is reflecting on his childhood. The EFP battlegroup’s commander grew up in Bavaria, just 4km from the border with East Germany, which he recalls was patrolled by American soldiers. Sometimes they would give out chocolates. “But the threat was there, it was visible,” he says. “And then the Wall fell, and with the expansion of NATO we are surrounded by friends...Here in Lithuania I feel that Germany is now giving back something of what the alliance gave my country in the cold war.” In the nearby mess tent—a little corner of Germany, complete with sausage stand and post office—postcards bearing messages from home are pinned on a board: “My papa, my soldier, my hero”; “Greetings from the *Heimat*”.

Germany has stepped up its defence effort in recent years. In 2014 Joachim Gauck, then the country’s president, gave a speech at the Munich Security Conference calling on his country to act “sooner, more decisively and more substantially” in the world. Since then Germany has ex-

panded its role in Afghanistan, started arming Kurdish Peshmerga fighters in northern Iraq and increased its peace-keeping role alongside France in Mali. When MH17, a Dutch airliner, was shot down by Russia-backed insurgents in Ukraine just months after Mr Gauck’s speech, Mrs Merkel pushed her European partners to impose sanctions against Moscow. In Munich last May she said in a speech apparently aimed at America that “the times when we could rely entirely on others are to some extent over.” Last July she hosted the G20 group of world leaders in Hamburg at a summit where she sought to encourage multilateralism, free trade and environmental protection.

One reason why Germany needed to think bigger was the refugee crisis. With its geopolitical wings clipped after the second world war, and without Britain’s or France’s imperial legacy, the country long did not engage much with the world beyond Europe and big partners like America and China. The arrival of hundreds of thousands of poor Arabs and Africans in recent years has broadened its strategic horizons. In April 2016 Mrs Merkel said she had requested a world map coloured

in to show Europe’s true borders: Ukraine, Georgia, Syria, the Sahara. Such thinking had just prompted a deal with the Turkish president, Recep Tayyip Erdogan, exchanging German money and visas for Turkey’s help with reducing the numbers of refugees entering Europe. Last year the German government proposed a “Marshall Plan” for Africa (recalling America’s massive investment in Europe after the second world war) to help fight poverty in sub-Saharan countries like Nigeria. In August Germany signed a deal to reduce migrant flows from Egypt, based on the Turkish model.

The one exception to Germany’s hands-off foreign policy has been its stance on the European economy. When the euro was created, the Germans insisted that it be modelled on the mighty Deutschmark and refused to entertain a “transfer union” channelling resources from Europe’s austere north to its allegedly spendthrift south. Germany’s politicians and central bankers stoutly defended the value of their country’s money, putting pressure on weaker economies such as France and Italy. Dominique Moïsi, a French writer, urged Germans to “let the sound of Beethoven prevail over the sound of Wagner”.

However, the election as France’s president of the reform-minded and Germanophile Emmanuel Macron has created an opportunity for closer integration of the euro zone, which Germany has long resisted. Mrs Merkel has hinted that she may be willing to shift position, telling Mr Macron on his first visit to Berlin last May that “a little magic dwells in each beginning.” Her new government is open to the idea of a future euro-zone budget and proposes to turn the European Stability Mechanism, currently a fail-safe device, into a “European Monetary Fund”: music to Mr Macron’s ears.

But even though Germany is pre- ▶▶

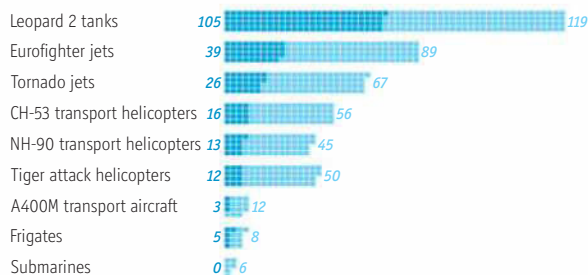


Expensive friends?

Bundes-where

Germany, military weapons systems, 2017

■ Ready for action
 ■ Not ready for action



Source: German defence ministry

The next era**Children of Merkel****German politics has become too quiet. It needs more democratic rough-and-tumble**

JOHN KORNBLUM, A former American ambassador to Berlin, reckons that post-war German history has moved broadly in cycles of 20 to 30 years. The first started with the birth of West Germany's federal republic in 1949. The second began with the "1968 generation" of young progressives who asked difficult questions about the country's past and took on its conservative establishment. The third commenced with reunification in 1990 and continued with the election of the Social Democrat-Green government in 1998. With the end of Angela Merkel's era on the horizon (she is not expected to run again in 2021), that third period is now drawing to a close.

Her legacy may turn out to be the completion of the "red-green" project. Gerhard Schröder, her SPD predecessor, pushed through painful economic reforms and initiated a relaxation of social mores after the stuffy years of Chancellor Helmut Kohl. Mr Schröder's government opened citizenship to immigrants without German roots. It also broke a pacifist taboo with Germany's first military engagement since the second world war, in Kosovo. Its slogan was "for a modern Germany". That required persuasion and argument. Joschka Fischer, Mr Schröder's foreign minister, a Green, made the case for the Kosovo intervention to heckling at his party's conference in 1999.

It fell to Mrs Merkel to steer the country through that period of modernisation. She has largely avoided fights. Instead her calm presence—inoffensive, stable, unpolitical even—has allowed the radical changes introduced by her predecessor to settle in, giving the cautious German public time to digest them. Her election campaign last summer epitomised the style with talk about "a country in which we live well and happily". Even her uncharacteristically bold stance during the refugee crisis came with the soothing mantra: "We'll manage it."

In "Germany and the Germans", a book about Helmut Kohl's Germany in the mid-1990s, John Ardagh, a British writer, tells the story of a German friend who was tempted to buy a pair of outré earrings in Lyon, but decided against them because "I knew I could never wear them here...people would have been genuinely shocked." The country described by Herfried and Marina Münkler in "The New Germans" is more open, informal and increasingly diverse, but also more fragmented and anxious. It is integrated into a roller-coaster global economy as never before, and is slowly taking on new responsibilities in the world.

Its ability to adapt is greater than many give it credit for. In 1999, as the economic costs of reunification were weighing it down, this newspaper branded it "the sick man of the euro". But it reformed, and if anything its economy is now too strong for everyone else's good; its giant trade surplus is in danger of destabilising the world economy. For anyone who travels through Germany today (perhaps on one of its excellent high-speed trains), its success and its stability are evident. For all its recent social and economic fragmentation, it has no French-style *banlieues* or American-style ghettos. A study published last year by the Bertelsmann Foundation, a think-tank, found that 80% of Germans considered themselves politically centrist, compared with only 51% of French people, even though the country had recently taken in many hundreds of thousands of mostly Muslim

► pared to take a more active role in the world, and show more emollence in Europe, it may find it hard to deliver on these good intentions. It is struggling, for example, to provide enough working Leopard tanks to meet its NATO commitments. In the days of the cold war it had over 2,000 tanks, but this has come down to about 250, and many of those do not work. Ursula von der Leyen, who has been defence minister since 2013, has battled to modernise the German armed forces, but they still suffer from problems with equipment and remain detached from the country's wider foreign, security and aid strategies. André Wüstner, chairman of the German Bundeswehr Association, has characterised the German engagement in Afghanistan as "random aid spending, little co-ordination between ministries, paired with illusions of feasibility and excessive expectations".

The new government, like its predecessor, is notionally committed to the 2% NATO spending target, but will probably end up closer to the current 1.2%. In other areas, too, Germany is underpowered. "It lacks the diplomats to take on several major diplomatic initiatives at once," notes Sarah Brockmeier of the Global Public Policy Institute, a foreign-policy think-tank in Berlin. In the Ukraine crisis Germany's assertiveness towards Russia is limited by its continued commitment to NordStream2, a new gas pipeline running direct from Russia to Germany, leaving the countries in between in the cold. The new "Marshall Plan" for Africa involves a puny €1.5bn of additional EU spending.

Europe writ small

Germany's new Europeanism may prove similarly disappointing. The effusive language of the coalition deal makes no mention of a banking union—the best way of heading off the next euro crisis—and comes with no numbers attached. At most Mr Macron can expect modest concessions from Germany, not the Beethovenian transformation he hoped for.

Even as the world is asking Germany to ditch its traditional caution, the country still sees itself as closer to Switzerland than America in scale and thus responsibility. During the election campaign the SPD's Sigmar Gabriel, then the foreign minister, called the 2% NATO goal an "arms race". Many also scoff at Mr Macron; even *Der Spiegel*, a liberal weekly, snootily called the French president an "expensive friend".

The German public still shows limited interest in a reassessment of Germany's place in the world. In a study published in December by the Körber Foundation, a think-tank, 52% of respondents thought their country should hold back, against 43% who felt it should become more strongly involved. Ms Brockmeier thinks political leaders need to confront the voters with Germany's responsibilities. But will they? ■

► and overwhelmingly poor immigrants.

But perhaps Germany has been spoilt. In recent years it has enjoyed “relatively low oil prices, low interest rates, a relatively moderate exchange rate”, notes Dieter Kempf, who heads the Association of German Industry (BDI). The country’s baby-boomers are only now starting to retire. New competitors such as China are not yet as good as Germany at making high-value items like luxury cars. “Germany has had it too good,” jokes Clemens Fuest, president of the Ifo Institute for Economic Research.

And it may not be doing enough to prepare for a rougher future. One example is its slow and unreliable internet. Ranked by average speed, the country dropped to 42nd place in the world last year, partly because it failed to invest enough, partly because of a tangle of red tape at federal, state and local level. And even where high-speed internet is available, the cautious Germans are slow to take it up, just as they are slow to take up other technological innovations, ranging from credit cards to social media.

Another example is the service sector, which is ludicrously over-regulated. A prohibition on chains of chemists’ shops has roots in guild laws dating from the Middle Ages. And the country’s infrastructure, though impressive, is deteriorating, partly thanks to a short-sighted debt brake limiting spending. Regional newspapers are full of stories about leaky school roofs, creaky bridges and potholed roads. The armed forces are threadbare. Tackling such challenges in the next phase of Germany post-war history will require more dynamism than the soothing Mrs Merkel has provided.

Make a noise

That starts with politics. For the past four years, when the opposition has consisted of only two small parties, political dialogue has been almost inaudible. “There was no recent debate on the opening up of society; that needs to happen now,” says Michael Bröning of the Friedrich-Ebert Stiftung, pointing to Mrs Merkel’s pro-immigration policies and the broader relaxation of social norms. An open letter published by *Die Zeit*, a weekly, caught the mood of last summer’s over-quiet election campaign. In it Jana Hensel, a writer, described taking her son to an election rally in Finsterwalde, a depressed town in the former east, where

Mrs Merkel was giving a speech. The chancellor was interrupted by anti-immigrant protesters but ignored them and plodded on. Ms Hensel was dismayed. “One, two, three sentences would have done the job,” she wrote. “You are so powerful and you were standing on a large stage. Everyone was waiting for you to say something.”

That crowd exemplifies the new Germans: more plural, more confrontational, more divided. And just as Mrs Merkel should have taken on the hecklers in Finsterwalde, she and her political successors should “Just Do Politics At Last!”, the title of a book by Christian Ude, a former mayor of Munich, published last year. Mrs Merkel’s calm style was broadly right for the period of settling Germany in after the reforms of the early 2000s, but it would be wrong for the next phase. As the Münklers write: “The greater the ethnic and religious variety of a society, the more it needs a guiding narrative.” They imagine Germany’s more open future as one of “permanent negotiation”. The meaning of being German, the difference between the sustainable and the unsustainable parts of the country’s economic model, the hard work needed to heal divides in society, the new expectations of Germany on the international stage—all this requires explanation and argument.

The early signs are encouraging. The new coalition deal at least calls for “enlivening public debates, making differences open and thus strengthening democracy”. After the SPD’s long internal battle over whether to join the coalition, the party feels a greater need to differentiate itself. Struggles within Mrs Merkel’s CDU about its future are just beginning. And the arrival of the AfD in the Bundestag has forced mainstream politicians to take on its ideas. Mr Bröning thinks it is “good for democracy” for those who feel left out to be represented.

In February Cem Özdemir, the outgoing leader of the Greens, addressed an electrifying speech at the AfD’s MPs to cheers in the Bundestag: “You despise everything for which this country is respected throughout the world.” What made him proud to be German, he went on to say, was the country’s diversity and its culture of remembrance. The son of Turkish guest workers was sketching out a whole new vision of Germany: multiethnic, sensitive to its past and confident about its future. The battle to which he was challenging the right-wingers will define Germany’s next historical cycle. ■



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The new Germans are more plural, more confrontational, more divided



Cuba

Farewell at last

HAVANA

The revolutionary generation is leaving power. At first, little else will change

RAFANEL is about to finish his degree at Havana University, but his mind is elsewhere. The finance and economics he is learning are “what they use here in Cuba”, he explains, ie, not much use anywhere else. Cuba’s socialist government pays for his education but the stipend for living expenses is just \$4 a month, enough for ten meals at the university canteen. Additional lunch money comes from his siblings, who live abroad. Rafael (not his real name) wants to go, too. He is looking for scholarships to get a master’s degree in Europe. If he finds one, he plans to stay abroad, where he can earn real money.

Rafael is among the many young Cubans who respond to their cramped prospects not by agitating against the system but by plotting to escape it. He does not oppose Cuba’s communist regime, nor does he take much interest in it. So he is unexcited by a power shift that will make headlines around the world. On April 19th Raúl Castro (pictured left) plans to step down as president, bringing to an end nearly 60 years of rule by the family that led the country’s revolution. Rafael thinks it is time for Mr Castro to go. But “it doesn’t matter to me.”

It will matter to most of Cuba’s 11m people, who have no easy way off the island. In a country where transfers of power are rare, the one about to occur is momentous. Mr Castro, who is 86, is expected to hand power to the “first” vice-president, Miguel

Díaz-Canel. He had not been born when Raúl’s brother, Fidel Castro (pictured right), toppled the American-backed dictatorship of Fulgencio Batista in 1959. The post-revolutionary generation will bring a change in style and raise Cubans’ expectations of their government. It is unclear whether the new leaders will meet them.

Cuba neoliberal?

Mr Díaz-Canel, an engineer by training, has acquired a reputation for modesty during his quiet three-decade ascent through government and the Communist Party. As a leader in his home province of Villa Clara, in central Cuba, he rode around on a bicycle rather than in an official car. At the (one-party) parliamentary elections last

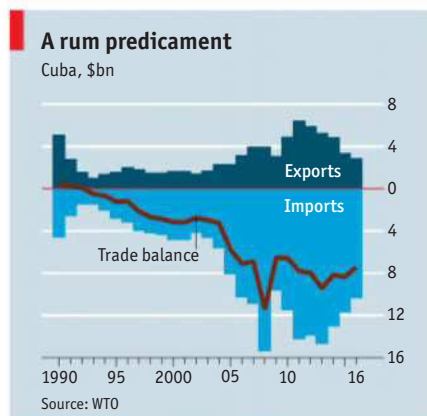
month, he queued up with other voters and chatted to the press (Mr Castro zipped in and out of his polling station).

Mr Díaz-Canel has sometimes seemed more liberal than other apparatchiks. He backed gay rights before it was fashionable. In 2013 he calmed a furore caused by the censorship of some student bloggers who were critical of the government. He met the students in front of the press and said that in the internet age “banning something is almost a delusion.”

His elevation to the presidency will be part of a broader generational change. Several octogenarian conservatives, such as José Ramón Machado Ventura and Ramiro Valdés, will probably leave the council of state, a body with lawmaking powers. Mr Díaz-Canel is expected to replace government ministers with his own people.

But substantive change, if it happens, will not be abrupt. Although *la generación histórica* will no longer run the government day to day, it will still be influential. Until 2021 Mr Castro is expected to remain head of the Politburo, which controls the Communist Party and thus the overall direction of policy. Mr Ventura will remain second-in-command. Mr Díaz-Canel will be only the third most powerful member.

He may not be the reformer some Cubans are hoping for. In a speech to a private Communist Party meeting, a video of which was leaked last August, he vowed to shut down critical media and boasted of his efforts to throttle civil society. He called the loosening of the American embargo on Cuba by President Barack Obama starting in 2015 an attempt to destroy the revolution. Mr Díaz-Canel was shoring up his flank to ensure his promotion to the presidency, says William LeoGrande, of American University in Washington, DC. Others see the speech as evidence that Mr Díaz-Canel will be no friendlier to critics of the



▶ regime or to the United States than the Castros were. No one expects him to allow opposition parties or to free the press.

A more plausible hope is that Mr Díaz-Canel will follow the example of communist parties in China and Vietnam, which opened up markets and allowed citizens to enrich themselves while maintaining political control. But even this may not happen. Attractive as the prospect might sound, Cuban politicians fear it would turn their country into a sweatshop making cheap goods for rich Americans. Socialism, political scientists point out, was less entrenched in Vietnam than it is in Cuba.

But Mr Díaz-Canel cannot avoid eco-

nomics reform of some kind. The economy is in terrible shape and getting worse. Venezuela, whose like-minded regime has provided aid in the form of subsidised oil, is in economic crisis and sending less of it. The fall in trade between the countries, from \$8.5bn in 2012 to \$2.2bn in 2016, caused Cuba's first recession since the collapse of the Soviet Union, its benefactor during the cold war. Cuba's budget deficit reached 12% of GDP last year, in part because the government had to clean up after Hurricane Irma, which struck last September.

State-controlled farms and factories are incapable of producing the goods Cubans demand, and a lack of foreign exchange

makes it hard to pay for imports (see chart on previous page). Shortages, of everything from tampons to salt and sometimes electricity, are a plague. This is straining a 60-year-old covenant, under which the regime provides security, free public services and a tolerable standard of living in return for its people's quiescence.

If Mr Díaz-Canel is to maintain it, he will not be able to avoid reforming the absurd system of twin currencies and multiple exchange rates. It distorts price signals, stunts productivity growth and keeps Cubans poor. The convertible peso (CUC), used by tourists and some state-owned enterprises for some purposes, is pegged to the dollar at 1:1. Most wages are paid in Cuban pesos (CUP), which ordinary folk can exchange for dollars at a rate of 24:1. At that rate, the typical government salary is worth \$25 a month. There are six other official exchange rates between the two currencies, depending on what sort of organisation is doing the exchanging. For most state enterprises the rate is 1:1, which preposterously overvalues the CUP. Thus, some state firms get vast handouts which make them look productive when in fact they destroy value. In December Mr Castro said that currency reform "cannot be delayed any longer".

But change will be painful. If the currency were suddenly unified and allowed to float, more than half of state-owned firms could go bust, putting hundreds of thousands of Cubans out of work. Members of the regime do not agree on whether the bigger risk is reforming too slowly or too fast. According to foreign diplomats, the government is talking informally to the German government, which has experience in unifying currencies.

Without the Castros' revolutionary mystique, Mr Díaz-Canel's performance will be judged more exactly. That both makes economic reforms more urgent, and the short-term pain they will cause more dangerous to the regime. The new president may seek to boost his popularity before administering any economic shocks—by expanding internet access, for example. The government is planning a series of constitutional changes. These are thought to include cutting the number of seats in the National Assembly (from 605) and the number of vice-presidents (from six). The post of prime minister may be re-introduced. There is talk of recognising the right to self-employment in the constitution, a sop to the 580,000 people who work in trades opened up to entrepreneurs by the government. Cubans would vote on the changes in a referendum, giving Mr Díaz-Canel a measure of legitimacy.

But Cuba's increasingly disenchanted people care more about economic results than constitutional tweaks. If Mr Díaz-Canel can deliver those, Rafael and youngsters like him might not dream of exile. ■

Canada

Chinese checkers

VANCOUVER

Residents of Vancouver's Chinatown seek to block development

THE smell of incense fills the narrow stairway of the Yue-Shan Society building, a social club for people with roots in Panyu, part of Guangzhou, a city in southern China. Barely audible is the tinkling of a ping-pong ball on a table. On the first floor two games of mah-jong are being played, watched by a handful of onlookers. East Pender Street in Vancouver's Chinatown is home to many such clubs for clans or benevolent associations. Melody Ma, a spectator in her 20s, recalls: "When I was small my grandma would bring me to one of these places."

The gently sloping streets where Ms Ma grew up have not changed much. Vancouver has had a frantic property market since it hosted the winter Olympics in 2010. The downtown area is forested with new condominiums. Prices have risen by nearly 60% in the past three years, partly because of demand from non-resident Chinese investors. But until recently developers have largely shunned Chinatown. It is part of an area called Downtown Eastside, a district of rundown buildings, methadone clinics and rough sleepers. Many Chinatown residents are old and poor.

Developers now have Chinatown in their sights. Two years ago one built a 17-storey condo on its edge. This alarmed many residents, who had formed a group to halt the high-rise advance, now called #SaveChinatownYVR. Ms Ma is its leader. Recently it has been successful.

The main theatre of battle is a car park known as 105 Keefer, where Beedie Living proposes to build a nine-storey brick-and-glass apartment block. The developer promises 111 luxury flats, with rooftop landscaping and shops below.

The patch of tarmac at 105 Keefer is not much to look at. But it is in an area rich



No con-do

with cultural associations, residents say. Just to the south is a monument that commemorates Chinese-Canadian builders of the Canadian Pacific Railway and veterans of the second world war. Across the street is the Sun Yat-sen Classical Chinese Garden and the Chinese Cultural Centre Museum. "A lot of people were appalled" because of the condo's "proximity to sacred sites in the heart of Chinatown", says Ms Ma. Some residents also fear that it will push up rents.

Conservationists hope that the parking lot is where they can halt development, which they say has spoiled the charm of other Vancouver neighbourhoods such as Mount Pleasant. The dispute is part of a debate about the city's identity, says Andy Yan, an urban planner. Vancouverites, he says, are asking themselves, "Who are we? And what are we building for?" The people who might want to buy the flats that do not yet exist are, of course, not being consulted.

Foreigners in Chile

A smaller welcome mat

SANTIAGO

A prosperous Latin American country struggles to adapt to immigration

MARIANGELA's eyes fill with tears as she talks about her parents in Venezuela. A pre-school teacher, she arrived in Chile three months ago with her husband and two children. They live with 48 other immigrants, mainly Venezuelans, in a refuge run by an evangelical church in Puente Alto, a poor district on the outskirts of Santiago. The corrugated-iron rooms are stuffed with bunk beds and mattresses. There is just one bathroom. Children play on a dusty patio among discarded bits of wood and metal and an abandoned sofa.

Despite the discomfort she has to endure, Mariangela feels lucky. She has found work in a shop and her children are going to a municipal school and to a nursery that has waived its fees. "I heard that Chileans were snobs but I have been treated only with kindness," she says, pointing at her olive-toned skin.

Chile has recently become a magnet for migrants. From 2007 to 2015 the number of immigrants living in Chile increased by 143% to 465,000 people, about 2.7% of the population. That is the third-highest rate of increase among members of the OECD, a rich-country club. Peruvians, Colombians, Argentines and Bolivians made up about two-thirds of migrants in that period. Since then, immigration has shot up at an even faster rate. Last year, Venezuelans were the largest group of new arrivals, followed closely by Haitians. Now 1m foreigners are thought to live in Chile. A third of them are undocumented.

Chileans should welcome immigration. Birth rates are falling, the population is ageing and unemployment is low. Chile has a shortage of workers in health care, technology and agriculture. It needs "both manual and skilled labour" says Rodrigo Ubilla, the under-secretary of the interior. In 2015 immigrants had more years of education, higher salaries and higher rates of employment than Chileans, according to the country's survey of poverty.

But the abrupt rise in immigration has come as a shock to a country that had no empire and is a long way from the world's main trouble spots. Most Chileans are descendants of Spanish colonisers and indigenous people. Later immigrants from Spain, Germany, Croatia and other places added to the mix. Chileans tend to think of themselves as transplanted Europeans (and largely ignore the country's indigenous heritage).

The new diversity has brought two pro-

blems. It has overwhelmed an immigration system designed for smaller numbers. And it has provoked a backlash against newcomers. Sebastián Piñera, who became Chile's president last month, proposes to deal with both by making immigration more orderly but also harder.

Chile has less immigration than many other countries, but 68% of Chileans want to restrict it, according to a survey by the National Institute of Human Rights. Nearly half think immigrants take jobs from locals. Haitians provoke most hostility. Last year the number of Haitians in Chile grew by 100,000, in part because Brazil made it harder for them to come. Most do not speak Spanish and tend to be black as well as poorer and less educated than other Latin American immigrants. They are subject to more assaults and insults and often work in terrible conditions. Earlier this year, labour inspectors found five Haitian forestry workers living in a stable in southern Chile without electricity or sanitation. Haitians with higher education often do the same manual labour as their compatriots (other immigrants also have that problem, because Chileans are slow to recognise foreign degrees in some professions).

"Haitians are not welcome in Chile," says Edward Sultán, who works for An Nou Pale ("Let's Talk") Foundation, a charity that helps black people integrate into Chilean society. "If you're black, you're considered inferior." A video posted re-

cently on social media showing Haitians arriving at Santiago airport spoke of an "invasion". Checho Hirane, a radio presenter, worried aloud that uncontrolled immigration would "change our race", though he later backtracked.

Colombians are next to Haitians at the bottom of an informal pecking order, says José Leonardo Jiménez, a communications graduate from Venezuela. That may be because some Chileans stereotype Colombians as drug-dealers. Venezuelans, he says, are higher up, in part because they tend to have more education.

While proclaiming that Chile "is open to and welcomes immigration", Mr Piñera is trying to limit and control it. On April 9th he announced that foreigners who come as tourists will no longer be able to ask for temporary work visas once they are in the country. Instead, they will have to apply for a new "opportunities" visa outside Chile. Decisions will be made based on a points system, which favours those with sought-after skills and education.

Think of a number

Successful applicants will be treated well. They will get an identity number which will let them open bank accounts, sign housing contracts and so on. Immigrants will have the same access to public health care and education as Chileans. To attract the most highly skilled, Mr Piñera announced a new visa for postgraduates from the world's top 200 universities.

Haitians will face much more restrictive treatment than others. Tourists will have to apply for 30-day visas outside Chile (compared with the 90-day visas issued at the border for citizens of most Latin American countries). To soften this blow, the government will issue up to 10,000 "humanitarian" visas a year to Haitians who already have relatives in Chile. Vene- ➤



Mixed messages

► zuelans will be treated more indulgently. Unlimited numbers will be able to apply for a “democratic responsibility” visa, an acknowledgment of the country’s “grave democratic crisis” and the refuge it provided when Chile was a dictatorship in the 1970s and 1980s.

Unlawful immigrants from all countries who arrived in Chile by April 8th will be allowed to stay. However, Mr Piñera said the government would get tough with people-smugglers and make it easier to expel anyone who violates immigration laws. A new “migration-policy council” will keep updating the country’s strategy.

The visa regime will take effect under a presidential decree while the new law is debated in the congress.

José Tomás Vicuña, director of the Jesuit Service for Migrants, says the changes are “worrying”. He fears that expulsions will violate the right of immigrants to due process. Father Vicuña calls the measures directed at Haitians “arbitrary”. And he argues: “The country will spend more money on controlling borders and probably end up with a greater number of undocumented immigrants.”

The government’s new policy is likely to get a mixed reception in Quilicura, a dis-

trict in the north of Santiago where most immigrants are Haitians. Even before Mr Piñera’s amnesty, the local authorities had made public services available to all, regardless of their legal status. They provide Spanish lessons and help in finding work. Creole-speakers work in schools and health centres. This reduces the risk that immigrants will cluster in ghettos, sell drugs and trade illegally, says Juan Carasco, the mayor. Mr Piñera’s new policy will help them, by enshrining their right to stay and to use public services. But it may make some Haitians feel more than ever like second-class non-citizens. ■

Bello | Up for grabs

Brazil’s election after the jailing of Lula

VILA JOANINHA, on the edge of Diadema, a suburb of São Paulo, is the kind of gritty neighbourhood that voted for the Workers’ Party (PT) of Luiz Inácio Lula da Silva, the former president who on April 7th began a 12-year jail sentence for corruption. But crime and unemployment have hit the area hard and there is anger about graft. Vila Joaninha’s loyalties are wavering. Lindomar Santos Galvão, a gardener, says that in the presidential election due in October he might support Jair Bolsonaro, a former army captain and maverick seven-term congressman of extreme right-wing, macho views. “I think he’d bring order,” he says.

Two of his colleagues in the Vila Joaninha residents’ association are less sure. “Bolsonaro could win,” says Cleber Souza, the president. “I don’t support him but we need new people.” Silvia Souza (no relation), a medical secretary, thinks the PT still has some credibility “because of the opportunities it gave” when it was in power. “People who stole much more and did much less than Lula are not going to prison,” she adds.

Lula leads the opinion polls for the election, with 37% support, according to Datafolha, a pollster. He is almost 20 points ahead of Mr Bolsonaro, his nearest rival. The PT insists that he remains a candidate. But even if his lawyers free him pending further appeals, Brazil’s electoral law will probably bar him: anyone convicted of corruption, with his sentence confirmed on first appeal, cannot run.

The jailing of Lula is merely the most extraordinary twist in an election that was already like no other in Brazil, at least since 1989 when Fernando Collor, a previously obscure conservative populist, won against a crowded field. The past six contests have come down to a fight between the left-of-centre PT and the centre-right



Brazilian Party of Social Democracy (PSDB), which ruled from 1995 to 2002 under Fernando Henrique Cardoso.

Brazil is traditionally moderate. In a normal election, Mr Bolsonaro would have no chance. But Brazilian politics has been turned upside down by the economic slump of 2015-16, a deterioration in security and the conviction of dozens of politicians, apart from Lula, for corruption in the Lava Jato (“Car Wash”) investigation. In 2016 congress impeached Dilma Rousseff, Lula’s protégée and successor, for fiscal misdemeanours. Her successor, Michel Temer, is even less popular. While bringing about a still-modest economic recovery, he has had to fight off corruption allegations.

The result is an anti-political mood. Campaigning through social media, Mr Bolsonaro, an evangelical Protestant, attracts the support of frustrated youth and of farmers scared by rural crime. Support for Lula may now splinter among several candidates. No other PT leader has Lula’s political stature. There are two far-left candidates. And there is Ciro Gomes, a soft-left former minister in the PT-led coalition governments, who has a chance, especially if

Lula endorses him.

On balance, Lula’s absence from the ballot will hurt Mr Bolsonaro by making the election less polarised. That could help Joaquim Barbosa, a former chief justice who is black, popular and well-known as a scourge of corruption. He is considering a presidential run. The more fragmented the field, the fewer votes will be needed to make the inevitable run-off, and the greater the uncertainty. The shape of the race will not become clear until early August, when parties have to choose their candidates and coalition partners.

A side-effect of Lava Jato is that corporate donations are now banned. How much public money and free television time each candidate gets depends on the congressional strength of his or her coalition. That hurts Mr Bolsonaro and helps the PSDB’s Geraldo Alckmin, the long-serving governor of São Paulo. He would build on Mr Temer’s economic reforms but is deeply uncharismatic.

The biggest question is how much the country has really been changed by the past few years. “At the start [of the campaign] people want new things,” says Luiz Felipe D’Ávila, who is advising Mr Alckmin. But as it goes on, he says, “the power of mayors and the party machine” will tell. The PSDB, the PT and Mr Temer’s centrist Brazilian Democratic Movement are the only parties with local organisations in 90% or more of Brazil’s municipalities, points out Ricardo Sennes, a political consultant. “We don’t buy the idea that Brazil has changed totally.”

The next six months will show whether that is right, or whether public anger amplified by social media has torn up the political rules. Much is at stake. After its years of turmoil, Brazil desperately needs some calm expertise, as well as integrity, at the top.



Also in this section

- 46 South Korean investment in Vietnam
- 46 Tourism in South-East Asia
- 47 An election is called in Malaysia
- 48 Sexism and sumo
- 49 Banyan: Asia's paranoid majorities

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Regional elections in Indonesia

Voting for God

TASIKMALAYA

No one wants to get on the wrong side of Islamic zealots

INSIDE a grimy, smoke-filled hall in Tasikmalaya, a town in West Java, Ridwan Kamil tries to whip up the crowd. Mr Ridwan is the candidate for governor from the United Development Party (PPP), a mildly Islamic outfit. He is also an American-educated architect and the mayor of Bandung, the largest city in the region. To scattered applause, he boasts about boosting recycling rates and empowering women through interest-free loans. But he also claims that he has encouraged the people of Bandung to visit mosques more often. After his speech his convoy races off to an Islamic school for lunch.

Before campaigning started for regional elections in June, many observers worried that religion would drown out all other issues. The concern stemmed from local elections in Jakarta last year, in which the front-runner, Basuki Tjahaja Purnama, a Christian of Chinese origin known as Ahok, was falsely accused of insulting Islam. Huge rallies were organised against him by the “212 Movement”, a coalition of various extremist groups such as the Islamic Defenders Front (FPI), which supports subjecting Indonesia to Islamic law. In the end Ahok lost to the candidate supported by conservative Muslim groups.

“Today is different,” says Marsudi Syuhud, the head of Nahdlatul Ulama, the largest Muslim organisation in Indonesia. Although incredibly popular, with 60% approval ratings, Ahok was considered by

many to be a divisive figure, by virtue both of his minority status and of his bluntness, which ran counter to Javanese traditions of deference and circumlocution. None of the candidates in West Java is so inflammatory. But scenes such as those in Tasikmalaya show that, even though hardliners are far less noisy than they were in Jakarta, religion is still playing a pervasive role.

Teeming and pious

West Java, Indonesia's most populous province, with 47m people, is considered one of the most conservative parts of the country. In the presidential election of 2014 it plumped for Prabowo Subianto, a former general particularly liked by religious types, rather than the winner, Joko Widodo (known as Jokowi), the more secular governor of Jakarta. Tasikmalaya is known for its many Islamic schools. Candidates have been keen to burnish their religious credentials. Mr Ridwan, for example, has chosen as his running-mate Uu Ruzhanul Ulum, the devout head of the local government in Tasikmalaya.

FPI has tried to stir up religious tensions in the province. According to the Institute for Policy Analysis of Conflict, a think-tank in Jakarta, it has portrayed several candidates, including Mr Ridwan, as fronts for Christian “domination”, in a country that is nearly 90% Muslim (a common ploy in Asia—see Banyan). The group accused the running-mate of Mr Ridwan's main rival

of being a “polytheist” because, as head of the local government in another town in the province, he allowed the erection of statues of traditional Javanese puppets.

There has also been an uptick in “black campaigns”, in which anonymous posts on social media are used to paint candidates as not Muslim enough. “They want to drag me down,” says Mr Ridwan, who says that even his 78-year-old mother has received a video via WhatsApp that claimed, falsely, that he had presided over a massive church-building campaign in Bandung. West Javanese spend four or five hours a day looking at social media on their mobile phones, he says. Smears spread like wildfire.

Last week, for instance, pictures began circulating of most of the main candidates for governor in the company of Sukmawati Sukarnoputri, daughter of Sukarno, the first president, and sister of Megawati, the fifth. She was recently accused of blasphemy for reciting a poem that implies that traditional Indonesian hairstyles and songs are preferable to headscarves and the call to prayer. Only the candidate backed by Mr Prabowo's party and various Islamic groups escaped attack.

Jokowi, who is standing for re-election next year, will be watching West Java closely. He has managed to co-opt some doctrinaire Muslim groups, such as the Indonesian Ulema Council, by appointing senior members to government committees. FPI has lost momentum since its leader, Rizieq Shihab, went on pilgrimage to Mecca and declined to return to Indonesia to face pornography charges. But grassroots activists will not be so easy to quell. A study last year found that more than 40% of those attending after-school Islamic classes supported the idea of Indonesia becoming an Islamic state, and 60% said they would be willing to travel abroad for jihad. ■

Investment in Vietnam

Phone home

South Korean firms are transforming the economy

THE Samsung Electronics factory in Thai Nguyen, in northern Vietnam, employs more than 60,000 people. Its three can- teens serve some 13 tonnes of rice a day. It churns out more mobile phones than any other facility in the world. It and Samsung Electronics' other factories in Vietnam pro- duce almost a third of the firm's global out- put. The company has invested a cumula- tive \$17bn in the country.

But Samsung is as important to Viet- nam as Vietnam is to it. Its local subsid- iary's \$58bn in revenue last year made it the biggest company in Vietnam, pipping PetroVietnam, the state oil company. It em- ploys more than 100,000 people. It has helped to make Vietnam the second-big- gest exporter of smartphones in the world, after China. Samsung alone accounted for almost a quarter of Vietnam's total exports of \$214bn last year.

All this has been a huge boon to Viet- nam's economy. Despite unflattering re- ports about working conditions in Sam- sung's factories, Thai Nguyen and another nearby province that hosts one, Bac Ninh, have become two of the country's richest. Restaurants, shops and hotels have mush- roomed around their industrial zones. The number of local firms listed as important suppliers to Samsung has increased seven- fold in the past three years.

And Samsung is just the biggest South Korean investor in Vietnam. Of the \$108bn of foreign direct investment (FDI) Vietnam has received since it joined the World Trade Organisation (WTO) in 2007, a third origi- nated in South Korea. LG Electronics, an-

other South Korean giant, makes television screens in a \$1.5bn factory in the port of Haiphong. Lotte, a South Korean conglom- erate, owns a string of supermarkets.

Vietnam received FDI worth 8% of GDP last year—more than double the rate that went to comparable economies in the re- gion. Foreign-owned firms now account for nearly 20% of the country's output. They have grown more than twice as fast as state-owned enterprises over the past decade, despite the country's nominally communist government. The economy grew at 7.4% year-on-year in the first quar- ter of 2018, one of the fastest rates in Asia.

For Samsung, Vietnam provides an at- tractive alternative to manufacturing in China. Its workforce is young, cheap and plentiful. That once was China's appeal, but its workers are now seven years older, on average, and more than twice as expen- sive as Vietnamese ones. The cheap labour lowers costs in Samsung's factories, giving the smartphone-maker an edge over Apple in less expensive handsets. Other coun- tries in the region tend to export raw mate- rials or components to China, where they are assembled into other products. Viet- nam exports mainly finished goods.

Vietnam is also a valuable hedge against Chinese administrative caprice. Last year the Chinese government organ- ised a boycott of South Korean firms and products to punish the South Korean gov- ernment for deploying an American mis- sile-defence system. Although the system was intended to protect against an attack from North Korea, China complained it could be used to undermine China's de- fences too. The boycott, although now over, alarmed South Korean investors.

Vietnam, in contrast, is liberalising its economy to welcome foreign industry. In 2015 the government opened 50 industries to foreign competition and slashed regula- tion in hundreds more. It sold a majority stake in the biggest state-owned brewer, Sabeco, to a foreign firm last year. Viet-

nam's enthusiasm for free-trade deals has made it especially alluring to foreign inves- tors. It is a founding member of the Trans Pacific Partnership, a multilateral trade agreement that includes Australia, Canada and Japan, among others. It is due to sign a trade pact with the European Union soon. The deal it signed with South Korea in 2015 has made it South Korea's fourth-biggest trading partner.

Moon Jae-in, the president of South Ko- rea, visited Vietnam last month, with busi- ness delegates from Samsung and other companies in tow. It was his second trip to the country in less than a year in office. Presidential advisers have expressed the idea that South Korea should not content it- self with being a "shrimp among whales" such as China and Japan, but instead be- come a regional power by embracing smaller allies. That, they claim, would make South Korea more of a "dolphin", in command of its own fate. In Vietnam, at least, this plan is going swimmingly. ■

Tourism in South-East Asia

China whirl

SINGAPORE

Travellers are flocking to the region, especially from China

THE view from the top of Marina Bay Sands, a giant hotel, mall and casino, takes in the skyscrapers of Singapore, the fleets of ships entering and leaving the city's ports, the scattered tropical islands of the Singapore Strait and the crowds of sog- gy but determined selfie-takers trying to capture a perfect image of it all from the enormous infinity pool. Among the celeb- rities the hotel has lured for a damp snap are Jing Boran and Fu Xinbo, Chinese film and music stars. *China Daily*, a Chinese state-owned newspaper, has declared the spot the eighth most romantic in the world. The place displays itself all over Chinese social media and offers special discounts and packages to visitors from China.

Such spin is increasingly important. Last year, for the first time, China was the biggest source of tourists to Singapore, ac- counting for 3.2m of its 17.4m visitors. Be- tween January and September alone they spent more than \$33bn (\$2.3bn).

All across South-East Asia, tourism is booming. The number of visitors jumped by 49% between 2010 and 2015, to more than 109m. Tourism in Asia and the Pacific is growing faster than anywhere else in the world. The region receives a quarter of the world's holidaymakers (Europe's share is still a half).

South-East Asia's Edenic islands, an- cient temples and delicious food are strong ►►



They give Samsung an edge

entiments. Visitors also flock to countries with cheap currencies: the weakness of the ringgit last year helped draw visitors to Malaysia, for example. Many countries in the region depend on the cash: tourism accounts for about 28% of Cambodia's GDP and more than 20% of Thailand's.

The most remarkable growth has been in tourists from China. The number visiting South-East Asia has increased fivefold over the past decade (see chart). Newly wealthy Chinese spent almost \$261bn travelling abroad in 2016, up from \$73bn in 2011.

Indonesia, for one, has relaxed its visa rules to attract more of them. More seats on cheap flights have also helped pull in tourists: between 2013 and 2016 the number available each week on flights to South-East Asia from China increased from 92,000 to 188,500.

But for the frenzied holidaying to continue to grow, infrastructure must improve, reckons Paul Yong of DBS, a Singaporean bank. Airports in places such as Manila and Jakarta are crumbling and surrounded by snaking traffic. Plans are afoot to increase annual capacity at Bangkok's airports by tens of millions over the next four years. Hanoi's Noi Bai will be expanded at a cost of \$5.5bn to accommodate 35m passengers by 2020. Airports in Singapore and Kuala Lumpur are to be upgraded too.

Other threats to thriving tourism are far harder to plan around. Travel operators tremble at the thought of economic downturns, volcanic eruptions and epidemic diseases. The head of one luxury holiday company says the regional outbreak of SARS, a respiratory disease, more than 15 years ago almost brought the industry to its knees. Political spats between China and its neighbours are another problem. So too is the manner in which Chinese visitors have been vilified in the region for snaf-fling prawns at buffets, barging into queues and misbehaving on planes. It makes many of them feel unwanted. But given that just 135m of China's 1.4bn people have ever travelled abroad, South-East Asian countries should prepare to welcome many more Chinese—even when they clog up the infinity pool. ■



Politics in Malaysia

Malay mêlée

KUALA LIPIS

The long-expected election campaign promises to be nasty, brutish and short

NAJIB RAZAK has finally picked his moment. On April 7th he dissolved parliament, paving the way for a general election to be held on May 9th.

The dissolution came just days after a government agency ordered Bersatu, a political party founded in 2016 by Mahathir Mohamad, a former prime minister who is now leader of the main opposition coalition, to suspend activities. The order was more of an irritation than an extirpation. Dr Mahathir will continue to blast Mr Najib, while contesting the claim of the Registrar of Societies that there were omissions in Bersatu's paperwork. But it is an indication of how stacked the poll is against the opposition.

The election is for both the 222-seat national parliament and assemblies in 12 of Malaysia's 13 states. The ruling party, the United Malays National Organisation (UMNO), has held onto power for more than six decades. But its grip is weakening. At the previous election, in 2013, the ruling coalition failed to win the popular vote, retaining power because of a wildly unfair electoral system. The leader of the opposition at the time, Anwar Ibrahim, was subsequently jailed on flimsy evidence for sodomy, which is a crime in Malaysia.

Racial politics will dominate the poll. About 69% of the population are either Malay or members of other indigenous groups, collectively referred to as *bumiputra*. About 24% are ethnic Chinese and 7%

Indian. The *bumiputra* have long been the beneficiaries of a system of racial preferences, including easier access to university, jobs in the civil service and government contracts, originally intended as temporary measures to combat their relative poverty. UMNO casts itself as the defender of this system, which has earned it the loyalty of many Malays.

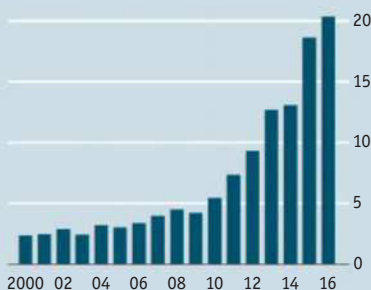
Whether this quid pro quo will endure is uncertain. Politicians and pundits whisper of a hung parliament. Since the last election, news of the disappearance of \$4.5bn from a state development fund, 1MDB, has embarrassed the government and touched Mr Najib himself: almost \$700m entered his personal bank account. He denies any wrongdoing, saying the money was a gift, later returned, from an unnamed Saudi royal.

The fact that Mr Najib managed to keep his job in spite of the scandal at 1MDB amazes many. The fact that he may win it back at the election flabbergasts them. But as 85% of the workforce pay no income tax, many felt little outrage at the disappearance of state money, reckons Wong Chen, a politician aligned with Pakatan Harapan (PH), the opposition coalition. Besides, corruption allegations also dog some of the opposition's most prominent figures, including Lim Guan Eng, the head of the government of the state of Penang.

Instead, voters seem most exercised by the rising cost of living. Higher fuel prices ►►

Up and away

Chinese tourist arrivals in South-East Asia*, m



Source: ASEAN

*ASEAN countries

▶ bother the poorest and expensive housing irks the middle class. Graduate unemployment is high, and credit is hard to come by for small businesses. All detest a goods-and-services tax of 6% introduced in 2015; the opposition has offered to scrap it in favour of a less efficient sales-and-services tax. Mr Najib argues that doing so would expand the budget deficit alarmingly, since the tax brought in 45bn ringgit (\$10.5bn) last year.

To soothe the disgruntled, the government has promised tens of billions of ringgit to poorer people, veterans, entrepreneurs and others. Its most recent budget, presided over by Mr Najib, saw a 15% increase in cash for “subsidies and social assistance”. Handouts can be effective. “When people give you a freezer, you don’t worry too much about the make or model,” explains Zaidul Ahmad. He lives in Lurah Bilut, a rural settlement founded almost 60 years ago in the state of Pahang with the support of a government agency, the Federal Land Development Authority. Similar communities exist across Malaysia, many built specifically to house poor Malays. In recent months high-speed internet, a shared workspace and attractive graffiti murals have been installed in Lurah Bilut. “If things are good, why change the prime minister?” asks Mr Zaidul. He shrugs off 1MDB, although he does express more concern about local corruption.

The opposition hopes that other rural Malays will see things differently. The plan is that Dr Mahathir will attract Malay voters who have shunned the opposition in the past. He used to head UMNO, and was Malaysia’s longest-serving prime minister, but left the party in disgust at its handling of 1MDB. The 92-year-old retains a political base in the northern state of Kedah, but is energetically touring battleground states such as Johor to stir support.

Dr Mahathir insists that “a Malay tsunami” could win the day for the opposition, and is hoping to increase turnout. Eyes are also trained on the eastern state of Sabah, which is dominated by local parties within the ruling coalition. Since the last election Shafie Apdal, formerly an UMNO leader who had helped to keep Sabah in the fold, has formed a new opposition party there. He was sacked as a minister three years ago for criticising the government over 1MDB.

Alliances are shifting for UMNO too. It is cosyng up to the Pan-Malaysian Islamic Party (PAS), which has denounced UMNO as godless for decades. PAS governs the poor, rural state of Kelantan and wants to impose more traditional Islamic punishments, such as caning for premarital sex, sodomy and consuming alcohol.

This agenda concerns those, such as the Sultan of Johor, who fear rising religious intolerance. He spoke out last year after a launderette in his state tried to bar non-Muslims. Mr Najib, in contrast, seemed lit-

Sumo wrestling

Stoutly sexist

TOKYO

A misogynistic moment stirs outrage

THERE is more to sumo than fat men grunting. The sport also has a religious dimension: each match is preceded by intricate Shinto rituals. The ring is said to be sacred ground. Women, traditionally considered polluting in Shintoism, are barred from entering it. But many Japanese were nonetheless shocked when the referee at a match earlier this month ordered out of the ring several women who had rushed to give first aid to the local mayor, who had collapsed while giving a speech.

The sumo association later apologised for the referee’s “inappropriate response in the life-threatening situation”, but appeared to stand by the rule. Two days later a female mayor criticised the sport’s sexism in a speech at a sumo tournament, which she had to make from the sidelines of the ring. National politicians have also weighed in.

“Before the incident no one really cared about the restrictive nature of the rule,” says Nagisa Osada, a sports writer, “but it revealed that sumo officials saw the gender rule as more important than

the mayor’s life.” Some have pointed out that sumo has not always been so pious. It was only in the militarist 1930s that the sport became a symbol of national pride and religious purity. In previous eras, women were allowed to fight, sometimes topless. A 5th-century emperor staged just such a bout to distract a carpenter who had boasted that he never made mistakes. The carpenter botched his work, and was executed.

The current fuss may not spur change. Many religions discriminate against women, and the rule does not stand out as much in Japan, a country not known for equality of the sexes, as it might elsewhere. In any case, says Ms Osada, women face more important battles.

But the sumo association has reason to be mindful of women’s feelings. The sport had been suffering from declining audiences and a series of embarrassing scandals, including a top-ranking fighter’s assault on a more junior wrestler last year. But it has recently been enjoying a resurgence in popularity thanks to “sujo”—young female fans.



The roly-poly patriarchy

tle troubled by the episode. UMNO may persuade PAS to split the opposition vote by putting forward candidates in certain constituencies where it might not previously have done so.

In the house in the town of Kuala Lipis where Mr Najib was born, now turned into a museum, there is little sign of devotion to the man himself, pictured in fading photographs. Museum attendants will not say

whether they support him, pointing out that the government pays their salaries. In the very busiest periods they estimate that 300 visitors a month walk under the villa’s wooden rafters, in which snakes like to nestle. In quieter times it is just 100. Mr Najib himself pops by only very occasionally. After all, he has been busy in recent years erecting perhaps insurmountable obstacles in the path of the opposition. ■

Banyan | They're all out to get us

Across South Asia, majorities act like put-upon minorities



IT IS an unlikely weapon: a scuffed but sturdy Samsonite briefcase, sitting on a desk in a big house in a spacious garden in a prosperous suburb of Colombo, the capital of Sri Lanka. Its owner, shaven-headed, bare-shouldered, in bright orange robes and closely resembling Shrek, an adorably grumpy cartoon ogre, looks an equally unlikely warrior. Galagoda Aththe Gnanasara says he never travels without the case. Smiling, he pats the black plastic lid and opens it to reveal a heap of well-fingered papers. "This", he says, "is my evidence."

Mr Gnanasara is a founder of the Bodu Bala Sena (BBS) or Buddhist Power Force, one of several extreme nationalist groups that champion the rights of the three-quarters of Sri Lankans who happen to be Sinhala-speaking Buddhists. Sinhalese have historically dominated the island, a fact forcefully reasserted in 2009 when the Sri Lankan army brought to a bloody end a 26-year-long insurgency by mostly Hindu ethnic Tamils, the largest minority group.

Mr Gnanasara counts on his fingers the different threats his people now face: Wahhabist Islam, evangelical Christianity, international cultural invasion. Then he reaches for the briefcase. Here, for instance, is a six-year-old clipping from an Indian newspaper, claiming that Islamist terrorists undergo training in secret Sri Lankan camps. He waves another fading snippet, which alleges that 33 Sri Lankan Muslims have joined Islamic State. And there is more evidence: photos of an ancient Buddhist shrine that he says was destroyed by Muslims.

Paranoid parking

In "their" areas, says Mr Gnanasara, streets flow with the blood of slaughtered animals. Motorcyclists never wear helmets because Muslims do not respect national laws. They park haphazardly, so that when you scratch their cars they have an excuse to attack you. Mr Gnanasara fishes for an even more incriminating document. He finds a stapled report, with names of a dozen people who have converted to Islam in one village. In the past five years, he exclaims triumphantly, they have converted no fewer than 8,000 people!

When it is pointed out that Sri Lanka has, in fact, never experienced an act of violence attributable to Islamists, and that at this

rate of conversion it will take the island's Muslims about 10,000 years to convert the rest of its 21m inhabitants, Mr Gnanasara simply shrugs. His hoard of evidence does not really need to add up. In Sri Lanka, as across most of South Asia, surprisingly large numbers of people among groups that enjoy overwhelming numerical superiority seem eager to convince themselves that their identity is somehow in mortal danger.

Muslims have borne the brunt of such convictions in several countries. The most egregious recent example is Myanmar, whose 90% Buddhist majority felt so threatened by a Rohingya Muslim minority of barely 1% that it sanctioned burning, pillage, murder, rape and enforced exile. Targeted in occasional riots and ugly local disturbances, Sri Lankan Muslims have witnessed nothing of this scale or intensity. The hateful underlying rhetoric is not so different, however. Many of the instigators, as in Myanmar, also happen to be Buddhist monks. Indeed, the BBS has hosted Ashin Wirathu, a Burmese monk notorious for his inflammatory anti-Muslim rhetoric. Chauvinists in both countries borrow from the anti-Muslim tirades of Hindu nationalists in India, whose constant drumbeat of incitement gives rise to an equally constant stream of ugly sectarian incidents.

Muslim majorities, too, often resort to similar abuses. Bangladesh chased non-Muslim tribes into India, and its once large and prosperous Hindu minority has dwindled alarmingly in the face of constant pressure. In the name of orthodoxy, extremists in Pakistan, the original "Islamic" state, have viciously hounded not only Christians and Hindus but also Shia Muslims, Ahmadis and allegedly unorthodox Sufis.

Mukul Kesavan, a perceptive Indian historian, sees this region-wide propensity for majoritarian nationalism as a sad if natural outcome of the awkward struggle to build new nation-states. "Every post-colonial state in South Asia paid lip service to secular principle in the first decade of its existence before reconstituting itself as a kind of sole proprietorship run by its dominant community," he laments. This, he suggests, has partly been a result of the failure by the region's mother-ship, India, to live up fully to its own secular ideals, and to the moral counter-example it seemed to promise against the less inclusive premise underpinning the creation of Pakistan. Since independence India has wobbled between two poles: an attempt to build a constitutionally bound state founded on equal citizenship and pluralism, and what Mr Kesavan calls "a second-hand nationalism derived not from the experience of the anti-colonial struggle but the majoritarian logic of ethnic nationalism".

While this struggle has played out violently in all India's neighbours—even tiny Bhutan, the country that invented "gross national happiness", forcibly expelled a big, ethnically Nepalese minority in the 1990s—India's large, messy democracy has managed to contain most of the passion, most of the time. These days many Indians despair at what often appears to be a rising tide of majoritarian nastiness. Imperfect as they are, however, the country's pluralist institutions still find ways of pushing back. In a recent ruling, the supreme court thunderingly rejected a lower court's decision to separate a 24-year-old woman from her Muslim husband on the ground that he had enticed her to convert to Islam. "The constitution protects personal liberty from disappearing audiences," the judgment declared. "Courts are duty bound not to swerve from the path of upholding our pluralism and diversity as a nation."

Mr Gnanasara, alas, sees his duty as the opposite. ■



The Arctic

A silk road through ice

BEIJING

China explains its dreams of becoming a polar power

WHEN the occupants of “Snowpanda House” in Ahtari zoo, Finland, were first allowed to play in the open air in mid-February, they bounded out and rolled in the white stuff. Xi Jinping, China’s president, had said the furry animals would act as “messengers of friendship” when he promised them to Finland during a visit last year en route to America. On the same trip Mr Xi used a refuelling stop in Alaska to butter up his hosts there, too. The American north was “a mythical, almost mystical place”, a local spokesperson quoted him as saying—a bit “like a Shangri-La”.

Mr Xi has been showing a growing interest in Arctic countries. In 2014 he revealed in a speech that China itself wanted to become a “polar great power”. Last year he met leaders from seven of the eight members of the Arctic Council, a group of northern countries that admitted China and four other Asian states as observers in 2013. In January the Chinese government published its first policy document outlining its Arctic strategy. The paper referred to China as “a near-Arctic nation” (never mind that its most northerly settlement is no closer to the Arctic than Berlin is). It also linked China’s Arctic plans with Mr Xi’s Belt and Road Initiative, a scheme for building infrastructure abroad to improve links between Asia, Africa and Europe.

China’s ambitions are fuelled by a wide range of interests. It wants access to the Arctic for its researchers so they can work

out how melting ice affects weather patterns, among other things. Their findings could help China devise responses to its problems with air pollution and water scarcity. China is also keen to tap into the Arctic resources that will become easier to exploit as the ice cap retreats. They include fish, minerals, oil and gas. The region could hold a quarter of the world’s as-yet-undiscovered hydrocarbons, according to the United States Geological Survey. Chinese firms are interested in mining zinc, uranium and rare earths in Greenland.

As the ice melts, it may become more feasible for cargo ships to sail through Arc-

tic waters. China is excited by this possibility (its media speak of an “ice silk road”). In the coming decades such routes could cut several thousand kilometres off journeys between Shanghai and Europe. Sending ships through the Arctic could also help to revive port cities in China’s north-eastern rustbelt, notes Anne-Marie Brady, the author of a recent book, “China as a Polar Great Power”. China is thinking of building ports and other infrastructure in the Arctic to facilitate shipping. State-linked firms in China talk of building an Arctic railway across Finland.

Chinese analysts believe that using Arctic routes would help China strategically, too. It could reduce the need to ship goods through the Malacca Strait, a choke-point connecting the Pacific and Indian oceans. Much of China’s global shipping passes through the strait. It worries endlessly about the strait’s vulnerability to blockade—for example, should war break out with America.

There are no heated territorial disputes in the Arctic, but there are sensitivities, including Canada’s claim to the North-West Passage, a trans-Arctic waterway that America regards as international—ie, belonging to no single state. China does not want to be seen as a clumsy interloper. One point of the policy document was to allay fears that China might muscle its way into the Arctic as it has in the South China Sea. The paper stresses that China will play by international rules and co-operate with the Arctic Council (its members include polar great-powers to reckon with: America and Russia).

Plenty of non-Arctic countries, including European ones, have similar dreams. But China is “by far the outlier” in terms of the amount of money it has pledged or already poured into the region, says Marc Lanteigne of Massey University in New

To cap it all

Planned areas of infrastructure building



Also in this section

51 China’s attempt at Davos

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Zealand. Its biggest investments have been in Russia, including a gas plant that began operating in Siberia in December. Russia was once deeply cynical about China's intentions. But since the crisis in Ukraine it has had to look east for investment in its Arctic regions.

The interest shown by Chinese firms could be good news for many Arctic communities. Few other investors have shown themselves willing to stomach the high costs and slow pay-offs involved in developing the far north. But Chinese involvement attracts criticism, too. Greens who would rather see the Arctic kept pristine fear that Chinese money could encourage projects that cause pollution. No one wants to see the kind of problems that have afflicted some Chinese investments in Africa, where the outsiders stand accused of loading locals with debt while disregarding environmental and labour laws. The relative stability of the Arctic will attract Chinese firms looking for places to park their money where conflict is unlikely.

The main concern of Arctic countries is that China's ambitions will result in a gradual rewiring of the region's politics in ways that give China more influence in determining how the Arctic is managed. Greenland is a place to watch. Political elites there favour independence from Denmark but resist taking the plunge because the island's economy is so dependent on Danish support. The prospect of Chinese investment could change that. Should Greenland become independent, China could use its clout there to help further its own interests at meetings of Arctic states, in the same way that it uses its influence over Cambodia and Laos to prevent the Association of South-East Asian Nations from criticising Chinese behaviour in their neighbourhood.

For all the reassuring language of China's official statements on the Arctic, it is possible that its calculations may change as its Arctic investments grow. China's diplomats may begin to chafe at their limited say in how the Arctic is run. At present, like other observers, China may not speak or vote at meetings of the Arctic Council, which is by far the most prominent of several regional forums. Aki Tonami at the University of Tsukuba in Japan says China's policy paper devotes less space to the Arctic Council than might be expected, given the organisation's importance. In the years to come China may prefer to deal with Arctic issues bilaterally or in settings such as the UN where it feels it has a bigger say, reckons Adam MacDonald of Dalhousie University in Canada. Or China could start pushing for a restructuring of the Arctic Council in ways that give non-Arctic states a more prominent role.

But tinkering with the Arctic's administrative structure would be risky. Many countries believe the existing one has done

a good job of promoting good-neighbourliness. That it is taking longer than expected for the economic benefits of a melting Arctic to become readily accessible may also help explain why countries in the region have not been bickering more: there have been few spoils to divvy up.

It might be easier to work out how to accommodate the evolving interests of non-Arctic countries were America—the region's most powerful country—to show more interest. Andrew Holland of the American Security Project, a think-tank, believes the United States will pay limited attention to Arctic debates while Donald Trump remains president. China's route to the pole is widening. ■



The global elite

Party on the beach

BOAO

On a tropical island, China seeks to evoke an Alpine town

DELEGATES to China's highest-profile annual gathering of the global elite had been promised something big. Amid the country's mounting trade tensions with America, they were to get the most "authoritative explanation" of China's plans to make its economy more open. On April 10th Xi Jinping, the country's leader, gave the opening speech at the Boao Forum for Asia on the southern island of Hainan—his first public appearance since he was officially given permission last month to remain president for life. *China Daily*, an official mouthpiece, called it a new chapter for "Xiplomacy". Mr Xi, however, delivered the authority, but not much else.

The president stuck largely to generalities and well-worn themes. He promised that the door to foreign businesses would

"open only ever wider" under his stewardship, but offered no specifics that are likely to placate Donald Trump (notwithstanding a tweet from the American president saying he was "very thankful"). It was left to China's chief central banker, Yi Gang, to add a bit of detail at a later panel: a faster than expected timetable for raising or lifting caps on foreign ownership of financial firms. That, however, is unlikely to assuage Mr Trump either (see Finance section).

But Mr Xi had never been likely to use Boao as a forum for doing trade deals by megaphone. He saw it more as an occasion to bask again in the adulation he enjoyed last year at the World Economic Forum in Davos by proclaiming his commitment to globalisation and free trade, and expounding on his new idea for a "community with a shared future for mankind". Building this, whatever it may mean, was made a constitutional requirement last month.

China has always relished comparisons between Boao and Davos. The area from which the Chinese event takes its name (roughly, "abundant plump fish") was a village when, in 1998, three former heads of state from Australia, Japan and the Philippines, during a golf game, dreamed up the idea of an Asian conference to mirror the exclusive gathering in Switzerland. They were on land owned by a tycoon who had a plot ripe for development in Boao. Later, with the blessing of the Chinese leadership, it was transformed into the beach-and-golf resort that now hosts the four-day forum.

In 2002, its first year, Zhu Rongji, who was then China's prime minister, apologised at a banquet for logistical problems. But the event has grown in stature. Bill Gates and George Soros have been; the UN's secretary-general, António Guterres, and the IMF's chief, Christine Lagarde, attended this year. Deloitte, the world's biggest accounting firm, was the forum's "intellectual supporting partner". Present too were some of China's e-giants, including Alibaba, a tech conglomerate, and Didi, China's version of Uber. The parallel to Davos is no longer so far-fetched.

Yet Boao has its own particular blend of officiousness. About 1,700 journalists attended, but only about two dozen of them were allowed in the event's four conference rooms at any one time. The press was put up in designated hotels up to an hour's ride away, and bused in. Mr Xi did not speak to them. He has rarely met reporters since becoming president five years ago, except at carefully choreographed press conferences on foreign trips. At the press centre free copies of works by Mr Xi, translated into various languages, were on offer. (Oddly for works that the party is eager to promote, journalists were told only "limited numbers" were available.) Not quite like a day skiing at Davos, but such are the perks of Boao. ■



Death

Funerals of the future

AMSTERDAM AND BOSTON, MASSACHUSETTS

Undertaking has long thrived on a steady stream of loyal, uninformed customers. Changing norms, new businesses and technology are challenging this

EVERY minute more than 100 people die. Most of these deaths bring not just grief to some, but also profit to others. America's 2.7m-odd deaths a year underpin an industry worth \$16bn in 2017, encompassing over 19,000 funeral homes and over 120,000 employees. In France the sector is worth an estimated €2.5bn (\$3.1bn). The German market was worth €1.5bn in 2014 and employed nearly 27,000 people, a sixth of them undertakers. In Britain the industry, estimated to be worth around £2bn (\$2.8bn), employs over 20,000 people, a fifth of them undertakers.

In the coming decades, as baby-boomers hit old age, the annual death rate will climb from 8.3 per 1,000 people today to 10.2 by 2050 in America, from 10.6 to 13.7 in Italy and from 9.1 to 12.8 in Spain. Spotting the steady rise in clientele, money managers—from risk-seeking venture capitalists to boring old pension funds—have been getting into the death business. Last year the Ontario Teachers Pension Fund bought one of Spain's largest funeral businesses from 3i Group, a British private-equity firm, for £117m, and increased its stake in a French equivalent. The dead-body business is seen as highly predictable, uncorrelated with other industries, inflation-linked, low-risk and high-margin.

But in some of the world a profound

shift is under way in what people want from funerals. As Thomas Lynch wrote in "The Undertaking" (1997), a wise book on practising his "dismal trade" in a small American town: "Every year I bury a couple hundred of my townspeople. Another two or three dozen I take to the crematory to be burned. I sell caskets, burial vaults and urns for the ashes. I have a sideline in headstones and monuments. I do flowers on commission." Social, religious and technological change threaten to turn that model on its head.

In North America the modern undertaker's job is increasingly one of event-planning, says Sherri Tovell, an undertaker in Windsor, Canada. Among the requirements at her recent funerals have been a tiki hut, margaritas, karaoke and pizza delivery. Some people want to hire an officiant to lead a "life celebration", others to shoot ashes into the skies with fireworks. Old-fashioned undertakers are hard put to find their place in such antics. Another trend—known as "direct cremation"—has no role for them at all.

Besides having to offer more diverse services, the trade also faces increased competition in its products. Its roots are in carpentry. "You'd buy an expensive casket and the funeral would be included in the price," remembers Dan Isard, a funeral

consultant in Phoenix, Arizona. The unwritten agreement was that the dead would be treated with dignity and that families would not ask if there was an alternative to the \$1,000 or \$2,000 coffin, or whether embalming was really needed. The business has something in common with prostitution, reflects Dominic Akyel of the University of Cologne. It is legal (as prostitution is in some places) but taboo, "and certainly not to be discussed or haggled over".

The undertaker used to be able to rely on a steady stream of customers who asked few questions and of whom he (and it was usually a he) would ask few in return. Protestant or Catholic? Open coffin or closed? And, in some parts of the world, burial or cremation? A new generation of customers, though, no longer unthinkingly hands over its dead to the nearest funeral director. They are looking elsewhere, be it to a new breed of undertaker, to hotel chains that "do" funerals, or—for their coffin or urn—to Amazon or Walmart.

Stiff competition

"It's happening in restaurants, nightclubs, wedding venues, country clubs and it's very dangerous," Bill McReavy, an undertaker from Minneapolis, told his vigorously nodding peers at the annual gathering of the American National Funeral Director Association (NFDFA) in Boston last autumn. The NFDFA expects the industry's revenue to stagnate between 2016 and 2021.

One reason for this is a long-term trend towards cremation—both cheaper than burial, and open to a wider range of rituals. "You need two cremations to make the same as one burial," says David Nixon, a funeral consultant in Illinois. As families ►►

► move farther apart, relatives are less likely to tend to a grave in their hometown. As people increasingly identify with more than one locality, so they begin to hanker after more than one resting place.

In religious countries, burial is still the norm; Ireland buries 82% of its dead, Italy 77%. But over half of Americans are cremated, up from less than 4% in 1960 (see chart), and this is expected to rise to 79% by 2035. In Boston a Chinese delegation stocked up on free “Bereave-mints” but mainly came to learn about cremation, which rose in China from 33% in 1995 to 50% by 2012. In Japan, where the practice is seen as purification for the next life, it is nearly universal.

Cremation can get cheaper still. In an industrial park just west of Amsterdam, a low-rise building houses the headquarters of several budget funeral websites, all of them routes into the same company, Uitvaart24 (Funeral24), and offering direct cremation: a simple coffin, transport, cooling and burning without relatives present, at a price of around €1,250. “Our customers either don’t have the money or are sensible enough not to want to spend it,” says Jan-Jaap Palma, one of the owners. The business only started three years ago and now handles over 2,600 funerals a year. Mr Palma aspires to become the Netherlands’ largest funeral-provider.

An increasing number, of whom David Bowie, who died in 2016, was probably the best-known, are taking this direct-cremation route. In America a third of cremations are now direct. Dignity, Britain’s only publicly listed funeral provider, started offering “Simplicity Cremations” last year. Simon Cox, a spokesman, expects 10% of British cremations to be direct by 2030. This is not driven just by cost. Many mourners still commemorate their loved ones. They simply separate this from body disposal and may not see any reason to include an undertaker. With no body to worry about, they can arrange an event of their own at a local hotel at a time of their choosing. “The sombre Victorian funeral is slowly being replaced by more upbeat personal celebrations,” says Mr Cox.

At the convention in Boston, this sepa-



ration of the body and the ceremony is seen as a worrying trend. “Where’s the guest of honour? ...No visitation and empty casket, no embalming. What’s the point?” asks Michael Nicodemus, an undertaker in Virginia, arms aloft in exasperation as he shows a slide of an empty coffin. Classes such as “Mastering cremation phone-inquiries” teach attending undertakers how to deal with that tricky “how much is cremation?” phone-call. When the pretend customer, “Helen”, asks if she can bring an urn from Hobby Lobby, a crafts shop, she is reminded these are not designed for cremated remains. To a customer who is “just shopping around” the undertakers are taught to say, “I admire your due diligence”, and suggest asking budget cremators how they’ll know for sure that the cremated remains are their loved one’s.

The Green Reaper

Cremation, direct or otherwise, is not the only rival to old-fashioned burial. A study in 2015 found that over 60% of Americans in their 40s and older would consider a “green” burial, with no embalming and a biodegradable casket, if any. Five years before the proportion was just over 40%. Jimmy Olson, an undertaker in Wisconsin specialising in green funerals, says it is inconsistent “for someone who’s recycled all their life and drives a Prius to then be put under the ground in a concrete vault, plastic-sealed casket and with their body pumped full of chemicals.”

Americans each year bury 70,000 cubic metres of hardwood, mostly bought at a hefty mark-up from undertakers—enough to build 2,000 single-family houses. They use 1.6m tonnes of reinforced concrete for vaults. Cremation is gaining popularity in part because it seems less wasteful. But burning (ever larger) bodies takes energy. A conventional gas-fired crematorium blasts 320kg of carbon into the atmosphere per body (the equivalent of a 20-hour car journey) and two to four grams of mercury from teeth fillings.

Britain now has over 270 green cemeteries, and 9% of funerals are now green, according to SunLife, an insurer. The ap-

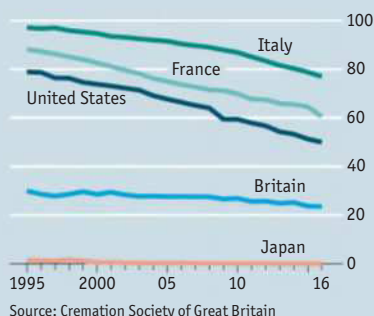
peal is more than just the lack of waste. Gordon Tulley and his wife run two green burial parks, one in a meadow in Lincolnshire, one in woodland in Yorkshire. Unembalmed bodies in a simple shroud or willow casket are buried in shallow graves under trees. “Six feet under [the standard elsewhere] is too deep for bacteria to break down the body,” explains Mr Tulley. Parks are far more pleasant to visit than cemeteries, both before and after a death. You can pre-book exactly where you would like to be laid to rest, explains Mr Tulley’s website: “We do not bury in rows but wherever you or your family feel most happy with.” Some terminally ill people have family picnics where they will be buried. For a child to visit a grave site with happy memories of a then living parent is no small thing.

Such changes in “consumer preference” unnerve most undertakers. Responses range from outrage to embracing change; most stick their heads in the dirt. All these reactions were on display at the NFDA’s gathering. If it had a catchphrase, it was “They don’t know what they don’t know.” This refers to the undertaker’s supposed need to “educate” the public about the value of ceremony, commemoration and—crucially—the undertaker. But not every undertaker is fighting change with fear-mongering or tut-tutting. Some see the necessity of change. According to an industry veteran, the convention—which opened to the song “Best Day Of My Life”—“used to be all hardware; hearses, coffins and embalming products. Now it’s all about services,” he says gesturing to a group of bright young things who help get undertakers onto Facebook and Instagram.

Take Mr Olson. Trained as a music teacher, he bought a funeral business in Wisconsin, converted one of its two chapels into a dining hall and became the NFDA’s go-to guy for green funerals. Walker Posey, whose grandfather was a carpenter and whose father runs a traditional funeral business in South Carolina, wants one day to turn the family firm into a “life celebrations” company, doing weddings and baby showers as much as funerals. “To appeal to non-traditional folks,” Mark ►►

Burning ambitions

Burials, % of all body disposals



▶ Musgrove, from Oregon, sells spaces for urns in a hippy-themed, refitted Volkswagen bus in his cemetery. “The need to grieve is unchanged,” he says. “You just need to find different ways to express it. A picture at a [barbecue] will be more meaningful to some than looking at a body.”

Rather than just accommodating themselves to what their customers want, some undertakers are actually promoting change. Engineers have for decades searched for a socially acceptable alternative to burying or burning. Some crematoriums in North America now offer alkaline hydrolysis, often marketed as “green”, “water”, or “flameless” cremation. If the water companies can get past their squeamishness about dissolved dead people in the sewers, Britain will soon follow suit. The process involves dissolving the body in an alkaline solution and then crushing the bones to dust. It typically produces less than a seventh of the carbon of normal cremation. Joe Wilson, from Bio-response Solutions, which sells flameless-cremation machines, says families choose it for environmental reasons but also because it seems gentler than fire.

The company’s latest offering is a flameless pet-cremation machine. Nearly one in five American undertakers now offer dead-pet cremations; Mintel, a market-research firm, says one in four British pet-owners either have already arranged, or would like to in future, some sort of send-off for their furry friends. Mr Tulley sells “Togetherness Resting Places” in his green burial grounds, where pets and humans can be reunited “when the time comes”. The Bio-Response machine has room for up to 20 domestic pets at a time, each in its own compartment. “But only one hippo,” adds Mr Wilson, intriguingly.

Another way to make money out of cremations is to do more with the ashes. Ascension, a British startup, releases them at “the edge of space”—after a 30km balloon ascent—and offers a video of the process.

Pointing to her earrings, Lori Cronin, who works in the industry, says “My Mom is in my ears, I take her wherever I go, I even swim with her.” SecuriGene, a Canadian Biotech firm, invites people to “celebrate life in its purest form” by sending in a blood sample of the deceased and \$500, in return for which it will send a small stainless steel capsule with the extracted DNA.

As far-sighted undertakers extend into the exotic, more mundane colleagues find themselves undercut on the basics. Amazon, Alibaba and Walmart sell a range of coffins and urns online. So far relatively few people buy, but they do learn what they cost—and notice their undertaker’s often quite dramatic mark-up. In America income from selling such products, still accounting for nearly a third of undertakers’ revenue, has been falling for the past five years, according to the NFDA. So has rev-

enue from preparing bodies (another 14%), the main skill taught at mortuary school.

Technology brings a clientele better informed in other ways, too. Reviews of undertakers on Google or sites such as Yelp are becoming more common. In America Funeralocity lets people compare prices. Dignity is in dispute with Beyond, a British comparison site, which last year claimed it was charging customers far more than the market rate. In the last quarter of 2017, Dignity’s warnings about growing price competition from new entrants led to a sharp share-price drop. The fall continued in January, when it felt forced to slash its prices to preserve market share.

“Google yourself!” barks one of the trainers at an NFDA seminar on dealing with millennials. “Change or get left behind,” says the other. “It’s all about the hashtag.” Instilling in the profession insights into use of social media can be an uphill task, says Zachary Garbow, who left IBM with a colleague to start a company called Funeral Innovations. He says they have to advise undertakers who want to plaster Facebook with pictures of hearses and coffins: “No, please don’t do that; don’t advertise death.”

More and more mourners want to live-stream funerals: many venues in Britain enable such virtual attendance. Tribute and funeral videos, often online, are ever more popular. FuneralOne in Michigan sells software that helps create thousands a year. At the Boston shindig a young man dressed in rock-star black gestures towards a drone that his team flies around the country to film backdrops for these “Personalised Life Tributes”. Nearby undertakers cover their ears at the thumping soundtrack that goes with his presentation.

The dead have two lives, explained Robert Hertz, a sociologist, in a paper in 1907: one in nature, as matter, and one in culture, as social beings. The internet greatly expands that second realm, and businesses are jumping in to help, with “virtual candles” and QR-codes that can be stuck to a tombstone linking to an online-tribute page. Facebook now offers “Memorialised Accounts” to clarify the status of deceased

users. Many profiles are kept up and running years after a user dies. Over a third of those who have signed up with Cake, a startup trying to nudge people to share their end-of-life wishes, want their Facebook account to stay live after death.

Franklin Roosevelt might have liked Cake. His family found the four pages with his instructions—for a “service of the utmost simplicity”, a simple wood coffin, no hearse, no embalming and a grave not lined with cement or stones—only a few days after most of those wishes had been ignored. It was this that led Jessica Mitford to write “The American Way of Death” in 1963: “Odds are that the undertaker will be the arbiter of what is a ‘suitable’ funeral...Even if [the deceased] is the president of the United States.” In an updated edition published posthumously in 1998, Mitford was disappointed at how little had changed: prices had kept rising and undertakers still sold services customers did not know they could refuse or felt too embarrassed to question.

A noble undertaking

Had Mitford a grave to rise from (she hasn’t; her ashes were scattered at sea), she might be pleased by some of the changes slowly shaking the industry, if acerbic about some of their aesthetics. Mr Lynch, who in 2013 co-wrote and published another book, “The Good Funeral”, finds his industry its own worst enemy. An emphasis on selling things, and thus “mistaking stuff for substance”, has led to public distrust. But he is a staunch defender of the essence of the undertaker’s role: “a promise to get the dead to where they need to go”.

“The public is right to be wary of being sold boxes,” he says. “Anyone with a catalogue and a credit-card machine can make such a sale. It’s the service to the body that you call an undertaker for.” Such service will always be needed, whether it leads to direct cremation, or soft decay beneath a growing tree, or a rocket in the night sky, and however closely linked it is to the commemorations of life that come after that. Undertakers who understand this probably have nothing to fear. ■





America's chemicals industry

Cracking on

BAYTOWN, TEXAS

A once-moribund business has become one of America's largest exporters. But politics threatens to get in its way

"THIS is what \$3bn looks like." So beams a manager at Chevron Phillips Chemical (CPC), a petrochemical company jointly owned by Chevron and Phillips 66, both American oil firms. She throws open her arms in a figurative embrace of a giant cracker (pictured) built by the firm in Baytown, a gritty part of Houston. The new plant turns vast quantities of ethane, which is derived from natural gas, into ethylene, an important building block in plastic. Another nearby facility, which the firm has recently expanded, converts the ethylene into plastic resin that is sold worldwide. All told, CPC has spent some \$6bn expanding its chemicals-production infrastructure around Houston.

A decade ago, this would have been unimaginable. Chemicals firms in America, beaten down by rivals from the Middle East that enjoyed cheap feedstocks and others from China feasting on subsidised capital, had not invested in new local plants in years. Growth in global demand for chemicals, once roaring, had slowed thanks to the global financial crisis. America had costly workers, ageing capital stock, pricey feedstocks and sluggish demand. Some crackers were shut down.

It is astonishing, then, that the CPC plant is just one of six new megaprojects in America. According to the American Chemistry Council (ACC), an industry umbrella group, over \$185bn in new chemical

investments has been announced since 2010, with half of those plants already built or currently under construction (see chart). The industry now accounts for roughly half of all investment in American manufacturing. With annual shipments of over \$500bn, it is one of America's largest export sectors.

This remarkable turnaround in the American chemicals industry's fortunes raises two questions. Why did it happen, and how sustainable is the boom? The answers point to how clever new ideas are reshaping the "old economy". They also offer clues about the viability of the industrial renaissance that President Donald Trump wants for America and high-

light the risks of his recent trade initiatives.

Behind the rejuvenation lie two things. One is a recent wave of what Jason McLinn of Bain, a consultancy, calls "portfolio reshaping". Commodity chemicals, which are produced in bulk, and specialty chemicals, such as those used as additives and ingredients, do not have much to do with each other, he says, but chemicals firms seeking growth in sluggish markets like America typically developed both. Now, under pressure from activist investors, bosses are spinning off non-core businesses and bulking up in core areas. This is producing firms with the gargantuan scale needed to take on their giant state-sponsored international rivals. This week, for example, news surfaced that American regulators will approve the \$60bn takeover of Monsanto, an American agrochemicals firm, by Germany's Bayer.

Dow, whose long-standing boss, Andrew Liveris, stepped down as chairman this month, is a case in point. By acquiring DuPont, a local rival, for \$130bn last year, he turned Dow into the world's biggest chemicals firm by sales. The next step in the master plan is to combine the specialty and agricultural-chemicals arms of the two firms, and spin each of them out separately. What remains will focus on the automotive, packaging and construction industries. David Witte of IHS Markit, a research firm, believes it will create a pure-play rival to the biggest firms in the sector.

"I'd rather own a small, subscale, poorly-run cracker in America than any in Europe right now," chuckles Jonas Oxgaard of Bernstein, an equity-research firm. That quip alludes to the other enormous edge that the American chemicals business has at the moment. The shale revolution is unleashing a tidal wave of cheap natural gas and related liquids that can be used in-

Also in this section

56 Volkswagen shifts gear

57 Law-firm mergers

57 Rakuten's struggles

58 Pipelines in Canada

59 The problem with meal kits

59 Shipping and carbon emissions

Schumpeter is away

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Shale and hearty

United States, chemical industry, tonnes m



▶stead of pricier, petroleum-derived naphtha (the feedstock typically used outside America) to make chemicals.

The cost advantage is most evident in the “shale crescent”, a gas-rich swathe of land the size of Germany that includes parts of Ohio, Pennsylvania and West Virginia. Not only is the ethylene produced there much cheaper than naphtha abroad, but making more sophisticated chemicals and plastics in this region also saves on transport costs since much of American manufacturing is close by. Royal Dutch Shell, a European oil giant, is building a \$10bn chemicals complex in Pennsylvania.

Exciting stuff, but there are potential snags. One is inadequate infrastructure. Mark Lashier, boss of CPC, is worried about congestion at Houston’s busy port and so has invested in alternative routes involving both rail and sea. Shell’s Graham van’t Hoff observes that in Texas and Louisiana, “you just connect to a gas pipeline and off you go.” In contrast, the shale crescent requires a massive buildout of pipelines, ports and logistics facilities.

Another potential obstacle to expansion is rising costs. The capital cost of a new petrochemical plant is at least 50% higher in America than in China today, estimates IHS Markit. Because of its many fallow years, the American chemicals industry has lost a generation of talented field managers, welders and other workers. Labour shortages are a big headache and expense.

The darkest cloud, though, is politics. Consider Mr Trump’s tariffs on imports of Chinese steel and aluminium. Dow says that the steel tariffs alone will add \$300m to the cost of its new plants in Texas, and threatens to build its next facilities in shale-rich Argentina or in Canada instead. The ACC observes that China imports 11% of all American plastic resins, noting with alarm that 40% of the American products to which China has assigned retaliatory tariffs are chemicals. This tit-for-tat may, in the end, prove mostly bluster. However, it would be rum indeed if Mr Trump’s efforts to support local heavy industry ended up derailing the ongoing revival of America’s once-moribund chemicals sector. ■



From dieselgate to Diess?

ket capitalisation of some €85bn (\$105bn). Its share price has outperformed those of its peers. Last year it doubled profits and sold a record 10.7m vehicles.

Investors now want more than competence. As *The Economist* went to press, the most likely replacement was thought to be Herbert Diess, who was also expected to keep his current job as head of the vw brand. As a recruit from BMW who arrived only in mid-2015, he can be presented as an outsider untainted by vw’s old scandals.

As important is his reputation for keeping down costs. He has been effective in his handling of influential trade unions, and is likely to press for more efficient use of costly capital goods such as robots—the firm is notorious for investing heavily in them to little avail. Bernstein, an equity-research firm, wrote in January that “periodically, vw decides it needs to improve its competitiveness and profitability—and brings in an outsider to help it with this task.” It sees Mr Diess as the latest white knight, able to accelerate cashflow and profits.

The challenges are numerous, though. vw still needs to simplify its sprawl and focus on fewer brands. That is easy to say, but unions, fearing job losses among 640,000 staff, oppose any shrinkage. In December they blocked even Mr Müller’s modest sale of Ducati, an Italian motorcycle brand of no strategic importance.

Above all, the firm has to place a bet on the future of the car itself. Mr Müller had made it a priority to persuade shareholders, as well as engineers devoted to the internal combustion engine, that electric vehicles (EVs) are the way to go. He promised that vw would launch a new battery-powered car almost every month, from next year. In March vw said it would equip 16 plants (up from three) to build EVs in the next four years. It also says it has deals with suppliers for batteries worth €20bn. Such actions will not spare Mr Diess, if indeed he is the next boss, a huge strategic question: of all carmakers, should vw have the biggest electric ambitions? ■

Volkswagen

New hands on the wheel

The unexpected departure of the boss of VW heralds a big shake-up

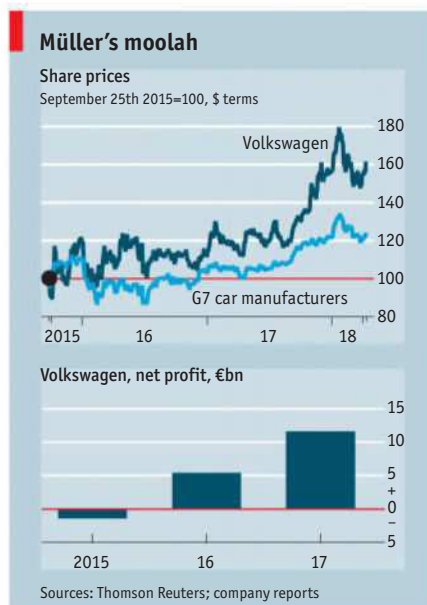
MOST chief executives relish a jump in their company’s share price. But spare a thought for Volkswagen’s Matthias Müller as he watched the gauge of value leap by 4.5% on April 10th. That was galling because investors were responding to rumours, in effect promptly confirmed by vw’s board, that he was to depart this week after less than three years as head of one of the world’s top three carmakers.

The pensive Mr Müller, 64, rarely had the air of a man enjoying the limelight. His contract ran until 2020, but he had become increasingly frustrated at internal opposition to his efforts to change the way the company was run in the aftermath of “dieselgate”, a crisis sparked by vw’s rigging of car-emissions tests. To an outsider, changes such as more decentralisation and the sale of peripheral businesses hardly seemed controversial. But they were too much for some. He may be happy to go; the board referred to his “general willingness” to accept the pending management shake-up.

The supervisory board’s motivations are mixed. One is that a new face could help vw move on from dieselgate. Mr Müller, a long-serving insider, was installed in September 2015 to handle the furor. In the aftermath he faced a slump in sales of diesel cars, the jailing of staff in

America and a bill of some \$30bn (made up of fines and the cost of buying back vehicles from aggrieved consumers).

Mr Müller handled a difficult job competently. vw today is back to roughly the same financial shape it was in just before the scandal broke in mid-2015, with a mar-



Law-firm mergers

Transatlantic
trystsA top-tier British firm seeks a liaison
across the pond

MOST of London's "magic-circle" law firms are intrepid creatures. Over the past 20 years they have busily expanded abroad, opening offices everywhere from Antwerp to Yangon. But despite having hundreds of lawyers on the ground in America, one prize has proved elusive: laying down deep roots in the world's most litigious market.

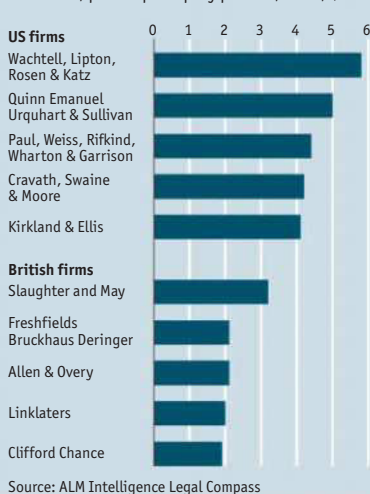
Allen & Overy, a top-tier London firm, would like that to change. It has reportedly been in merger talks with an American firm, O'Melveny & Myers. With O'Melveny denying any plans to merge, a union, which would create one of the world's largest law firms by revenue, may not get off the ground. But that is unlikely to stop Allen & Overy from approaching others in its pursuit of an American alliance.

For the big British firms, America holds the key to greater profitability. Its allure in part reflects its importance on the world stage. Judgments made in America's courts, such as those in anti-bribery cases, have ramifications beyond its borders. New York law, like the whole body of English law, is a popular choice of governing law for international business transactions. The magic-circle firms with global ambitions already tap into some of that work through their American outposts.

But they have made few inroads into the American domestic market. It is large, accounting for about half of the world's legal-services market by revenue. And it is lucrative, partly because of the robust litigation scene. The leading American firms generate nearly twice the profits, per equity partner, of their British peers (see chart). In contrast, profits at magic-circle firms

Magicking away money

Law firms, profits per equity partner, 2016, \$m



have been watered down by their expansion into emerging markets, because clients there cannot be charged as much as those in London or New York. Slaughter & May, the only magic-circle firm without global aspirations, has done correspondingly better as a result.

America is a difficult market to crack. Relationships with clients tend to be deeply embedded. And with no shortage of American competitors vying for business, the magic circle has struggled to differentiate itself from the crowd. O'Melveny may have been attractive to Allen & Overy because of its established litigation team, says Nicholas Bruch from Legal Intelligence, a research provider. Among other things, the firm is representing AT&T, a big telecoms firm, in an antitrust lawsuit brought by the Department of Justice.

The Brits are also not helped by their relatively measly pay for partners. The magic-circle firms all operate some variation of the "lockstep" model, which broadly remunerates partners on the basis of seniority. The scope for large awards tends to be limited, compared with the "eat what

you kill" system followed by most American law firms, which can generate superstar salaries for partners bringing in the most business.

The few American firms to use the lockstep system have experienced partner defections recently to higher-paying practices. The British firms, with their smaller profit pool, have found attracting and retaining American talent hard.

Even so, there are some lonely hearts in America who might welcome a transatlantic romance. Legal mergers involving at least one American firm reached a record high in 2017. Singletons with neither a strong speciality nor an international footprint are feeling squeezed.

That said, the business case for uniting can collapse in the face of large differences in culture and pay. Some partners always leave after a merger. If enough depart, clients in tow, the very rationale for a union leaves with them. The last time a magic-circle firm merged with an American counterpart—Clifford Chance, with Rogers & Wells, in 2000—integration was painful and partners left. The prospect of an American alliance may set the pulse racing. But it is risky, too. ■

Rakuten

Downwardly
mobile

TOKYO

A Japanese e-commerce giant struggles
to retake the lead from Amazon

RAKUTEN is a jack-of-all-trades. Since pioneering e-commerce in Japan in 1997, it has been a rare example of a highly entrepreneurial Japanese firm. Today it spans more than 70 businesses providing credit cards, a travel agency, a golf-reservation system, matchmaking, wedding planning and insurance. It owns Viber, a calling and messaging app and has invested heavily in Lyft, a car-hailing service. Now it is adding another: on April 9th the government gave Rakuten a concession to operate Japan's fourth mobile network (Rakuten currently runs mobile services using another operator's infrastructure).

Rakuten sees this as the next step in building its "ecosystem". It reckons it retains its approximately 95m registered users in Japan by being a trusted brand that can provide customers with everything they need at every stage of their life, and by rewarding their loyalty. Customers get points if they use their popular Rakuten credit cards, for example. These they can then spend on other Rakuten services. Much online shopping in Japan takes place on mobile phones.

But most analysts see Rakuten's move ►►



▶ as defensive. Although it remains a business icon in Japan, worth \$15.2bn, it has been losing its dominance in e-commerce, which remains its core business. In 2011 Rakuten gained a whopping 77% of its profits from its online-shopping business. Those profits have fallen for the past two years. Its fintech services, such as credit cards and insurance, now drive returns.

The firm is struggling to compete with two American rivals, which along with Rakuten dominate the e-commerce market in Japan. Amazon is reckoned by the Japan External Trade Organisation to be number one in online sales, with 20.2% market share compared with Rakuten's 20.1%. Yahoo Japan has a share of 8.9%. Amazon can more easily absorb the costs of a price war and the rising expense of logistics in Japan; Yahoo Japan is ignoring profits as it aggressively builds its market share.

Rakuten has also struggled to export its online shopping-mall model—offering a platform for stores to sell on—to foreign markets, something that Hiroshi Mikitani, Rakuten's mould-breaking founder and boss, said a few years ago was necessary for the company to prosper. The firm found it hard to compete with established rivals in mature markets, and came up against barriers such as inadequate logistics in developing markets in Asia.

To regain lost ground in Japan, Rakuten has recently announced tie-ups with Walmart, an American retailer with which it will launch an online grocery site, and Bic Camera, an electronics giant, which will list its wares on the Rakuten Ichiba site. Mr Mikitani has also talked of creating his own logistics chain. Products sold on Rakuten are dispatched by the merchants. Amazon delivers its own products and many of those from third parties.

Rakuten's move into mobile telephony fits into this picture. It has a large number of members, but “they are shopping around”. A mobile subscriber base tends to be more loyal, as people are locked into contracts for 24 months, says Mitsunobu Tsuruo of Citi, a bank. Nonetheless Mr Tsuruo reckons Rakuten may be underestimating the 600bn yen (\$5.6bn) it says it will invest to build the mobile infrastructure. It will also be hard to attract new subscribers; Japan already has a mobile-phone penetration rate of well over 100%, and in SoftBank, NTT DoCoMo and KDDI, it faces well-established rivals.

Rakuten has set a fairly modest aim of attracting 15m mobile subscribers out of a total market of over 165m, but to obtain even that number it will have to compete on price. Mr Mikitani has pledged to bring down the hefty costs of mobile subscriptions (the reason the government offered a fourth licence). Rakuten's entry into the market may be good news for customers, then. But it is not necessarily going to pep up the firm itself. ■

Pipelines in Canada

Three-ringed circus

OTTAWA

A stalled attempt to unlock Albertan oil

ALMOST all Canada's oil and gas is landlocked, so getting it to market requires pipelines—lots of them. But building them requires skills more suited to circus artists than engineers. They must walk the financial high wire, jump through ever-changing regulatory hoops and juggle conflicting demands from environmental groups and numerous governments. The list of failures is long. It includes Northern Gateway, meant to bring Alberta crude to a port in northwestern British Columbia; Energy East, which would have linked Alberta to the Atlantic coast; Pacific Northwest, to bring gas to the west coast; and the legendary Mackenzie Valley gas pipeline, first proposed in 1974 and dropped in 2017 by its last, exhausted promoter.

Another flop is likely following the announcement this week by Kinder Morgan, one of North America's biggest pipeline firms, that it would freeze spending on the Trans Mountain Expansion, a C\$7.4bn (\$5.9bn) plan to triple the capacity of an existing pipeline carrying fuel from Alberta to a port near Vancouver (see map). Steve Kean, head of Kinder Morgan, complained on April 8th that the newish government in British Columbia (BC) continued to put obstacles in the way of the project, even though it had won approvals from the previous provincial government and the federal government. Unless the governments in Vancouver and Ottawa sort out who has jurisdiction, and provide clarity by May 31st, the company will abandon the plan.

The chaos could be far-reaching. The failure of the Trans Mountain Expansion could provoke a constitutional crisis. It would exacerbate a tit-for-tat trade war between BC and neighbouring Alberta. It

threatens to undo a carefully constructed national climate-change plan. And it may alienate foreign investors who are already pulling back from Canada.

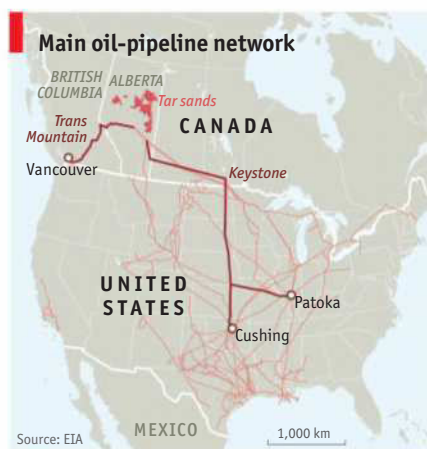
The tussle over who has jurisdiction between the federal government and the powerful provinces goes back to Canada's creation in 1867 and frequently ends up in court. Justin Trudeau, the prime minister, insists the pipeline is in the national interest. The constitution gives parliament the power to override provincial laws and regulations in certain instances. But governments use this power sparingly. In the 1960s, when Quebec refused to allow neighbouring Newfoundland and Labrador to send electricity through Quebec and onwards to American customers, the federal government simply stood by.

Alberta's New Democratic government badly needs a pipeline to carry the province's oil to the ocean to reduce its dependence on America, which buys 99% of Canada's oil exports. Oil firms believe access to new markets would increase the price of Western Canadian Select, the country's heavy crude, which trades at a discount to America's lighter West Texas Intermediate benchmark because of higher transport and refining costs.

But BC's minority New Democratic government is equally determined to placate the Greens who prop it up by honouring a pledge to block the pipeline. As a result of the tiff, Alberta temporarily suspended the import of BC wines earlier this year and is now threatening to restrict exports of petrol to the province, which the existing Trans Mountain pipeline carries in addition to light and heavy crude.

Alberta's agreement to a national climate-change plan that includes a carbon tax was conditional on getting at least one pipeline built. The Trans Mountain Expansion was its best hope. The future of the partially built Keystone Pipeline System, which links Alberta with America, is still uncertain. Should the Trans Mountain Expansion fail, the national climate deal may too. Canada is already struggling to meet its targets. Losing Alberta could loosen constraints on greenhouse-gas emissions from the oil sands, which make up almost 10% of the national total.

Perhaps the biggest source of concern is the message to foreign investors. Last week David McKay, head of RBC, Canada's largest bank, fretted that investment was flowing out of the energy and clean-technology sectors “in real time” because Canada was not competitive. Tax and regulatory changes are making America more attractive in comparison, says Philip Cross, an economist. Kinder Morgan wants Mr Trudeau to sort out the mess. The company is looking for “some kind of pre-emptive action” that stops BC from frustrating and opposing the project, Mr Kean told analysts. In short, he wants a ringmaster. ■





Meal kits

Sliced and diced

NEW YORK

Upstart food companies may need a new recipe for growth

FOR all the allure of televised fare like “MasterChef” and “Chef’s Table”, the reality is that many people are loth to rustle up anything more taxing than a bacon sandwich. Cue the recent emergence of more than 150 companies to make cooking easier. Two of the largest, Blue Apron in America and Germany’s HelloFresh, deliver boxes of pre-portioned ingredients and easy-to-follow recipes to doorsteps worldwide for a fee of around \$60 a week.

Blue Apron is also serving up a belly full of woe to investors. Less than a year after it went public in June with a \$1.9bn valuation, its share price has fallen by 80%. Although the shares of HelloFresh, which debuted on Frankfurt’s stock exchange in November, have risen by 24%, analysts are concerned that both services may fall prey to competition not from rival startups, but from big grocers.

Supermarkets have gobbled up the meal-kit idea and made it their own. Instead of enrolling customers in a weekly menu of meals, these companies offer in-store kits on a day-by-day basis. Albertsons, an American supermarket firm that bought a subscription-based meal-kit company called Plated in September, announced last week that Plated’s products will be available in hundreds of its stores this year. Walmart will soon do the same with its own kits in 2,000 of its stores. Amazon and Weight Watchers, a weight-loss brand, have a slice of the \$2bn market, too.

The subscription services can boast legions of youthful, time-starved fans, many of whom like the convenience of home de-

Shipping

Smoke on the water

The shipping industry attempts to cap carbon emissions

ACROSS the river from the International Maritime Organisation (IMO) headquarters in London protesters have pressure-hosed “IMO DON’T SINK PARIS” into the muck lining the walls of the Thames. The river bank is not the only thing that is dirty.

Shipping and airlines were the only greenhouse-gas-emitting industries not mentioned in the 2016 Paris climate agreement. This was, in part, because assigning emissions is hard. To whom should you designate emissions for shipping Chinese goods, made with South Korean components, across the Pacific to American consumers? But similar problems did not stop airlines quickly agreeing on an industry-wide limit. This week delegates to the IMO, a United Nations agency responsible for shipping safety and pollution, met in a belated attempt to catch up. A deal was due as *The Economist* went to press.

It may not be an impressive one. A preliminary agreement set out to achieve cuts of 50% on 2008 emission levels by 2050. Ambitious nations, like those in Europe, think the industry should be carbon-free by then. Shipping produces 3% of the world’s greenhouse-gas emissions, similar to an economy the size of Germany’s, and that is likely to grow.

Lack of cleaner shipping technology is not a constraint. New design standards are already lowering harmful emissions. Zero-carbon fuels are becoming available. Slowing ships down by 10% could reduce fuel usage by almost a third.

livery and the niche products, such as organic vegetables. But in-store meal kits sidestep subscription-based brands’ biggest problems; retention and acquisition. HelloFresh doubled its customers to 890,000 last year, as well as the number of delivered meals to 20m, but 90% of its American clients defect after a year, says Second Measure, an analytics firm.

Cost deters many, as does the grind of sticking to a dinner schedule made days in advance. Blue Apron loses customers nearly as fast as HelloFresh; bungled orders due to glitches at its new fulfilment centre last year made matters worse. At its peak it boasted 1m subscribers. Its client list shrank by 15% in 2017.

When the firms sign up new customers, the cost to acquire them is exorbitant. Daniel McCarthy of Emory University finds that Blue Apron loses money on more than two-thirds of the customers it brings in.

Diplomats argue that the slow progress is because their actions affect not just the shipping industry, but exporters too. If regulators move too aggressively they may reduce the competitiveness of seaborne trade. For instance, Brazil, a big exporter of iron ore to China, fears overzealous caps could drive shipping costs higher, helping its competitor, Australia, whose ores travel a quarter as far as Brazil’s. The idea of slowing vessels down draws ire from countries that export perishable goods, like cherries and grapes, as Chile does.

Others argue that powerful lobbyists have hijacked the process. A report by InfluenceMap, a research firm, found that at a recent IMO meeting 31% of nations were represented, in part, by direct business interests. Thomas O’Neill, one of the firm’s researchers, is irked by the power of business at the IMO. “In Paris we did not have coal companies telling us what was possible.”

Countries with large shipping registers can have starkly different interests. The Marshall Islands, a low-lying nation keen to allay climate change that is also home to the world’s second-largest shipping registry, leads the call for drastic cuts. Its president co-authored a vociferous op-ed in the *New York Times* last week calling for swift action. But Panama, which has the biggest shipping registry, is an opponent. Japanese firms sail many ships under its flag. InfluenceMap says it may be the biggest obstacle to ambitious emissions curbs. Slow sailing indeed.

Like Blue Apron, HelloFresh is not profitable and spends a lot on marketing and promotional discounts to acquire subscribers. Mr McCarthy estimates that each new client costs the company \$94; Blue Apron shells out \$84.

Supermarkets already have the foothold to minimise such costs. And because of their existing supply chains, they do not incur the same cost for ingredients as the subscription-based services, nor do they have delivery charges. What they lack in novelty value, they can make up for with variety.

Blue Apron and HelloFresh are refusing to bow to the pressure. In March Blue Apron said it plans to sell its kits at selected American retailers this year. But such a large pivot, says Mark Mahaney of RBC Capital Markets, an investment bank, is disconcerting. If even the biggest brand cannot stick to the subscription model, the smaller ones may be in for the chop. ■



Also in this section

- 61 US government debt
- 62 Buttonwood: The bitcoin bug
- 63 Sanctions roil Russian markets
- 63 Deutsche Bank's new boss
- 64 Weaving social safety nets
- 64 India's state finances
- 65 What does America want from China?
- 66 Free exchange: Root and branch

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Shareholder activism

Voting with your pocket

NEW YORK

The proxy season kicks off on Wall Street

JING ZHAO'S main occupation is translating Latin classics into Chinese. He runs a small think-tank, the US-Japan-China Comparative Policy Research Institute. He lives off rents from property bought cheaply after the financial crisis. But this quiet, intellectual California resident has a surprising sideline: submitting proposals to be voted on by the shareholders of companies in which he owns small stakes. That makes him part of a movement that is forcing management at some of the world's biggest firms to consider not just profitability but broad shifts in social attitudes.

The annual meetings of America's listed companies, usually held between February and June, have come to constitute "proxy season"—so-called because shareholders need not cast their votes in person. This year proposals from Mr Zhao will be on the ballot at four giant firms. He wants Apple to create a human-rights committee, citing its decision last year to bow to Chinese censorship by removing hundreds of "virtual private network" apps from its Chinese app store. For Twitter, he proposes a new committee to oversee issues such as human rights and corporate social responsibility. A third proposal would lessen Elon Musk's dominance over Tesla by giving the board more power. And finally, he wants changes to remuneration policies at Wells Fargo, a big bank that faces fines of up to \$1bn for mis-selling financial products.

Each firm has reacted negatively to Mr

Zhao's proposals. Apple and Twitter appealed, unsuccessfully, to the Securities and Exchanges Commission (SEC) to have them struck down. So far only the proposal regarding Apple has been voted on, with just 5% in favour. But Mr Zhao, and others trying to use proxy votes to mould corporate America, are playing a long game. The vote has drawn attention to Apple's concessions in China. And 5% is enough, under the SEC's rules, that Apple cannot block the proposal from next year's ballot.

Shareholder proposals used to relate mostly to corporate governance—for example, splitting the roles of chairman and chief executive. But in recent years that has changed. Even as the total number of proposals has fallen, the number relating to social and policy issues has crept up. Last year, according to the Manhattan Institute, a think-tank, more than half of those at America's 250 biggest firms related to such matters. An analysis by Institutional Shareholder Services (ISS), a proxy-advisory firm—which advises fund managers on how to vote on proposals—found that of the 459 shareholder proposals submitted by early April this year, many fell under just a few headings: transparency about political spending, climate change, racial and gender diversity, and pay.

But that does not capture the proposals' range and creativity. Campaigners on a dizzying array of issues regard proxy voting as an exciting new weapon. For example, this

year the Sisters of St Francis of Philadelphia, an American order of nuns, got a proposal onto the ballot at Amerisource-Bergan, one of America's largest pharmaceutical distributors. Demanding greater transparency about the sale of opioids, it gained 41% of the vote. That is startling, given that supplying pharmaceuticals is the firm's core purpose. The message to management is unlikely to go unnoticed. Two other distributors, Depomed and McKesson, face similar votes.

The Interfaith Centre on Corporate Responsibility, a group of unions, pension funds, religious groups and self-described "socially responsible" asset managers, published a guide to the 266 proposals its members put forward this year. One wants Amazon to look at how to cut food waste. Another wants Bristol-Myers to consider how to incorporate public concerns over expensive drugs into executive pay. A third wants Goldman Sachs and Citigroup to say how they will avoid violating the rights of indigenous people whose lands might be crossed by oil pipelines.

Early and often

Typically, proxy proposals are framed as being beneficial for a firm's bottom line, no matter what the issue. That can stretch credulity. But it also provides essential cover for fund managers who may look kindly on a proposal but are voting on behalf of the shares they manage, since they are generally bound to support only proposals that would enhance a firm's value.

In public, executives tend to welcome proxy activism. In private they moan about the time and money it soaks up. Seemingly innocuous requests for studies on an issue touch a raw nerve; each word could form the basis for future litigation.

It is all a far cry from the early days of proxy voting, in the 19th century, when the

rise of public companies with dispersed owners made it hard to get a quorum. Shareholders were permitted to nominate a proxy to vote on their behalf. For a long time, their representation was mostly for show. In 1937 a jaded correspondent for *The Economist* noted that shareholders were merely provided with “special facilities for voting in favour of the chairman’s policy before they have heard his speech”.

The issue was included in the SEC’s original mandate, in 1934. But the agency has struggled ever since to decide who should be able to put forward a proposal, and what sort of demands it may entail. It took years for shareholders to gain the right to approve a firm’s choice of auditor, but such a vote is now mandatory—and particularly relevant this year. The collapse of two big firms, Carillion and Steinhoff, is provoking shareholders at some other firms with the same auditors, KPMG and Deloitte, to demand that they switch. ISS has recommended that GE’s shareholders vote in favour of dropping KPMG.

The current rules set a low bar for submitting a proposal. A shareholder must have owned at least \$2,000 of a company’s stock for a year, and write a letter setting out the topic of the vote in less than 500 words. But getting it accepted is harder. Proposals are supposed to address issues that affect at least 5% of a company’s business, and neither conflict with its ordinary activities nor reflect a personal grievance. Management can appeal to the SEC to block a vote. According to the Sustainable Investments Institute, an advisory firm for social, environmental and policy issues, during the past eight years appeals heard by the SEC have been granted 40–60% of the time.

The SEC can be unpredictable and its results and utterances Delphic, says Heidi Walsh, the institute’s director. Last year it ruled that Exxon had to allow a vote on proposals requiring extensive studies of the risks climate change posed to its business. Over the firm’s objections, the proposals were approved. But this year the SEC allowed EOG, an oil and gas firm, to block a proposal requiring it to set targets to reduce greenhouse-gas emissions.

If either side disagrees with the SEC’s decision, it can go to court. In 1969 opponents of the Vietnam war, who had sought and failed to call a shareholder vote to force Dow Chemical to stop making napalm, appealed. That led to the SEC ending its ban on proposals relating to political and moral issues. After a proposal in the 1980s to stop the force-feeding of geese was blocked, litigation established that a proposal can sometimes merit a vote, even if it concerns less than 5% of a firm’s business. In 2015 litigation by Walmart reversed an SEC decision to allow a proposal seeking to restrict the retailer’s gun sales.

The changing nature of shareholding has created some unlikely social-justice

warriors. Shares used to be held in tiny lots by individuals. They are now largely consolidated into big public and private pools. That has turned sovereign-wealth funds, pension funds and the like, which vote in proportion to the shares they manage, into the equivalent of voting blocs. Private funds often used to neglect to cast their votes, perhaps for fear of antagonising corporate clients. That changed in 2003, when the SEC started requiring them to do so. Some officials running public pension funds seem to revel in their new-found power. Scott Stringer, New York City’s chief financial officer, made his stance on proxy

proposals relating to diversity and climate change a big part of his election campaign.

In this new framework for corporate governance, the role of *éminence grise* is filled by proxy-advisory firms like ISS. It and Glass Lewis are the two best-known. They help institutional investors to sort through the array of proposals put forward by other shareholders and by the firm itself, and give recommendations to guide votes. But one voice is still scarcely heard: that of individual owners whose shares are held in funds and pension schemes. As social issues rise up the corporate agenda, it is a lingering injustice that they are ignored. ■

US government debt

Shake it off

WASHINGTON, DC

Bond-market doomsters are overstating their case

THE bond market used to be the prime exhibit for those predicting low long-term economic growth. In the summer of 2016 the ten-year Treasury yield briefly dipped below 1.5%, as expectations for growth and inflation sagged. Things have changed. Earlier this year the ten-year yield briefly went higher than 2.9%. Even after recent share-price gyrations, it remains around 2.8%, well up since the start of 2018. The rebounding interest rate partly reflects higher confidence in global growth. Inevitably, a new set of pessimists now voice a fresh worry: that bond yields might go on rising for less welcome reasons.

They point to three threats. The first is monetary policy. The Federal Reserve has raised short-term interest rates by 1.5 percentage points since December 2015. At

their March meeting, rate-setters slightly upgraded forecasts of how far rates should eventually rise. Last October the Fed began shrinking its \$4.5trn portfolio of assets, mostly government debt, amassed since the start of the financial crisis. Quantitative easing (QE) supposedly worked by depressing long-term interest rates. Unwinding it could push them back up.

American policymakers are not the only ones tightening. Britain raised interest rates in November, and many investors expect the European Central Bank to end its QE programme this year. Economists increasingly think the “term premium”—the reward investors demand for locking their money away—is determined globally. The expectation of tighter money abroad could push American rates up, too.

The second threat is fiscal policy. President Donald Trump’s tax cuts, which are expected to cost around \$1trn over a decade, have deepened the hole in America’s public finances. A budget deal in March raises annual spending by at least \$143bn (0.7% of GDP). Pension and health-care costs are rising. On April 9th official budget-watchers projected deficits greater than 4% of GDP every year for the next decade. Primary dealers—middlemen between governments and investors in the public-debt market—expect almost \$1trn of net issuance of new debt in the 12 months to September 2018.

The third threat comes from abroad. China and America have engaged in several rounds of setting or threatening tit-for-tat tariffs on each other’s exports. If a trade war erupts, one way China could retaliate might be to reduce its holdings of Treasuries, currently about \$1.2trn.

So there is much to worry the bond ►►



► bears. But all three threats are somewhat overblown. Start with China. If it dumped dollar assets, it would push down the greenback, boosting American exports. That would be a strange move in a trade war. It has been reported that China could do the opposite—boost its exports by devaluing the yuan—though this too is improbable. A big devaluation would damage China's authority around the world, and might trigger another round of capital outflows. The Chinese government has fought hard to stop these over the past two years.

The Fed, meanwhile, signalled its plans to shrink its balance-sheet well in advance,

so the effects of reversing QE should mostly be priced in. And the loose consensus among economists is that asset purchases brought down the ten-year yield by only about a percentage point. Not all think the effect on the way out will be as large.

As for fiscal laxity, net new borrowing of nearly \$1trn is relatively small compared with the gross amount of debt America regularly rolls over. (In the year to February, the Treasury issued securities worth over \$9trn.) That interest rates remain low despite plentiful public borrowing indicates that safe assets are still in demand. Thank structural shifts in the world econ-

omy, such as rising life expectancy that causes more saving for retirement.

America faces a big challenge balancing its books in the long term. If it does not, interest rates must soar eventually. But countries usually have fiscal wriggle-room as long as they grow, in nominal terms, at a rate higher than the interest on their debt. America remains well within this comfort zone. Rates may rise a little more, but that would give the Fed welcome room to loosen policy the next time recession strikes. Pessimists who thought rates would never rise were wrong. Today's bond-market doomsayers probably are, too. ■

Buttonwood | Catching the bitcoin bug

A new study offers cold comfort for crypto-investors

SINCE the heady days of late 2017 and January of this year, crypto-currencies have gone into retreat. Bitcoin, the best-known example, is now worth just a third of its value at its peak (see chart).

But there remain plenty of true believers in digital currencies. They point out that prices are still well above where they were in 2016. And interest from institutional investors is still strong enough for analysts to want to make sense of the crypto-phenomenon.

The latest bank to take a shot is Barclays, which devotes a lot more of its "Equity Gilt Study 2018" to the impact of technological change on finance and the economy than it does to either equities or gilts. Its report describes crypto-technology as "a solution still seeking a problem".

It identifies four challenges in particular. The first is trust. In most countries, consumers and businesses have faith in the currencies issued by the government. The second is sovereignty: the potential for tax avoidance and loss of financial control means that neither governments nor central banks will be keen to see private crypto-currencies take off.

A third challenge is privacy. Although they can be used pseudonymously, crypto-currencies are less reliably anonymous than cash since the blockchain that lies behind them records all transactions. If a pseudonym is cracked, the user's purchase history is revealed. A fourth relates to the ability to undo a transaction in cases of error or fraud—blockchain transactions are hard to reverse.

On top of all these problems is the fact that existing alternatives seem to work perfectly well. It is easy to make payments and transfer money in an instant.

So what is the appeal of digital newcomers? Private crypto-currencies can be attractive in societies where trust is low,

or where governments are unwilling or unable to provide reliable means of exchange—in wartime or during periods of sovereign default, for example. Barclays also suggests that in countries where opportunities to invest are limited, "crypto-currencies may be one of the few ways to diversify savings out of domestic assets."

None of these conditions applies in rich countries. But they hold in some emerging markets. There could also be demand in the developed world from criminals (although they now strongly favour cash). By making generous assumptions about the size of these low-trust and criminal markets, Barclays comes up with a maximum total value for all crypto-currencies of \$660bn-780bn. That is roughly where they were priced at the beginning of 2018.

Maximum value is not the same as fair value. Surveys indicate that most people who buy bitcoin are doing so as an investment. Just 8% of Americans who hold bitcoin do so for purchases or payments. That suggests the main motive for buying crypto-currencies is speculation, which also explains their spectacular recent rise and fall, as with so many bubbles before

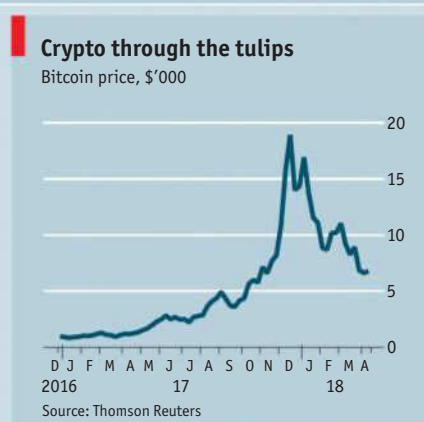
them, from tulips to dotcom stocks.

Speculative bubbles are hard to model—how to find a rational way to assess irrationality? But Barclays uses the ingenious parallel of an infectious disease. A bubble starts with a small number of asset owners (the "infected"). New buyers are drawn in (or catch the bug) because they witness price increases and fear they will miss out. A large share of the population is immune and will never succumb.

Buyers use a combination of the current price and an extrapolation of the recent increase in price to estimate their expected target value. The faster the price rises, the wilder investors' hopes and the more the infection spreads. Eventually the market runs out of potential participants and the price rise slows. Once it starts to fall, holders lose hope of big gains and start to sell. The epidemic dies out.

The Barclays model fits the history of the bitcoin price pretty well. And it suggests that the long-term outlook for the value of crypto-currencies is bleak. After all, plenty of people will have bought in the past few months, when enthusiasm was at its height. Some will have taken extra risk to buy the currency, via spread betting or other types of gambling. Instead of the riches they expected, they will be nursing losses. Some will be keen to sell their holdings. But new buyers will be harder to tempt now that crypto-currencies no longer look like a one-way bet.

All of this is good news. Perhaps the blockchain will turn out to be useful for other purposes—for example, recording property transactions. But it has been hard to think about such potential innovations when all the attention was focused on an ever-rising price. The crypto-fever has finally broken.



Russian sanctions

Investing on the edge

MOSCOW

New sanctions and fears over Syria roil Russian markets

ON APRIL 6th America imposed harsh new sanctions on Russia in response to its “malign activity” abroad. Rattled investors sent stocks tumbling when the Moscow exchange reopened on April 9th. The principal stockmarket index fell by 8.3% that day. The rouble sank sharply. Oleg Tinkov, a banker, lost \$250m, but brushed it off with reference to a previous daily loss of \$1bn. “Being on the Russian stockmarket is like living on a volcano,” he said.

Geopolitics drove markets through the week. Tensions over Syria (see Middle East section) and talk of potential sanctions on Russian government bonds weakened the rouble further. A fiery morning tweet from Donald Trump threatening Russia sent stocks tumbling again on April 11th. But when the treasury secretary came out against sanctions on bonds later that day, the rouble and the stockmarket perked up.

Among the 24 people targeted by the new sanctions are government officials and the son-in-law of Vladimir Putin, Russia's president. Also on the list are 14 companies—including, in a first for American sanctions against Russia, listed ones such as those controlled by Oleg Deripaska, one of Russia's richest men and the boss of United Company Rusal, the world's second-largest aluminium firm. Investors have until May 7th to rid themselves of stocks, bonds or holdings in several of them. All contracts and activities with sanctioned firms must be ended within 60 days.

Last summer Congress passed a law requiring the Treasury to identify individuals close to Mr Putin for potential sanctions. But when the list was published in January, it was so long as to be meaningless. “There was a consensus on the market that any actions on sanctions would just be for show,” says Natalia Orlova, the chief economist at Alfa-Bank.

The latest measures put paid to that idea. They make it “virtually impossible” for Mr Deripaska to deal in the dollar economy, says Daragh McDowell of Verisk Maplecroft, a consultancy. Rusal was forced to tell customers to halt transactions. Glencore, a giant commodity firm, put plans for a share swap with Rusal on hold. Its boss, Ivan Glasenberg, stepped down from Rusal's board.

The sanctions have sown fear and uncertainty. The individuals affected are a mixed bunch, including figures such as Viktor Vekselberg and Suleiman Kerimov, who are barons of business but hardly Mr

Putin's closest cronies. Foreigners concluded that anyone could be next, and dumped anything Russian. This is about the fears of investors, rather than Russia's economic fundamentals, says Jan Dehn of Ashmore Group, an investment firm. He foresees a buying opportunity.

Russia is more resilient than in 2014, when it went into recession after oil prices fell and Western countries imposed sanctions in retaliation for the annexation of Crimea and the war in Ukraine. Its companies and banks have reduced their foreign-currency debt and the rouble is free to float. The government has plenty of foreign reserves to cushion most external shocks.

Russia's turmoil has had little effect on other emerging markets. Although it is the fourth-biggest emerging economy, its bonds and shares carry only a modest weight in the benchmark indices followed by foreign investors. By April 10th MSCI's popular emerging-market equity index was higher than before the new sanctions were announced. That may not be good news for investors who remain exposed to Russia. If America concludes that it can put sanctions on Russian assets without hurting other countries, says Timothy Ash of BlueBay Asset Management, it may be more likely to do so again. ■

Deutsche Bank

Unravelling

A change at the top of Germany's largest lender does not solve its problems

THE supervisory board at Deutsche Bank, Germany's biggest lender, has been sounding out replacements for its chief executive for weeks. On April 8th it made its choice: Christian Sewing, an experienced insider. He starts with immediate effect, replacing John Cryan, who became joint chief executive in 2015 and sole boss a year later. It is the latest in a series of quick changes for the bank.

Mr Sewing is the first German in 16

years to serve as Deutsche's sole boss. He is also the first in many years without a career in investment banking. In his 25 years at the bank he has worked in commercial banking, auditing and risk management, most recently as joint head of the retail division, which he successfully slimmed down. The appointment is seen by many as heralding a shift in favour of retail banking, especially since Marcus Schenck, joint head of investment banking, is also leaving after being rebuffed in his efforts to expand his division.

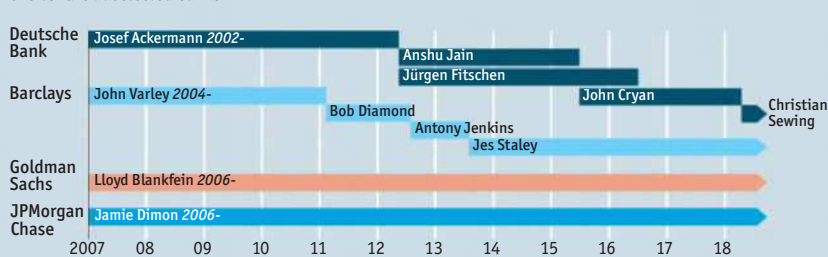
Yet the circumstances surrounding Mr Sewing's elevation suggest confusion as much as calculation. The moves were not “a turn away from investment banking”, insisted Paul Achleitner, the chairman of Deutsche's supervisory board, to *Frankfurter Allgemeine Zeitung*, a daily newspaper. Other mooted candidates, such as Mr Schenck, Jean-Pierre Mustier of UniCredit and Christian Meissner of Bank of America, are experienced investment bankers. Mr Achleitner comes out looking muddled. At least one investor has called openly for his departure. Others have questioned his judgment.

Deutsche's investment-banking arm has struggled against big American competitors. Analysts at Scope Ratings, a ratings agency, reckon the only way forward for that division is “drastic” cuts. But returning to its roots in retail banking in its home market is not appealing, either. It is tricky to make money in a land of 1,600 banks where retail clients are reluctant to borrow, especially with interest rates so low. The structural unprofitability of German retail means investment banking has been “all there was” to Deutsche, says Dan Davies of Frontline Analysts. He thinks the bank needs to concentrate on investment banking, not retail, in Europe, and scale back in America. Such very different recommendations suggest that neither path offers an obvious way forward.

If anyone can pull off a turn towards retail, it should be Mr Sewing. If, on the other hand, Deutsche opts to double down on investment banking, he may end up looking vulnerable. Deutsche has had four CEOs in six years (see chart). Mr Sewing must wonder if his rise is a blessing or a stitch-up. ■

Time at the top

CEO tenure at selected banks



Source: Company reports

Anti-poverty programmes

Casting wider

QIONGHAI

How developing countries catch the neediest before they hit rock-bottom

SOUP kitchens serve the needy for free; restaurants serve the hungry for money. In parts of South Asia, eateries near mosques sometimes fall into a third category. They feed the poor sitting patiently outside, whenever a pious or charitable passer-by pays them to do so. Alms-giving of this kind provides one traditional safety net for the destitute in developing countries. But it is, thankfully, not the only one.

According to a new report by the World Bank, developing countries spend an average of 1.5% of GDP on social safety nets designed to stop people hitting rock-bottom. (The rich countries in the OECD spend on average 2.7%.) Among these are workfare schemes, pensions, free school meals and cash handouts, sometimes conditional on recipients sending their children to school, getting them vaccinated and the like. This spending has reduced the number of people living in extreme poverty (less than \$1.90 a day) by 36% on average in the countries examined by the World Bank.

South Asia's mosque-side restaurants will serve anyone willing to wait for a benefactor. Other schemes try harder to sift out undeserving cases. Public-works programmes, for example, provide money only to those willing to perform hard labour, like digging ditches or planting trees. In principle, these projects should attract only the most needy. In practice, they do not always work that way. Across the countries studied by the World Bank, public-works schemes do no better in screening out the better-off 40% of the population than other forms of safety net, such as conditional cash handouts.

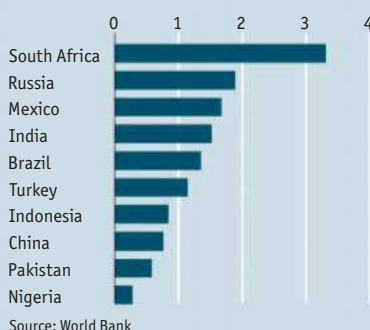
Safety nets play a bigger role in some places than others (see chart). In South Sudan, two schemes financed by donors and run by the World Food Programme cost the equivalent of 10% of the new country's measly GDP. East Timor's pensions, paid to veterans of the resistance to Indonesian occupation, amount to 6.5% of GDP. Among the bigger emerging economies, Latin American countries are notably more generous than Asian ones. Mexico, for example, spends 1.7% of GDP on safety nets. The share in China, which is at a similar stage of development, is only half as large.

Regions also differ in their preferred style of safety net. Conditional cash transfers are popular in Latin America; public works in South Asia. East Asia tends to favour non-contributory pensions.

One reason for Asia's relative stinginess

Nothing but net

Spending on social safety net programmes
2016 or latest, % of GDP



Source: World Bank

may be a lingering belief that safety nets erode people's work ethic and foster dependency. A former Singaporean official once talked disdainfully of a "crutch economy", in which the rich were taxed heavily to support the poor. But even in Asia, safe-

ty nets are spreading. With the help of donors (including the World Bank), Indonesia expanded its "family hopes" cash-transfer scheme from 2% of the population in 2012 to 9% by 2016. The Philippines (also with outside help) expanded its scheme from 4% of the population in 2009 to 20% in 2015.

Will this new generosity create "crutch economies"? Quite the opposite. The World Bank cites a randomised trial of cash-transfer schemes in six countries, including Mexico, Indonesia and the Philippines, which found no evidence that beneficiaries worked less. Safety nets can also save households from desperate measures, such as selling assets at knockdown prices or taking children out of school so they can work. Such responses to immediate need can harm a household's long-run prospects. The safety nets Asia is weaving might even spare some people from long, listless waits outside a mosque, hoping to be fed by the piety of strangers. ■

India's state finances

Who counts?

MUMBAI

States squabble over plans to stop using census data from half a century ago

THE population of Uttar Pradesh is over 220m, enough to make the northern Indian state the world's fifth-most populous country. But statistics still used by bureaucrats in New Delhi put it at less than 85m. Antiquated census data are used to split everything from federal funding to seats in the national parliament. A proposal to use up-to-date figures has created a political storm.

In the mid-1970s India's southern states were doing better than northern ones at controlling population growth. That meant losing federal power and money, both doled out in proportion to population. The inelegant solution was to keep using census figures from 1971, an arrangement that became indefinite.

But buried in a recent government memo is a proposal to use figures from the most recent count, in 2011, for federal funding. Southern states are fuming. Their populations have risen since 1971, but nothing like as much as those of Uttar Pradesh and its neighbours (see map). They have also become much richer than northern states, not least because of lower fertility. That cuts their share of federal funding further.

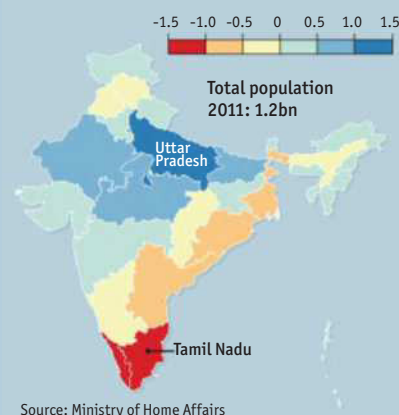
The change would be a "punishment for states that had performed splendidly between 1971 and 2011 in stabilising their population," thundered P. Chidambaram, a former finance minister (and southerner). The southern state of Tamil Nadu estimates that it could lose 800m

rupees a year (\$1.2bn), about as much as its policing budget.

The finance minister, Arun Jaitley, decried a "needless controversy". But the row has a political dimension. India's south is relatively less keen on the ruling Bharatiya Janata Party, which has its roots in the north. Regional parties, something of a thorn in the side of Narendra Modi, the prime minister, fear that a decision to stop using retro statistics to calculate federal funding would set a precedent for 2026, when the deal to allocate seats in the federal parliament using 1971 data is due to expire.

Uneven distribution

India, population change by state
Share of total population, % point change 1971-2011



US-China trade

Drawing the battle lines

The nature of America's gripes with China makes a deal hard to imagine

AFTER weeks spent threatening tariffs on an ever-greater share of Chinese imports, President Donald Trump seems to be in a more conciliatory mood. On April 10th a speech by the Chinese president, Xi Jinping, prompted him to tweet a prediction: "We will make great progress together!"

Many besides Mr Trump share that hope. If China offers him a deal that he is willing to sign, a trade war may still be averted. Or sense may prevail, as it did last month, when American allies such as Canada and Mexico were exempted from tariffs on steel and aluminium. But such optimism shades into naivety. China hawks in the American administration have long seethed over aspects of the relationship with China that rarely feature on Mr Trump's Twitter feed. Those problems predate his presidency. And they do not look easy to resolve.

The rules-based system of international trade works best for problems that are clearly defined, and when it is easy to judge the success or failure of a remedy. Tariffs, and laws that discriminate against foreign firms, are classic examples. Some of the Trump administration's gripes with China, published in a 182-page report on March 22nd, fall into this category. (The report was the result of an investigation into China's trade practices under Section 301 of the Trade Act of 1974, which grants the right to threaten tariffs if unfair practices are uncovered.)

For example, it claims that Chinese law discriminates against American companies by undermining their freedom of contract in several ways. Chinese firms can negotiate with each other over the terms of technology-licensing agreements, but foreign licensees must bear all the risk of others suing for intellectual-property infringements. Joint ventures must grant the Chinese partner the right to use the foreign partner's technology even after their agreement has expired. Such complaints will be considered by the World Trade Organisation (WTO) and judged against the commitments China made when it joined in 2001.

But resolving America's other gripes will be harder—whether in the WTO or as part of a bilateral deal. Some are not to do with China's written laws, but with its unwritten rules and informal procedures. Upon joining the WTO (and a further eight times since 2010) China's government pledged not to make handing over technol-

ogy a condition for market access. But the Americans say Chinese officials continue to pressure firms to do so.

Such a claim is hard to prove—all the more so, given the opacity of China's regulatory processes. And experience suggests that any deal would be devilishly difficult to enforce. The Chinese authorities can say that contracts involving technology transfer were signed voluntarily. They can make life hard for any foreign company that dares say otherwise. Robert Atkinson of the Information Technology and Innovation Foundation, an American think-tank, accuses the Chinese of playing rope-adope, allowing the American administration to exhaust itself in ultimately futile complaints. He thinks that it should give up on the rules and focus instead on results, for example by arranging for American firms to inform it "off the record" of Chinese infractions. But any such flexible, unclear arrangement would be fiercely resisted by the Chinese.

Half of the Section 301 report concerns Chinese investment in America. The Americans take issue with Chinese firms' acquisitions of American ones, such as Lexmark, a printing company, in 2016, and Mattson Technology, which produces equipment for making semiconductors, in 2015. In both cases the purchase price was well above market value. The Chinese maintain that these were fair transactions on the free market; the Americans suspect that they were directed and supported by the Chinese government in a bid to domi-

nate strategic sectors. Any mutual agreement to curb such purchases would have to outline a legitimate role for the state. But China's model of state-directed capitalism makes it hard to distinguish between public and private affairs.

At the heart of the disagreement is China's industrial policy. The Americans suspect the Chinese government of enticing their firms with the promise of a vast consumer market, only to use regulatory pressure to strip them of their bargaining power and expose them to the theft of intellectual property by forcing them into joint ventures. They spy a plot to undercut and eventually surpass American industry.

The Section 301 report relays the story of SolarWorld, a maker of solar panels that claims its trade secrets were stolen. The result was that cheap Chinese competitors flooded the market, costing it more than \$120m in sales and revenue. The Americans worry that unless the Chinese government changes its ways, other American industries will soon lose out to China, too.

But what the Americans see as unfair the Chinese see as the path to development. From their point of view, bringing in American firms is a roaring success. A study analysing joint ventures in China in 1998-2007 found that they boosted both the Chinese partner and the industry in which it was active. Ventures with American firms were more fruitful than those with firms from Hong Kong or Japan.

During his speech this week, Mr Xi repeated old promises to cut tariffs and relax investment restrictions in some sectors. The American vision is of more sweeping change. According to Bloomberg, a news service, secret bilateral talks broke down after the Americans demanded an end to Chinese subsidies for high-tech industries. It is hard to imagine a deal that reconciles these fundamental differences. That leaves a choice—between an agreement that is shallow and fragile, or conflict. ■



Trade warriors at work

Free exchange | Root and branch

Economists understand little about the causes of growth. The first of a series on the profession's shortcomings



OVER the past decade economists have been intensely scrutinised for their intellectual failings in the run-up to the 2007-08 financial crisis. Yet had the recession that followed been more severe—wiping a quarter off the GDP of every advanced economy, say—those countries would still have ended up four times as rich per person, in purchasing-power terms, as developing countries are now, and more than ten times as rich as sub-Saharan ones. Robert Lucas, a Nobel prizewinning economist, once wrote that after you have started to think about the gap between poor and rich countries it is hard to think about anything else. Economists understand even less about economic growth than about business cycles. But the profession has done too little to address this failure or to understand its implications.

Economists have precious few hard facts about growth. They know that sustained growth in GDP per person only started in the 18th century. They know that countries can become rich only by growing steadily over long periods. They know that in some fundamental way growth is about using new technologies to become more productive and to uncover new ideas. Beyond that, almost everything is contested.

There are three broad lines of thinking. The first dates from 1956, when Robert Solow and Trevor Swan independently developed models based on the idea that growth is a consequence of capital accumulation. Their models explained how poor countries could catch up with rich ones, but not why rich countries had grown in the first place. Mr Lucas and other economists, including Paul Romer, sought to fix that by adding descriptions of how knowledge is developed and disseminated. As simple stories about how growth might work, such models function well.

Yet they share two flaws. First, they are often too vague to be of much practical use. As Paul Krugman, another Nobel prizewinner, once wrote, they “involved making assumptions about how unmeasurable things affected other unmeasurable things”. And they leave out most of what matters. Some economies do indeed leap from poverty to riches by mastering state-of-the-art technologies. But most do not, suggesting that formidable obstacles prevent many poor countries from growing in the way that models of knowledge accumulation and diffusion suggest they could. Growth theory is silent about what those obstacles might be.

A second strand of empirical research followed. Economists pored over cross-country economic data in search of factors that might explain differences in growth. Some focused on individual countries and used techniques known as “growth accounting” to quantify the relative contributions of capital and labour. Often, however, much of the growth could be attributed only to an unexplained residual, sometimes interpreted as representing progress in technology but better understood, in the words of Moses Abramovitz, another economist, as “a measure of our ignorance”.

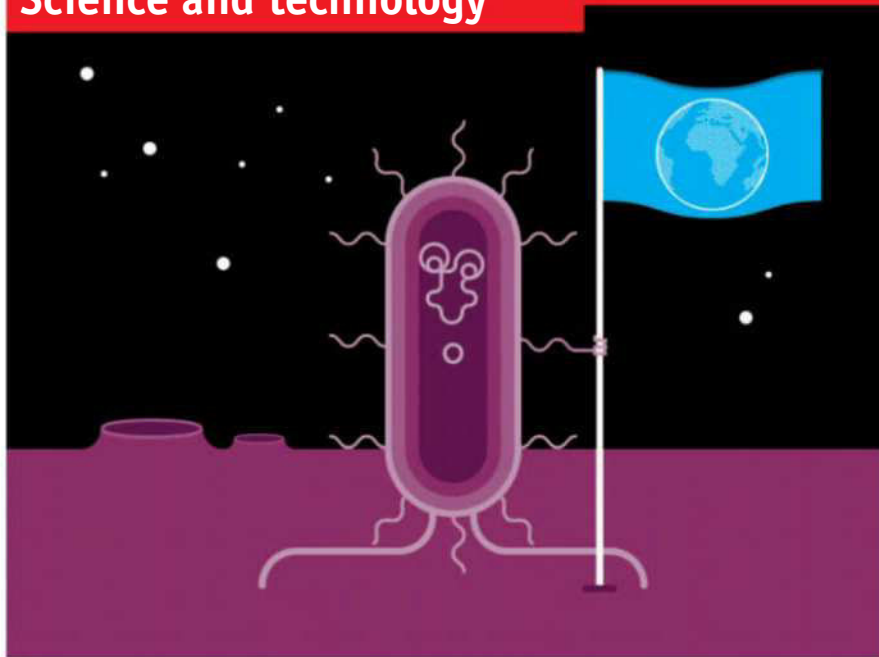
Other empirical researchers compared countries, seeking links between economic and political characteristics and rates of growth. Yet, as Mr Solow has remarked, this project has not inspired much confidence. The trouble is the sheer number of variables that might matter, alone or in combination. A study might find that some factor—the rate at which businesses are created, say—is materially linked to growth. But in reality something else correlated with business creation, not included in the study, might be the crucial influence. The world is too complicated to be dissected and examined this way.

A third group of researchers look to history for lessons, examining the Industrial Revolution, the diverging fortunes of former European colonies and so on. They are held back by a paucity of data and have not managed to converge on a shared understanding of the nature of growth. Yet their approach is in some ways the most promising, because it means grappling with the ways in which culture and politics constrain economics. Debates about the origins of the Industrial Revolution revolve around the relative importance of secure property rights, the extent to which cultures tolerate personal ambition and so on. Those about why one European colony ended up rich and another poor focus on why different places ended up with different sorts of institutions, and to what effect.

At bottom, such issues must be the most important ones. An economist might explain China’s rapid growth in the 1980s by saying that it began to deploy more capital per worker and to adopt foreign technologies. Yet it was very clearly the result of a political decision to loosen state control over economic activity. It would similarly be accurate to say that China’s future growth will depend on how well it develops and deploys new technologies. But that depends on decisions about economic governance taken by its leaders, which will in turn be influenced by social and geopolitical forces that economists scarcely understand and generally ignore. Economists might imagine that if they were put in charge of a poor country, they could get it to grow. But a formula for growth that takes no account of social and political complexities is no formula at all.

Ignore it and it will grow away

A clearer understanding of how growth happens, and why growth-boosting institutions sometimes wither or fail to take root, could raise the living standards of billions of people. The economics of growth should therefore be central to the discipline, even though the questions it poses are objectively hard, and the answers rest more in history and politics than in elegant mathematics. Until they can give better answers in this area, economists should speak with greater humility about how this structural reform or that tax change might affect long-term growth. They have not earned the right to confidence. ■



Spreading life to the galaxy

Long shots

SANTA BARBARA

The idea of “seeding” alien worlds with Earthly organisms is now being discussed

SCIENCE fiction is filled with visions of galactic empires. How people would spread from star system to star system, and communicate with each other in ways that could hold such empires together once they had done so, is, though, very much where the “fiction” bit comes in. The universal maximum speed of travel represented by the velocity of light is usually circumvented by technological magic in such works. The truth is that, unless there has been some huge misunderstanding of the laws of physics, human colonisation of the galaxy will be hard.

A number of scientists reckon a more modest approach towards spreading life to other star systems might be possible. In the chill of deep space, bacteria somehow shielded from cosmic radiation might survive dormant for millions of years. Perhaps alien worlds could be seeded deliberately with terrestrial micro-organisms that might take hold there, jump-starting evolution on those planets.

There are many obstacles to directed panspermia, as this approach is known—and they are not just technical. Religiously minded critics claim “we’re playing God”, says Claudius Gros, a physicist at Goethe University in Frankfurt, who has floated the idea of scattering photosynthesising bacteria and algae on extrasolar planets. Critics argue in particular that “contaminating” other planets with terrestrial life in

this way risks altering, or even destroying, any life that has arisen there independently. For support, they point to present-day concerns that bacteria carried by spacecraft might, if some form of life does exist there, do exactly that to Mars. This debate is hypothetical for now. But it will become more urgent if any of the projects currently being discussed to build probes to travel to nearby star systems gets off the drawing board and into space.

The seedling stars

One such proposal, sponsored by NASA, is called the Starlight project. Another, the brainchild of Yuri Milner, a Russian venture capitalist, is the Breakthrough Starshot. Both draw on the ideas of Philip Lubin of the University of California, Santa Barbara (UCSB). Dr Lubin suggests using powerful lasers to push craft attached to light sails in the direction of nearby star systems—probably starting with Alpha Centauri, the nearest of the lot. Light sails are thin, reflective sheets large enough for the pressure exerted by beams of light shone at them to provide a meaningful accelerating force in the vacuum of space. Though no such sail has yet been propelled by lasers, the principle of light-sailing has been established by spacecraft deploying sunlight-driven sails, which have successfully accelerated them.

If the sail is big enough, the craft small

Also in this section

69 A bone of contention

70 Do adult brains gain neurons?

70 A prize for sequestering carbon

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enough (say, a gram or two) and the laser powerful enough, then acceleration to a significant fraction (20% or so) of the speed of light should be possible. That makes journeys to Alpha Centauri (just over four light-years away) and other nearby stars a meaningful proposition. The idea is that, by the time such lasers could be built—perhaps within a couple of decades—electronics will have shrunk to a point where a spacecraft weighing a gram could carry meaningful instruments. It could also, though, carry quite a lot of bacteria.

At the Starlight project, for which UCSB is the operational headquarters, entertaining the idea of seeding other planets with life involves a certain amount of doublethink. Even looking into taking small, simple animals such as tardigrades along to see how they react to the journey is deemed too controversial for NASA, and thus has to be done on the other side of a metaphorical Chinese wall in the university—despite the fact that an animal could not possibly survive and breed without its supporting ecosystem.

As a private venture, Breakthrough Starshot suffers no such constraint. Although Gregory Matloff, a physicist at New York City College of Technology who is one of Dr Milner’s advisers, says that this project, too, has yet to make up its mind on the question of sending germ packages, that position is not an actual “no”.

One practical problem would be delivering such packages. They would be unlikely to survive collision with a planet at one-fifth light speed, so the craft carrying them would need to slow down beforehand. But this is not part of the plan for either Starlight or Breakthrough Starshot. They both envisage fly-by missions. The apparatus needed for deceleration would be too heavy. ▶▶

▶ For visionaries looking into the more distant future, however, weight is less of a problem. Those who really want to seed the universe with life are happy to do it slowly. Dr Gros, for one, imagines missions that might take thousands of years to arrive. For these, craft weighing kilograms rather than grams could be involved.

That would nevertheless require some serious rethinking of both the spacecraft and their living payloads. The threat to a craft of a long journey in deep space is that its electronics might be wrecked. Radiation, of which space is full, slowly displaces atoms in solids, to the detriment of any electronic components those atoms are part of. But if such electronics were heated periodically by a thermoelectric generator that employed radioisotopes—a widely used power source that has no moving parts—most of the dislocated atoms would recover their prior positions, Dr Gros says.

The threat to the bacterial payload is similar—too much radiation breaking up the complex molecules of life. To deal with that Hajime Yano of JAXA, Japan's space agency, suggests that the DNA in organisms on panspermia missions should be modified for extra robustness using the techniques of synthetic biology. This may sound ambitious, but at least one natural organism, a bacterium called *Deinococcus radiodurans*, has a DNA-repair mechanism that can rebuild genes correctly after heavy exposure to radiation.

To deliver the cargo of such a craft on arrival at a target planet, Dr Gros suggests it could first decelerate by opening a large loop of copper and superconducting ceramics with a burst of electricity. The current in this loop (which would circulate indefinitely, because a superconductor has no resistance) would create a magnetic field that gradually transferred the craft's kinetic energy to hydrogen atoms in the interstellar medium. Once in the target planet's gravitational field, the craft could use a tiny electromagnetic rail gun to fire payloads of microbes out of the back at a speed which cancelled out the craft's forward motion. These payloads would then fall gently to the planet's surface.

Why anyone would go to all this trouble is an intriguing question. Enthusiasts for the idea of directed panspermia, such as Michael Mautner, a biochemist at Virginia Commonwealth University who is the founder of the Interstellar Panspermia Society, say that if life has any purpose, surely it is to propagate. For him, that is enough. Some privately go further, seeing missions to oxygenate the atmospheres of sterile planets as preparing the ground for human colonisation in the far-distant future. That really is long-term thinking. Such a process would probably take hundreds of thousands, if not millions of years.

As for fears that terrestrial organisms

could interfere with life that may exist elsewhere, most proponents of directed panspermia agree that missions should be limited to lifeless worlds. Indeed, if it turns out that life is common elsewhere then the whole idea would be rather pointless. A few, though, consider such precautions unnecessary, arguing that if terrestrial organisms prove more fit to survive on an alien world than life that may be there already, well, that is what evolution is all about. But this remains a fringe view, sometimes derided as “galactic imperialism”.

Imperial Earth?

How to tell from far off whether a planet is indeed inhabited is a matter of debate. Some argue that it will be obvious from the atmosphere. No alien astronomer would doubt, looking at the amount of methane in Earth's oxygen-rich air, that something odd and probably biological was going on there—for methane is rapidly converted by oxygen into carbon dioxide and water. Mars, however, shows no sign of such chemical disequilibrium, yet many still hope it might prove to support a small amount of simple life.

The case of Mars is, indeed, pertinent. Despite stringent attempts to sterilise Mars-bound craft, Chris McKay, an astrobiologist at NASA, thinks a lot of terrestrial bacteria are already there. He calculates

that *Curiosity*, one of NASA's Mars rovers, delivered almost 300,000 of them by itself. Those clinging to exposed parts of the rover have probably been killed by radiation in the 5½ years since it landed. But the rest—about half, he reckons, sheltered inside the vehicle—are probably dormant but alive. Were the planet's atmosphere ever to thicken it would screen radiation, warm Mars and allow rain. The creatures would then seep out and begin reproducing, “happy as pigs in mud”, he says.

Mars's atmosphere may eventually thicken naturally, as an ageing sun puts out more heat and evaporates now-frozen carbon dioxide. But that will take hundreds of millions of years. Should people, Dr McKay asks, use their knowledge of greenhouse gases to accelerate the process, possibly thus making the place inhabitable by humans? Or should they remove their bug-harbours gear from Mars, to avoid all risk of the bugs spreading? There is no consensus on these questions, nor on the wider ones of directed panspermia beyond the solar system. But those tempted to squash such efforts before they have even begun might ponder an intriguing fact. Life seems to have arisen surprisingly rapidly on Earth. One explanation for this is that terrestrial life is itself a gift which arrived from a distant living world. Perhaps it is time to pass the favour on. ■



Bone of contention

This specimen (viewed in the picture from four angles) is the middle phalanx of a human middle finger. It was collected from the Nefud desert of Saudi Arabia by Huw Groucutt of Oxford University and his colleagues. In a paper just published in *Nature Ecology & Evolution* they report that uranium-thorium isotopic dating suggests it is 88,000 years old—a time when the Nefud was a semi-arid grassland much less hostile than it is now. The date is significant because, except for a few excursions along the eastern shore of the Mediterranean, there was no previous evidence of *Homo sapiens* having left Africa before about 60,000 years ago. That exodus, DNA shows, led to the populating of Asia, Australia, Europe and the Americas. Dr Groucutt's discovery implies that the early non-African history of *Homo sapiens* was more complex than previously known. It also suggests that it might be worth re-examining other old bones which some think are evidence of similar early non-Africans.

Neuroscience

Brain teaser

Maybe adult brains can renew their neurons. Maybe they cannot

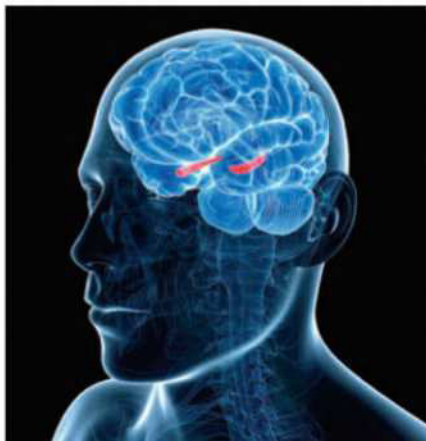
TWO papers with starkly contradictory conclusions, published three weeks apart, have reignited debate about whether adult human brains can grow new neurons. For over a century, neuroscientists believed brains have acquired all the neurons they will ever have shortly after birth. But research over the past two decades has questioned this, producing evidence that new neurons are indeed generated in the adults of several species, people included. The matter is of more than just theoretical concern. Understanding how neurons are generated might lead to new ways of dealing with cognitive decline in ageing, neurodegenerative disease and even depression.

The conflicting studies both involved inspecting post-mortem brain samples using a technique called immunostaining. The first to press, by Arturo Alvarez-Buylla and Shawn Sorrells of the University of California, San Francisco, was published on March 15th in *Nature*. It claims that neurogenesis happens rarely, if at all, in adults. The other, by Maura Boldrini and René Hen at Columbia University, was published on April 5th in *Cell Stem Cell*. It claims neurogenesis persists through adulthood at a largely unchanged rate.

Immunostaining uses antibodies that bind to particular proteins and fluoresce in particular colours. Employing it, both teams focused their attention on DCX and PSA-NCAM, two proteins found more abundantly in newly generated nerve cells than in older ones. They looked, in particular, at the hippocampus, two parts of the brain (see picture) involved in memory formation—a process that might easily be assisted by the generation of new neurons.

Using DCX and PSA-NCAM as indicators of youthful nerve cells, Dr Alvarez-Buylla and Dr Sorrells describe a picture of abundant neurogenesis in prenatal and infant brains, which then declines sharply in the first year of life. The oldest hippocampus in which they saw new neurons had come from a 13-year-old. This supports the historical belief that adult brains do not generate new neurons. Dr Boldrini and Dr Hen, in contrast, saw signs of youthful neurons in people up to the age of 79.

How such contradictory conclusions emerged from similar approaches is now being debated. One difference was that Dr Alvarez-Buylla and Dr Sorrells used samples collected up to 48 hours after death, whereas the upper limit used by Dr Boldrini and Dr Hen was 26 hours. That might



The seats of memory

be important. Studies on rats suggest DCX can break down within hours of death.

Moreover, though both teams used immunostaining, their procedures differed in other respects. In particular, Dr Boldrini and Dr Hen looked only at teenagers and adults, so could not have picked up the change that Dr Alvarez-Buylla and Dr Sorrells saw in the earliest years, which provided an important reference point for the effectiveness of immunostaining. Conversely, Dr Boldrini and Dr Hen used other lines of evidence, such as the volume of the hippocampus (which did not seem smaller in old brains than in young ones), to support their conclusions.

The upshot is that old scientific cliché: “more research is needed”. But the coincident publication of these two papers, each plausible in itself, is a useful reminder of the requirement, in science, to check the work. Then check it. Then check it again. ■

Innovation prizes

Turning carbon into gold

\$15m is available to solve a burning problem. Ten teams are left in the race

THE X Prize foundation, based near Los Angeles, exists to encourage particular innovations that might be useful but from which conventional financial backers are likely to shy away. Previous X Prizes have been awarded for feats such as flying a reusable spacecraft to the edge of space, and designing cheap sensors to measure oceanic acidity. Those still on offer would, among other things, reward the mapping of Earth's sea floor, and a way of extracting water from air using renewable energy for less than two cents a litre.

Another prize that is still up for grabs is for carbon capture and storage, a putative approach to stopping the rise of climate-

changing greenhouse gases in the atmosphere. To claim a share of the \$15m on offer, winners will have to turn carbon dioxide extracted from power-plant flues into something useful—and do so profitably. On April 9th the ten-strong shortlist of those attempting this feat was announced.

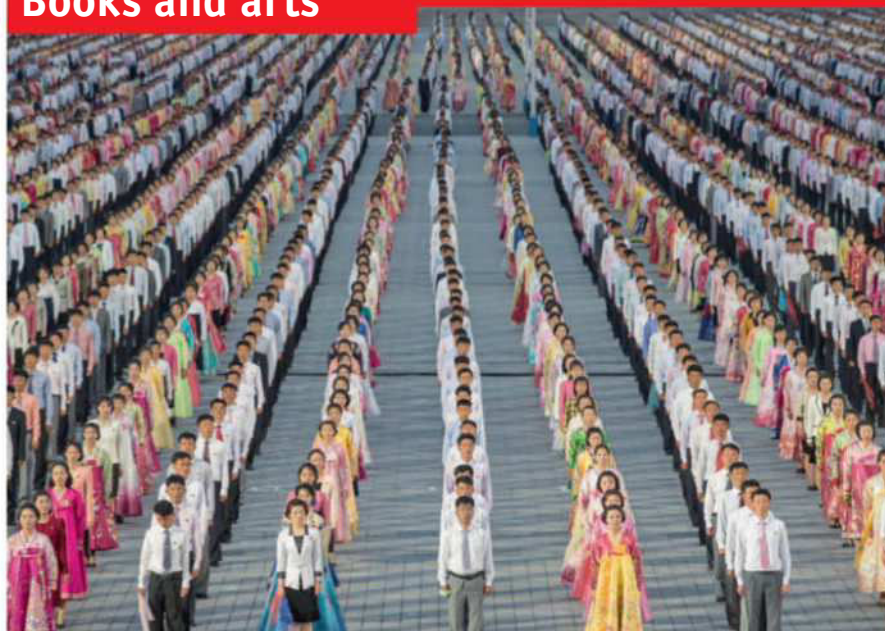
At the moment, demand for carbon dioxide as a raw material is a trifling 80m tonnes a year. That compares with annual emissions of 52bn tonnes from power stations, vehicle exhausts, cement factories and so on. Moreover, the biggest use of the gas is to inject it into the ground to displace, and thus force to the surface, otherwise-inaccessible crude oil, so the net benefit in terms of global warming is close to zero. If new uses could be found—ideally ones that locked its carbon up in solid or liquid form for a long time—the market might be expanded into something big enough to make a dent in emissions.

The ten finalists hope to do this. They were selected from 27 teams (out of 47 original submissions) which managed to demonstrate, in a laboratory, that their ideas were feasible. Each was judged on how much carbon dioxide it extracted, net of any emitted in the production process or during subsequent use; by the value of the resulting product; and by the potential size of its market. Only those processes that needed less than 2,300 square metres of land and consumed less than four cubic metres of fresh water per tonne of carbon dioxide converted were deemed to qualify. As Marcus Extavour, who is in charge of the prize, explains, this stricture was intended to bar ideas like growing new forests—which are not exactly a novelty.

Four of the finalists plan to produce sturdy building materials such as cinder blocks made from the slag left over from steel production, cured with carbon dioxide. Another four will fashion the gas into plastics or carbon-fibre composites. The remaining two have invented ways to turn the stuff into carbon monoxide or methanol, which are industrial raw materials.

Each team in the final now gets \$500,000 to spend on proving that its lab-worthy ideas will work at a scale which might make them useful. Half of the shortlist will compete for a pot of \$7.5m at a coal-fired power station in Wyoming. The rest, seeking a similar prize, will set up shop at a gas-fired station in Alberta, Canada.

Some cynics have noted that a successful means of carbon capture and storage would be of great value to the prize's sponsors—NRG, an American energy company, and Canada's Oil Sands Innovation Alliance—since it would make it easier for them to keep their existing methods of business going. No doubt that is true. But in the fight against global warming many weapons will have to be deployed. If another can be added in this way, that is surely all to the good. ■



Fascism in the 21st century

March of the times

A former secretary of state on the warnings of history and the present's real threats

WITHIN each human heart lies an inexhaustible yearning for liberty, "or so we democrats like to believe", writes Madeleine Albright near the end of "Fascism: A Warning", a book on how nations descend into tyranny. In reality, that desire often competes with another: the urge to be told what to do. When people are fearful, angry or confused, observes Mrs Albright, a former secretary of state, they are tempted to give away freedoms, or the freedom of others, to leaders promising order. In uncertain times many no longer want to be asked what they think: "We want to be told where to march."

Her book is dedicated to victims of fascism, but also to "all who fight fascism in others and in themselves". Mrs Albright has earned the right to that ambitious mission-statement. At a moment when the question "Is this how it begins?" haunts Western democracies, she writes with rare authority. She is not just a distinguished elder stateswoman, a former ambassador to the United Nations before leading the State Department from 1997-2001. She was also a child refugee, twice, once from a fascism of the right, then from one of the left.

Mrs Albright was a toddler in 1939 when goose-stepping Nazis drove her family from Czechoslovakia to exile in London. At war's end she returned home; her father resumed work with the Czechoslovak foreign service. In 1948 the crack of communist boots on cobblestones signalled a

Fascism: A Warning. By Madeleine Albright. Harper Collins; 254 pages; \$27.99 and £16.99

second, permanent exile, to America.

She sat through more sinister marching as Bill Clinton's chief diplomat. In October 2000 Mrs Albright found herself in a stadium in Pyongyang next to Kim Jong-Il, watching 100,000 North Korean children and adults dance and thrust bayonets in perfect unison. The dictator turned out to be short (Mrs Albright and her host wore heels of the same height, she found), well-informed and cordial, if disingenuous. He confided that he had designed the show himself. She left her reaction unsaid: that it takes fascist levels of discipline to make so many strut as one.

Nowadays Washington fills every few months with marchers vowing resistance to President Donald Trump (who recently ordered his generals to stage a military parade for him to review). A longtime professor of international relations at Georgetown University, Mrs Albright hears, and deplores, cries of "fascist" by hotheads on all sides. She has met too many real-life despots to indulge such sloppy thinking, and seen too much of their handiwork, starting with the murder of many of her relatives in the Holocaust.

She describes a graduate seminar with Georgetown students in her sitting room,

Also in this section

72 Art and addiction

72 Puttin' on the Ritz

73 Life after death row in Mississippi

74 Johnson: Bafflement in court

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"lasagne-leaking paper plates on their laps" as she challenges them to define fascism. She reminds the class that fascism wears different ideological guises, sometimes calling for a dictatorship of the proletariat or higher pensions for the old, at others seizing power in the name of a race, a religion or national rebirth. In a useful passage, she defines a fascist as someone who claims to speak for a nation or group, is unconcerned with the rights of others, and is willing to use all means, including violence: "A fascist will likely be a tyrant, but a tyrant need not be a fascist." One litmus test involves who is trusted with guns. Many kings or dictators fear the masses, and create corps of bodyguards to shield them, she notes. Fascists seek to have the mob on their side.

Mrs Albright sees only one true fascist regime today, in North Korea, with its ultranationalism and murderous contempt for human rights. Russia's president, Vladimir Putin, is not a full-blown fascist, she finds, because he has not yet felt the need.

Shame and submission

If Mrs Albright's learning is to be expected, her way with words is a happy surprise, as is her wisdom about human nature. Free of geopolitical jargon, her deceptively simple prose is sprinkled with shrewd observations about the emotions that underpin bad or wicked political decisions. In her first meeting with Mr Putin, for example, he conceded that the Berlin Wall could never have lasted for ever, but deplored the chaotic haste of the Soviet exit from East Germany. He "is embarrassed by what happened to his country and determined to restore its greatness", she jotted in a note. A proud man is, indeed, capable of almost anything to escape embarrassment.

Bookshops are full of expert guides to spotting a country's slide into autocracy. ►

▶ Bearing names like “How Democracies Die” or “Trumpocracy”, they generally focus on the man in the White House. This book is broader; Mrs Albright says she first planned it as a primer for defending democracies worldwide, when she thought Hillary Clinton would win. Still, in historical chapters that a college might call Fascism 101, she has professorial fun describing despotic tactics with modern-day echoes, noting for instance that Benito Mussolini promised to “drain the swamp” by sacking Italian civil servants. Journalists were pointed out at his rallies so that his fans could yell at them. Only in periods of relative tranquillity are citizens “patient” enough for debate and deliberation, she writes, or to listen to experts.

As for Mr Trump, a tribune of the impatient, Mrs Albright’s wariness of hyperbole does not mean that she is sanguine. She calls him America’s first modern “anti-democratic president”. Transplanted to a country with fewer safeguards, he “would audition for dictator, because that is where his instincts lead”. In another era she would have been confident that such impulses would be contained by America’s institutions: “I never thought that, at age 80, I would begin to have doubts.”

If that sounds alarmist, it is supposed to. But her strictures are meant as much for diffident voters as for the president. She recalls her father’s anxiety on arriving in post-war America and finding locals so accustomed to liberty—so “very, very free”, he wrote—that they might take democracy for granted. Today she sees urgent work for citizens and responsible politicians, who may be tempted to close their eyes and wait for the worst to pass. She quotes Mussolini’s scornful idea of a crowd’s role: to “submit to being shaped”. Submission is the first step on an avoidable march. ■

Art and addiction

Through a glass, humbly

The Recovering: Intoxication and Its Aftermath. By Leslie Jamison. *Little, Brown*; 452 pages; \$30. *Granta Books*; £20

WHEN Leslie Jamison told people she was writing a book about addiction, their eyes glazed over. “Oh, *that* book, they seemed to say, *I’ve already read that book.*” They had a point, she concedes. With their tired tropes about spiralling downwards and the “tawdry self-congratulation” of recovery, such stories defy originality. More troublingly, tales of falling apart are usually more interesting than those of pulling it together. This insight threatened Ms Jamison’s aspirations to get and stay sober. If ac-

counts of drying out are dull, does sobriety come at the expense of art?

“The Recovering” offers ample evidence to the contrary. A blend of memoir, literary criticism and social history, it is as engaging as it is thoughtful. Ms Jamison proves both an insightful guide to decades of literature by and about addicts, and a self-aware chronicler of her own struggle with alcoholism.

This is a coming-of-age story, in a way, as she ultimately learns to trade the mythology of the drunken genius (“Whisky and Ink, Whisky and Ink” ran the headline of a profile of John Berryman in 1967) for the monotony of the anecdotes delivered in Alcoholics Anonymous meetings. It is an exchange she makes reluctantly. The University of Iowa’s writing programme was, she found, haunted by boozy legends such as Berryman, Raymond Carver and John Cheever. Their drunkenness was part of their mystique, as if there was “a shimmering link between drinking and darkness, between drinking and *knowing.*”

It was hard not to get swept up in this romance, even if “female drunks rarely got to strike the same rogue silhouettes as male ones”. As Ms Jamison notes, the old intoxicated icons are all men. For literary women, such as Marguerite Duras and Jean Rhys, drinking was seen as weak, melodramatic or self-indulgent. She also acknowledges that, as a “nice upper-middle-class white girl”, her relationship to the bottle could be seen as merely a cause for concern. In America, which “has never been able to decide whether addicts are victims or criminals”, addicts of colour are far more likely to be punished.

By her early 20s Ms Jamison’s drinking had gained a troubling momentum. She began every day pining for her first sip. She preferred drinking alone, with no witnesses to how much liquor she was putting back. “Passing out was no longer the price but the point,” she writes. Why she became an alcoholic she can’t quite say (“My childhood was easier than most”). But eventually she recognised that something was wrong.

At her first 12-step meetings, sipping bad coffee in church basements, she bristles at the clichés—the “insistence on soft-focus greeting-card wisdom” when she longed for nuance and novelty. But after years of hearing countless addicts share tales of cravings, shame and despair, she realises that the power of these testimonies lies in their banality. The very fact that “others have lived it and will live it again” means no one is suffering alone. Where once she distrusted the false cohesion stories lent to messy lives, now she sees that these narratives “could save us from our lives by letting us construct ourselves”. She discovers work by Raymond Carver, Denis Johnson and David Foster Wallace that proves talent and recovery can be combined. She is

even grateful for “the common currency of a phrase like *Take it one day at a time*, which seemed stupid until it didn’t”.

Recovery, she learns, involves blending humility with hope. People who are sober for decades still ask for the luck and strength to stay dry for another day. In “The Recovering”, Ms Jamison has written a movingly humble book, filled to the brim with lessons learned the hard way. ■

Luxury and the leisure industry

Sober cooks, tight shoes

Ritz and Escoffier: The Hotelier, the Chef and the Rise of the Leisure Class. By Luke Barr. *Clarkson Potter*; 320 pages; \$26 and £16.99

ON MAY 25th 1895 the scandal of the century drew to its courtroom close. Oscar Wilde was convicted of “gross indecency” and sentenced to two years’ hard labour. In London gossip swirled around the case’s three most glamorous characters: Wilde himself; his lover, Lord Alfred Douglas—and the Savoy hotel. For it was in the Savoy that Wilde and Douglas had stayed for a whole month.

The details were enticing. They had, it was murmured, dined like kings, eating turtle soup and ortolans, washed down with bottle upon bottle of champagne. They had left stains on those expensive sheets. César Ritz, the Savoy’s manager, was mortified—not at the flouting of morals, but at the breach of trust by the hotel. A hotelier should, he said, “keep his own counsel”. Not advise the prosecution’s.

Ritz felt he had failed his guest. He didn’t fail many. As Luke Barr explains in “Ritz and Escoffier”, at the end of the 19th century this hotelier, along with Auguste ▶



Hail, César!

EscOFFier, his chef, transformed not just hotels but the lexicon of luxury itself. When you eat a Peach Melba, or drink a Grand Marnier, you have these men to thank; they coined the names, then popularised the concoctions. Ritz himself became not merely a byword for luxury but the actual word for it: the Oxford Dictionary defines “ritzy” as “expensively stylish”.

When Ritz and EscOFFier arrived in London from Europe—they had been hired to transform the Savoy—they were shocked. This was the greatest city on Earth, yet its hotels were dismal. Their restaurants were unsophisticated, their kitchens filthy and their chefs rude—and often drunk. Together they revolutionised London society. Ritz purged the Savoy of its old-fashioned fussy trinkets and replaced them with elegant palm trees and banks of flowers. EscOFFier introduced to the kitchens the concepts of electric light, hygiene and sobriety (“We are not drunks...We’re cooks”). Food was fresh and gently marinated in delicate sauces; the guests were marinated in the finest bubbly.

The meals were astonishing. They were flavoured not merely with the garlic that EscOFFier championed (popular opinion considered it “unrefined and repulsive”) but with a whiff of *fin de siècle* extravagance. Johann Strauss and his orchestra were engaged to provide background music. Guests were presented with tiny peach and cherry trees from which they cut the fruit with golden scissors.

Historians usually prefer more serious fodder. Monarchs and crises are their meat and drink, not real meat and drink. But you can learn a lot from what people eat, including about money. Once, money had been held in the hands and lands of a few wealthy aristocrats. Now, it started to flow: into the new industrial classes, the leisure industry and the glasses of vintage champagne served by Ritz (after a falling-out at the Savoy, in hotels that bore his name).

As money shifted, so did social boundaries. Once, the grandest people had hosted their get-togethers “At Home”. Now, all high society—the Duc d’Orléans, Princess Alexandra, even the Prince of Wales himself—entertained in Ritz’s hotels. For Ritz, it was a triumph. He had been born the son of a Swiss peasant farmer and never forgot the pains of his origins. Quite literally: fearing his peasant feet were too large, he always wore his shoes a half-size too small.

The subtitle of this very readable book is “The Hotelier, the Chef and the Rise of the Leisure Class”. But though it is the glittering *beau monde* which draws the reader’s eye, this story is more about those who served them, and the rise of the less-glittering services industry. Ritz, in his too-small shoes, may have felt ennobled by the presence of Princess Alexandra and the Duc d’Orléans. But, today, it is not their names that are world-famous. It is his. ■

Miscarriages of justice

I knew I didn’t do it

Levon and Kennedy. By Isabelle Armand and Tucker Carrington. *Powerhouse Books*; 110 pages; \$39.95 and £33.99

The Cadaver King and the Country Dentist. By Radley Balko and Tucker Carrington. *Public Affairs*; 319 pages; \$28.00

MAYBE the best argument against capital punishment is that it can kill an innocent man. This almost happened to Kennedy Brewer, who in March 1995 was convicted of the abduction, rape and murder of Christine Jackson, his girlfriend’s three-year-old daughter. After a brief trial, the jury condemned him to death. Mr Brewer was driven to Mississippi’s notorious Parchman Penitentiary, fitted with a red jumpsuit and locked in a maximum-security cell. His execution was originally set for May of the same year.

Levon Brooks was also at Parchman, convicted of the similarly gruesome rape and murder of Courtney Smith, another three-year-old girl, only a few miles from Mr Brewer’s house. Mr Brooks was sentenced to life imprisonment. Both convictions largely relied on two witnesses. One was Steven Hayne, a medical examiner formerly responsible for up to 80% of Mississippi’s annual autopsies; for a spell Mr Hayne performed over 1,500 a year, six times the professional standard. The other was Michael West, a dentist with a record of controversial testimony.

After spending a combined 29 years in prison both men were exonerated in 2008, thanks to the painstaking work of lawyers at the Innocence Project in New York, which investigates wrongful convictions. A DNA test in Mr Brewer’s case pointed to Justin Johnson, a convicted sex-offender who lived nearby. On his arrest, Mr Johnson admitted to both crimes. He had briefly been a suspect in the murder of Courtney Smith, but Mr West had claimed his teeth failed to match what he identified as bite marks on the victim. It now seems possible that the little girl’s body bore no bite marks at all (Mr Johnson made no mention of biting either child in his confession). Mr Brewer and Mr Brooks each received \$500,000 in compensation.

These tragic events have yielded a pair of complementary books. In “The Cadaver King and the Country Dentist”, Tucker Carrington of the Mississippi Innocence Project and Radley Balko, a journalist at the *Washington Post*, meticulously document the twin miscarriages of justice, laying bare the systemic problems and structural racism that lead poor black men to be ►►



▶ wrongfully convicted in disproportionate numbers. “The core problem with the medico-legal system in Mississippi is that it’s easily manipulated—it serves those in power,” they write.

The other book is a volume of haunting pictures by Isabelle Armand, a French photographer, with accompanying text by Mr Carrington (see photo details on previous page). An article about the ordeal of Mr Brewer and Mr Brooks prompted Ms Armand to get in touch with them. “It was so shocking that forensics could be so flawed,” she says. She spent five years taking thousands of pictures of Mr Brewer, Mr

Brooks and their extended families (Mr Brewer has 14 siblings). The black-and-white images stand out for the beauty of rural Mississippi, the poverty of the two clans, who live mainly in trailers, and the indomitable spirit of the men—who had, almost literally, come back from the dead. “I never lost hope,” Mr Brooks told Ms Armand. “I knew God was on my side.”

Mr Brooks died of colon cancer in January. He lived only ten years after his release, but he made the most of them. He raised chickens, quails and rabbits and married Dinah Johnson in 2016 (see top image). Mr Brewer is younger and in relatively

good health. He has a fiancée too, Omelia Givens (see bottom image). “I did good, some guys go crazy in prison,” he told Ms Armand. “I knew I didn’t do it.”

Mr Carrington now hopes to exonerate Eddie Howard, who has been on Mississippi’s death row since 2000 for the rape and murder of an 84-year-old woman. He was convicted largely because of a match of his teeth to bite wounds identified by Mr West. Genetic testing found no traces of Mr Howard on the murder weapon or the body or elsewhere at the crime scene. “In a fair world, he would be free,” says Mr Carrington. “But this is Mississippi.” ■

Johnson | 12 confused men

The language of jury instructions is dangerously ponderous and baffling

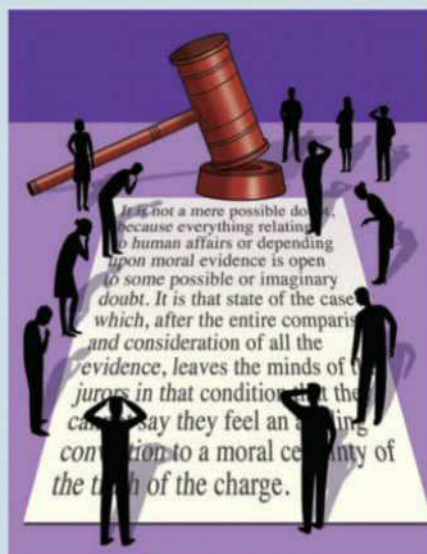
IN 1954 an Ohio jury was told it must acquit Sam Sheppard of murdering his wife if the jurors had a “reasonable doubt” that he had done so. The judge then defined “reasonable doubt”:

It is not a mere possible doubt, because everything relating to human affairs or depending upon moral evidence is open to some possible or imaginary doubt. It is that state of the case which, after the entire comparison and consideration of all the evidence, leaves the minds of the jurors in that condition that they cannot say they feel an abiding conviction to a moral certainty of the truth of the charge.

Sheppard was convicted. Larry Solan of Brooklyn Law School reckons that this and other baffling instructions misled the jury into thinking that the burden of proof was on Sheppard to prove himself innocent, not on the state to prove him guilty beyond a reasonable doubt. In a second trial, in 1966, he was found not guilty and freed.

A jury is a buffer between defendants and the might of the state, and a jury trial is guaranteed in America’s bill of rights. But there is reason to worry that juries often do not understand what they are told to do to fulfil this role. Jurors are not (usually) lawyers, which is the point. They are the defendant’s peers. But their instructions are written by lawyers, who are often so immersed in their professional argot that they do not realise how impenetrable it can be to outsiders.

Take this sentence from Massachusetts’s civil-jury instructions: “A preponderance of the evidence is such evidence which, when considered and compared with any opposed to it, has more convincing force and produces in your minds a belief that what is sought to be proved is more probably true than not true.” The sentence is not only long; the bigger pro-



blem is that it has four clauses, embedded within one another. This kind of prose is hard to process, especially for non-native speakers, even more so when it is spoken rather than written down.

Another problem is the passive voice. Though the passive has some applications, it is overused in formal contexts. Like convoluted clauses, passive jury instructions can be hard to follow. Research has shown that when people hear sentences such as “the woman was visited by the man”, and are quickly prompted to identify who was the “do-er” and who “acted upon”, their reaction time and accuracy are considerably worse than when hearing the active-voice equivalent.

A final problem is legalese. Lawyers love words such as “notwithstanding” and “inference”, but studies suggest as many as half of jurors think “preponderance” has something to do with pondering. Even plain words like “burden” have specialised

meanings in court.

Janet Randall, a psycholinguist at Northeastern University, has found that rendering these instructions in plain English, stripping out passives and legalese especially, makes them much easier to interpret. Providing a written version brought an even bigger benefit. She first recorded modest results when testing psychologists’ favourite lab rats—their students. But these are people who did well on English tests to get into university. When she recruited respondents online, who looked more like the actual jury pool overall, the good effects of the plain-English instructions shot up.

The Supreme Court has weighed in on ambiguous jury instructions, but has not yet struck down those that are merely hard to comprehend. Some American states have adopted simplified language, and some provide each juror with written instructions. But some still have not. A justifiable reason is that it can be difficult to render legalese accurately into terms that sound like conversational English. Less defensible reasons are mere inertia or, even worse, the belief on the part of a few judges that cumbersome formal language is needed to give jurors a sense of the majesty of the law.

Jurors will not often want to admit they don’t understand. They are eager to end the trials and get back to their lives, and lawyers and judges in crowded court systems want them to get on with it, too. But bafflement should worry anyone who may face a jury, particularly in a country where the state can execute a defendant (see previous story). As long as that is the law in America, every easy reform that makes the system work better should be seized with urgency. Cleaning up the language of courtrooms is an obvious place to start.

Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment	Current-account balance		Budget balance	Interest rates, %	Currency units, per \$	
	latest	qtr*	2018 [†]	latest	latest	2018 [†]	rate, %	latest 12 months, \$bn	% of GDP 2018 [†]	% of GDP 2018 [†]	10-year gov't bonds, latest	Apr 11th	year ago
United States	+2.6 Q4	+2.9	+2.8	+4.3 Feb	+2.4 Mar	+2.4	4.1 Mar	-466.2 Q4	-2.7	-4.5	2.80	-	-
China	+6.8 Q4	+6.6	+6.6	+7.2 Feb	+2.1 Mar	+2.3	3.9 Q4 [§]	+164.9 Q4	+1.3	-3.5	3.61 ^{§§}	6.29	6.90
Japan	+2.0 Q4	+1.6	+1.5	+1.4 Feb	+1.5 Feb	+1.0	2.5 Feb	+194.1 Feb	+3.7	-4.9	0.02	107	110
Britain	+1.4 Q4	+1.6	+1.5	+2.2 Feb	+2.7 Feb	+2.5	4.3 Dec ^{††}	-106.7 Q4	-3.9	-2.8	1.47	0.70	0.80
Canada	+2.9 Q4	+1.7	+2.2	+2.4 Jan	+2.2 Feb	+2.0	5.8 Mar	-49.4 Q4	-2.6	-1.9	2.20	1.26	1.33
Euro area	+2.7 Q4	+2.4	+2.4	+2.7 Jan	+1.4 Mar	+1.5	8.5 Feb	+462.4 Jan	+3.1	-1.0	0.50	0.81	0.94
Austria	+2.9 Q4	+1.6	+2.7	+6.1 Jan	+1.8 Feb	+2.0	5.2 Feb	+7.7 Q4	+2.4	-0.7	0.60	0.81	0.94
Belgium	+1.9 Q4	+2.1	+1.9	+6.6 Jan	+1.4 Mar	+1.8	6.4 Feb	-0.8 Dec	-0.2	-1.1	0.76	0.81	0.94
France	+2.5 Q4	+2.8	+2.2	+4.0 Feb	+1.5 Mar	+1.5	8.9 Feb	-14.4 Feb	-1.0	-2.7	0.74	0.81	0.94
Germany	+2.9 Q4	+2.4	+2.5	+2.4 Feb	+1.6 Mar	+1.6	3.5 Feb [†]	+310.4 Feb	+7.8	+0.8	0.50	0.81	0.94
Greece	+1.8 Q4	+0.4	+1.6	-1.9 Feb	+0.1 Feb	+0.8	20.8 Dec	-1.7 Jan	-1.4	-0.2	4.08	0.81	0.94
Italy	+1.6 Q4	+1.3	+1.5	+2.5 Feb	+0.9 Mar	+1.2	10.9 Feb	+53.9 Jan	+2.7	-2.0	1.79	0.81	0.94
Netherlands	+2.9 Q4	+3.1	+2.8	+4.1 Feb	+1.0 Mar	+1.5	5.0 Feb	+84.9 Q4	+9.5	+0.7	0.67	0.81	0.94
Spain	+3.1 Q4	+2.7	+2.8	+3.1 Feb	+1.2 Mar	+1.4	16.1 Feb	+25.5 Jan	+1.7	-2.6	1.16	0.81	0.94
Czech Republic	+5.5 Q4	+3.2	+3.3	+2.7 Feb	+1.7 Mar	+2.2	2.4 Feb [†]	+1.9 Q4	+0.7	+0.8	1.79	20.4	25.1
Denmark	+1.3 Q4	+3.7	+1.9	+0.5 Feb	+0.5 Mar	+1.3	4.1 Feb	+24.3 Feb	+7.7	-0.7	0.51	6.01	7.00
Norway	+1.4 Q4	-1.1	+1.8	-1.3 Feb	+2.2 Mar	+2.0	4.0 Jan ^{††}	+20.2 Q4	+5.5	+4.9	1.87	7.76	8.59
Poland	+4.3 Q4	+4.1	+3.8	+7.4 Feb	+1.3 Mar	+2.4	6.8 Feb [§]	+1.2 Jan	nil	-2.7	2.98	3.38	4.00
Russia	+0.9 Q4	na	+1.9	+1.3 Feb	+2.4 Mar	+3.1	5.0 Feb [§]	+41.7 Q1	+2.9	-1.0	8.13	63.9	57.1
Sweden	+3.3 Q4	+3.5	+2.7	+6.7 Feb	+1.6 Feb	+1.8	6.3 Feb [§]	+17.1 Q4	+4.2	+0.5	0.69	8.32	9.04
Switzerland	+1.9 Q4	+2.4	+2.1	+8.7 Q4	+0.8 Mar	+0.6	2.9 Mar	+66.6 Q4	+8.6	+0.8	0.04	0.96	1.01
Turkey	+7.3 Q4	na	+4.2	+12.9 Jan	+10.2 Mar	+9.9	10.4 Dec [§]	-53.3 Feb	-5.5	-2.1	13.40	4.14	3.72
Australia	+2.4 Q4	+1.5	+2.8	+1.6 Q4	+1.9 Q4	+2.1	5.6 Feb	-32.3 Q4	-2.2	-1.2	2.71	1.29	1.34
Hong Kong	+3.4 Q4	+3.3	+2.8	+0.6 Q4	+3.1 Feb	+2.0	2.9 Feb ^{††}	+14.3 Q4	+4.5	+0.8	1.94	7.85	7.77
India	+7.2 Q4	+6.6	+7.2	+7.5 Jan	+4.4 Feb	+4.8	6.2 Mar	-39.1 Q4	-2.1	-3.5	7.54	65.2	64.5
Indonesia	+5.2 Q4	na	+5.4	-3.5 Feb	+3.4 Mar	+3.7	5.5 Q3 [§]	-17.3 Q4	-2.0	-2.6	6.52	13,759	13,282
Malaysia	+5.9 Q4	na	+5.5	+3.0 Feb	+1.4 Feb	+2.9	3.4 Jan [§]	+9.4 Q4	+2.8	-2.8	3.97	3.87	4.43
Pakistan	+5.4 2018**	na	+5.4	+5.5 Feb	+3.2 Mar	+5.7	5.9 2015	-15.7 Q4	-5.0	-5.5	9.00 ^{†††}	116	105
Philippines	+6.6 Q4	+6.1	+6.1	+24.8 Feb	+4.3 Mar	+4.0	5.3 Q1 [§]	-2.5 Dec	+0.1	-1.9	7.00	51.9	49.6
Singapore	+3.6 Q4	+2.1	+3.0	+8.9 Feb	+0.5 Feb	+0.9	2.1 Q4	+61.0 Q4	+21.2	-0.7	2.38	1.31	1.40
South Korea	+2.8 Q4	-0.8	+2.9	-6.4 Feb	+1.3 Mar	+1.8	4.5 Mar [§]	+71.7 Feb	+5.0	+0.7	2.60	1,066	1,146
Taiwan	+3.3 Q4	+4.3	+2.4	-1.9 Feb	+1.6 Mar	+1.3	3.7 Feb	+84.1 Q4	+13.6	-0.8	1.01	29.2	30.6
Thailand	+4.0 Q4	+1.8	+4.0	+4.6 Feb	+0.8 Mar	+1.3	1.3 Feb [§]	+49.3 Q4	+10.6	-2.3	2.41	31.2	34.6
Argentina	+3.9 Q4	+3.9	+2.9	+4.2 Feb	+25.5 Feb	+21.1	7.2 Q4 [§]	-30.8 Q4	-5.0	-5.6	4.19	20.2	15.2
Brazil	+2.1 Q4	+0.2	+2.7	+2.8 Feb	+2.7 Mar	+3.4	12.6 Feb [§]	-7.8 Feb	-1.2	-7.0	8.00	3.40	3.15
Chile	+3.3 Q4	+2.6	+3.2	+8.9 Feb	+1.8 Mar	+2.4	6.7 Feb ^{§††}	-4.1 Q4	-0.6	-2.1	4.42	598	656
Colombia	+1.6 Q4	+1.1	+2.5	+1.0 Jan	+3.1 Mar	+3.3	10.8 Feb [§]	-10.4 Q4	-2.9	-2.0	6.42	2,727	2,873
Mexico	+1.5 Q4	+3.2	+2.1	+0.7 Feb	+5.0 Mar	+4.3	3.3 Feb	-18.8 Q4	-1.8	-2.3	7.35	18.2	18.8
Peru	+2.2 Q4	-1.3	+3.7	+0.2 Jan	+0.4 Mar	+1.4	8.7 Feb [§]	-2.7 Q4	-1.3	-3.5	na	3.24	3.25
Egypt	nil Q4	na	+5.1	nil Feb	+13.3 Mar	+16.9	11.3 Q4 [§]	-9.3 Q4	-4.0	-9.8	na	17.6	18.1
Israel	+2.9 Q4	+3.6	+3.9	+6.9 Jan	+0.2 Feb	+0.9	3.8 Feb	+10.5 Q4	+3.5	-2.4	1.73	3.51	3.65
Saudi Arabia	-0.7 2017	na	+1.0	na	+3.0 Feb	+4.4	5.8 Q3	+15.2 Q4	+4.0	-7.2	na	3.75	3.75
South Africa	+1.5 Q4	+3.1	+1.9	+0.8 Feb	+4.0 Feb	+5.0	26.7 Q4 [§]	-8.6 Q4	-2.7	-3.6	8.10	12.0	13.9

Source: Haver Analytics. *% change on previous quarter, annual rate. [†]The Economist poll or 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.

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Markets

	Index Apr 11th	% change on		
		one week	Dec 29th 2017	
			in local currency	in \$ terms
United States (DJIA)	24,189.5	-0.3	-2.1	-2.1
China (SSEA)	3,359.9	+2.5	-3.0	+0.3
Japan (Nikkei 225)	21,687.1	+1.7	-4.7	+0.1
Britain (FTSE 100)	7,257.1	+3.2	-5.6	-1.1
Canada (S&P/TSX)	15,257.9	+0.6	-5.9	-6.6
Euro area (FTSE Euro 100)	1,193.0	+2.3	-1.4	+1.4
Euro area (EURO STOXX 50)	3,419.7	+2.4	-2.4	+0.4
Austria (ATX)	3,365.1	-0.7	-1.6	+1.2
Belgium (Bel 20)	3,856.6	+1.3	-3.0	-0.3
France (CAC 40)	5,277.9	+2.6	-0.7	+2.2
Germany (DAX)*	12,294.0	+2.8	-4.8	-2.1
Greece (Athex Comp)	799.3	+2.3	-0.4	+2.5
Italy (FTSE/MIB)	23,012.9	+2.5	+5.3	+8.3
Netherlands (AEX)	544.5	+3.5	nil	+2.8
Spain (IBEX 35)	9,735.8	+2.3	-3.1	-0.3
Czech Republic (PX)	1,124.0	+1.1	+4.3	+8.1
Denmark (OMXC20)	884.2	+1.5	-4.6	-1.9
Hungary (BUX)	37,971.6	+1.9	-3.6	-1.2
Norway (OSEAX)	941.5	+4.3	+3.8	+8.7
Poland (WIG)	59,740.6	+2.4	-6.3	-4.0
Russia (RTS, \$ terms)	1,083.5	-12.6	-6.1	-6.1
Sweden (OMXS30)	1,504.7	+0.7	-4.6	-5.9
Switzerland (SMI)	8,708.4	+1.8	-7.2	-5.4
Turkey (BIST)	109,253.2	-4.1	-5.3	-12.6
Australia (All Ord.)	5,925.8	+1.1	-3.9	-4.4
Hong Kong (Hang Seng)	30,897.7	+4.7	+3.3	+2.8
India (BSE)	33,940.4	+2.8	-0.3	-2.1
Indonesia (JSX)	6,360.9	+3.3	+0.1	-1.2
Malaysia (KLSE)	1,869.9	+3.0	+4.1	+8.9
Pakistan (KSE)	46,486.5	+0.8	+14.9	+9.7
Singapore (STI)	3,479.8	+4.2	+2.3	+4.4
South Korea (KOSPI)	2,444.2	+1.5	-0.9	-0.6
Taiwan (TWI)	10,974.0	+1.4	+3.1	+5.1
Thailand (SET)	1,763.2	+2.2	+0.5	+5.0
Argentina (MERV)	32,030.9	+2.3	+6.5	-0.7
Brazil (BVSP)	85,245.6	+1.1	+11.6	+8.4
Chile (IGPA)	28,082.3	+1.2	+0.4	+2.6
Colombia (IGBC)	12,304.1	+5.1	+7.2	+15.8
Mexico (IPC)	48,532.1	+2.3	-1.7	+5.3
Peru (S&P/BVL)*	21,200.8	+0.9	+6.1	+6.3
Egypt (EGX 30)	17,944.0	+2.5	+19.5	+20.1
Israel (TA-125)	1,308.9	+3.1	-4.1	-4.8
Saudi Arabia (Tadawul)	7,802.7	-0.9	+8.0	+8.0
South Africa (JSE AS)	56,170.1	+2.9	-5.6	-3.0

The Economist poll of forecasters, April averages (previous month's, if changed)

	Real GDP, % change				Consumer prices		Current account		
	Low/high range		average		% change		% of GDP		
	2018	2019	2018	2019	2018	2019	2018	2019	2019
Australia	2.5/3.2	2.1/3.2	2.8	2.8	2.1 (2.2)	2.3	-2.2 (-1.8)	-1.8 (-1.5)	
Brazil	2.2/3.3	2.3/3.7	2.7 (2.6)	2.9 (2.8)	3.4 (3.5)	4.1	-1.2 (-1.3)	-1.5 (-1.6)	
Britain	1.2/1.8	1.0/1.9	1.5	1.5	2.5 (2.6)	2.2	-3.9 (-4.4)	-3.5 (-4.0)	
Canada	1.9/2.5	1.6/2.3	2.2	1.9	2.0 (1.9)	2.0	-2.6	-2.4	
China	6.4/6.8	6.1/6.9	6.6	6.4	2.3	2.4	1.3	1.2	
France	1.9/2.5	1.6/2.4	2.2	1.9	1.5	1.4	-1.0 (-0.9)	-0.9	
Germany	2.1/2.8	1.7/3.1	2.5	2.2 (2.1)	1.6 (1.7)	1.7 (1.8)	7.8	7.5 (7.6)	
India	6.6/7.7	7.0/8.2	7.2	7.5 (7.6)	4.8	4.7	-2.1 (-2.0)	-2.1	
Italy	1.3/1.9	1.0/1.7	1.5	1.3	1.2 (1.1)	1.3 (1.4)	2.7 (2.6)	2.5 (2.3)	
Japan	1.1/1.9	0.6/2.1	1.5 (1.4)	1.2 (1.1)	1.0	1.2 (1.3)	3.7	3.7	
Russia	1.5/3.3	1.2/2.9	1.9 (1.8)	1.9 (1.8)	3.1 (3.3)	3.9	2.9 (2.7)	2.5 (2.4)	
Spain	2.6/3.1	1.0/3.2	2.8	2.3 (2.2)	1.4 (1.5)	1.5	1.7 (1.6)	1.7 (1.6)	
United States	2.5/3.1	2.1/3.5	2.8	2.5 (2.4)	2.4 (2.3)	2.2	-2.7	-3.0	
Euro area	2.2/2.8	1.7/2.9	2.4 (2.5)	2.1 (2.0)	1.5	1.5	3.1	3.0 (2.9)	

Sources: Bank of America, Barclays, BNP Paribas, Citigroup, Commerzbank, Credit Suisse, Decision Economics, Deutsche Bank, EIU, Goldman Sachs, HSBC Securities, ING, Itaú BBA, JPMorgan, Morgan Stanley, RBS, Royal Bank of Canada, Schroders, Scotiabank, Société Générale, Standard Chartered, UBS. For more countries, go to: Economist.com/markets

Other markets

	Index Apr 11th	% change on		
		one week	Dec 29th 2017	
			in local currency	in \$ terms
United States (S&P 500)	2,642.2	-0.1	-1.2	-1.2
United States (NAScomp)	7,069.0	+0.4	+2.4	+2.4
China (SSEB, \$ terms)	326.7	+0.4	-4.4	-4.4
Japan (Topix)	1,725.3	+1.1	-5.1	-0.2
Europe (FTSEurofirst 300)	1,475.3	+2.5	-3.5	-0.8
World, dev'd (MSCI)	2,082.6	+1.0	-1.0	-1.0
Emerging markets (MSCI)	1,175.5	+1.7	+1.5	+1.5
World, all (MSCI)	509.4	+1.1	-0.7	-0.7
World bonds (Citigroup)	975.8	+0.3	+2.7	+2.7
EMBI+ (JPMorgan)	818.8	-0.1	-2.1	-2.1
Hedge funds (HFRX)	1,267.0 ¹	+0.3	-0.7	-0.7
Volatility, US (VIX)	20.2	+20.1	+11.0 (levels)	
CDSs, Eur (iTRAXX) ¹	57.3	-4.8	+27.0	+30.7
CDSs, N Am (CDX) ¹	63.4	-1.0	+29.2	+29.2
Carbon trading (EU ETS) €	13.4	+6.2	+65.2	+69.9

Sources: IHS Markit; Thomson Reuters. ¹Total return index.

¹Credit-default-swap spreads, basis points. ²Apr 10th.

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The Economist commodity-price index
2005=100

			% change on	
	Apr 3rd	Apr 10th*	one month	one year
Dollar Index				
All Items	152.3	154.9	+0.4	+8.8
Food	158.2	159.5	+0.2	+5.3
Industrials				
All	146.2	150.1	+0.6	+13.0
Nfa ¹	138.8	141.1	-0.6	+2.1
Metals	149.3	154.0	+1.1	+17.9
Sterling Index				
All items	197.3	198.8	-0.9	-4.1
Euro Index				
All items	154.3	156.0	+0.8	-6.3
Gold				
\$ per oz	1,330.2	1,339.3	+1.0	+5.3
West Texas Intermediate				
\$ per barrel	63.5	65.5	+7.9	+22.7

Sources: Bloomberg; CME Group; Cotlook; Darmann & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. ¹Provisional

¹Non-food agricultural.

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To Franklin's grave

Louie Kamookak, Inuit oral historian and tracer of Sir John Franklin's lost ships, died on March 22nd, aged 58

THE spot Louie Kamookak most wanted to see was one he had heard of when he was seven or so. He and his family were living out on the land then, in the northernmost parts of Canada, in canvas tents, hunting seals. One bedtime his great-grandmother Hummahuk told him a story of her own childhood. Her father had taken her to the north of King William Island to get driftwood, and there on a gravel ridge they had also picked up brown things, dark things: musket balls, spoons, forks, a silver dinner knife. She also remembered a big chain, or a big rope, going from the beach into the ocean. This image intrigued young Louie even more, for at the end of such a chain there surely had to be a ship. It stayed in his head from then on.

On King William Island, just by the North-West Passage, stories abounded of the *qallunaat* or white men who had come looking for the fabled north route to Asia or, after failed expeditions, for each other. Sir John Franklin had led three voyages; his last, in 1845, ended in the slow loss to the ice of both his ships, *HMS Erebus* and *HMS Terror*, and all their crews. Dozens of search parties found no trace of them. Until 2006, almost no people from the south thought to ask the Inuit about their disappearance. But Inuit elders, though they had no written history, knew of many clues.

Mr Kamookak spent his life gathering these. His method was simple. He visited local elders and listened while they spoke. Compared with tales of Amundsen, who had forced a ship through the North-West Passage in 1906, the Franklin stories were weaker, bits and pieces. A mast rising out of the sea, then a whole ship seen against the sunset. One ship sinking quickly, the other staying afloat through two winters. A party of *qallunaat* dragging a large boat on a sled. Desperate survivors blundering into Inuit tents, their faces black and the flesh gone from their gums. The arrival of white men had brought two of the coldest winters ever known, and cannibal spirits still haunted parts of the coast.

Words on the wind

One scene especially struck him. A hunting party had seen from a distance a ceremony involving white men and big bangs, like gunshots. It seemed to be a burial, but not in the Inuit way of leaving the body out on the land, wrapped in caribou skins, as his great-grandmother had been left. This was the burial of some shaman who, when the hunters ventured near, had turned to a slab of stone. He felt it must have been Franklin, who had died in June 1847: placed in a vault below a tall wooden structure which other Inuit had wrested

from the ground for sleds, but which had probably been a cross.

In the way of oral history there were no names, no dates. His next job, therefore, was to match the spoken fragments with place-names—Mercy Bay, Starvation Cove—and with texts. He had few of those, but school had got him interested in reading, and one of his grandfathers, a white man who worked for the Hudson's Bay Company, had been a Franklin searcher and written articles about him. He could start there. After a lucky meeting with Cameron Treleaven, an antiquarian bookseller from Calgary, he was sent a whole library of explorers' accounts. His ramshackle house outside Gjoa Haven, with hot water drawn from a camping stove, also had the best internet connection in town. Here he read and read.

In the summers he also went out on his snow machine or ATV to look for traces left behind. With his trapper's knowledge, he guided other searchers as he bounced over the rocky tundra and along the shore. He found a few tantalising things: a length of ancient, foreign rope in a circle of stones, and a shaman's belt on which hung a rusty pair of pocket scissors. Year by year he relived the ordeal of the trudging, starving sailors and the route they might have taken southwards to grassier country, as well as a sense of where the ships had gone down. Instinct, as much as learning, led him to guide the Canadian government searchers to *Erebus* in 2014 and, two years later, to *Terror*. The official team had no idea for a while which the first ship was. With a huge grin, he knew at once: *Erebus*.

By this time he was himself an elder, passing on stories to the young in his deep, emphatic way, always word for word the same. Few things delighted him more than taking students out on the land in the summer, squeezing his bulky frame into a tent, eating dried fish and fried bannock (with Cheez Whiz as a favourite extra), recounting the lore of the past. Some mysteries had been solved but others remained, none more powerful than that burial of the shaman. If it was indeed Franklin it might bring fame to Gjoa Haven, and jobs for the young. It would also allow Franklin's body to be returned to England, honouring him as an ancestor should be. He always imagined that he had been a good man.

For all his searching, he had never found the spot. But possibly his great-grandmother had. On that same journey when she had found the silver dinner knife, she had seen a mound that was the length of a human, and a stone with strange markings. The others would not go near it, or talk of it. Only her fading memory remained, in words that were blown away across the tundra. For him they were as tangible and forceful as any printed page, in any bound book. ■