

The Economist


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**Why
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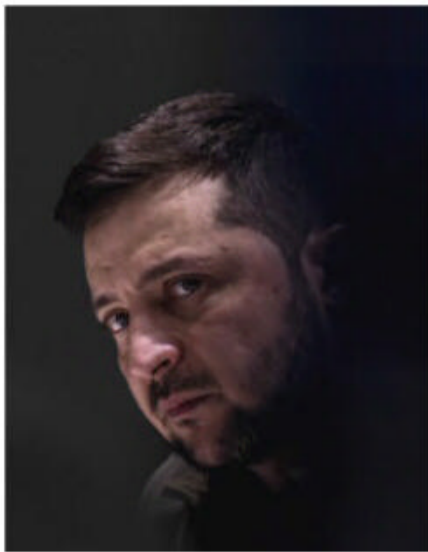
Dave Frisbie, Senior Director, Investments (far right); Pictured with two generations of the Frisbie Family



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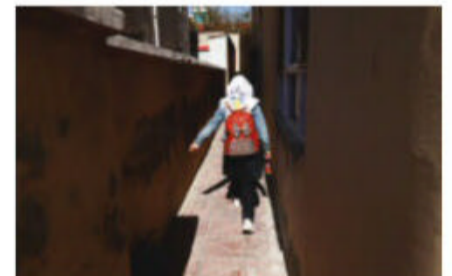
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The Economist

Volume 443 Number 9290

Published since September 1843 to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

Editorial offices in London and also: Amsterdam, Beijing, Berlin, Brussels, Chicago, Dakar, Dallas, Dubai, Johannesburg, Madrid, Mexico City, Moscow, Mumbai, New Delhi, New York, Paris, San Francisco, São Paulo, Seoul, Shanghai, Singapore, Tokyo, Washington DC

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Russia said it would scale back its attacks on Kyiv, the Ukrainian capital, and another northern city, Chernihiv, to concentrate on eastern Ukraine. More shells fell on both cities, but there were reports of withdrawals by Russian troops. Russia said it had achieved its goals near Kyiv, despite having conspicuously failed to capture the city. Ukrainian celebration was muted. The invading army may be inept, but it is huge, and continues to commit atrocities.

The jaw-jaw

Face-to-face **peace talks** resumed in Istanbul. Progress was slow. Ukraine does not want to give up territory. Vladimir Putin, Russia's dictator, needs to claim some kind of victory. Ukraine hinted that it might accept being neutral, if it receives security guarantees it trusts. The Red Cross said "time is running out" for people trapped in Mariupol, a city devastated by indiscriminate Russian bombardment. The number of **refugees** who have fled Ukraine passed 4m; many more are internally displaced.

Roman Abramovich, a Russian oligarch who owns but no longer controls Chelsea football club, attended the talks. Reports suggested that he and two Ukrainian negotiators had been poisoned in Kyiv on March 3rd. Ukraine's foreign minister cast doubt on the story, but warned negotiators not to eat or drink anything.

Germany triggered the first phase of an emergency plan to deal with a potential cut-off of gas supplies from Russia, after Vladimir Putin insisted that purchases from "hostile"

countries be paid for in roubles. Germany relies on Russia for around half its natural gas.

Joe Biden said that Mr Putin "cannot remain in power". He later clarified that he was "expressing moral outrage", not calling for regime change in Russia.

Azerbaijan said it was prepared to negotiate with **Armenia** amid fresh tensions over the disputed enclave of Nagorno-Karabakh, which is populated mostly by Armenians. Armenia has accused Azerbaijan of breaking a ceasefire agreement, brokered by Russia after a conflict in 2020.

The foreign ministers of **Israel**, America and four Arab states—Bahrain, Egypt, Morocco and the United Arab Emirates—held an unprecedented meeting in the Negev desert. Israel and several Arab regimes share a fear of Iran. America and others are struggling to reach a deal to curb Iran's nuclear ambitions.

Naftali Bennett, Israel's prime minister, said his country was facing a "new wave of terrorism" after 11 people were killed in three separate **attacks by Palestinians** in eight days. The assailants were shot dead during the attacks.

Tunisia's president, Kais Saied, dissolved parliament, which has been suspended since last year, after lawmakers met virtually to rescind decrees that he has used to consolidate his grip on power.

Eight UN peacekeepers were killed when their helicopter crashed in eastern **Congo**. The government said rebels from the M23 group shot it down, which M23 denied.

The police in London recommended 20 fines in relation to the "**partygate**" covid-19 lockdown breaches that occurred at Downing Street and other ministerial offices. The police made it clear that individual events, and therefore individuals, would not be identified.

Florida's governor, Ron DeSantis, signed a bill into law that forbids classroom instruction on sexual orientation or gender identity for children below the age of ten. Detractors fear that the "**Don't Say Gay**" law, as they call it, is so vague that teachers could be sued for the mere mention of a homosexual relationship.

The Biden administration was reportedly ready to lift a covid-19 measure that speedily expels **migrants** on public-health grounds, even those who are seeking asylum. Scrapping "Title 42" would probably add to the number of people trying to cross the border from Mexico.

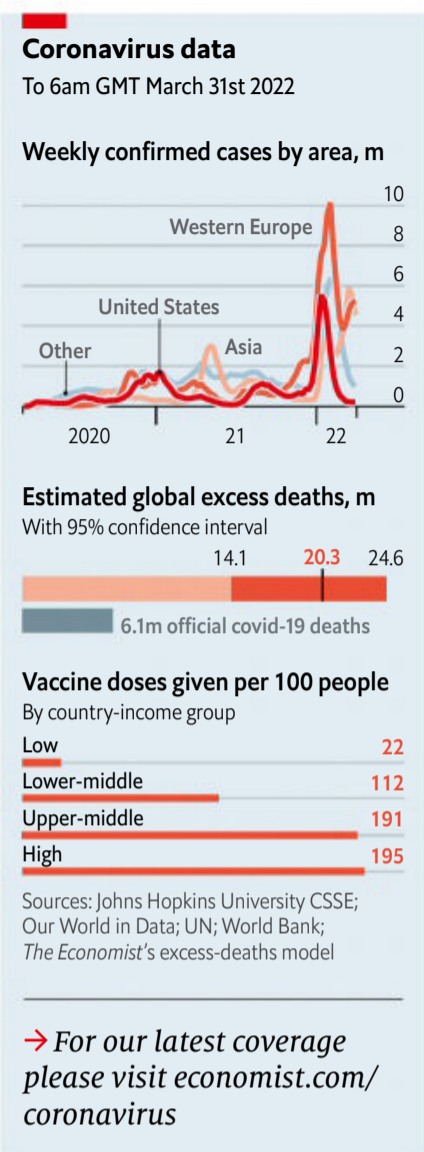
Nayib Bukele, the president of **El Salvador**, imposed a state of emergency after 87 people were killed in a three-day explosion of gang violence. The government said it had arrested more than 1,000 gangsters. On Twitter Mr Bukele posted photos and videos of half-naked suspects, who he said were gang members, with their hands held behind their heads.

President Jair Bolsonaro began his campaign for re-election ahead of **Brazil's** elections in October. Mr Bolsonaro is trailing in the polls behind Luiz Inácio Lula da Silva, who was president from 2003 to 2010.

Going, going...?

Imran Khan seemed on the brink of being ousted as prime minister of **Pakistan** after losing his parliamentary majority, when a party left his ruling coalition and some members of his own party turned against him. Mr Khan is believed to have lost the tacit support of Pakistan's powerful army. He will soon face a no-confidence vote.

A virtual conference for donors to **Afghanistan** got under way. The UN launched its largest-ever appeal for a single country. It hopes to raise \$4.4bn; only 13% of that has been committed so far. Donors wish



to help hungry Afghans, but not to prop up the Taliban regime that seized power last year. The Taliban announced that, despite a previous promise to the contrary, girls would not be allowed to attend secondary school.

The **Solomon Islands** said it had come to a security agreement with **China**. Leaked details suggest that Chinese ships, soldiers and police will visit "to protect the safety" of Chinese inhabitants and projects. Australia and New Zealand, which have been the islands' main security partners, responded with alarm.

In an effort to curb an outbreak of covid, the authorities in **Shanghai** decided to lock down the city in two phases. First came the eastern half, which includes the main financial district. That prompted workers to move into their offices. Next will be the more populous western half. China is facing its biggest wave of cases since the start of the pandemic.

The **yields** on short-term American bonds rose significantly, an indicator that markets are expecting hefty interest-rate rises from the Federal Reserve. Pressure on bond yields was felt globally. Japan's central bank offered to buy an unlimited amount of government bonds, an intervention designed to protect its 0.25% cap on Japan's ten-year yield. Yields on two-year American Treasury notes briefly rose above those on the ten-year note for the first time since 2019 (government bonds with longer terms usually offer higher yields). Such an inversion of the yield curve is often taken as a sign that a recession is on the cards.

The cost-of-living crisis

Consumers in Britain borrowed an extra net £1.5bn (\$2bn) on **credit cards** in February, the highest monthly figure since records began in 1993. The data suggest that with inflation at a 30-year high, people are taking on more debt to maintain household spending as prices increase. Andrew Bailey, the governor of the Bank of England, warned this week that consumers face a "historic shock" to their incomes because of inflation, fuelled mostly by energy prices.

Germany's annual **inflation rate** is expected to come in at 7.3% for March, according to the country's statistics office, the highest rate since German reunification in 1990. Inflation in Spain surged to 9.8%, the highest in that country for almost 40 years.

HP said it would buy **Poly**, which makes devices for video-conference communications, in a transaction valued at \$3.3bn. The computer-maker said the deal would bolster its business in hybrid working. It reckons that 75% of office workers are investing in improvements to their home office set-ups; revenue in the "office meeting room solutions" industry is expected to triple by 2024.

The co-chief executive of **SK Hynix**, a South Korean chip-maker, said his company was interested in buying **Arm** through an investment consortium. Nvidia's proposed \$60bn acquisition of the British chip designer collapsed recently because of competition concerns. SK Hynix stressed that it does not yet have a specific plan to take over Arm.

Tesla announced its intention to split its stock, though it didn't say when and what the ratio would be. The electric-car maker has split its stock before, in 2020, when shareholders were given five new shares (so reduced in value by four-fifths) for every one they owned. **Stock splits** are intended to drum up interest from investors who might be put off by the high price of a company's shares. Alphabet and Amazon both recently laid out plans for 20-1 stock splits.

No longer here for the beer

Carlsberg and **Heineken** were among the latest companies to announce that they are leaving Russia. Carlsberg holds roughly a quarter of the Russian market for beer through its ownership of Baltika, which it will now dispose of.

Russia's main stockmarket reopened trading in all its listed companies. This came a few days after trading in 33 equities was allowed to resume following a month-long shutdown because of the invasion of Ukraine. The MOEX index dropped by 2.2% on the first full day of operations.

Oil prices fell sharply, as America prepared to announce another large release of oil from its strategic reserve.

A regulatory filing revealed that the stock options **Intel** granted to its new chief executive, Pat Gelsinger, last year were worth \$169.5m, much more than the company had initially calculated. Mr Gelsinger's total pay package for 2021 came to \$178.6m. That is more than the \$98.7m Apple awarded to Tim Cook, which sparked a shareholder revolt.

Fred Smith decided to step down as chief executive of FedEx, which he founded 50 years ago. Mr Smith came up with the idea of a logistics firm based around transport hubs in an economics paper when he was a student at Yale in 1965. The paper received a poor grade from his professor; FedEx is now a global giant with annual sales of \$84bn.

A private-equity consortium agreed to take **Nielsen** private in a \$16bn buy-out. Nielsen's main business, measuring advertising reach across network and cable television, is still viable. But the deal is also an investment in Nielsen ONE, a new platform that measures viewing across streaming, network and digital channels.



"CODA" became the first film released primarily over streaming to win an Oscar for best picture. "CODA" is available on Apple TV+, which has beaten Netflix and Amazon Prime, its bigger rivals, in having one of its streaming movies win the award. The main event at the ceremony, however, came when Will Smith, perhaps channelling his boxing skills from an earlier acting role, hit Chris Rock, the host, onstage for insulting his wife. It was another first for the Oscars.



Why Ukraine must win

A decisive victory could transform the security of Europe

WHEN VLADIMIR PUTIN ordered Russian troops into Ukraine he was not alone in thinking victory would be swift. Many Western analysts also expected Kyiv, the capital, to fall within 72 hours. Ukrainian valour and ingenuity confounded those assumptions. As the war enters its sixth week, the side that is contemplating victory is not Russia but Ukraine—and it would be a victory that redraws the map of European security.

Speaking to *The Economist* in Kyiv on March 25th, President Volodymyr Zelensky explained how people power is the secret to Ukraine's resistance and why the war is shifting in his nation's favour. "We believe in victory," he declared. "This is our home, our land, our independence. It's just a question of time."

The battlefield is starting to tell the same story as the president. After several weeks in which the Russian assault stalled, Ukrainian forces have begun to counter-attack. On March 29th Russia said that it will "fundamentally cut back" the northern campaign. Its retreat may well be only tactical, but Russia has in effect conceded that, for the moment, it cannot take Kyiv.

Yet a lot of Ukraine remains in Russian hands, including the strip of land on the southern coast that the Russians now claim was their focus all along. A large chunk of the Ukrainian army, in the Donbas region, is vulnerable to encirclement. Nobody should underestimate Russian firepower. Even if its forces are depleted and demoralised they can dig in. Victory for Ukraine means keeping its Donbas brigades intact and using them to deny Russia a secure hold on occupied territory.

For that, Mr Zelensky told us, the West must impose tougher sanctions on Russia and supply more weapons, including aircraft and tanks (see Briefing). Sanctions deplete Russia's ability to sustain a long war. Arms help Ukraine take back territory. But NATO countries are refusing to provide him with what he wants. Given what is at stake, for the West as well as Ukraine, that betrays a reprehensible failure of strategic vision.

For Ukraine, a decisive victory would deter yet another Russian invasion. The more convincingly Ukraine can see off the Russian army, the more able it will be to resist the compromises that could poison the peace. Victory would also be the best basis for launching a post-war democratic state that is less corrupted by oligarchs and Russian infiltration.

The prize for the West would be almost as great. Not only could Ukraine invigorate the cause of democracy, but it would also enhance European security. During 300 years of imperialism, Russia has repeatedly been at war in Europe. Sometimes, as with Poland and Finland, it was the invader. Other times, as with Nazi Germany and Napoleonic France, it was seen as a lethal threat and itself fell victim to aggression.

A strong, democratic Ukraine would thwart Russia's expansionism—because its borders would be secure. In the short term an angry, defeated dictator would be left in the Kremlin, but eventually Russia, following Ukraine's example, would be more likely to solve its problems by reform at home rather than adventures abroad. As it did so, NATO would become correspondingly less of a drain on budgets and diplomacy. The United States

would be freer to attend to its growing rivalry with China.

Alas, much of the West seems blind to this historic chance. America is leading as it must, even if it vetoed sending Ukraine aircraft (see Lexington). But Germany is taking a short-term view of sanctions, balancing pressure from its allies and public opinion against the preservation of its trading links with Russia, the supplier of much of its oil and natural gas. France's president, Emmanuel Macron, claims to speak for Western allies when he argues that to supply the heavy weapons Ukraine needs would turn them into "co-belligerents". Mr Zelensky accuses such countries of being either short-sighted or timorous. He is right.

Perhaps Germany doubts that Ukraine can leave behind its post-Soviet past. It is true that, after the Maidan protests established democracy in 2014, the country was unable to slough off its corruption and political inertia. And after being pounded by Russian artillery, Ukraine's economy will be in ruins. However, the EU can help ensure that this time is different by starting work on Ukrainian membership right now (see Charlemagne). There could be no greater affirmation of the EU's founding mission to create peace on a continent ravaged by war.

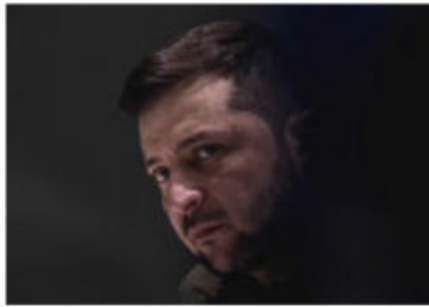
Bringing Ukraine's governance in line with the EU's will necessarily be lengthy and bureaucratic. The risk is that Brussels strings Ukraine along, as if Europe is deigning to let it join. Instead, the EU should welcome Ukraine eagerly, as eastern Europe was welcomed when it shook off Soviet domination in the early 1990s. That calls for generous aid to rebuild the economy, as well as political support and patience.

The other worry is Mr Macron's: that NATO will provoke Russia. From the start of this war, when he spoke of "consequences...such as you have never seen in your entire history", Mr Putin has hinted that Western involvement could lead to the use of nuclear weapons. Wisely, the West has therefore been clear that NATO will not fight against Russian forces—because, if they did, the war could spin out of control, with catastrophic results.

Yet backing away from Mr Putin's nuclear-tinged threat entails risks, too. Limiting Ukrainian aid would abet Russia in imposing an unstable—and hence temporary—peace on Mr Zelensky. It would reward Mr Putin for his threats, setting up his next act of atomic aggression. By contrast, more powerful weapons and sanctions would mark a change in the degree of aid, but not its kind. And this week, facing Ukrainian success, Russia paused the campaign in the north, rather than escalate. For all those reasons, the best deterrence is for NATO to stand up to Mr Putin's veiled threat, and make clear that a nuclear or chemical atrocity would lead to Russia's utter isolation.

Lift up your eyes

Conflict is unpredictable. History is littered with wars that were meant to be short but which dragged on for years. Ukraine has won the first phase of this one simply by surviving. Now it needs to advance, and so Mr Zelensky needs redoubled Western help. It would be terrible if what stood between a bad peace and a good one was a failure of imagination in the capitals of Europe. ■



Afghanistan

Back to the dark ages

The Taliban are shackling half the Afghan population

THE PAST week has been grim in Afghanistan. Many girls had looked forward to going to secondary school on March 23rd. But the Taliban broke an earlier promise and barred them, citing their supposedly immodest uniforms. As if that were not bad enough, Afghan women who venture far from home will now need male chaperones, making it impractical to hold down a job and needlessly hard to visit a hospital. Parks are to be segregated by sex, to preserve public morals. Foreign broadcasters such as the BBC were taken off local channels. And it was reported that government employees will be obliged to wear traditional dress and sport beards. That would be tricky for women, had they not mostly been sent home months ago.

President Joe Biden's disorderly retreat from Kabul last year doomed an elected government and allowed the Taliban to seize power. That may or may not have helped convince Vladimir Putin that the West was weak and emboldened him to attack Ukraine. What is certain is that it handed Afghanistan back to a group of violent misogynists. And though the Taliban claim to have melted since they first ran the country in 1996-2001, many of them plainly have not. Granted, they now allow girls to attend primary school, which they banned before. But once those girls hit puberty they must put down their books and stay out of sight (see Asia section).

The Taliban may have changed dispiritingly little in the past two decades; but Afghan society has changed a lot. The share of girls who attended primary school rose from zero in 2001 to 85% by 2019. For secondary school it was a less impressive 40%. A generation of Afghan women has tasted a measure of freedom. Their voices have not entirely been silenced. Street protests have erupted in Kabul against the closures of girls' schools. Activists lamenting them have appeared on local television. Some Afghan men object to the loss of their wives' income, and the hassle of having to accompany them everywhere.



The government's last-minute U-turn over schools suggests that even among the Taliban, there is internal disagreement. The outside world must decide how best to encourage the regime's less repressive elements. It is a tricky balancing act. Isolating Afghanistan would favour the hardliners; lifting all sanctions would reward a brutal regime. Overthrowing the Taliban militarily, as the West did in 2001 after they harboured al-Qaeda terrorists, is out of the question.

Some donors hope that economic pressure might persuade them to change. Certain kinds of foreign assistance have been made conditional on girls being allowed to go to school. American officials have pulled out of talks with the Taliban in Doha, where funding for education was to be discussed. The World Bank has put \$600m of development projects on hold. However, history suggests that making aid conditional on better behaviour by an unwilling regime seldom works.

Meanwhile, more than half the population is suffering "acute food insecurity", according to the World Food Programme. Earlier this year the UN launched its largest-ever appeal for a single country, hoping to raise \$4.4bn. No one is trying to make such emergency aid conditional, but nor is the world rushing to feed the 40m struggling Afghans. Only 13% of the requested sum had been committed by March 31st, when a pledging conference was to open. Some of the emergency aid will inevitably leak and prop up the Taliban, but donors should provide it anyway. Human lives are at stake.

To send a signal, non-emergency assistance and diplomatic recognition should be withheld until female Afghans enjoy their basic rights. But the argument must be won within the Taliban. No society thrives by hobbling half its population. Those that oppress women are more likely to be poor, violent and unstable. Some Taliban know this and they must prevail over their reactionary brothers. Afghanistan's future rests on this frail hope. ■

Florida

Here comes the Sunshine State

What America can learn from Florida's boom

AS THE SOUTHERNMOST state in continental America, Florida is often pooh-poohed as peripheral. Headlines about crimes committed by Floridians, sometimes involving alligators, alcohol, or a combination of the two, have contributed to a wacky "Florida man" stereotype. Many associate Florida with retirement, rednecks and a world-famous rodent, Mickey Mouse.

In fact, Florida has become emblematic of much of America and central to all of it. The state is on the rise, as our special report this week explains. Between 2010 and 2020 its population grew at double the national rate. Florida has overtaken New York to become America's third-most-populous state after California

and Texas, with a dynamic and diverse demography, including fast-rising numbers of Hispanics. It is now the number-one destination for American and foreign movers. In the year to July 31st 2021, 260,000 more people arrived in Florida than left—equivalent to adding a city the size of Buffalo, New York.

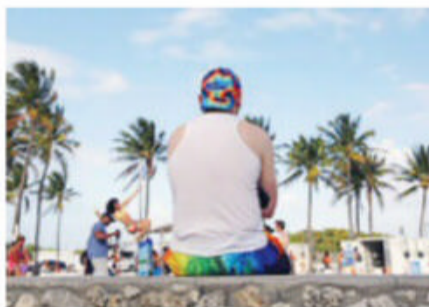
Its economic and political heft is growing, too. Florida's GDP has doubled since 2002. Were it a country, it would rank as the 15th-largest economy in the world, ahead of Mexico and Indonesia. Having recently gained a 30th electoral-college vote, it has more than a tenth of those required to win the presidency. The largest swing state, in the past 12 presidential elections Florida ►►

► has voted all but twice for the winner. And as home to musicians, athletes and a recent former president, Florida is a cultural trendsetter, for better or worse, as well as ground zero for the fight over government restrictions related to covid-19.

Americans ignore this powerhouse at their peril—and should heed the lessons it holds. For a start, Florida points to the wider looming battle between generations. Its residents include millions of retired Americans who want to limit government spending, even while they use government programmes, such as Medicare, a health-care scheme for the elderly. Younger Floridians, meanwhile, want to see investment in their own future, and are finding cities like Miami increasingly unaffordable.

The young are also more affected by the threats Florida faces, nowhere more so than over the environment, Florida's biggest draw as well as its most acute vulnerability. A fifth of its property is at "substantial" risk of flooding because of rising sea-levels. Its Republican governor, Ron DeSantis, was elected as an environmentalist and has invested in programmes that fund cities' "resilience", but the state needs to do much more. Florida has a chance to serve as an inspiration for how to mitigate the damage of climate change, but risks becoming a cautionary tale of what happens when a state government does too little, too late.

Politically, Florida has come to embody the Republican Party and its rightward tilt. If the Florida-based Donald Trump decides not to run again in 2024, Mr DeSantis is the likeliest Republican nominee for president. The rising number of independents in Florida suggests that people are fed up with both parties. But Democrats look especially vulnerable. A decade ago they claimed 558,000 more registered voters than Republicans; today they trail Republicans by 43,000. Nationally, Democrats need to



run more optimistic, centrist candidates who can appeal to independent voters like those in Florida. As it is, they are struggling to shake off the "socialist" label that Republicans have given them, turning off many voters, notably Hispanics.

Lastly, Florida offers a case study in economic policy. It charges no income tax, which enhances its appeal, as do the pro-business attitudes of the state's leaders. The pandemic has prompted people and firms to reconsider where they want to be based, leading many to move out of high-tax, high-regulation states (such as New York and California) to Florida and Texas, which are pro-business and tax-light. Silicon Valley and Wall Street types are attracted to a place where politicians welcome them and never condemn their success.

It is neither practical nor desirable for all other states to emulate Florida's low-tax, low-spend model. But Florida's success should give pause to states intent on continuing to raise taxes, to enact new regulations and to slander successful businesses. As America's population peaks, states will compete with each other for people. Those that prove to be good places to

live and work will be rewarded with economic growth.

Florida itself has lessons to learn, too. It has a history of booms and busts, with an over-reliance on property. It thrives as people move there, yet some of its politicians sound anti-immigrant. It should deal with the rising cost of living and its tired infrastructure. The rightward shift in the legislature is concerning for those who have a broad, and inclusive, interpretation of liberty. This week Mr DeSantis signed into law the "parental rights in education" bill, also known as "don't say gay", which limits discussion of sexuality in classrooms.

Still, Florida's surge and struggles are instructive. Mock Florida Man, if you wish, but don't underestimate him. ■

The British constitution

These septic isles

Devolution is making the United Kingdom chronically discontent

IN RECENT YEARS it has sometimes seemed as if the only question worth asking about the state of the United Kingdom is which of its four nations would be the first to break away. Northern Ireland, already carved off from the British internal market as the price of Boris Johnson's Brexit deal? Scotland, where the first minister, Nicola Sturgeon, is demanding a second independence referendum next year? Or perhaps even Wales, where polls find up to a third of voters would back a split?

In fact, pessimism about the union's survival is overdone. In Northern Ireland the Brexit protocol is leading to closer economic ties with the republic, but not a new wave of support for a united Ireland (see Britain section). Any referendum in Scotland or Wales would require Mr Johnson's permission, which he has made clear he will not give. None of the independence movements has gone beyond a back-of-the-envelope sketch of how their breakaway country would be run.

Supporters of the union are therefore winning. But for the union to survive is not the same as for it to thrive. If the United Kingdom is to do any better than lurch from one crisis to the next, it needs a new constitutional settlement.

Under New Labour, the devolved parliaments in Edinburgh, Cardiff and Belfast were meant to bring bread-and-butter issues, such as health care and schooling, before each country's voters. Instead such issues are neglected, because elections are dominated by unresolved arguments about the constitution. The Scottish National Party (SNP) has been sustained in office despite its poor stewardship of schools and hospitals, because it monopolises pro-independence voters. In Northern Ireland a crisis looms. Sinn Fein, which favours a united Ireland, is likely to win the most seats in the assembly election in May. The Democratic Unionist Party (DUP), which opposes reunification, may refuse to share power with it, and cause the government to collapse.

Relations with Westminster are dysfunctional, too. Under devolution, powers were crudely handed out around the United Kingdom, but the politics favour blaming the centre rather than working with it. London and Edinburgh are clashing over whether to widen a Scottish road carrying freight arriving by sea from Northern Ireland to England. Attempts to build new nuclear power stations or drill for gas have been stymied, because energy policy is set in London whereas planning is devolved. ►

▶ A better combination of devolution and centralisation would compel governments to work together. Leaders in Scotland and Wales want more say over issues that affect all of Britain, such as immigration and relations with the European Union. They should get it. In exchange, they should let Westminster co-ordinate areas of national importance, such as major transport links and energy security. Tougher central scrutiny is needed, too. If schools in Scotland or hospitals in Wales are failing, Westminster has a legitimate role in helping turn them around.

If the DUP tries to block devolution from being restored in May, Westminster should remove the veto power wielded by Northern Ireland's two largest parties, one of which backs the union and the other a united Ireland. Making assembly rules fairer would boost parties that are neither unionist nor republican. The political culture needs to change, too. The SNP should accept that its dream of independence will not soon be fulfilled. It is failing its own people if it chooses not to work with Westminster partly for fear that they may become content with the

status quo. For their part, the Conservatives should stop using the spectre of secession to stir up their own English voters.

Last, the heat needs to be taken out of Brexit, which further strained the union. Liz Truss, the foreign secretary, is right to seek a new deal with the EU on the flow of goods to and from Northern Ireland, and to downplay threats to trigger Article 16, the suspension clause of the Brexit treaty. Softening the sharp edges of Brexit, for example by making it easier for students and artists to travel, would make remaining in a United Kingdom outside the EU more palatable for the majorities in Scotland and Northern Ireland who voted to remain within the bloc.

One for all

The union has proved surprisingly robust in the face of the threats of Brexit, rising separatism and Mr Johnson's populism. Devolution enshrined the noble principle that the nations of the United Kingdom should take control of their own affairs while working in a greater whole. It is an idea worth saving. ■

Brands and marketing

This leader is amazing!! #ad

Social influencers are becoming a serious business

IT IS A sure sign that a hot trend has reached the mainstream when the tax authorities catch up. This week China promised a tax-evasion crackdown on social-media influencers, who are paid by brands to promote products online to armies of followers. One of the big stars, Viya, a 30-something fashionista known as the live-streaming queen, has already been fined \$210m for not declaring her income. The size of that levy shows the sheer scale of the industry, which accounts for 12% of online sales in China. Outside China, influencers are also likely to have an enduring role in e-commerce (see Business section). For all firms with brands—and together those brands are worth over \$7trn—it is time to realise that influencing is more than just a hobby.

The use of personal endorsements used to be about harnessing existing celebrity power. Elizabeth Taylor touted Colgate-Palmolive's shampoo in the 1950s, and Michael Jordan's deal in 1984 with Nike revolutionised both basketball and branding. Influencers turn the logic on its head: selling things helps make them more famous. Through curated feeds of clipped videos and filtered photos they offer recommendations to consumers, mingled with glimpses into their daily lives that give their artifice an aura of authenticity. Sometimes they disclose how they are paid. Often they do not.

Initially dismissed as credulous Gen-Z folk who had mistaken posting selfies for having a job, these entrepreneurs have become a big business, boosted further by the e-commerce surge from the pandemic. Total spending on influencers by brands could reach \$16bn this year. Whereas the number of wannabe influencers outside China is in the millions, an elite of under 100,000 of them who have over 1m followers each get the bulk of revenues and the front seats at fashion shows.

Their staying power suggests that they add value in several ways. They can save money: Elon Musk is an honorary influencer whose raucous online presence lets Tesla do without any con-

ventional advertising (General Motors blew \$3.3bn on it in 2021). Influencers' networks reach new audiences, particularly younger shoppers. Global brands can localise their appeal by cutting deals with them. In China local shopping festivals and style sensibilities matter, so transplanting marketing campaigns from the West does not work. And influencers are technologically proficient in a way that old-style brand ambassadors never were. They are quick to adapt to newer platforms like TikTok and to the ever-changing algorithms of older ones like Instagram.

Yet one-third of brands do not use influencers. They worry about tarnishing their reputation. Having a swarm of freelance advocates is riskier than the command-and-control campaigns of the "Mad Men" era. And the industry is a Wild West, awash with fraud and manipulation.

Despite this, ignoring influencers is a mistake. Their share of digital advertising budgets is still low at perhaps 3%, but it is rising fast. The boundary between entertainment and e-commerce is blurring. And the most popular marketing strategy of the 2010s—ads targeted through Google and Facebook—is under threat as new privacy standards, including on Apple's iPhone, make it harder to spy on potential customers.

To get the most out of influencers, brands should set a clear strategy. They should expect more regulation on consumer protection: China's crackdown may also include limits on spending and content rules. The guiding principle should be to use only influencers who disclose to their audiences that their posts are paid. As the Wild West phase ends, brands should also embrace new analytical tools that help them gauge the performance of influencers, sorting the con-artists from the stars. It used to be said that only half of all advertising spending worked, but it was impossible to know which half. Now brands can control only half of what influencers say, but they may be able to calculate 100% of the value they add. ■





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Russia's war aims

You have reported about the failure of the Russian army to achieve its immediate objectives in Ukraine ("No end in sight", March 19th). This might well be the case. Yet without really knowing Vladimir Putin's goals, we cannot really tell. For once, should we not take Mr Putin at his own word?

He claims the "special military operation" is going "according to plan". Two large cities, which successfully resisted separatists in 2014, are being reduced to rubble; a land corridor from Donbas to Crimea has been established; a quarter of Ukraine's population displaced (10% as refugees abroad); thousands if not tens of thousands of civilians killed, and all this after only one month into the war. These results are fully commensurate with Mr Putin's obsessive hatred towards all things Ukrainian.

From the point of view of someone who denies the existence of an independent Ukraine and considers that state to be an anomaly, his war seems indeed as if it is going to plan. It reminds me of the Serb campaign in Bosnia in the 1990s, which aimed at ethnic cleansing. As we know, this culminated in genocide.

ULF BRUNNBAUER

Director

Leibniz Institute for East and Southeast European Studies
Regensburg, Germany

Regina Ip (Letters, March 19th) either misunderstands or wilfully misinterprets NATO's expansion into central Europe. That expansion was not the result of pressure from NATO but rather the free decisions of democratically elected governments. They recognised the threat from the Russian dictatorship, which thinks that adjacent countries and their populations are an indissoluble part of its polity. If the central European governments wish to leave NATO they are free to do so, though Russia's savage butchery of Ukraine now makes their original case a thousand times stronger.

If Ms Ip were to open her window in the Legislative Council offices in Hong Kong, she might find that a democratic majority of Hong Kongers see very distinct parallels in their own Asian region.

DAVID HART

Harrogate, North Yorkshire

The honourable member of Hong Kong's Legislative Council wrote about one incident when "a pair of American bombers flying over the Black Sea" in 2021 had to be "escorted away from the Russian border by Russian jets". Yet the Royal Air Force, showing admirable restraint, has had to escort Russian bombers out of British air space on and off for decades.

RICHARD SPROULLE

Royston, Hertfordshire

No one has provoked Russia. Eastern European countries wanted a Western security umbrella after 40 years of Kremlin dictatorship. Rather than NATO moving East, as Ms Ip implies, these countries moved West. Who should be surprised, or even offended?

MICHAEL KUTTNER

Stege, Denmark

NATO continues to turn a deaf ear to Ukraine's plea to impose a no-fly zone over the country. There is a middle ground. If they were allowed to resign their enlistments, NATO fighter pilots and maintenance personnel could find employment in the Ukrainian air force as mercenaries. They would fly and service planes they are familiar with. A cash bounty could be paid for every Russian bomber or fighter jet shot down. These bounties would be funded by private subscription. So too would disability benefits, and a fund to compensate surviving families of the airmen. This model is similar to the Flying Tigers, American volunteer pilots who helped nationalist China survive Japan's campaign of conquest in 1941.

GEORGE BOTJER

Emeritus professor of history at the University of Tampa
Belleair, Florida

Moving for more space

"No home runs" (March 12th) suggested that many of the people moving out of California are fed up with the state's restrictions on building new homes. Actually, most people who leave California move to places with the same kind of restrictive zoning that has constrained housing supply in the Golden State. Look at a zoning map of any city in Arizona or Texas and you will see that it is mostly restricted to single-family homes. Although there may be less red tape, the fundamental constraint is the same: almost all residential land may have only a single house per lot.

For fleeing Californians, the main attraction of these destinations is that they are still comparatively low-density places to live. These people are not "streaming" to cities on the east coast that do allow multiple homes on the same patch of land, such as New York or Washington.

ANTUN KARLOVAC

San Francisco

Sporting firsts

An article about Cleveland's baseball team changing its name from Indians to Guardians that doesn't mention Louis Sockalexis is not complete ("Pride and prejudice", March 26th). Cleveland became the Indians in honour of Sockalexis, who was from the Penobscot tribe and played as an outfielder in the late 1890s.

CHARLES WHITE

Portland, Oregon

Rules of grammar

Johnson tied the teaching of grammar to the learning of foreign languages and development of natural-language processing software (March 12th). English does not always rigidly follow a set of rules, and the rules it does follow were developed after the language itself. With computer-programming languages, Python included, the opposite is true. A formal grammar needs to be estab-

lished first, and it must be rigidly followed. Noam Chomsky's linguistic work is invaluable to the engineering of non-human languages.

I wonder whether learning grammar would affect students' performance on a programming test? A formal understanding of the verb "to be" might not be necessary to differentiate between identity and belonging to a category in English, but any Python code you write won't function properly if there is even a sliver of ambiguity.

CHRIS SHAFFER

Philadelphia

A complicated author

You rightly say that by cancelling Dostoyevsky because of Russia's war we will "miss peerless insights into nihilism and violence" ("Crime and punishments", March 19th). But away from his novels, we would also miss out Dostoyevsky's anti-Semitism and disgust with the West. He believed in the primacy of the Russian soul, which should avoid contamination by foreign cultures and customs. Russians (except for the Jews) should live in a paradise of self-negation and brotherly love. I am not suggesting that he would have supported the invasion of Ukraine, but his Russophile rhetoric has echoes in what we hear from the Kremlin today, unlike anything you can find in Tolstoy or Turgenev.

ANDREW ROBSON

Abinger Hammer, Surrey

Word of the week

I devoured Bagehot's "unappetising menu" that Rishi Sunak will have to swallow with a coprophagic grin (March 19th).

MITCH HERSEY

Presque Isle, Maine

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Confidence from the bunker

KYIV

Ukraine's president tells *The Economist* why Vladimir Putin must be defeated

HE NEVER WANTED a war and he did not prepare his country for one. He may quote Winston Churchill, but he is no Churchill. He wears khaki but he is leaving the battle-plans to Ukraine's generals. "[The] people are leaders," declares Volodymyr Zelensky.

Speaking to *The Economist* in a government building fortified with sandbags and surrounded with tank traps, Mr Zelensky is disarmingly authentic and humane. So great is the real-life tragedy that has befallen his nation that there is no room for acting. He talks of Ukraine's need for weapons, of his views of President Joe Biden and his other Western backers, of what victory would mean. But Mr Zelensky speaks most powerfully about the inhumanity of the Russian commanders ranged against him.

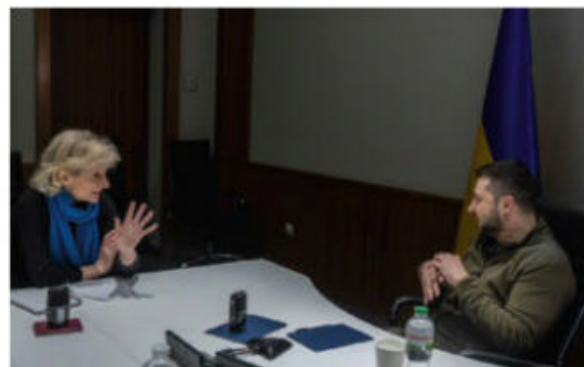
"The invaders do not even mourn their own casualties," he says. "This is something I do not understand. Some 15,000 [Russian soldiers] have been killed in one month...[Vladimir Putin] is throwing Russian soldiers like logs into a train's furnace. And, they are not even burying them...

Their corpses are left in the streets. In several cities, small cities, our soldiers say it's impossible to breathe because of the...-stench of rotting flesh."

Mr Zelensky compares the pitilessness of Mr Putin's war machine with the com-

→ **Interview in Kyiv**

For a video and transcript of our interview with Volodymyr Zelensky, as well as all our latest Ukraine coverage, please visit:
www.economist.com/ukraine-crisis



passion of the soldiers and volunteers defending Ukrainian cities. "Our fearless soldiers are defending Mariupol now...They could have left a long time ago, but they are not leaving the city." After 31 days of bombardment and siege, they are still fighting—not because Mr Zelensky ordered it, but because they "say they must stay and bury those killed in action and save the lives of those wounded...[And] long as people are still alive, we must continue to protect them. And this is the fundamental difference between the way the opposing sides in this war see the world."

Mr Putin and Mr Zelensky are both native Russian-speakers, but they talk a different language of power. Mr Putin's world, where life is cheap and history belongs to great men, has no place for pity and no room for Ukraine. "I don't think he visualises in his own mind the same Ukraine we see," Mr Zelensky says. "He sees Ukraine as a part of his world, his worldview, but that doesn't correspond with what's happened over the last 30 years. I don't think Putin has been [in] a bunker for two weeks or six months, but for more like two decades."

To Mr Putin, strength means violence. Anyone too squeamish to shed blood is weak. That explains why the Russian army is using the same methods in occupied territory that it used in the Donbas region of eastern Ukraine that Russia invaded using proxy militias in 2014. "They are kidnapping the mayors of our cities," Mr Zelensky says. "They killed some of them. Some of ▶▶

▶ them we can't find. Some of them we have found already, and they are dead. And some of them were replaced...The same people are carrying out these operations."

Mr Zelensky, by contrast, sees strength in the grit of the humble, unarmed Ukrainians who "waved their hands in the middle of the streets in order to stop tanks" in Kherson, one of the cities now occupied by Russian forces. "They decided to stand up and do this of their own volition. I could not have ordered them not to do it or to throw themselves under the tank treads," he says. "I will stay with these people until the end."

He is emphatic about what that end will be. "We believe in victory," he says. "It's impossible to believe in anything else. We will definitely win because this is our home, our land, our independence. It's just a question of time." However, getting there depends not just on the fighting spirit of Ukrainians, but also on support from the West. If Ukraine is to defend its way of life, he says, it needs tanks, armoured personnel vehicles and military aircraft—and it needs them now.

"[The West] can't say, 'We'll help you in the weeks [to come],'" Mr Zelensky argues. "It doesn't allow us to unblock Russia-occupied cities, to bring food to residents there, to take the military initiative into our own hands." And however strong the spirit of Ukraine's people, Russia has far more firepower. "The Russians have thousands of military vehicles, and they are coming and coming and coming. If we can

joke in this situation, I will. There are some cities where there are so many tanks, they can't go away. They have tank traffic jams," he says.

Mr Zelensky divides NATO into five camps. First are those who "don't mind a long war because it would mean exhausting Russia, even if this means the demise of Ukraine and comes at the cost of Ukrainian lives". Others want a quick end to the fighting because "Russia's market is a big one [and] their economies are suffering". A third, more diverse group of countries "recognise Nazism in Russia" and want Ukraine to prevail. They are joined by smaller liberal countries that "want the war to end quickly at any cost, because they think people come first". And last are the embarrassed countries that want peace right away and in any way possible, because they are "the offices of the Russian Federation in Europe".

Mr Zelensky praises America and Britain. Although he notes that the complexities of American politics have sometimes caused delays, he acknowledges that Mr Biden has become increasingly engaged. But Germany, he says, is trying to strike a balance between Russia and Ukraine. "They have a long relationship with Russia and they are looking at the situation through the prism of the economy," he says. "They can help, if there is pressure on them domestically to do so, and they can stop when they see what they have done is sufficient." Asked why leaders like President Emmanuel Macron of France say Ukraine's part-

ners could not supply tanks to help Ukraine win, he retorts, "They are afraid of Russia. And that's it."

Mr Zelensky is equally frustrated by the reactive nature of sanctions that are designed to punish Russia for what it has done rather than prevent it from going further. Existing sanctions have loopholes. Russia's largest bank, Sberbank, for example, has not been cut off from the SWIFT payment system, because it is one of the main ways Europe pays for its gas. America has imposed an embargo on Russian oil and gas but Europe, a far bigger customer, has not. "The first thing is to put yourselves in our place and act pre-emptively...We are hearing that the decision depends on whether Russia launches a chemical attack on us. This is not the right approach. We are not guinea pigs."

What does Mr Zelensky believe victory will look like? He pauses, before delivering the sort of answer that would be simply unimaginable coming from Mr Putin: "Victory is being able to save as many lives as possible...because without this nothing would make sense. Our land is important, yes, but ultimately, it's just territory." To save everyone, defend all interests while protecting people and not giving up territory is probably an impossible task, he concedes. He does not know when or how it will end, but he knows that "it will end with us still standing here defending" life in Ukraine.

Nobody knows for certain where Mr Putin was when his army attacked Ukraine. ▶▶

The fifth week of war: The military situation



On March 31st British defence intelligence predicted "heavy fighting" in Kyiv's suburbs in the coming days, even as Russian troops began withdrawing north. Ukrainian forces launched counterattacks around the country.

4,600

Number of Javelin anti-tank missiles given to Ukraine by America. Source: White House

The relief of Kyiv



Ukraine said it had driven Russian forces out of the town of Irpin, on the north-western fringes of Kyiv, and had repelled the invaders even further to the north-east of the city. Russia claimed it had never intended to capture the city.

▶ But Mr Zelensky was at home with his wife and his two children. It was they who woke him up early on February 24th. “They told me there were loud explosions. After a couple of minutes, I received the signal that a rocket attack was under way.” Soon after the invasion began, America offered him a passage to safety. He chose to stay.

“It’s not about being brave,” he says. “I have to act the way I do.” He did not prepare for the role of war hero. “If you don’t know how to do something this way or that way, be honest and that’s it. You have to be honest, so that people believe you. You don’t need to try. You need to be yourself...And it’s important not to show that you are better than who you are.”

In Mr Putin’s world honesty is weakness. His power is based on secrecy and deception. Mystery and violence fuel his cult of authority. Mr Zelensky might be sitting in what his aides call a fortress, but his strength lies in his openness and his ability to hear and reflect what people want of him. It is the strength of Everyman.

Vasily Grossman, a Soviet novelist and war correspondent born in the small Jewish town of Berdychev in northern Ukraine, put it well in “Life and Fate”, his vast novel about the second world war: “Human history is not the battle of good struggling to overcome evil,” he writes. “It is a battle fought by a great evil struggling to crush a small kernel of human kindness. But if what is human in human beings has not been destroyed even now, then evil will never conquer.” ■

The changing fortunes of war

Moving targets

For the moment, Russian forces have given up on Kyiv. What next?

WHEN RUSSIAN and Ukrainian negotiators met in Istanbul to discuss a potential settlement on March 29th Alexander Fomin, Russia’s deputy defence minister, had something to offer. “In order to increase mutual trust and create the necessary conditions for further negotiations,” he said, Russia would “drastically reduce” operations around Kyiv and Chernihiv, a city 150km to the north.

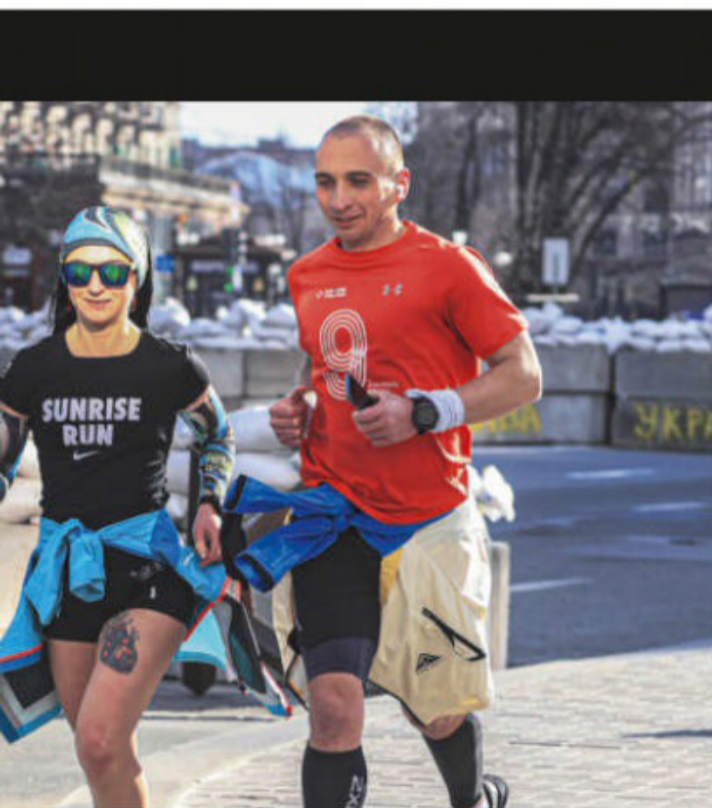
According to previous Russian announcements, backing off from Ukraine’s capital was not a gesture of much consequence. “Our main aim,” a trio of generals said at a defence-ministry briefing on March 25th, had always been “liberating Donbas”—two Russian speaking provinces in the east of the country. Before the invasion the Russian proxies in the two “People’s Republics” of Donetsk and Luhansk had occupied about a third of Donbas. Russian troops have since grabbed more of the territory, including parts of Mariupol, a now ruined port on the Sea of Azov. This meant that the “main tasks of the first stage of the operation” had been completed. The assault on Kyiv, in this telling, had been a

mere feint designed to distract Ukrainian forces from the real action in Donbas.

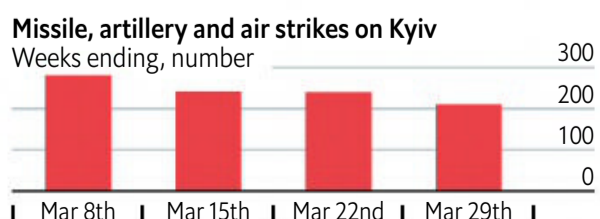
Bunkum. Abundant evidence from a range of sources, including pre-cooked Russian media reports published in error, shows that Russia both intended to take Kyiv and expected to do so quickly. Ukrainians claim to have found dress uniforms presumably packed for victory parades. But a pincer movement from the north-west and north-east of the capital met fierce Ukrainian resistance and suffered from jammed up supply lines.

Now Russian forces in the area are pulling back, blowing up bridges behind them to ward off counterattacks. Well-placed officials from two Western countries say that Russia has probably made a strategic decision to cut its losses: “It is going to be a genuine withdrawal,” says one. The retreat may be real rather than a ruse. But it is not a gracious gesture and it is not a cunning, far-sighted plan. It is a startling defeat.

Nor is it the only one. Towards the end of March Ukraine’s army mounted a series of increasingly ambitious and effective counterattacks, including towards Kher-▶



The war in the east



Russia declared that it would focus on driving Ukrainian troops out of the areas of Luhansk and Donetsk provinces they still control, including the long-besieged port of Mariupol, their last toe-hold on the Sea of Azov.

↑ Russian troops have occupied most of Mariupol, but Ukrainian forces continue to hold out in the city centre.

► son in the south, the only big city the Russians currently occupy. Some of these appear to have been devastatingly effective. Battles around Myrhorod, roughly half way between Kyiv and Kharkiv, 400km east, are thought to have resulted in severe losses for Russia's 4th Guards Tank Division. The unit is part of the army's elite 1st Guards Tank Army and operates some of Russia's most modern armour. Konrad Muzyka of Rochan Consulting, a research group, thinks the division has lost at least a fifth of its tanks.

Spreading the invasion over four separate salients—a push south from Belarus to Kyiv, one out of Russia towards Sumy and Kharkiv in Ukraine's north-east, one from farther east into Donbas and a fourth north out of Crimea—was always going to leave Russian forces overstretched. They have paid a heavy price. Though Russia claims that only 1,351 of its soldiers have died, on March 30th Victoria Nuland, an official in America's State Department, said that the true figure was more than 10,000. (Ukrainian officials put the number at more than 15,000.) The last army to lose soldiers on that scale in the course of a month was Iraq's in 2003. Morale is, understandably, poor. Jeremy Fleming, the head of GCHQ, Britain's signals-intelligence agency, says there is clear evidence of Russian soldiers "refusing to carry out orders, sabotaging their own equipment and even accidentally shooting down their own aircraft".

The Russian army's failures and shortcomings do not make it a spent force.

Though its spokes-generals were lying when they said that they had never really wanted Kyiv, they were accurate when saying that they had made progress in Donbas, and may have been truthful in saying that that was where their efforts would now be focused. A researcher at the Conflict Intelligence Team, an investigative group, says that by pouring in troops from Kyiv, Chernihiv, Sumy and elsewhere Russia can probably muster enough manpower in Donbas to outnumber the Ukrainian forces there, perhaps by 50% or so: a significant margin, if not necessarily an overwhelming one.

In recent weeks, Russian forces have attempted to move south from the north bank of the Donets river in Izyum, a town 125km south-east of Kharkiv, at the same time as they advance north along a front that stretches from the outskirts of Zaporizhia, on the Dnieper, to Mariupol on the coast. This looks like an attempt to isolate the Ukrainian troops fighting Russian proxies in Donbas—what Ukraine calls the Joint Forces Operation (JFO).

The envelopment, please

Before the war the JFO consisted of ten particularly well equipped and trained brigades, all of them battle hardened. Some of those troops were redeployed to fight invaders elsewhere. How many of them remain in the area, and what condition they are in, is very hard to gauge. But one credible estimate has two-fifths of Ukraine's army still in the area. Were the Russians to

cut those forces off and, thanks to numerical advantage and the tactical edge provided by encirclement, defeat them, it would be a huge blow to Ukraine. It would provide Mr Putin's army with a solid base for further gains along the coast in the south, providing a continuous connection from Donbas to Crimea and maybe more. It might even lead the Russians to look again at Kyiv and the regime change they claim not to have wanted.

So far Russia's advance through Kharkiv has been slow, grinding and, again, costly. Its forces have struggled to cross rivers—here, it is Ukraine that has blown up bridges—and to travel off-road. As to the northward advance, it has yet to get past Huliaipole, a city more or less midway between Mariupol and Zaporizhia. This means that the jaws of the trap, if such they are, are a good 250km apart. "It's an easy thing to draw some arrows on a map and write the word 'envelop' on it," says one Western official. "It's a fundamentally different thing to try and achieve that on the ground."

If or, more realistically, when besieged Mariupol falls, Russia will have more troops to commit to the advance, though they may be battered and exhausted. But it will also need to fix a range of other deficits, including problems using air power. Its planes still seem unable to track and hit moving targets, for example. And it will need to improve its woeful logistics. Encircling the JFO will require much longer supply lines than any Russia has made use of so far in its campaign. ►►

Repression in Russia



One of the last independent media outlets still operating in Russia, *Novaya Gazeta*, said it would close for the remainder of the war, after receiving several warnings from regulators regarding its coverage.

15,108

Number of people arrested in Russia for anti-war protests. Source: OVD-info

Market optimism



Buoyed by reports that peace talks between Russia and Ukraine were making progress, stockmarkets around the world have risen. Hope of a negotiated settlement weighed on the price of oil.

It will also have to deal with the risk of further and perhaps more ambitious counterattacks by Ukraine. The possibility of taking the fight to the enemy in this way is probably one reason why Volodymyr Zelensky, Ukraine's president, is insistently asking its supporters in the West for heavier kit, including tanks, armoured personnel carriers and combat aircraft.

Some officials think that Mr Zelensky is asking for kit his country does not need, and is unlikely to get, so as to have a better bargaining position when it comes to things he really wants, such as more advanced air-defence systems. Others reckon that he needs to replenish his depleted stocks; there is no clear sense outside the country of how much materiel Ukraine has lost. But tanks would also support more ambitious Ukrainian counter-offensives, and given the success of some counter-offensives so far, it would be strange to think that was not part of the genuine rationale. As Mr Zelensky said in his interview with *The Economist*, planes and tanks would "allow us to unblock Russian-occupied cities, to bring food to residents there, to take the military initiative into our own hands".

There are hundreds of Soviet-made tanks in the arsenals of former Warsaw Pact members now in NATO, most of which would be familiar enough to Ukrainian tank crews for them just to hop in and drive off. There are also Soviet-built MiG fighter jets, which Poland, in particular, initially seemed keen to hand over, but which America declined to help deliver.

"We're looking at what we can do," said Boris Johnson, Britain's prime minister, after a NATO summit on March 24th, "but...logistically at the moment it looks very difficult with both armour and jets."

Logistics are not the only issue. Emmanuel Macron, France's president, has declared that providing Ukraine with tanks and planes would cross a "red line", turning NATO into a "co-belligerent". But Mr Zelensky does not accept this argument, insisting that those who espouse it are simply afraid of Mr Putin.

No tanks, EU

Even if Ukraine were to get more tanks, though, they might not provide it with quite the advantage that is being looked for. Tanks remain necessary for some sorts of action. At the same time, as the past weeks have shown, they are increasingly vulnerable. "One thing that I'm taking away from this war is that, in land warfare, the defence remains all-powerful," says Billy Fabian, a former infantry officer now at CNAS, an American think-tank. Defenders require fewer forces, chew through less ammunition and fuel and suffer fewer losses. What is more, anti-tank weapons have got a lot better. Ukraine has benefited from that dynamic thus far. If it were forced to manoeuvre and supply forces over longer distances, Russian forces might be able to do as they were done to.

The balance of defence versus offence; the ability to keep supply lines open; the morale and willingness to fight of the op-

posing side; the capacity to "close the skies". If there is to be a large, decisive clash in Donbas it could turn on any one of those factors. But what would come after?

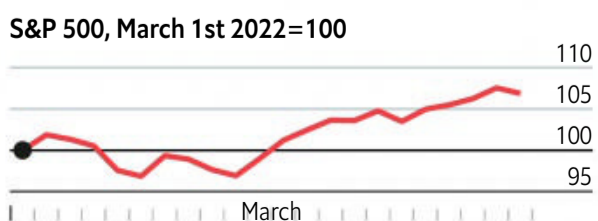
If Russia were to emerge with the upper hand, it might continue the war. It might alternatively use the win as an exit strategy. With Donbas "liberated", Russia could declare its "special operation" to be a famous victory. With Ukraine's army dealt a heavy blow it might prove possible for Russia to achieve quite a lot of its broader goals with regard to its victim's future status through negotiation.

If negotiations failed, Russia could garrison troops in Donbas for years, as it has done in the "frozen conflicts" in Moldova and Georgia. (On March 30th a Russian-backed breakaway statelet in Georgia, South Ossetia, said it would seek to join Russia.) But if Russia held the territory without a deal, it would find itself locked in a protracted struggle. Ukrainian counterattacks would be relentless. Western countries—buoyed by Ukraine's resilience, surprised by their own solidarity and wary of setting a precedent for other aggressors—would continue applying pressure. Britain and Poland both said this week that they would oppose lifting sanctions until Russia withdrew entirely.

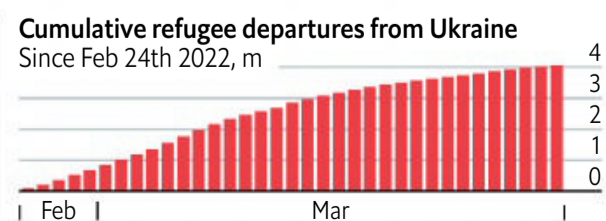
Not an ideal situation. But better for Russia than the outcome should it seek a decisive victory in Donbas and fail. If that were to happen, the generals of spin would need to find a whole new war aim to claim to have been following all along. ■

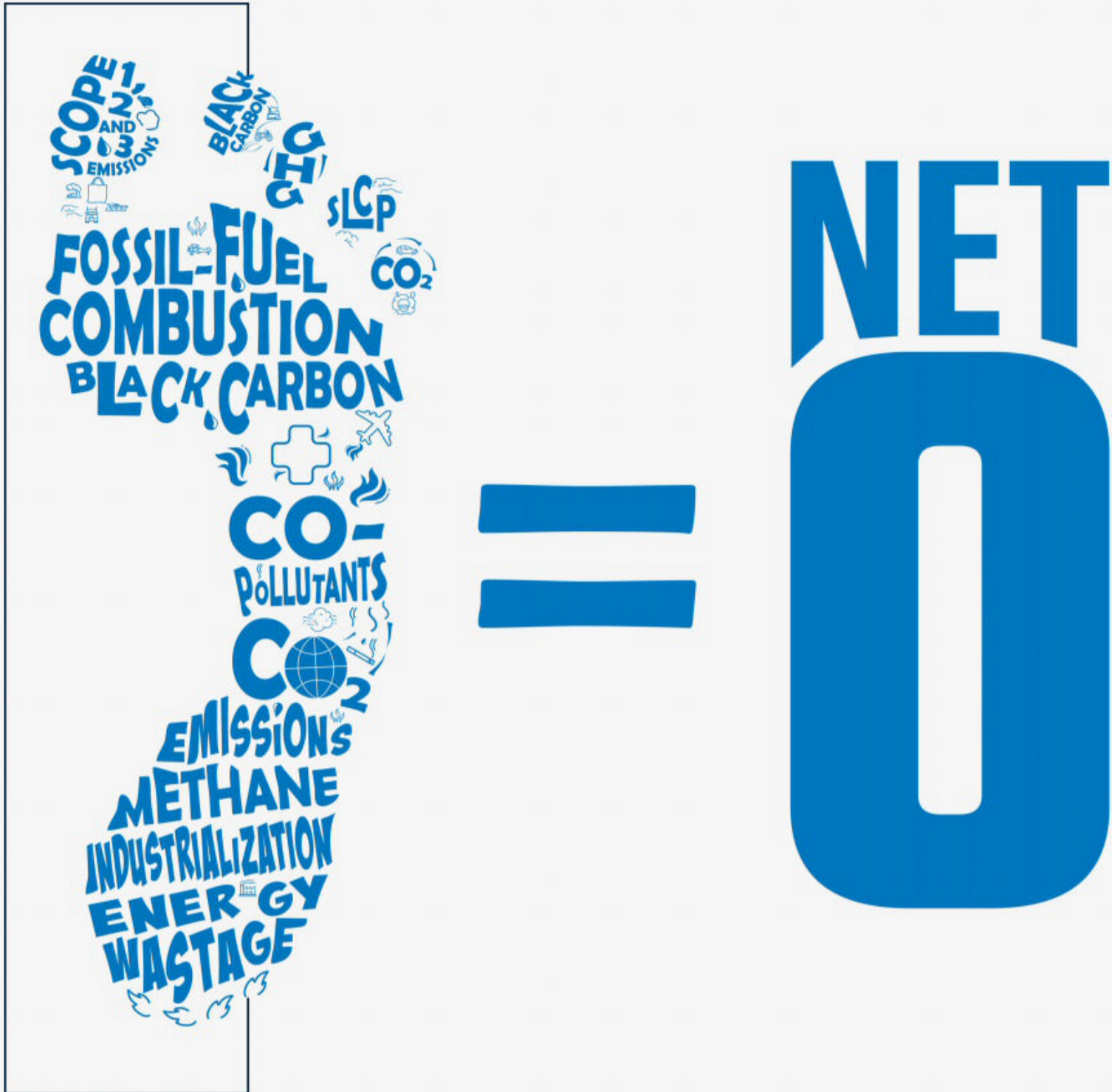


Flow of refugees



On March 30th the United Nations announced that the number of refugees fleeing Ukraine had passed 4m. The pace of the exodus has slowed to less than half that in the first weeks of the war, however.





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Child allowance

The social experiment

NEW YORK AND WASHINGTON, DC

Why the most successful anti-poverty programme in decades is going cold

RENUKA MAHARJAN is a dedicated woman. Over the past two years she has made a regular trip on public transport across three boroughs of New York City, requiring two changes and one hour in either direction, to reach The HopeLine, a food bank in the Bronx. Waiting in the cold outside it one morning, she says the food and nappies (a rare offering) are worth it: “Only my husband is working. I have to take care of my two babies, so this helps a lot.”

Rather than being supplements to the safety net, food banks such as The HopeLine have become something like stopgaps. The world’s richest country has done an especially poor job at looking after its youngest. Among industrialised countries, America has consistently ranked among the worst for its child-poverty rate. The reason for this is no real mystery: the welfare state does not redistribute much to the poorest families. Many of the countries with far lower rates of child poverty, such as Canada, Hungary and Poland, have achieved their success by creating child al-

lowances—regular payments to parents of modest amounts of cash.

So there were grounds for optimism when America began an experiment—little noticed but grand in scope—with a child allowance. Created by the American Rescue Plan, the gargantuan stimulus bill that President Joe Biden signed in March 2021, the scheme began making monthly payments in July to the families of 60m children (most of the 73m in the country). These amounted to \$300 a month for each young child and \$250 for older ones.

For Ms Maharjan, who kept making her

long trips to the Bronx, the monthly cash was enough to go from scraping by to begin “investing” in her children. “That helps a lot, especially for minimum-income people like me,” she says. She looks crestfallen as she remembers that the payments stopped in December—after Democrats, by failing to agree on much of the president’s agenda, could not approve an extension.

Those six months provided a full-scale experiment for whether European-style safety-net programmes could work in America. Sceptics doubted that the Internal Revenue Service would be able to turn itself into a quasi-welfare agency in a matter of three months. A senior White House official notes that Social Security and the Affordable Care Act required years of preparation before beginning.

The early assessments were rosy. Scholars at Columbia University developed a monthly measure of child poverty that is much speedier than the official annual data. Between June 2021 and July 2021 their estimates registered a large drop in the child-poverty rate—from 15.8% to 11.9%. Put another way, the number of children in poverty fell by 40%. That was the result of all covid-related relief programmes, but the monthly payments alone drove a 25% drop in poverty in their first month.

As uplifting as the result may have been, the converse is as dismal. Since the payments lapsed, the researchers calculate that most of the gains made against child

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Defeat from the jaws of victory

United States, poverty rate by age group, %



Source: Centre on Poverty and Social Policy, Columbia University

► poverty have been reversed (see chart). In December 2021, the rate was 12.1%. “By the end of the six months, in December, we saw close to 4m children being kept out of poverty,” says Megan Curran, policy director at Columbia’s Centre on Poverty and Social Policy. By February 2022, it had returned to 16.7%—meaning 38% more children (or 3.4m) were in poverty.

Rather than revel in a rare policy victory, America has instead managed to snatch defeat from its jaws. “We have had such a high rate of poverty because we’ve essentially treated America’s children like they are someone else’s children,” says Michael Bennet, a Democratic senator from Colorado, a longtime champion of a policy derided as Utopian until the pandemic hit. (Mr Bennet’s brother works for *The Economist*; he was not involved in writing or editing this article.) Mr Bennet has had a bitter-sweet experience: watching an idea he fostered become reality, but only briefly. “We cut childhood poverty, almost in half. And then we let it lapse and doubled childhood poverty,” says Mr Bennet.

Most pre-existing federal support programmes for children have means tests, work requirements or conditions on the use of cash. The generous child tax benefits lacked all of these features, yet seemed especially successful at reducing poverty. That is not because the old regime of child tax credits lacked generosity (offering a maximum annual benefit of \$2,000 compared with \$3,600 for the enhanced credit) but because it was poorly designed as an anti-poverty tool. Low-earning families often did not have enough income to justify receiving the full credit. Absurdly, half of African-American and Hispanic children were not getting the full benefit because they were too poor.

The admirably broad scope of the new policy may have limited its longevity, however. A plan to extend the benefits was one component of Mr Biden’s Build Back Better agenda, which floundered in congressional negotiations in December 2021 after Senator Joe Manchin, a pivotal Democrat of

College bonds

Seeds of learning

WASHINGTON, DC

Los Angeles school district provides every first-grader with cash for college

A GIANT EXERCISE in giving away money to children is under way. On March 21st Los Angeles Unified, America’s second-largest school district, enrolled every first-grader into a free college-savings-account programme, depositing \$50 for each child. With 44,000 pupils, Opportunity LA is the biggest college-savings scheme for children in the country.

Children’s savings accounts (CSAs) typically help towards a specific purpose, usually college or buying a home. Many barriers exist to amassing savings, especially for the poor. Foremost is a lack of funds to put away for later, but bad experiences with banks—worries about credit scores, for example, or fears about overdraft fees—also put people off. An automatic programme can encourage families to invest.

Opportunity LA will enable families to use the savings account for college fees and associated costs, such as tests and

supplies. The funds can be used for any two- or four-year programme at an accredited institution. If families pay in extra money and file taxes in the county, they will receive a matching contribution (up to \$25 each year). If a pupil leaves the district, the funds are forfeited and any family contribution returned. Families can opt out of the plan, but few are expected to do so.

Such efforts elsewhere have had success. SEED for Oklahoma (SEED OK) began 15 years ago. Newborns were randomly selected to receive \$1,000 for the state’s college-savings plan, and compared with those not chosen. Families who got the money experienced long-term benefits. They were more likely to have opened an additional college-savings account for their children, and they had greater expectations for their child to complete graduate school.

SEED OK’s beneficiaries have yet to graduate from high school, but other studies have found positive outcomes from college savings, automatic or otherwise. One study found that poor children who expect to graduate from college and have up to \$499 in their accounts are three times more likely to graduate.

Since SEED OK, other automatic programmes have started. In 2011 San Francisco became the first publicly funded universal CSA project in America. Two years later, Maine was the first state to require parents to opt out if they wished to avoid automatic enrolment; participation grew from 40% to 100%. Other states followed. A universal programme is expected to launch this spring in New York City, the largest school district, and California’s governor intends to launch a statewide programme soon. Seeds are being scattered across America.



Invest in me, please

West Virginia, announced his opposition. Mr Manchin voted to create the expanded policy at the start of the Biden administration; of late, he has become concerned that it may exacerbate inflation, worsen the national debt and encourage sloth among working adults.

Efforts by his Democratic colleagues to convince him otherwise have so far been unsuccessful. “Senator Manchin has always supported the existing child tax credit that is still in place despite the pandemic emergency enhancement sunset at the end of 2021,” says a spokesperson for the senator, cautiously. “He continues to sup-

port policies that reward hard-working families as the effects of costly inflation taxes strain their budgets.”

Observers of the political dynamics in Washington, DC, seem pessimistic on the chances of something like the monthly scheme persisting. But a narrow compromise may still be found, correcting the inadequacies of the old design and assuaging Mr Manchin’s fears. “I’m happy to pay for it. I would say let’s extend it for ten years and let’s pay for it,” says Mr Bennet, the Colorado senator. “I can’t think of anything we could do that would make more of a return on our investment than this.” ■

Drought in California

Hold the salt

CARLSBAD

The promise and pitfalls of seawater desalination

CARLSBAD STATE BEACH is a Southern California idyll. Palm trees adorn the cliffs above the sand, and surfers paddle out for the waves. From the beach it is impossible to tell that a huge desalination plant not half a mile away is sucking in seawater to produce 50m gallons of new drinking water each day. It is the largest in America—for now. Soon it may share that title with a proposed sister plant 60 miles (97km) north in Huntington Beach. But only if that one is built.

Poseidon Water, the developer that also built the Carlsbad plant, first proposed the Huntington Beach facility in the 1990s. But it has taken the company more than two decades to persuade Californians of the plant's necessity. Many Orange County residents remain unconvinced or even hostile to the idea. Now the firm is waiting for a final permit from the California Coastal Commission. Without it, Poseidon says the project is dead in the water.

The fight in Huntington Beach has sparked a wider debate over what role desalination should play in preparing California for a drier future. A recent study found that the current drought is the driest 22-year period the south-west has seen in at least 1,200 years. Climate change has diminished snowpack in the Sierra Nevada mountains, shrivelling the rivers which feed California's reservoirs. The state recently told farms and cities they would receive only 5% of their normal allocation from the State Water Project, a series of dams, canals and pipelines. Might desalination help make up the difference?

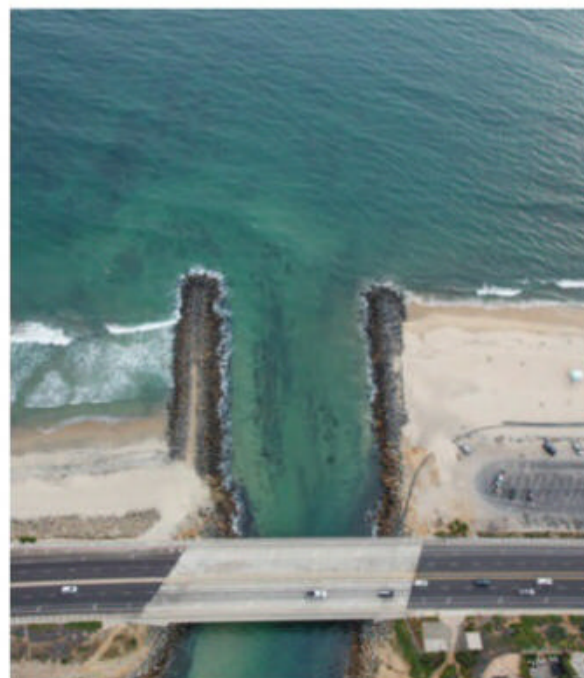
The arguments against desalination are well known. Environmentalists fret that the plants' intake systems and the salty brine they discharge back into the ocean harm marine life. The reverse-osmosis process used to separate the salt from the water is energy-intensive. And desalination is the most expensive option among alternative water sources. An analysis from the Pacific Institute, a think-tank in Oakland, estimates that the median cost for a big seawater-desalination project is \$2,100 per acre-foot of water (an acre-foot is about 1,230 cubic metres). Large water-recycling projects, the next-priciest option, cost roughly \$1,800 an acre-foot.

To understand the costs and benefits of desalination in practice, look to San Diego. Investing in desalination seemed prescient when the San Diego County Water



Authority (SDCWA), which supplies water to 3.3m southern Californians, began planning the Carlsbad plant in 1998, for two main reasons. First, when rivers run low, much of California can tap underground aquifers for drinking water and agriculture. But the far south-western corner of California does not have a large groundwater basin, meaning the region long relied on water imported from elsewhere.

Second, a severe drought starting in the late 1980s cut the county's water supply by 31%, says Sandra Kerl, SDCWA's general manager. Those cuts (and an acrimonious relationship with water officials in Los Angeles, who controlled local supplies) scared local managers into exploring alternative water sources, such as desalination, to prevent rationing in future. Today, 10%



Water, water, everywhere

of the county's water comes from the Carlsbad plant and San Diegans can breathe easier in times of drought.

Now consider the costs. Over the past decade water prices have risen faster in San Diego than in Los Angeles. Kelley Gage, SDCWA's director of water resources, argues that rates will climb across the state as other cities invest in recycling or shoring up leaky infrastructure. Desalinated water is also used inefficiently. Pristine water from the Carlsbad plant enters a centralised plumbing system just like treated water from the Colorado River, for example. "Utilities have to think about the fact that this water is too good to be flushed down toilets and used for watering lawns," says Newsha Ajami, a water expert at the Lawrence Berkeley National Laboratory.

As San Diego was scrambling to diversify its water supply, demand was decreasing. Thanks to conservation efforts, per-person water use in California's big cities has declined since 2000 even as populations have soared. Some San Diegans wonder if their expensive plant was necessary.

Desalination makes more sense in some parts of California than others. The Golden State's water wonks point to the central coast, which often suffers from drought. Adrian Covert, vice-president of public policy at the Bay Area Council, a business association, suggests Marin County should also consider desalination. A wealthy county just north of San Francisco, Marin has the need—it is dependent on local rainfall—and the cash to invest.

Pipe dreams

Water-policy nerds favour desalination as a last resort, preferring conservation, recycling and capturing stormwater. "It's all about lawns and leaks," says Felicia Marcus, a former chair of the California State Water Resources Control Board. Yet most experts agree that desalination could play a larger role in the state's water mix as technology improves. "Desalination is ripe for innovation," says Peter Fiske, also of Lawrence Berkeley National Lab. Researchers are studying how to make plants more flexible through automation, whether the brine discharged back into the ocean can be used for something, and the economics of desalting water using solar power.

California is not the only state mulling desalination. Doug Ducey, Arizona's Republican governor, wants to invest \$1bn in the technology. The Biden administration has allocated \$250m in funds from the bipartisan infrastructure law for desalination projects (a proverbial drop in the bucket). If and when desalination does take off, Ms Marcus warns that technology alone cannot "drought-proof" the state: "The idea that you can somehow build enough facilities to support urban California through desal is a pipe dream." ■



The defence budget

Rhetoric v reality

WASHINGTON, DC

A sense of strategy is missing from Joe Biden's defence-spending proposal

BY INVADING UKRAINE, Vladimir Putin has revitalised the world's democracies and strengthened NATO's resolve, President Joe Biden told an audience in Warsaw on March 26th. Two days later he submitted a budget to Congress that included \$813bn in defence spending. He called it "one of the largest investments in our national security in history".

The administration's numbers may not match its rhetoric. America's defence budget accounts for a whopping 40% of global military expenditures. But the proposed additional spending of \$17bn above the total of \$796bn expected this year represents an increase of only 2%.

That is lower than the budget's projected rate of inflation of about 2.5%, which some economists think is optimistic, given the pace of price rises so far this year. The administration prefers to highlight the 4% increase in the base budget for the Department of Defence. The department's budget excludes such things as spending on nuclear warheads by the Department of Energy, and supplemental outlays (for example, to help Ukraine and resettle Afghans who worked with America).

"This is going to be a real-terms cut in defence spending," says Todd Harrison of the Centre for Strategic and International Studies, a think-tank in Washington, DC. He predicts that Congress, which can modify the president's request, will add a hefty slice of extra spending—perhaps another \$30bn—just as it did for the current year. "The politics on the defence budget have really changed substantially in the past

IN THE MONTH since Russia invaded Ukraine, Joe Biden has called Vladimir Putin a "war criminal" and a "butcher". New polling from YouGov/*The Economist* suggests that younger Americans are far more equivocal in their views on Russia and the war.

Among some 1,500 people polled between March 19th and 22nd, 73% said they sympathise more with Ukraine than with Russia. Yet this disguises a big generational gap. Whereas 92% of those aged 65 and over said they sympathise more with Ukraine, just 56% of those aged 18-29 did—a difference of 36 percentage points.

Younger Americans are also less bothered about the war's outcome: barely half of those under 30 said they care who wins, compared with 90% of those over 65. And although Antony Blinken, America's secretary of state, has formally declared that Mr Putin is deliberately targeting civilians, younger Americans are not so sure. Just 47% of under-30s said Russia was targeting civilians intentionally. In contrast, 91% of older Americans agree with Mr Blinken.

YouGov/*The Economist* also conducted polls in France and Britain during the fourth week of March, and there, too, a generational gap exists—though a smaller one. What might explain it?

One possible reason is that, on average, younger people tend to be less engaged in politics. Younger people who said they were interested in politics were

two months. A year ago, we were hearing progressives in the Democratic Party talk about trying to cut the defence budget by 10%. Those calls have gone silent."

As a share of GDP, defence spending has in fact fallen over the years, from 4.7% in 2010 to about 3.2% this year. The navy's fleet is set to shrink. And a nuclear-capable sea-launched cruise missile is being cancelled. Leading Republicans have called for a budget that adds 5% above inflation. If, as seems likely, they take control of one or both houses of Congress in this year's midterm elections, they will have the clout to push for bigger increases.

The president's request is something of a muddle. Although issued late, it does not take account of money that Congress recently agreed to spend, not least on Ukraine. Officials acknowledge that it may have to be reviewed later in the year. What is more, the request was not preceded, as

Our poll on the war Older and wiser?

Views on the war reveal a striking generational divide

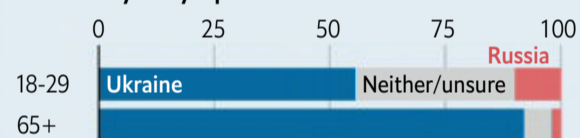
more sympathetic to Ukraine than their less-engaged peers. But the gap between well-informed older Americans and well-informed younger Americans is still wide, at 28 points, so that can be only part of the story.

Perhaps the war seems distant to young Americans disillusioned by far-away conflicts in Afghanistan and Iraq. Historical fears of Russia may play a role, too. Americans 65 and older came of age during the cold war. Those aged under 30 were born after 1992, when the Soviet Union had collapsed. Yesteryear's experience may still colour today's views.

The age of reasoning

United States, Mar 19th-22nd 2022, % responding

"Who do you sympathise with more?"



"Do you think Russia is deliberately targeting civilians in Ukraine?"



"Do you care who wins?"



Source: YouGov/*The Economist*

was expected, by the publication of a national-security strategy.

Officials insist that the war in Ukraine has not changed their underlying analysis: Russia presents an acute menace and China is the longer-term challenge. Over the years the breakdown of spending has shifted from the army to the navy and especially the air force—a trend that continues in the president's request—to strengthen the latter two in Asia in particular.

And a growing share, an extra 9.5%, has gone to "research, development, test, and evaluation", not least in artificial intelligence. This helps to maintain America's military edge in the long term, but generates little new capability in the meantime. That suggests the administration does not think it will be at war with China soon, despite the warnings of some commanders that China could try to invade Taiwan before the end of the decade. ■

Lexington | The Reverse Roosevelt Doctrine

Joe Biden's ad-libbed outburst masks his caution in dealing with Vladimir Putin



“I AM A gaffe machine,” Joe Biden once admitted, disarmingly. For proof consider his speech in Warsaw on March 26th. Vladimir Putin’s carnage in Ukraine was part of a global “battle between democracy and autocracy”, he declared, closing with an impromptu line: “For God’s sake, this man cannot remain in power.” Was Mr Biden advocating regime change in Russia? No, his aides hastened to say, soon followed by the president himself.

The political gaffe, the commentator Michael Kinsley memorably observed, is when a politician inadvertently speaks the truth. Mr Biden’s many slips often involve him getting muddled or, as in 2012, being unable to catch a *double entendre*. Seeking to cast Barack Obama as a hard man of world affairs, the then vice-president cited Teddy Roosevelt’s dictum about speaking softly and carrying a big stick. “I promise you, the president has a big stick.”

Mr Biden’s words in Warsaw were different, deliberate and in keeping with insults—“war criminal”, “butcher”—he has been hurling at Russia’s leader. Critics charge that, in suggesting he seeks Mr Putin’s downfall, Mr Biden will harden Russia’s resolve on the battlefield and at the negotiating table. This misses the mark. The reproach rings especially hollow coming from Republicans who still bow to the dangerously wayward and Putin-loving Donald Trump. (On March 29th he urged Mr Putin to reveal dirt on the Biden family.) There is little doubt the world would be better without Mr Putin; and he already thinks America is out to get him.

Rather, Mr Biden’s failing in Warsaw is what might be called the Reverse Roosevelt Doctrine: speak loudly and carry a small stick. To Poles and Ukrainians in the audience, Mr Biden’s most fervent lines carried disturbing implications. Telling Mr Putin “don’t even think about moving on one single inch of NATO territory” sounds like giving him carte blanche to do his worst in Ukrainian territory. “We need to steel ourselves for the long fight ahead” implies that he will do nothing to stop horrors quickly.

The parallels he drew—the Hungarian uprising of 1956, the Prague spring of 1968 and Solidarity’s strikes in Poland in 1980—all referred to events behind the iron curtain, where America had little influence. Mr Biden did not mention, say, Iraq’s invasion of Kuwait in 1980 or Serbian atrocities in Bosnia and Kosovo in the 1990s, which America halted through military action. Interven-

tion in Ukraine, Mr Biden says, would risk “World War III”.

Finding a course between preventing Russia’s takeover of Ukraine and averting nuclear escalation involves much semantic and legal contortion. What weaponry is defensive, or what action escalatory? Mr Biden sends Ukraine anti-tank weapons, but not tanks; anti-aircraft missiles but not military aircraft. He is at pains to say what he will not do: no to American troops on the ground, no to no-fly zones. His response to Mr Putin’s madman nuclear threats is reassurance that America will not get involved. Mr Biden invoked the words of the late Polish pope, John Paul II, “Be not afraid.” Yet it is the president who seems frightened of tangling with Mr Putin, not the other way around.

How to explain this caution? The first and most obvious reason is that Russia has a bigger stockpile of nuclear weapons than America does, and a greater doctrinal propensity to use them. Even Mr Biden’s fiercest critics agree that getting into a war with Russia would be a bad idea. The second factor is Mr Biden’s aversion to America’s over-reliance on force, given the quagmires in Iraq and Afghanistan. Military action should be a last resort, not the first, he thinks; and should be used only when vital interests are at stake. His economic sanctions on Russia, he believes, are “a new kind of economic statecraft with the power to inflict damage that rivals military might”.

Left unsaid is that Ukraine is probably not as important to Mr Biden as, say, Taiwan. America sees Russia as a disrupter, and China as the only challenger to its supremacy. Another of Mr Biden’s gaffes last year is telling. Asked whether America would defend Taiwan from a Chinese attack, he replied: “Yes, we have a commitment to do that.” The White House rushed to clarify that the president intended no change in America’s “one-China” policy, or its doctrine of “strategic ambiguity” about defending the island. For Taiwan, then, Mr Biden does seem ready to risk nuclear war.

A cynical possibility, which many Ukrainians believe, is that Mr Biden wants a drawn-out war to exhaust Russia, at the cost of much Ukrainian blood. That may be too Machiavellian. There is little sign that the Biden administration has thought much about the end-game. It says it will not dictate the terms that Volodymyr Zelensky, Ukraine’s president, should accept. This is disingenuous given that Mr Biden in effect sets limits on what Ukraine can achieve. If Mr Zelensky does not have the weapons with which to evict Russian forces, he will have to give up territory; if NATO will not admit Ukraine, he will have to accept neutrality.

Shoot the bear?

Now that Russia is bleeding in the battlefield, prominent Americans want Mr Biden to go all-out to help Mr Zelensky rout the Russian army. Victory would revitalise democracy and might even bring down Mr Putin. Mr Biden, however, prefers the long game. Ukraine is bravely holding its ground, Russia is being weakened and China is paying a political cost for embracing Mr Putin. Only Russia’s leader knows what would make him resort to nuclear weapons, but a senior American defence official thinks the triggers probably include “the prospect of all-out conventional defeat of Russia’s military” or a threat to the Russian state (in other words, a threat to Mr Putin).

What about Mr Biden’s chin-jutting in Warsaw? It is probably moral outrage, as he says, with perhaps some cheap rhetoric. The president may be loose in his tough talk, and cautious to a fault in his actions. But in the nuclear age that is surely better than emulating a swashbuckling militarist like Teddy Roosevelt. ■



Education in Chile

A lurch to the left

SANTIAGO

Gabriel Boric vows to forgive student loans and reduce testing in schools

ALEXIS MARAMBIO grew up in a tiny flat in La Pintana, a poor neighbourhood of Santiago, Chile's capital. For most of his life he shared a room with his brother; his sister slept in her parents' bed until she was 13. Leak stains still blotch the walls. Bars on the windows keep out thieves and most sunshine. "This is the raw side of Chile," he says.

But Mr Marambio, who is now 30, defied the odds. He was the first in his family to go to university. His parents worked day and night to pay for some of his expenses, and he owes around \$20,000 in student loans. Education was his ladder out of poverty. After working for the local mayor and then for a polling firm, he moved to a nicer part of town and bought his parents a house. On a visit to La Pintana a former neighbour greets him: "My boy, you've come back to visit the poor!"

His story reflects the success of Chile's education system. Since the country returned to democracy in 1990, the number of students enrolled in post-secondary in-

stitutions has quintupled (see chart on next page). By the mid 2000s seven in ten newly enrolled students were from the first generation of their families to attend university. Unsurprisingly, this expansion has cost money. Fully 59% of spending on tertiary education comes from households, compared with an average of 30% across the OECD, a club mostly of rich countries. Tuition fees in Chile are the highest in the OECD relative to purchasing power after Britain and the United States (but, as in both countries, financial support is hefty).

Yet discontent with education has led to some of the biggest protests in Chile's history. In 2006 children demonstrated against perceived inequality in schooling; in 2011 university students did the same.

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Large, violent protests in 2019 were partly about college fees. It was as a student leader that Gabriel Boric, the newly elected 36-year-old president, rose to fame, along with many in his cabinet. "The fight for public, free and good-quality education was a fight for a different model of society," he told a crowd in November. As president, he says he wants to reform education. But in its zeal for change, his government could make Chile's problems worse.

Chile's school system has long been unusual. Under the dictatorship of Augusto Pinochet, who ruled from 1973 to 1990, the country widened the use of standardised tests and set up a voucher scheme which provided public funds to privately run schools based on the number of children that enrolled. The idea was to increase competition and choice. Most parents chose voucher schools. Between 1981 and 2020 the share of children in voucher schools shot up from 15% to 54%. The share in government-run schools fell from 78% to 33%; the share in expensive private schools that did not take vouchers remained around 10%.

Some analysts credit the system for improving results. Chile scores the highest in Latin America on a test conducted by the OECD on the science, maths and reading skills of 15-year-olds around the world. Yet others fear that the voucher schools increased the gulf between rich and poor. Until 2016, when Michelle Bachelet, a for-▶

► mer left-wing president, introduced a series of reforms, these schools often selected students using their own criteria, such as primary-school grades or whether parents were married in the Catholic church. They could also charge top-up fees.

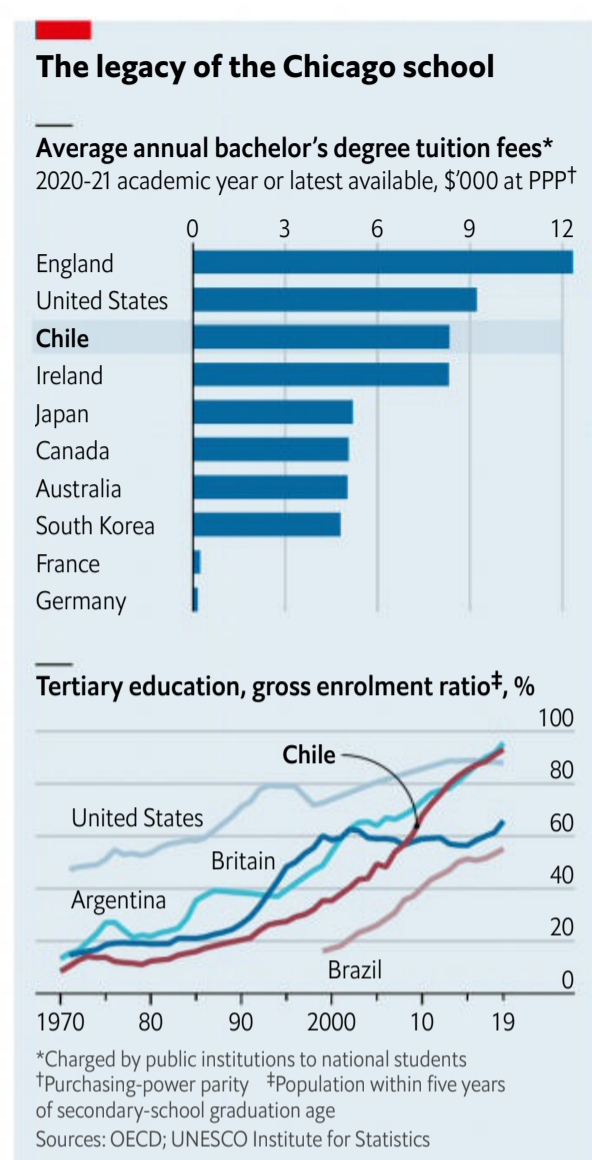
A study from 2016 by Gregory Elacqua and Humberto Santos, two academics in Chile, compared the degree to which rich and poor kids were educated separately under the voucher system in Santiago with what would have occurred if students had attended the school nearest their homes. They concluded that schools were more segregated than neighbourhoods. This contradicts the claim that voucher schools simply reflect the societies they serve.

Richer Chileans also do better at university. In order to get into one, students must take an admissions test similar to the SAT in the United States. More than half of those who achieve top scores come from the 10% who go to elite (ie, non-voucher) private schools. Students who do not score well largely end up in less prestigious technical institutes. This means that many poorer students finish higher education with big debts and degrees that employers do not value much. Fully 54% of students who have taken out the main student loan have defaulted or are in arrears, compared with 32% of student debtors in America.

Successive presidents have tinkered with the system. Sebastián Piñera, the centre-right president during the protests in 2011, lowered the interest rate on the main student loan from 6% to 2%. In 2016 Ms Bachelet made university free for the poorest 60% of students. This bung to students was popular, even if the reform meant that there was probably less public money than there might have been for primary and secondary education. Between 2012 and 2018 public spending on tertiary education increased more in Chile than in any other OECD country, while public spending on non-tertiary education increased only somewhat faster than the OECD average.

Mr Boric has promised to improve state-run primary and secondary schools, but has so far provided few details. He has pledged to continue some of Ms Bachelet's reforms, alongside increasing funding for public nurseries. However, he also wants to remove "market dynamics" in education, meaning competition. He wants to eliminate some standardised tests and replace an "extensive and content-filled curriculum" with one that emphasises creativity, gender, multiculturalism and the environment. Some teacher evaluations could be scrapped.

Fabián Guajardo of Nodo XXI, a leftist think-tank, says this will reduce pressure on teachers and students, something the teachers' unions have long favoured. Cristián Cox Donoso of Diego Portales University in Santiago likens it to "tearing down a



building that has taken two decades to build". Policymakers need "to know every year if reading, maths, science, history and social-science targets are being achieved or not, to help them to respond better," he says, but "the romantic left...wants to get rid of this." The new education minister used to be a teacher.

Mr Boric also plans to forgive all student debt and extend the free public college scheme. His team puts the cost of forgiving student debt at \$4.7bn. Other estimates are higher, if defaulted debts that are already being paid off by the state are included. In December Mr Boric estimated that the total cost of the policy would be \$12bn, or 3.4% of GDP. The details of the plan are still being hashed out, but it is likely to be implemented over 20 years.

Mario Marcel, the new finance minister, appears to understand that forgiving student debt is a sop to the middle class. "What one wouldn't want is for student debt forgiveness to be paid for by workers or slum-dwellers," he says. He believes the policy should be funded by raising taxes. He aims to raise the total tax take from 21% of GDP to 26% in four years.

It will be hard for Mr Boric to back down from these promises. His supporters want their student loans written off, and will be furious if they are not. As the new president knows all too well, young, educated Chileans are not afraid to make their discontent heard on the streets. ■

Central America

Injudicious judges

GUATEMALA CITY

Legal systems are corrupt and judges frequently intimidated

"THE LAW IS a business," says Juan, a 34-year-old who sells legal documents, including copies of the constitution, on a busy street opposite Guatemala's highest court. "The laws I sell don't apply; rather those with money get their way." It is a common view in a country in which gun-toting men sometimes guard judicial offices, ostensibly to protect their inhabitants.

Corruption and impunity damage Central America in many ways, from the drain of public funds into private pockets to a dearth of investment owing to unreliable justice systems. In the Northern Triangle countries of Guatemala, Honduras and El Salvador, some \$13bn each year is stolen through corruption, estimates the Council on Foreign Relations, a think-tank in New York. That does not include tax evasion or forgone investment.

In February *El Faro*, an investigative outlet based in El Salvador, published allegations that Alejandro Giammattei, Guatemala's president, received illicit funds during his presidential campaign in 2019. (He denies wrongdoing.) On February 15th Juan Orlando Hernández, a former president of Honduras, was arrested on suspicion of aiding drug gangs. He will be extradited to the United States. Last year Mr Hernández's brother was sentenced to life imprisonment in New York for drug-trafficking.

It is highly unlikely that either Mr Giammattei or Mr Hernández will be charged in his home country. In 2019 Mr ►►



Erika Aifán, forced to flee

► Giammattei's predecessor got rid of a UN-backed body which, for over a decade, had helped the attorney-general to investigate politicians and businessmen suspected of corruption, including two former presidents. Mr Hernández and Nayib Bukele, El Salvador's president, have scrapped similar bodies in the past few years. (Xiomara Castro, the president of Honduras, wants the UN to set up an anti-corruption unit.)

Politicians and criminals constantly seek ways to influence the courts. Last year Mr Bukele forced all judges over the age of 60 or with more than 30 years of service to

retire, rendering a third of posts vacant overnight. This allows him to stuff the judiciary with loyalists. Over the eight years that Mr Hernández was in power Honduras's legal system was infiltrated by drug money, claims Lester Ramírez of the Association for a More Just Society, an NGO. He has documented cases of criminals paying off paralegals and magistrates' drivers.

If money does not work then criminals or corrupt officials often resort to intimidation, instead. In Guatemala many lawyers, facing threats of prison or death, are fleeing north. Some 15 legal officials have

been forced out of the country over the past year, including Juan Francisco Sandoval, who headed the office of special prosecutor against impunity, and Erika Aifán, a judge who had presided over cases involving bigwigs. She fled to the United States and resigned on March 21st after receiving death threats and lawsuits. The attorney-general, a friend of the president, tried to strip her of the immunity from prosecution she enjoyed as a judge. Speaking in her cramped office last year, she described how, "gradually, the barriers of protection around us are being dismantled." ■

Bello The battle for Brazil



Luiz Inácio Lula da Silva is ahead but Jair Bolsonaro is still in the running

THIS IS NOT a fight of left against right," Jair Bolsonaro, Brazil's conservative populist president, told a rally in Brasília on March 27th. "It's a fight between good and evil." His opponents see the election on October 2nd, in which Mr Bolsonaro will seek a second term, in similarly apocalyptic terms. Many worry that Brazilian democracy would not survive another four years of Mr Bolsonaro, an avowed authoritarian who is contemptuous of the judiciary and the separation of powers. With the stakes so high, Brazil is on the threshold of a dirty and divisive campaign in which disinformation will be the norm and, some fear, violence a possibility.

Mr Bolsonaro's victory in 2018 was a surprise. Long an obscure backbench congressman, he turned that contest into a referendum on the left-wing Workers' Party (PT), which had governed Brazil between 2003 and 2016, and its leader, Luiz Inácio Lula da Silva, who was barred from running by a prison sentence for corruption. Mr Bolsonaro, a former army captain, also won votes by appealing to traditional values, by espousing a harsh line on crime and by exploiting social media. Chance helped, too: he was stabbed by a deranged individual a month before the vote, which brought him sympathy and kept him quiet when he had much to lose by talking.

Mr Bolsonaro ended "the kleptocratic state" and is the "best president since the military government" of 1964-85, claims Frederico D'Avila, a soya farmer from his party in the state legislature of São Paulo. Mr D'Avila displays a poster in his office extolling Augusto Pinochet, Chile's former dictator, and Margaret Thatcher, a deregulating British prime minister. He shrugs off the president's mishandling of the pandemic, which involved denying

both the seriousness of covid-19 and the value of vaccines.

This is a minority view. Mr Bolsonaro's approval rating is just 24%. And this time around he is no longer a novelty. Corruption and social conservatism may carry less weight as election issues than in 2018. The president faces an uphill battle against Lula, whose sentence was annulled by the Supreme Court on procedural grounds last year. The latest polls give Lula around 45%. Though many Brazilians would prefer a third option, no other candidate has more than 8%.

The election will mainly be about the economy. Mr Bolsonaro's economy minister, Paulo Guedes, promised privatisations, plus radical reform of taxes and spending. He has achieved little of that. Emergency payments to 68m Brazilians in 2020 helped the economy bounce back from the pandemic. But it has since stalled. Income per person has not increased under Mr Bolsonaro and unemployment stands at 11%, as it did before the pandemic.

Ahead of the election, Mr Guedes has

abandoned fiscal prudence. The government has cut taxes and is giving a renewed dollop of aid this year to 18m poorer Brazilians. That is a factor in a modest recent rise in Mr Bolsonaro's support. But inflation, running at 10.5%, is quickly eroding the value of the aid. "The economy will get worse between now and the election," thinks Zeina Latif, a consultant.

Meanwhile Lula, with no rivals to his left, is moving to the centre. He is poised to name Geraldo Alckmin, a former governor of São Paulo from the centre-right, as his running mate. Investors, disillusioned by Mr Guedes's failures, are giving Lula the benefit of the doubt, says Ms Latif, recognising his pragmatism.

But many analysts expect a closer result than the polls suggest. That is because Lula, skilful politician though he is, has many vulnerabilities as a candidate. He and his party are still associated with corruption in the public mind. Though many poorer Brazilians remember the economic growth and social progress of his presidency in 2003-10, others recall his chosen successor, Dilma Rousseff, driving the country into its deepest slump in a century.

Mr Bolsonaro could still win, in other words. But a bigger worry is how he would react to his probable defeat. Imitating Donald Trump, his role model, he has tried to undermine confidence in Brazil's electronic voting system, despite its impeccable record. He has vowed not to leave quietly. He has many supporters in the police and army; his loosening of gun laws means there are now more firearms in the hands of far-right groups and gun clubs. Degraded though they have been by Mr Bolsonaro, Brazil's democratic institutions have survived so far. Their biggest test is to come.





Afghanistan

No country for young women

The Taliban are pushing females out of public life

ON MARCH 23rd thousands of Afghan girls headed to school for the first time in eight months, kitted out in bulging rucksacks, neatly pressed headscarves and covid-19 face masks. Within hours, they were at home in tears—and not because of playground fights or test results. In a last-minute pivot, the Taliban had backtracked on a decision to reopen secondary schools for girls and sent them home.

The new Taliban are beginning to look a lot like the old Taliban who ran Afghanistan from 1996 to 2001, when women who failed to cover every inch of flesh in public were beaten and adulterers were stoned to death. But Afghan women have changed after two decades of American-backed government. Many have university degrees. Before the Taliban seized power last year, almost 30% of civil servants were women. On the streets of Kabul book-waving girls have been chanting: “open the schools”.

When American forces withdrew from Afghanistan, the big question was how the Taliban would make the transition from a fundamentalist insurgency to running a country. Girls’ education became the lit-

mus test. In August there was some hope they wanted to show a gentler face. Officials were interviewed by female presenters on television. At the Taliban’s first press conference after seizing power, a spokesman reassured the world that women would be “very active” in Afghan society.

That balancing act seems over. The abrupt u-turn on education, which affects over 1m school-age girls, is one of a string of recent repressive edicts. New rules ban women from travelling long distances without a male chaperone. That can mean they need a brother or a husband to enter a government building or a taxi. A surgeon in Kabul says Taliban officials often visit,

warning him not to see female patients who turn up alone. “This is a sad moment for all of us,” he adds.

Years of progress are imperilled. Under the previous democratic government, backed by American troops and money, there was corruption and bigotry. But the female literacy rate more than doubled between 2000 and 2018 to 30%. Thousands of women got jobs as doctors, lawyers or cops. Some became entrepreneurs. Maternal mortality declined sharply and female life expectancy rose by ten years.

Now a generation of girls is falling behind. Some risk their lives to attend underground schools. Sexist violence was a problem even before the Taliban takeover, with 87% of women and girls saying they had suffered abuse. Many teenagers will become mothers before schools reopen.

Life is no better for older women who managed to get an education before last year’s takeover. The Taliban have purged women from most workplaces. In a UN survey conducted in October, every single person interviewed knew a woman who had lost her job in the previous month. Qamarulbanat Quraishy has been unemployed since August and is frantically searching for work. But employers are turning away female candidates. Ms Quraishy’s savings have run dry and her debts are mounting. “I have no hope,” says the 24-year-old.

Bigotry affects the economy too. In terms of the increase in hourly earnings from an extra year of schooling, the return on educating girls in Afghanistan was ▶▶

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▶ more than double that of educating boys. The children of educated mothers have long been better educated, healthier and likely to earn more later in life. The UN reckons that keeping women out of work costs Afghanistan up to \$1bn, or 5% of GDP.

In the midst of an economic crisis, the country can ill afford the loss. When the Taliban took over, sanctions stemmed the flow of money. Foreign aid, which made up three-quarters of the state budget, dried up. Ordinary Afghans cannot withdraw savings from local banks. Many have been unpaid for months. Almost the entire population could be desperately poor by the middle of the year.

The chaotic way in which decisions have been announced points to a split be-

tween hardliners and pragmatists within the Taliban. Secondary schools received orders not to admit girls only after they had arrived on campus last week. Taliban leaders have been ambiguous about this policy. In some provinces, such as Kunduz and Balkh in the north of the country, girls were allowed to return to school not long after the Taliban takeover. A handful of high-ranking officials continue to educate their daughters overseas.

As Ashley Jackson at the Overseas Development Institute, a think-tank in London, puts it, “competing visions” within the Taliban are playing out in public. The only hope is that decisions that shut women out of public life could be reversed as quickly as they were announced. ■

Millennials on the rampage Pokémon dough

SEOUL

South Korean fans have grown up but their tastes have not evolved

YOON SANG-SOON leaves a 7-11 in Seoul, downcast. He showed up at 11pm, after the convenience store is restocked, but the 27-year-old missed out. No matter. Earlier, after waiting an hour for a delivery van to arrive at another shop, he had found the prize that millennial South Koreans are hunting for obsessively: Pokémon bread.

“This is all because of nostalgia shared by people in their 20s and 30s,” he explains. In 1998 SPC Samlip, a confectioner, launched more than ten varieties of cake, each packet sporting characters from Pokémon (short for “pocket monsters”), an empire of games, TV shows and merchandise, with one of 151 different stickers inside. Kids queued to buy “Team Rocket’s chocolate rolls” and “Ghastly’s peeling bread”, because, in the words of Pokémon’s self-serving official slogan, “You gotta catch ‘em all.”

This February Pokémon bread was back in shops after a 16-year hiatus. The cakes have since become scarcer than teeth of a *combusten* (a flaming chicken-like Pokémon). Production lines have been running round the clock, but Samlip can make enough only to supply each convenience store with two a day. Catching them is daunting—your correspondent gave up after 17 shops.

So aspiring Pokémon masters travel far and wide to stalk delivery vans and launch late-night “raids” on shops. Even RM, a member of the K-pop behemoth BTS, has complained about the difficulty of finding them. In a lively secondary market some stickers go for more than 30 times the price of the snack cake.

Some shopkeepers have taken ad-



A very sticky product

vantage, adding heavy markups or bundling the cakes together with less popular products. Others have put up hand-drawn posters of Pokémon characters, explaining that they are out of stock. But many report that millennials’ nostalgia is more toxic than the most poisonous Pokémon. Battle-ready Pokémon-hunters curse and scream at them for not having the cakes. One incident reportedly got so out of hand that six police officers turned up.

Mostly, it is glossy, sugary fun. “Collecting Pokémon bread and stickers has become kind of a meme,” says Mr Yoon, who visits at least a couple of shops a day. Undeterred by the empty shelves, he heads home, ready to hunt for wild Pokémon in the tall grass of the convenience stores again tomorrow.

Russians in Asia

Roubles in paradise

BANGKOK

Stranded Russian holidaymakers are running out of money

NOTHING BREAKS the spell of a beach holiday as abruptly as news that it is impossible to go home, as many Russians know through hard experience. In February tens of thousands of tourists fleeing their country’s bitter winter thawed out in several equator-hugging countries in Asia. But on February 24th their holidays came to a sudden end when Russia invaded Ukraine, spurring many countries to impose sanctions on Russia. Airspace restrictions prompted some airlines, including Russia’s flagship carrier, to cancel flights. Then Visa and Mastercard announced that from March 10th credit cards issued in Russia would no longer work abroad. Cut off from their bank accounts, many Russians struggled to rebook their flights. Some 7,000 are now stuck in Thailand, with 11,500 more in Sri Lanka and more than 19,000 on Bali, an Indonesian island.

They are feeling the pinch. Ivan Klokov, a 36-year-old web-designer holidaying on Phuket, a Thai island, has had to move to cheaper accommodation several times. Olga Bebekina, a 31-year-old writer, managed to withdraw some money from a cash machine in Sri Lanka a few days before her credit cards were frozen. But at the end of March she had enough to last her only two or three weeks.

Some help has been forthcoming. Governments have extended Russian tourist visas by a month in Thailand and three months in Sri Lanka. Many hoteliers are offering Russians steep discounts on room and board. Toke Terkelsen has invited those in need to stay at his hostel in Phuket for free. “Better they stay here than be a soldier,” he says.

Some tourists have found ways to get access to their funds, by purchasing cryptocurrencies or via money-transfer systems like Western Union and TransferWise. Yet they are finding that their dosh does not go as far as it used to. The value of the rouble plummeted by half in the weeks after the invasion (though it recovered sharply this week). As a result, the cost of living in Sri Lanka, Thailand and Bali has become higher than that in Russia, according to several tourists this correspondent spoke to. For the amount Alena Murkes paid for her “not luxury, just the usual” villa in Bali, “I can have a four-bedroom flat in the centre of Moscow, near the Kremlin, with best design inside.”

The rouble’s fall made Russians’ scram-▶▶

► ble to get home even more urgent. With great difficulty, Mr Koklov managed to buy a plane ticket to Russia but worries it will be cancelled. Those who prefer not to return to Russia face hard choices. Ms Bebekina hopes to live abroad. She does not think she will pick up much work in Russia, given the economic turmoil, and is scared the authorities will punish her for social-media posts criticising the regime. But she finds the prospect of making a new life outside Russia both daunting—finding a job abroad will be hard—and depressing. As a writer, “my life is connected with the Russian language.” She speaks for many of her compatriots when she says, “I am not happy that I need to consider other ways to live my future.” ■

The Solomon Islands

Getting closer

WELLINGTON

China's growing presence alarms Australia and New Zealand

TO THE ALARM of Australia and New Zealand, the Solomon Islands has reached a security agreement with China. The prime minister, Manasseh Sogavare, confirmed this on March 29th, furious that a draft of the agreement had been leaked a few days earlier. It envisaged the arrival of Chinese military personnel and police and occasional “ship visits” in order “to protect the safety of Chinese personnel and major projects in Solomon Islands”. Already, China has started training the local force in riot control and handling replica weapons, after years when Australia and New Zealand have taken primary responsibility for dealing with unrest in the Solomon Islands and for reforming the police force.

The Solomons switched diplomatic recognition from Taiwan to China in 2019. Since then China has begun repairing the country's only gold mine and taken over Taiwan's financing of controversial “constituency development funds” for MPs, and the state-owned China Civil Engineering Corporation has started building a stadium for the South Pacific Games next year. China's Pacific expansion does not offer commercial rewards as big as those available in Africa or South-East Asia, but it does bring important prizes in its long war of diplomatic attrition with Taiwan. Kiribati, too, switched recognition to China in 2019, leaving only four Pacific countries still aligned with Taiwan (Nauru, Tuvalu, the Marshall Islands and Palau).

But China's enhanced presence has met stiff resistance from the provincial government on Malaita, the Solomons' most pop-

ulous island, whose provincial premier, Daniel Suidani, is the most vociferous opponent of Chinese influence. Mr Sogavare has tried in vain to dislodge him. To back Mr Suidani, many Malaitans in November descended on the capital, Honiara, demanding that the prime minister himself step down. The protests triggered serious rioting, and the destruction of most of the Chinatown business district. Australia, New Zealand, Papua New Guinea and Fiji deployed peacekeepers. Mr Sogavare now says he wants to diversify his security partners by seeking assistance also from China. He denies Australian media reports of a planned Chinese military base.

Mr Sogavare, who has had four stints as prime minister (all of which have ended prematurely), has long had frosty relations with Australia. His second term followed serious rioting in April 2006, during the 14-year-long Australia-led Regional Assistance Mission to the Solomon Islands (RAMSI), which also involved New Zealand. He did his utmost to undermine RAMSI. He expelled both an Australian high commissioner and an Australian police chief, but was himself then ousted in a no-confidence vote in December 2007.

His downfall then was partly a consequence of his poor relations with regional allies. This time, however, Mr Sogavare survived a no-confidence vote only in December, allegedly thanks to Chinese money disbursed as largesse to pro-government MPs. Another election looms in 2023, but Mr Sogavare wants to extend the parliamentary term to give himself an extra year. That suggestion has proved hugely unpopular with Solomon Islanders.

Australia and New Zealand can do little to meddle directly in the Solomons' domestic affairs, but both wield considerable influence. Covid-19 struck at last in January, wreaking havoc, particularly in Honiara, increasing the country's dependence on traditional aid partners to prop up the city's dilapidated “Number 9” hospital. And many Solomon Islanders are horrified



by pictures in the local press of baton-wielding Chinese riot police honing their skills in quelling protests.

The new security arrangement with China bears some resemblance to the ones with Australia and New Zealand covering police assistance. A big difference stems from Chinese settlers' big presence in Honiara. They own many of the city's small retail outlets, benefit from shady deals with the cash-strapped ethnic-Melanesian government and were the main targets of rioters in both 2006 and 2021. The main job for the next generation of would-be peacekeepers may be protecting Chinese settlers—or even exercising their policing talents on some of those rugged migrants on the Pacific frontier. ■

Indonesia

Out of the frying pan

SINGAPORE

A palm-oil crisis in the world's biggest producer

IN MID-MARCH Izawati Dewi, a mother of one, began queuing at 4am at her local shop to buy cooking oil. By the time it opened, the line snaked 2km through her town in central Java. She was lucky enough to secure a pack. The shortage was nationwide. In East Kalimantan, on Borneo, which produces nearly two-fifths of Indonesia's palm oil, at least two homemakers have died this month while queuing.

In February Indonesia's government capped the retail price of cooking oil (made from palm oil) at 14,000 rupiah (\$1) a litre for the highest-quality oil, and 11,500 rupiah for the cheaper sort. Overnight, shelves emptied across the country of 273m people. For most Indonesians, imported oil is an unaffordable luxury. On March 16th the price cap was lifted and stocks miraculously reappeared. But in the process, prices have more than tripled.

Yeka Hendra Fatika, of the government ombudsman, which monitors cooking-oil prices throughout 274 markets in Indonesia, blames the price rise on factors including the war in Ukraine and the pandemic. By February, the price of crude palm oil (CPO) had spiked by 40% year on year. Hoping to curb the retail price of an important commodity, the government in January imposed a 20% “domestic market obligation” (DMO) for all producers—ie, the share of output they must offer on the local market before exporting. In early March this was raised to 30%. Then, after suppliers resisted fiercely, the government a week later did away with the DMO, in favour of charging higher export levies on CPO. ►

▶ Cooking oil under the initial DMO scheme was sold at a fixed price, which producers said made it hard to cover the cost of materials. Mr Yeka says it was “the big disparity between CPO and DMO prices that caused the panic buying and stockpiling that ensued”.

Arie Rompas of Greenpeace Indonesia, an environmental lobby, says the government should “go after the oligarchs of the industry, which frequently stockpiles supply.” In 2019 Indonesia produced 47.1m tonnes of CPO, of which 76% was exported. Eddy Hartono of the Indonesian Palm Oil

Association, known as GAPKI, a producers’ lobby, says the initial 20% DMO easily exceeded local demand, and oil was being lost somewhere in the distribution chain. Indeed, in mid-March, a government commission found millions of tonnes of cooking oil stockpiled by conglomerates. State prosecutors in Jakarta, looking into the shortage of cooking oil, say they are investigating the role of cartels.

Whatever the cause of the shortage and price rises, few want to make do with less cooking oil. Indonesians love their *tempeh* (deep fried fermented soyabean) and *bak-*

wan (vegetable or fruit fritters). Megawati Sukarnoputri, a former president and still a leader of the current president’s party, speaking recently at a webinar on “ageing gracefully”, made an appeal for culinary reform: “Isn’t there a way to boil or steam? It’s an Indonesian menu, you know. Why is it so complicated?”

Indonesians did not take her remarks well. One netizen responded with a video of boiling *krupuk udang* (prawn crackers) and steamed *tempeh*. Another posted a photo of steamed *bakwan* with the caption “Is this the future?” It did not look tasty. ■

Banyan No way back

The invasion of Ukraine has turned Japan definitively against Russia

THE ARRIVAL of Russian soldiers shocked the villagers. An escape plan was hatched. The children were told to keep silent, recalls Tsunoka Yasuji, who was eight years old in 1945 when his family fled Habomai, one of four Japanese islands just north of Hokkaido that defeated imperial Japan lost to Russia in the final days of the second world war. The islands, which Japan calls the Northern Territories and Russia the Southern Kuriles, have remained contentious ever since, preventing the two neighbours from concluding a formal peace treaty.

The arrival of Russian soldiers in Ukraine has conjured up painful memories for former residents. It has also precipitated a dramatic shift in Japan’s policy towards Russia. The Japanese government long sought to maintain friendlier relations than its Western partners, in part to ease negotiations for the return of the islands. Japan refrained from imposing harsh sanctions on Russia after the invasion of Ukraine and annexation of Crimea in 2014. Abe Shinzo, Japan’s longest-serving prime minister, met Vladimir Putin, Russia’s president, 27 times between 2012 and 2020.

Under Kishida Fumio, the current prime minister, Japan is firmly behind Ukraine and beside the West. Breaking with pacifist precedent, it sent bullet-proof vests to Ukraine’s army. It also cracked open its doors to people fleeing Ukraine, a contrast with its usual reluctance to take refugees. Volodymyr Zelensky, Ukraine’s president, addressed the Diet (by video link), an honour never afforded Mr Putin. Japan has also adopted the full slate of Western sanctions, despite long-standing scepticism about their use in general.

One motivation for the change is domestic. The Japanese public over-

whelmingly supports tough measures against Russia. Another is geopolitical. If Japan opted out of the Western coalition this time, it would be harder to call for solidarity in an Asian security crisis. Japanese officials may also calculate that a second aim of engaging Russia—driving a wedge between it and China—will be near impossible as Russian dependence on China increases after the war.

Yet solidarity with the West against Russia creates new challenges for Japan. Around 8% of Japan’s natural gas comes from Russia—less than Europe imports, but enough to matter. Japan has resisted calls to pull out of its energy projects on Russia’s Sakhalin island. Japanese firms have reported an increase in cyber-attacks since the start of the invasion.

Russia does not directly threaten Hokkaido, but it can still make trouble, especially in concert with China and North Korea. On March 25th some 3,000 of its troops held drills on the disputed islands. Russian ships have been unusually active near Japan in recent weeks. Russia called off the peace-treaty negotiations and



cancelled visa-free travel for former residents of the islands. On Hokkaido’s northern coast, locals fret about tensions over fishing rights and rising prices for sea urchin and crab imported from Russia. The situation will get “incredibly dire”, warns Odajima Hideo of Hoppoukan, a museum in northern Hokkaido dedicated to the Northern Territories, noting that thousands of Japanese fishing boats and sailors were taken prisoner during the cold war.

Since the cold war ended, Japan, more than most countries, has enjoyed what Japanese call *heiwa bokeh*, or the blur of peace. China’s rise had begun to sharpen the vision. For some, Russia’s invasion has been like putting on glasses. Hasegawa Michiko, whose family owns a bakery just off the coast in Shibetsu, from where the Russian-controlled islands are visible, says it has “flipped my worldview”. Calls for increased defence spending are louder. So is talk of controversial new capabilities, including the possession of missiles to strike enemy bases or the hosting of American nuclear weapons.

The invasion of Ukraine has another, more hopeful echo in Japan: the Russo-Japanese war of 1904-05. Russia entered that contest too confident in its army and too dismissive of its foe. As a result, it suffered a humiliating defeat that helped fuel the revolution of 1905 and weakened the monarchy. “I’m hopeful about the islands: maybe Putin will fall,” offers Sasaki Masashi, who oversees a small information centre for Russian sailors on Hokkaido’s north-eastern coast, where Ukrainian embroidery is now displayed alongside a Russian *matryoshka* doll. Yet such thinking seems wishful, at least so far. For as long as the current tsar remains in power, Mr Tsunoka and his kin have no prospect of moving home.





China and Europe

We need to talk about Ukraine

BEIJING

The war makes China uncomfortable. European leaders don't care

CHINESE LEADERS wanted the mood to be “business as usual”. But the summit between China and the European Union on April 1st will be anything but normal. That is because Russia’s invasion of Ukraine, and China’s cold-blooded response to it, have exposed the limitations of Europe’s old trade-first China policies.

EU leaders approached the summit, which is being held by video-link, with low expectations. They hoped at least to send a message to China’s leader, Xi Jinping, that the Ukraine war is a defining moment for relations, and for China’s image if it refuses to use its influence to end the killing.

In a sense Europe’s representatives at the summit, Charles Michel, the president of the European Council, and Ursula von der Leyen, the head of the European Commission, will be overshadowed by two figures who will not be there: Germany’s former chancellor, Angela Merkel, and President Vladimir Putin of Russia. No leader is more closely associated with Europe’s old China policy than Mrs Merkel. In 16 years as chancellor, she promoted an accommodating approach that treated China as an

invaluable source of economic opportunity and a potential partner on such issues as climate change, albeit one prone to disappointing lapses on human rights.

Mr Putin’s invasion of Ukraine on February 24th was a disaster for advocates of this approach. For Russia’s use of force has enjoyed Mr Xi’s tacit support. Though China claims to be impartial, its true stance is anything but neutral. China blames the war on America, for supposedly trampling on Russia’s legitimate security interests by expanding the NATO alliance to take in former Soviet satellite states. Europeans know that NATO’s expansion was actually driven by demand from former communist-bloc countries that feared Russian aggression (for good reason). EU governments are horrified by China’s refusal to urge Russia to stop the war. They see this foot-dragging as unworthy of a self-proclaimed global power, with a permanent seat on the UN Security Council.

It took Chinese diplomats a while to realise that European leaders would not agree to a conventional, trade-focused, summit. China’s first offer was an online

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meeting with its prime minister, Li Ke-qiang, a technocrat with an essentially economic portfolio. China’s preferred agenda involved the signing of memorandums, and talks about reviving the Comprehensive Agreement on Investment (CAI), a trade pact heavily backed by Mrs Merkel. That deal has been frozen since China imposed sweeping sanctions on members of the European Parliament and European diplomats in 2021. It was a lopsided retaliation against narrow EU sanctions on three Chinese officials and one ex-official accused of rights abuses in the north-western region of Xinjiang. Several governments have told China that the CAI cannot return to life until the sanctions are lifted and concerns about forced labour in Xinjiang and other abuses are tackled.

An early idea involved preceding the summit with a long-delayed high-level dialogue on human rights. China’s price for resuming those dialogues was high, diplomats say. The EU and members must stop supporting multinational, co-ordinated statements about Chinese rights abuses in such global forums as the UN Human Rights Council, China demanded. That was rejected. Instead Mr Michel and Ms von der Leyen were due to raise human rights at the summit, touching on such thorny topics as China’s iron-fisted rule over Xinjiang, Tibet and Hong Kong. The pair were also expected to raise Chinese threats towards Taiwan, the democratic island that China claims as its own.

China’s hope to mark the summit with a ▶▶

flurry of document signings were also dashed. That would involve progress on various customs and trade rules. And that cannot happen as long as an EU member state, Lithuania, is being subjected to a Chinese trade boycott as punishment for forging quasi-official ties with Taiwan, other governments agree. Indeed, Mr Michel and Ms von der Leyen were expected to express the EU's horror over Chinese fondness for economic coercion.

But first and foremost, the summit was seen as a chance to deliver messages about Ukraine. That involved seeking and securing a video call with Mr Xi, the ultimate decision-maker in matters of foreign policy. Pre-summit negotiations were tense. Europeans explained that Mr Xi would hear a warning: that China will face a serious cost if it helps Mr Putin circumvent Western sanctions on Russia, or provides military aid. Chinese officials pre-emptively instructed the Europeans not to threaten their leader.

Divisive predictions

Europe is not used to talking war and peace with China. "Our relations are based on trade and the economy, which makes us very opportunistic," says a European diplomat in Beijing. Arguably, China is doing Europe a favour by explaining how it expects the West to be a loser from the conflict in Ukraine. Chinese officials boast to ambassadors in Beijing that they see the EU dividing between old and newer members. Those Chinese also predict that transatlantic unity between Europe and America will crumble and that sanctions will fail to break Russia's will, not least as European voters protest against high energy prices and flows of refugees from Ukraine.

Chinese glee about Western disunity is useful: proving it wrong is a good starting point for an EU strategy towards China. As a second diplomat puts it: "China is watching our Russia policy closely: how much pain we are willing to suffer. Europe is demonstrating that it is united and willing to pay a price." The stakes are high, he adds. Deterring a potential Chinese attack on Taiwan requires demonstrating that the West is capable of unity and resolve.

Other voices urge calm. China needs Europe as a market, and as a source of technology and investments, they note, especially when China's ties with America are in dire shape. Some of Europe's largest companies have lucrative China operations which they are not about to abandon. According to diplomats, there is no sign of China circumventing sanctions on Russia. But Mr Putin is trying to redraw Europe's borders by force, and Mr Xi will not condemn him. That is a direct challenge to the EU's founding principles. It cannot be business as usual. Mr Putin has shown Europe that it needs a new China policy. ■

Covid-19

An old problem

BEIJING

Why so many elderly Chinese are unvaccinated

FOR WEEKS the authorities in Shanghai tried to stem an outbreak of covid-19 with a whack-a-mole approach. Individual buildings were locked down, only for the virus to spread elsewhere. Finally, on March 28th, officials decided to lock down all of the city's 25m residents in two phases, beginning with the east side of town, home to the main financial centre (see Business section). People scrambled to buy supplies. Vegetables became scarce. Some bankers began sleeping in their offices.

The lockdown is in line with China's "zero-covid" strategy, which aims to crush outbreaks before they can spread widely. Thousands of new cases of the highly transmissible Omicron variant are testing this approach. The wave has hit most provinces. Restrictions have been imposed on dozens of cities and towns. The experience of Hong Kong is causing Chinese officials to be extra-vigilant. Not long ago the city had very few cases. Now it has one of the highest daily death rates from the virus. The vast majority of the dead are unvaccinated old people. Around 65% of over-80s in Hong Kong had not been jabbed when the Omicron wave started.

The mainland has a similar problem. Unlike other countries, which made jabbing the elderly and other vulnerable people a priority, China focused on its overall vaccination rate. It stands at nearly 88%. But only about half of over-80s have been fully vaccinated (see chart). Less than a fifth have received a booster shot. Some 52m people over the age of 60 have not received two jabs. In official statements, the government sounds alarmed. Its efforts to jab mature folk face big obstacles, though.

Start with the fact that many old people

think covid vaccines might be dangerous. When they were rolled out in late 2020, the state only approved shots for healthy people under 60. It cited a lack of clinical-trial data for elderly and vulnerable populations. Many old people assumed that the vaccines could harm them. Some health workers did, too. "The first impression is really critical," says Chen Zhengming, an epidemiologist at the University of Oxford. "Once you have formed your opinion it's really difficult to change, it requires ten times more effort."

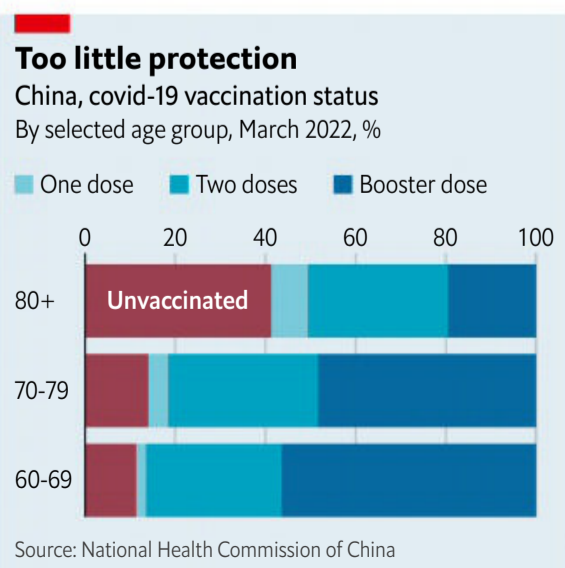
Since then, the messaging surrounding covid vaccines has not helped. Jingoistic state media have criticised effective foreign-made jabs, which have not been authorised in China for seemingly political reasons. This has probably increased suspicion of Chinese vaccines, too, says Huang Yanzhong of the Council on Foreign Relations, a think-tank in America. Even though the Chinese kind have now been declared safe for old folk, some health workers still tell elderly patients with certain conditions, such as high blood pressure, not to get jabbed. That makes little sense, says Mr Huang. "Even if you're concerned about side effects, when you weigh that against the risk of getting infected and dying, it's a no-brainer."

But the risk of getting infected with covid and dying is, for now, very low in China—and that makes the government's job tougher. At least until recently, the state's zero-covid policies have been effective. Many cities have never logged a case. Most old people have hardly been exposed to the virus, and have little fear of it as a result.

Don't end up like the chicken

Local governments are trying a range of strategies to get old people vaccinated. In the eastern city of Nantong, officials are leaning on younger people, appealing to their sense of filial duty. Get your parents vaccinated so they can become the "silver-haired guardians" of their own health, say the authorities. A city in the province of Hainan has put out a less lofty appeal: get vaccinated and receive a dead chicken. Officials in other towns are offering cooking oil, eggs or cash in return for getting a jab.

In a park in Beijing, two green tents were recently set up for vaccinating old folk. Signs promised 200 yuan (\$31) for those receiving their first dose. When your correspondent visited, half a dozen people were sitting in one tent. They had just been jabbed and were waiting to see if there were any side effects. Even with a steady flow of patients, it will take months for China to vaccinate and boost its elderly population. And some will remain unwilling. Outside the tent, in a wheelchair, was a woman in her 80s. Would she get the shot? "Not interested," she said. "It does no good. And I can't be bothered." ■





Tibet

The fire inside

Deciphering a Tibetan pop star's self-immolation

THE STORY of Tsewang Norbu is shrouded in mystery. The Tibetan pop star set himself on fire in Lhasa, the Tibetan capital, on February 25th. Fans have spent the past month mourning his death. But on March 28th the Chinese foreign ministry suggested Mr Norbu might still be alive. In response to questions about him, the ministry said a man in Tibet had “attempted suicide by self-immolation”—and that he had been taken for treatment immediately. The man had long been “troubled by mental illness” and “had attempted suicide multiple times”, claimed the authorities. Activists are unconvinced.

Fans were shocked by Mr Norbu's action. Over the past decade, scores of Tibetans have burnt themselves to death in protest at Chinese rule. But Mr Norbu did not appear to be a dissident. The 25-year-old had competed on a popular reality show, “Sing! China”, only months earlier. The judges called him *luobo* (radish), a Mandarin homophone for Norbu. In videos he would rap about love. Sometimes he would play piano or guitar as he sang tunes by Camila Cabello and Frankie Valli. With his pierced ears and groomed eyebrows, he could have been a Gen Z-er from anywhere.

But Mr Norbu was from Tibet. That meant he lived in two worlds. There was the Tibet promoted by the Chinese authorities: a glossy, exotic “minority region”, where grateful nomads and monks were being lifted out of poverty. Then there

was the Tibet experienced by locals, who have watched the authorities tear down Buddhist statues, close Tibetan-language schools and arrest anyone who resisted the state's campaign of sinicisation. Those who only saw the first world could not comprehend why one of its stars would set himself on fire. Those who knew the second immediately understood.

When Mr Norbu spoke of Tibet he was careful. He would mention his father, a composer in a state-run song-and-dance troupe whose songs honoured Tibetan culture. Mr Norbu did not speak of the deadly crackdown after protests in Nagchu, where he grew up, in 2013. He certainly did not mention his uncle, Lodo Gyatso, who served a prison term for murder (his supporters say it was self-defence) and is now in jail for protesting against Chinese rule.

Mr Norbu may not have been outwardly political, but he clearly took pride in Tibet. He avoided the “red songs” performed by his mother, a singer in a troupe run by the Chinese army. Those ditties featured lyrics thanking the “life-saving” Communist Party. Instead Mr Norbu wrote songs like “Tsampa”, an ode to the Tibetan staple food made of roasted barley flour. A video for the song features the singer dancing around Lhasa. At one point he bows, placing a hand on his heart, as two monks pass.

These were signs of Mr Norbu's true feelings—his reverence for Tibetan identity—say activists. They point to his rendition of “Return to the Homeland” on “Sing! China”. He wore a traditional *chupa* robe and delivered the first lines in a Tibetan folk-style vibrato: “There is a land known as the homeland, there is a happiness known as the home.” He even changed the lyrics, referring to Tibet instead of Nagchu in the lilting last verse. Secretly, he was singing for the nation, claim Tibetans.

Whereas his songs contained subtle clues about his politics, his self-immolation made them clear. Mr Norbu chose the most sensitive location in Lhasa: the Potala Palace, the traditional residence of the Dalai Lama. And he picked a sensitive time, days before the meeting of China's parliament in Beijing. To pull off such an act shows not desperation, but the “utmost determination”, says Matthew Akester, a Tibet researcher based in India.

In some ways Mr Norbu seemed like the Chinese government's ideal minority youth: urban, educated and fluent in Mandarin. On China's National Day last year, he posted a video of himself bringing his fingers together. “I make a heart for the motherland,” read the accompanying hashtag. But Tibetans saw through that, says Tsering Woesser, a Tibetan writer and activist (who lives under surveillance). “Chinese people only saw the image. They only saw the surface,” says Ms Woesser. “We know Tsewang's real struggles.” ■

Hong Kong

The dangers of sitting too long

HONG KONG

Two British judges quit Hong Kong's top court

IN 2016 Leung Kwok-hung, a politician also known as “Long Hair”, snatched a folder of confidential documents from a government official during a meeting at Hong Kong's legislature. Charged with contempt, his case ended up in Hong Kong's court of final appeal last year. One of the five judges was Lord Reed, the head of Britain's supreme court.

To anyone unfamiliar with Hong Kong's tangled history, this may seem odd. But judges from Britain's highest court have been doing double duty on Hong Kong since 1997 as part of the deal that handed the city from Britain to China.

This legacy of Hong Kong's past will not feature in its future, though. On March 30th Lord Reed and his colleague, Lord Hodge, resigned from Hong Kong's top court. No other serving British judge will be allowed to succeed them. According to Liz Truss, Britain's foreign secretary, a national-security law imposed on Hong Kong in 2020 has exerted a “far-reaching chilling effect”. To stay on the top court “would risk legitimising oppression”, she said.

In commercial cases and ordinary criminal cases Hong Kong courts remain independent, says a British barrister who appears before them. But the national-security law has nonetheless had an “insidious effect”. Ambitious judges “are not going to deliver rulings that displease Beijing”. This is true even in cases that are not tried under the national-security law, but are politically charged.

That puts the foreigners on the bench in a tricky position. Hong Kong welcomes judges from common-law jurisdictions—and it has attracted some of the world's best. Such minds would improve any judiciary. The fact they could resign may also serve as a deterrent, preventing officials in Beijing from meddling more than they do. But by hanging around, foreign judges could also make it seem as if little has changed in Hong Kong. Their presence makes the courts better than they would otherwise be. It also makes them seem better than they actually are.

Even now, some judicial links with Britain remain. Six retired British judges still serve on the top court; others appear elsewhere in the system. And because the legal system has English roots, cases still sometimes cite English precedents. Mr Leung's (unsuccessful) defence referred to the bill of rights passed in England in 1689. ■

Chaguan | No checks, no balances

A terrible plane crash prompts a revealing anti-media backlash



ON A FIRST posting to China, two decades ago, Chaguan covered a disaster that was as grim as it was revealing: an explosion that killed 38 children at a school where pupils were assembling fireworks to pay their fees. Reporting that tragedy in March 2001 was made possible by the courage of bereaved parents in Fanglin, a remote village in the southern province of Jiangxi. To alert national leaders to their plight they accepted interviews and identified local officials and teachers who forced children as young as eight to fit fuses to firecrackers in classrooms. Exposing this crime took bravery by Chinese journalists, too, notably from risk-taking, commercially driven outlets that enjoyed a golden age in the 1990s and early 2000s, protected by well-placed patrons and by the profits that their livelier content generated. “I have to go, a *China Youth Daily* reporter is here,” a grieving mother said during a telephone interview, naming one of the feistier newspapers of that time. Locals smuggled Chinese journalists into their village, then hid them from thugs sent to beat them. As for Chaguan, he was detained for “illegal reporting” at a police roadblock outside Fanglin.

An epilogue followed that would be unthinkable now. Days after the blast China’s prime minister, Zhu Rongji, held his annual press conference in Beijing, carried live on television. A Western reporter asked if Mr Zhu stood by his earlier statement blaming the disaster on explosives set off by a deranged villager. Mr Zhu, a gruff economic reformer, acknowledged that foreign and Hong Kong journalists doubted this account. Therefore, he had sent new investigators in plain clothes to Jiangxi: a tacit admission that foreigners might be more reliable than his own bureaucracy. They found that schoolchildren had made fireworks two years previously, but this practice ended before the blast, he said. Declining further debate with “sceptical journalists”, foreign or Chinese, Mr Zhu promised that children would be better protected in future. Soon afterwards Jiangxi’s governor and police chief lost their jobs.

Jump to the present day and another disaster: the unexplained loss of a China Eastern airliner carrying 132 passengers and crew, seen nosediving vertically from cruising altitude into a hillside in the southern province of Guangxi on March 21st. Public reactions reveal a media landscape transformed. Journalists who rushed to the crash site have been scolded by some internet users for getting

in the way, and chided to “wait for the official report” into what happened. A press conference with bosses of China Eastern Airlines was rendered all but useless by cautious questions and scripted answers. A reporter from a foreign news agency, Reuters, stood out for asking about practical matters such as the repair record of the crashed Boeing 737. An airline boss intoned that investigators would “carry out relevant tasks in an orderly manner”.

Today’s leaders do not give credit to foreign reporters for their culture of scepticism. Rather, Western media are accused of inventing reports about repression in Xinjiang or Tibet and of scouring China for negative stories to distract from chaos in America or Europe. When floods hit the central province of Henan in 2021 officials incited crowds of locals to report and harass Western journalists. Presenting the country as under siege by America, nationalist commentators urge citizens to refuse interviews with foreign outlets, rather than “hand the West a knife” to stab China. Increasingly, foreigners are called a national-security threat. Cheng Lei, an Australian who worked as an anchor for China’s international television network, CGTN, went on trial in Beijing on March 31st, charged with supplying state secrets to a foreign power. Australia’s ambassador was barred from the closed-door hearing.

Domestic journalists are under pressure, too. Once there was public sympathy when reporters gave coverage to disaster victims and their families, as they sought answers or redress. Doughty Chinese journalists challenged official cover-ups after an earthquake in Sichuan in 2008, a high-speed train crash in 2011, an explosion in a chemicals depot in Tianjin in 2018 and the start of the covid-19 pandemic in Wuhan in 2020. Now, the public is turning on purveyors of bad news. After the Guangxi plane crash, an unremarkable if mawkish profile of some victims published by *Renwu* magazine attracted a storm of hostile comments and was deleted. In a blog post that went viral, a journalism student called *Renwu*’s writer unethical for interviewing victims’ friends, before primly concluding that disaster coverage should focus on rescue work, not stories of the dead. Netizens condemn journalists and even some victims’ relatives for dwelling too publicly on the tragedy, accusing them of “eating steamed buns dipped in human blood”, a garbled reference to a short story by Lu Xun (a champion of free speech, Lu’s satirical target was actually ignorant superstition).

The news is what the party says it is

Growing anti-media sentiment is driven by politics and economics. Until about a decade ago, journalists at swashbuckling news outlets talked openly of holding the powerful to account. Then the Communist Party struck back, hard, neutering liberal publications and purging newsrooms. To earn press cards today, journalists must take politics tests and attend 90 hours of training each year, stressing their primary mission of “public opinion guidance”. As an extra incentive to toe the party line, censors allow online nationalists to savage any journalism deemed unpatriotic. Nationalist zealots hounding “liberal media” do not realise that “what they are attacking is already dead,” says a veteran editor.

Meanwhile, commercial pressures drive high-minded outlets to compete with sensationalist “self-media” blogs and videos, to the despair of surviving reporters. That taints the whole industry and boosts the prestige of staid-but-authoritative arms of the state like Xinhua, a news agency, or China Central Television. Today reporters “are respected because they are the government, not because they are challenging the government”, sighs the veteran. The China of 2001 might as well be another country. ■



Israel and the Arabs

The shifting sands of diplomacy

DUBAI, ISTANBUL AND JERUSALEM

An unprecedented summit sends a message to America and Iran

DAVID BEN-GURION never much believed in the prospect of peace with Arabs. When Israel's first prime minister died in 1973, after years of retirement in Sde Boker, a sleepy kibbutz deep in the Negev desert, his country had just emerged from another war with its angry Arab neighbours. None recognised Israel's existence. No doubt he would have been shocked by the scene half a century later: a few miles from his tomb, the foreign ministers of four Arab states—Bahrain, Egypt, Morocco and the United Arab Emirates (UAE)—met their Israeli and American counterparts at a hotel in Sde Boker on March 27th, clasped hands amid smiles (pictured above), then tucked into kebabs together.

It was the second notable Middle Eastern gathering in a week, after a meeting in Sharm al-Sheikh between the leaders of Egypt, Israel and the UAE. Save Egypt, none of the Arab participants had formal relations with Israel until 2020. That they met, warmly and openly, showed how low the Palestinian cause has fallen on the agenda of Arab governments (if not their citizens).

For Israel, it was another impressive step, albeit symbolic, towards its widening acceptance as a normal regional power.

The twin summits were part of a broader flurry of diplomacy, some of it rooted in a feeling that America is no longer a reliable partner. The meeting in Sharm al-Sheikh showed that America's partners can co-ordinate their own positions; the gathering in Israel was a chance to share those concerns with Antony Blinken, America's secretary of state. It says much about the troubled state of America's regional relations that Mr Blinken flew out to Israel for three days as war was raging in Ukraine.

Chief among those concerns is Iran. Gulf countries grumble that America has

not protected them from Iranian-made rockets and drones. Since January these have hit oil installations in Saudi Arabia and killed civilians in the UAE. Israel and the Gulf leaders think America is close to rejoining the nuclear deal struck in 2015 with Iran, which Donald Trump ditched in 2018. They fear it may only briefly delay Iran's nuclear plans and give it an economic windfall to spend on regional mischief.

Rob Malley, the lead American negotiator, is more guarded about prospects for a deal. "You could be close, you could be close for a very long time, and you could never get there," he says. Still, one Israeli diplomat says, the Negev summit was meant "to ensure that, whether the Americans and the Iranians sign a deal or it all blows up, we will still have a joint strategy with the administration on how to deal with Iran the day after".

For his part, Mr Blinken used the summit to prod his fellow ministers to boost oil output and join sanctions on Russia. They have little incentive to do either. Israel does not want to jeopardise its military cooperation with Russia in Syria, where it carries out air strikes against Iran and its proxies. The UAE, the world's seventh-biggest oil producer, is a member of the so-called OPEC+ agreement, in which Russia is a key player. The UAE's energy minister said this week he would refuse to do "something unilateral" to increase output.

So neither side got what it wanted in the Negev. There were no firm promises. But ▶▶

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▶ the mere act of meeting was enough, certainly for Israel. Though it has had diplomatic relations with Egypt since 1979 and Jordan since 1994, public summits with their leaders have been rare, stilted affairs.

The informality of the Negev summit, at which the delegations slept in the same hotel and dined together, was a sign of the changing atmosphere in swathes of the Middle East. Last year's removal of Benjamin Netanyahu after 12 years as prime minister, orchestrated by Naftali Bennett and Yair Lapid, now the prime and foreign ministers, did much to improve Israel's regional ties, and not only with Arab states.

Turkey has spent the past decade at odds with Israel, Egypt and the UAE, largely because of its vociferous and vigorous support for political Islam. It is now eager to mend those rifts. On March 9th Recep Tayyip Erdogan, its president, hosted his Israeli counterpart, Isaac Herzog, for the first such visit since 2007. A month earlier he had been in Abu Dhabi dining with the Emirati crown prince.

The change of government in Israel gave Mr Erdogan a chance to change his tone towards it. So does the prospect of exporting natural gas buried under Israel's Mediterranean waters. Turkey's economic ties with the UAE may improve, too. Elsewhere, Egypt and the Gulf states have buried their feud with Qatar, which had enraged them by backing Islamists across the region. The UAE is even courting Bashar al-Assad, Syria's dictator, hoping to diminish his reliance on Iran.

There were notable absentees in the Negev. One was Saudi Arabia, which has not established ties with Israel. But it shares many of the same concerns about Iran, and was certainly there in spirit. "You don't get in a room with Emiratis and the Bahrainis without having the Saudis' approval," says an Israeli diplomat. Many Saudis expect Muhammad bin Salman, the crown prince, to recognise Israel once he is king.

Also absent, of course, were the Palestinians. Not only were they not invited, but their long conflict with Israel, once the *cause célèbre* of Middle Eastern diplomats, got little more than a passing mention. They made do with a visit from King Abdullah of Jordan, who travelled to Ramallah, their de facto capital, to meet Mahmoud Abbas, the Palestinians' ageing president.

The Negev summit was also a reminder that there are no easy answers when it comes to Iran. If America does not know how to find one, neither do its regional partners. In the short term they will probably work together to boost military co-operation and missile defences. Participants in the Negev suggested making it a regular forum, to be convened annually in a desert location. An American diplomat joked that, with old enemies now gambling on new alliances, it could be Las Vegas. ■



Oman's new sultan

Break with the past

MUSCAT

An oil windfall is lovely but the economy must diversify all the same

WHEN TWO British prisoners were freed from Iran in March, it was no surprise that Oman was their first stop. Nazanin Zaghari-Ratcliffe and Anoosheh Ashoori, held for years on bogus espionage charges, were freed as part of a deal that saw Britain settle an old debt with Iran. Oman was the essential middleman, providing an air-force jet to fly the prisoners to freedom and a bank to serve as a conduit for the British payment.

Two years have passed since Sultan Haitham replaced his late cousin, Qaboos, who had ruled for five decades. Not much was known about him when he took over. Qaboos never publicly named a successor. It was unclear what to expect from the new man, whose hitherto humdrum career had consisted—among other responsibilities—of working in foreign affairs, cherishing the national heritage, watching football matches and running the census.

Oman's role in the prisoner deal was a sign that, at least in foreign policy, the new boss is much like the old. Neighbouring Saudi Arabia and the United Arab Emirates (UAE) are Gulf heavyweights with far deeper pockets and beefier armies. Instead Oman has used neutrality to its advantage, not just over Iran.

The new sultan has kept Oman neutral in the war in neighbouring Yemen, which pits a Saudi-led coalition against the Houthis, a militant group that seized chunks of the country in 2014. He has set up talks between the warring parties, so far without much success, though in 2020

Oman negotiated a prisoner swap whereby the Houthis freed two Americans. Sultan Haitham is also friendlier with Saudi Arabia and the UAE, hoping to woo investment. Mostly it has been business as usual.

In domestic policy, though, he has broken with the past. Sultan Qaboos built the modern Omani state but did little to diversify its economy. Oman is a middling oil producer, pumping about 1m barrels a day, yet its economy depends utterly on the black stuff: petroleum accounts for two-thirds of exports and more than 70% of government revenue.

Sultan Haitham inherited a sluggish economy. GDP growth had been below 2% since 2017. Years of low oil prices had driven Oman's external debt from 64% of GDP in 2016 to 94% in 2019. Then the pandemic hit, causing the non-oil economy to shrink by 4% in 2020 and pushing the current-account deficit to 14% of GDP.

This has spurred change, starting with the public sector. Oman's hefty public-wage bill was 15% of GDP in 2020 and 25% of spending. Yet stroll through the government quarter after 2pm and barely a civil servant is in sight. Since 2020 older ones have had to retire; new ones must earn lower wages. Last year Oman imposed a 5% value-added tax, the fourth Gulf state to do so. The finance ministry expects to collect 450m rials (\$1.2bn) in 2022, 4% of revenue. Electricity and water tariffs rose last year. Subsidies may be phased out by 2025.

This year's budget projects a 5% deficit, better than before but still high for a country with a debt-to-GDP ratio above 100%. However, the budget was based on oil at \$50 a barrel. So if prices stay at current levels, Oman should run a fat surplus and tip its current-account balance into the black. On March 24th the sultan pledged to use the windfall to pay down debt.

The bigger challenge is how to diversify the economy and create jobs: half of young people are thought to be unemployed. Many of the big projects announced in the latter years of Qaboos's reign were still quite oily. Refineries and petrochemical plants are the star turns at Duqm, a mega-port on the Indian Ocean.

The new sultan has avoided flashy mega-projects. He has reinstated the economy ministry, abolished in 2011, and created a new investment authority, both with mandates to create jobs. On March 28th the Muscat stock exchange said it would allow full foreign ownership of listed companies, hoping to drum up interest abroad.

All of this should help. But the sultanate is still an amiably sleepy place. The shinier bits of Muscat, like the posh hotels and royal opera house by the beach in Qurum, have an almost Potemkin feel, as if they were built for tourists whom Oman barely bothered to woo. But the sultan's government recognises the need for change. ■

Ethiopia's civil war

The road not taken

ADDIS ABABA

A fragile truce offers hope

THE ROAD to peace in Ethiopia runs for about 500km through some of the most inhospitable land on earth, from Semera in Afar to Mekele, the capital of the state of Tigray (see map). Cutting it is the front line in Ethiopia's 17-month-old civil war between the forces of Abiy Ahmed, the national prime minister, and the Tigrayan People's Liberation Front (TPLF), the party-cum-militia that runs Tigray. The road is the only route authorised by the government for aid shipments into Tigray, where hundreds of thousands are starving. No food has moved along it since the middle of December.

The Semera-Mekele highway is thus the proving ground of the "indefinite humanitarian truce" that the government announced on March 24th and that Tigrayan leaders provisionally accepted. If it holds, it could help bring an end to a conflict that has claimed tens of thousands of lives (no official figures are available) and that still threatens to tear Ethiopia apart. The first crucial test is whether aid starts moving along the main road. If it does not, then the fighting could swiftly resume.

As *The Economist* went to press, telecommunications were still cut off and no lorries were heading to Tigray. Aid workers say this is because the road through Afar, a region mostly under government control, is still too dangerous to use. There have been skirmishes with Tigrayan forces nearby. Many Afars are furious about Tigrayan incursions, which have left hundreds of thousands homeless and hungry. Some have attacked shipments of aid in recent weeks. "First, feed Afar," says Mussa Adem, an opposition leader in the region.

Part of the problem is a lack of agreement about what the ceasefire actually means. The TPLF has indicated that aid must flow before its troops will withdraw to Tigray's borders. The government seems to think the opposite. Both are already crying foul. On March 28th the TPLF accused the government of lying about lifting its blockade. The government accused Tigrayan forces of blocking the road.

Some suspect the government's real aim is to buy time while staving off the threat of American sanctions. "You can't call it a humanitarian truce and then condition it on a withdrawal," says a Western diplomat. That Abiy has not made visible efforts to make sure aid gets through Afar unimpeded only adds to such concerns.

Still, there are some grounds for think-

ing that both sides are inching closer to ending the war. The TPLF, which last year seemed set to storm the capital, Addis Ababa, has since suffered setbacks on the battlefield and is unable to relieve the suffering of civilians. Thousands of Tigrayans are crossing into the neighbouring Amhara region to escape hunger and drone strikes inflicted on them by government forces. "I don't think they've got much wiggle room," says a UN official, referring to the TPLF.

Indirect talks mediated by America and the African Union have begun bearing fruit. Military commanders have made contact and both sides have toned down their rhetoric. Fighting is much less intense than it was last year. Since January the government has released many Tigrayans from prison, including some TPLF leaders. A three-month state of emergency was lifted in February.

Asked to explain the government's shift, a senior official from the ruling party says, "Diplomatic pressure, the economy, war-weariness—in that order." David Satterfield, America's special envoy for the Horn of Africa, was in Addis Ababa days before the ceasefire was announced. America has already suspended duty-free access for Ethiopian goods and two bills on further sanctions are currently before Congress.

Ethiopia's economy is collapsing. Spending on the war has exacerbated a shortage of foreign currency. Banks are running dry and factories are cutting back for want of imported materials. Russia's invasion of Ukraine means inflation may climb from its current rate of 34%. "There is no choice but to end the war," says a central banker. "The economic consequence is beyond what the country can bear."

Even so, progress towards peace may yet founder. In recent days busloads of Ethiopian troops have been seen moving north towards Tigray. TPLF leaders warn ominously of launching a new offensive should aid not arrive soon. "People are losing patience," says a Tigrayan diplomat. The road from Afar to Tigray has a fork that leads straight back to war. ■



Insecurity in Nigeria

Red line

ABUJA

Kidnappers brazenly derail a train

RAILWAY DELAYS are the bane of travellers the world over. Occasionally, though, they may be a lifesaver. In October your correspondent boarded a train from Nigeria's capital, Abuja, to the northern city of Kaduna. A fault held up its departure for 30 minutes. This was just long enough that a train coming in the opposite direction was the first to trigger explosives placed on the track. Luckily, in that attack, the train limped on and nobody was hurt.

Passengers travelling on the same line on March 28th were less fortunate. First a bomb derailed their train. Then gunmen set upon the estimated 400 passengers and guards, killing eight, injuring 25 and kidnapping an unknown number. The attack was the most brazen yet by the kidnapping gangs locally known as bandits that terrorise the region. This lawlessness, in addition to a long-running insurgency in the north-east by jihadists affiliated with Islamic State and regular clashes between farmers and herders, are rendering large parts of Africa's most populous country ungovernable.

The 190km road between Abuja and Kaduna has long been a favourite hunting ground for the gangs, which regularly ambush travellers and herd them into forest hideouts where they hold them for ransom. In recent years thousands have been abducted, with relatives paying billions of naira (there are 415 naira to \$1) for their return. Many hoped that trains, which started running in 2016, would be a safer alternative. But as well-heeled Nigerians switched from road to rail, so the gangs have begun targeting trains.

"We warned that lives will be lost," fumed Rotimi Amaechi, the transport minister, after the attack, accusing his colleagues of blocking funds for cameras and sensors that might have averted it. "Now lives are lost."

Two days before the train outrage, gunmen attacked Kaduna airport, killing an employee and further isolating the city. Airlines have suspended flights. Such insecurity is prompting many educated Nigerians to flee abroad. Among them would have been Chinelo Nwando, a young dentist who had planned to emigrate to Canada this month. "I'm in the train, I've been shot," she tweeted, hours before her death was confirmed. "Please pray for me."

Kenyan politics

The never-ending party

NAIROBI

Kenyan voters face an invidious choice in August

THE PROMISES politicians make often sound similar: more jobs, more roads, few details. To understand their worldview better, it can be illuminating to ask them whom they admire.

William Ruto, Kenya's deputy president and a marginal favourite to win a presidential election in August, tells *The Economist* that he is inspired by Julius Nyerere, the first president of Tanzania, and Margaret Thatcher. It is an odd combination. One destroyed Tanzania's economy by nationalising businesses and forcing people into collective farms. The other transformed Britain's economy through privatisation.

In Tanzania, Mr Ruto explains, Nyerere built "something that we are struggling to build": a national identity that overcame tribal differences. Kenyan politics, by contrast, have long been tribal and sometimes violent. During the 1990s the Kalenjin (those who speak a clutch of languages in the Rift Valley) killed hundreds of Kikuyu (Kenya's largest tribe) to tilt the local electoral balance. Ethnic slaughter erupted again after a disputed election in 2007. More than 1,000 people died.

Mr Ruto, a Kalenjin who says he is building a national party, not a tribal one, may also be invoking Nyerere the uniter because of his own reputation as a divider. In 2013 the International Criminal Court accused him of orchestrating the violence in 2007. The case against him was never proved. The court suspended the charges (which he denies) after prosecution witnesses recanted or disappeared.

Thatcher is admired, he says, because she came from a humble background. Mr Ruto, who once sold fried chicken to motorists at a railway crossing, argues he is a "hustler" like the poor whose votes he is courting. He dismisses as "dynasts" his main opponent, Raila Odinga, a son of Kenya's first vice-president, and Mr Odinga's main backer, the incumbent, Uhuru Kenyatta, a son of Kenya's first president.

Mr Ruto does, indeed, offer at least a few echoes of the Iron Lady in his economic policies. He wants to encourage the growth of small businesses by cutting red tape. But Mrs T would probably have sniffed at much of his "bottom-up economics" plan, which would subsidise fertilisers and cap interest rates.

If Mr Ruto's economic policies seem contradictory, they are not uniquely so. Mr Odinga tells *The Economist* that he takes in-

spiration from Lee Kuan Yew, who oversaw Singapore's astonishing economic success. The late Lee is a popular role model among African leaders, many of whom admire his tough style and achievements. Yet few have emulated Lee's personal discipline, willingness to curb corruption or commitment to opening the economy. Another of Mr Odinga's idols is Narendra Modi, the prime minister of India. Mr Odinga is impressed by how Mr Modi attracted investment and spurred economic growth, (though, one would hope, not by Mr Modi's religious chauvinism).

Look in the mirror

Mr Odinga says he, too, wants to boost growth and attract investment. Yet he is going about it in an odd way. Like Mr Ruto, he punts "bottom-up economics" and subsidised fertiliser. He also wants to renegotiate Kenya's debt (which is about 70% of GDP) with its external creditors. When asked what are the main differences between his platform and Mr Ruto's, he suggests personalities, rather than policies. "I stand for righteousness...and against corruption," Mr Odinga says. "My opponent is basically the opposite of me."

That both campaigns are so light on policy is perhaps a reflection of the deep cynicism pervading Kenyan politics. Mr Odinga, who is making his fifth bid for president, claims to have been cheated of victory in Kenya's three most recent elections, starting with 2007, when Mr Ruto was then his loyal chief lieutenant. In 2017 he claimed an electoral official had been

murdered to facilitate a rigging of the count that handed victory to Mr Kenyatta.

Yet since Mr Odinga forged an alliance with President Kenyatta in 2018, he no longer asks questions about the murdered official. Nor has he sought justice for the scores of his supporters who were shot dead by the police after he called for protests against the outcome of the election.

This cynicism seems to percolate down to the electorate, too. When in February Mr Kenyatta endorsed Mr Odinga, once his bitterest rival, and denounced Mr Ruto, his deputy for the past ten years, Kenyans barely turned a hair. "Politics in Kenya is like looking through a kaleidoscope," grumbles a Western diplomat. "The bits are still the same but every time you shake it they form different patterns."

One reason for it may be that electoral contests are not ideological sparring grounds. Instead many voters still cast their ballots on ethnic lines. Few political parties survive more than one electoral cycle. "Political parties are single-purpose vehicles," designed solely to catapult their leaders to power, says David Ndi, an economic adviser to Mr Ruto. Mr Odinga has belonged to six political parties, Mr Ruto to five and President Kenyatta to four. As a result, there is usually little to distinguish presidential candidates from each other.

The unpalatable choice before Kenyans may explain why this election is likely to be characterised by indifference. Apathy is preferable to violence, but it is still corrosive and leads to stagnation. The Kenya African National Union (KANU) was once the country's only legally permitted political party, ruling from 1963 until 2002.

In every single election since then the winners and runners-up, as well as all their key lieutenants, have been former card-carrying members of KANU. No new political party has been able to break through. Kenya has many parties on paper. Yet it still bears the imprint of its corrupt old one-party system. ■





The
Economist

**SPECIAL
REPORT:**
Florida

→ April 2nd 2022

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The
Sunshine State
also rises

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The Sunshine State also rises

Florida is booming and becoming more important, with big consequences for America, says Alexandra Suich Bass

TO UNDERSTAND FLORIDA, drive south from Miami across the highway spans that arc over the glassy sea. A century ago, trains took a similar path, winding 153 miles (246km) down to Key West, the southernmost city in the continental United States. Crowned the “eighth wonder of the world” when it opened in 1912, the Overseas Railroad was the creation of Henry Flagler, a founder of Standard Oil who spent \$50m building railways and hotels in Florida, equivalent to more than \$1.6bn today.

In 1935 a hurricane destroyed most of the Overseas Railroad. But Floridians did not accept defeat. After feverish reconstruction, the route reopened as the Overseas Highway, one of the world’s longest overwater roads. Today, a handful of the original spans have been converted into piers for fishermen and paths for tourists. The Overseas Highway embodies a central feature of Florida: a persistent desire to reshape the environment and dominate an inhospitable land. In his book “Finding Florida”, T.D. Allman calls Florida “the Play-Doh State”: people have repeatedly taken the goo and moulded it to fit their dreams.

Continental America’s southernmost state was once a peripheral destination for a few tourists and sun-seekers. Today it is crucial to the country’s future. Whereas America’s population growth has slowed sharply, Florida’s has boomed. Between 2010 and 2020 the state’s population grew by 15%, twice the national rate. Florida has overtaken New York as America’s third-most-populous state

(after California and Texas). Some 22m people now call it home, and another 7m people are expected to do so by 2040. From 1940 to 2020, Florida’s population increased 11-fold. It leads the country in domestic migration and, six years ago, overtook California to become the top destination for foreigners moving to America.

Florida has now “challenged California to be America’s cultural and demographic touchstone”, writes the historian Gary Mormino in his forthcoming book “Dreams in the New Century”. The country’s political division can be spotted in images of Donald Trump brooding on his loss of the presidency in 2020 at his Mar-a-Lago golf course in Palm Beach and Ron DeSantis, Florida’s Republican governor and a presidential hopeful, railing against President Joe Biden’s covid-19 policies.

Most people looking at Florida see either sunshine or shadows: a tax- and regulation-light recipe for national success, or a cautionary tale of a short-termist society that has ignored long-term vulnerabilities. The collapse last year of a condominium tower in Surfside, which killed 98 people, had a tragic, Floridian edge, born of neglect and short-term savings against long-term sustainability and lack of oversight. As the state with the longest coastline in continental America, Florida faces an existential threat from sea-level rise, but has failed to prepare itself for the consequences.

Florida’s prominence is new. St Augustine on its Atlantic coast is America’s oldest permanent European settlement, dating from ▶▶

► 1565. But Florida was long the country's last frontier, a vast swathe of rural swampland where settlers lived in obscurity and poverty. "Florida, sir, is not worth buying," declared John Randolph, a Virginia congressman, during a debate in 1845 about whether to admit it as America's 27th state. He called it "a land of swamps, of quagmires, of frogs and alligators and mosquitoes", and predicted that, "No man would immigrate into Florida, no, not from hell itself."

For decades Mr Randolph seemed right. A few daring transplants such as Flagler may have worked to alter Florida's geography and its appeal by building coastal luxury hotels such as The Breakers in Palm Beach. But it was only a century ago, in 1922, that the state passed the milestone of 1m residents. Until the second world war, Florida remained the smallest state in the South by population.

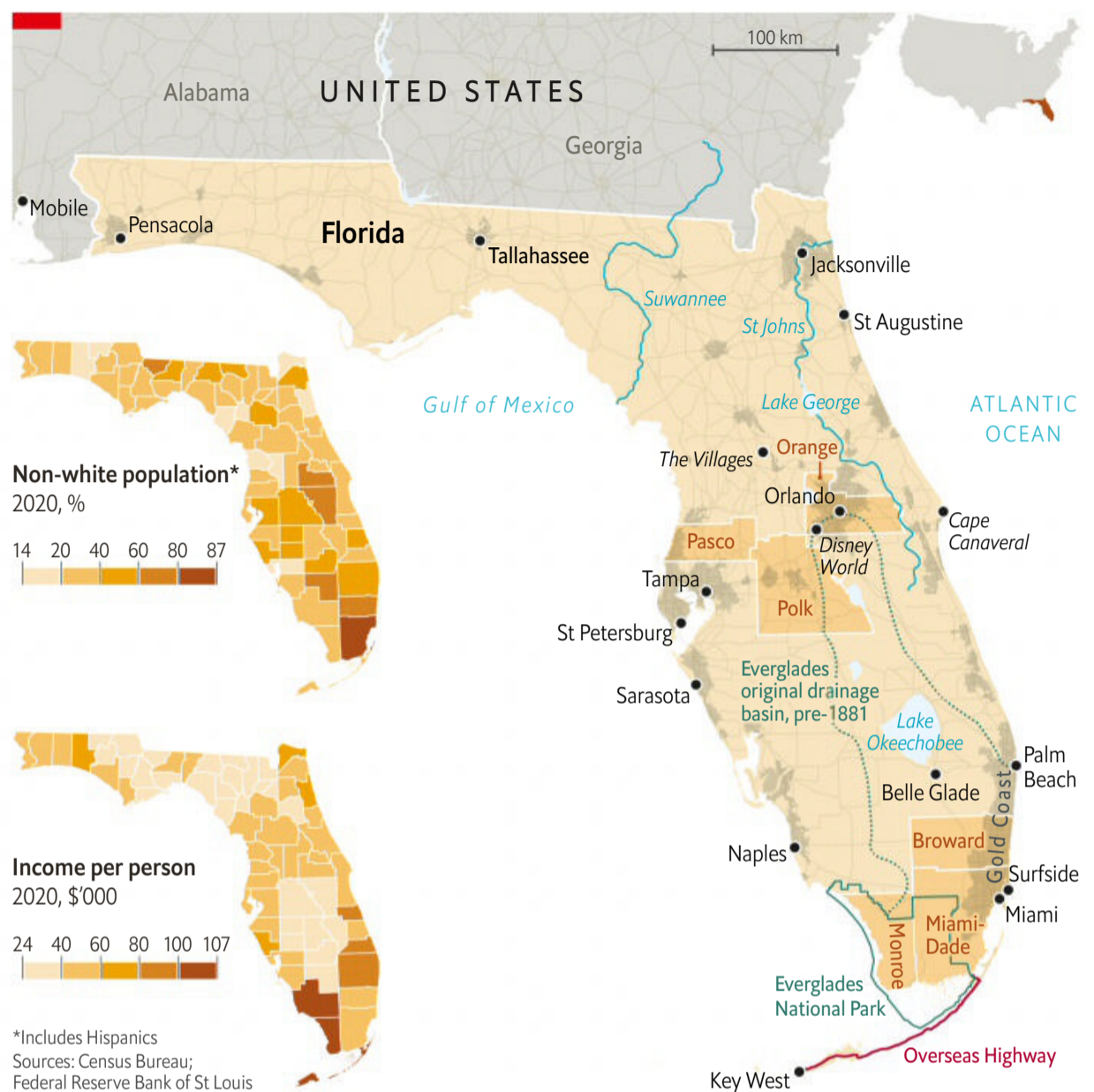
Technology then changed everything. Dredging and in-filling turned swampland into less soggy settlements. The spread of railways, highways and commercial air travel ferried tourists south. Air-conditioning made Florida more tolerable, as did DDT, an insecticide that waged war on mosquitoes (with far-reaching environmental damage). Conflict also played a part. During the second world war, 2m servicemen trained at Florida's military bases and liked what they saw; many returned in peacetime.

Offering warmth and low cost (Florida is one of seven states to levy no income tax), the Sunshine State is a famous magnet for retirees. Covid-19 and work-from-home policies have increased and broadened its appeal. By opposing mask requirements and vaccine mandates and making schools stay open, Mr DeSantis has positioned Florida as what he calls the "freest state in these United States", in contrast to Democratic-led states such as New York and California that required masks and vaccines and kept businesses and schools closed for longer.

More young professionals and families with flexible jobs have migrated to the state, as have some financial firms from New York. Florida was once a "carrot at the end of the life well lived, but that's not true any more", says Chris Sprowls, the Republican speaker of the state House of Representatives. Now "people are coming here to raise families" and work, he says. Mr Sprowls sees recent immigration as a validation of Florida's policies. "We're a blueprint for the country," he claims.

Southern stinginess

Florida has the lowest number of government employees per head of all 50 states. State spending per citizen is also the lowest in America, at \$3,845, 40% less than the average. (This excludes federal spending, and with one-fifth of Floridians over 65, many rely on Social Security pensions and Medicare, federal health care for the elderly.) Tax cuts are a favourite topic of conversation among Floridian politicians. "Our taxes should actually go down every year," says Rick Scott, a former governor who boasts of using his eight years in office to cut taxes 100 times and to scrap 5,000 regulations. "If you look at the number of people who move to a state like Florida every year, shouldn't we be able to share the cost of government with everybody?" he asks.



The state is also extremely diverse, with one-fifth of its population born outside America, earning it the label of "southern Ellis Island". Even those born in America often hail from elsewhere, evident in a panoply of licence plates. As many as 39% of Floridians are from another state, against 16% of Californians and 22% of Texans. Steve Schale, a Democratic strategist in Tallahassee, the state capital, says that Florida is "not really a state" at all. In most states residents share common experiences, but that is not true in Florida, he argues, since so many people import their biases, voting records and cultural affinities from elsewhere. "Other than sunshine, there's no connective tissue that defines Florida," says Joe Hamilton, founder of the St Pete Catalyst, an online news site. Aesthetically, the state is also diverse, except for one characteristic: flatness. The tallest "hills" in the state are its overwater bridges. At just 345 feet (105 metres), Florida's highest natural point is equivalent to a 32-storey building.

This correspondent drove the length of Florida: from Mobile in Alabama to Pensacola in western Florida, across the central corridor, and down both coasts, all the way to Key West. One way to see the state is as an eclectic necklace, with beads of various sizes and materials strung together in an incoherent arrangement.

The northern panhandle is the most "southern" part of Florida, with the largest black population. It resembles Alabama and Georgia, and its people's drawl sounds southern. The choice of Tallahassee as state capital feels anachronistic, from a time when most of the population lived in the north, cotton was a power crop and slavery was accepted. (Florida fought for the Confederacy.) As if to reinforce the panhandle's idiosyncrasy, part is so far west as to be in a different time zone, lagging the rest of the state by an hour. ►►

▶ Central Florida is where the old state meets the new. This is farmland and cow country, but also home to fast-growing counties and to the fourth-largest city, Orlando. The Villages, a largely white retirement community that restricts how long children can visit and is sometimes called “Disney World for retirees” is here, an hour’s drive north-west of the actual Disney World. A 90-minute drive south is Polk County, home to a rapidly expanding Puerto Rican population.

The east and west coasts share beaches and water but have different micro-cultures. On the west are buzzing cities like St Petersburg, Tampa and Sarasota, which are younger and more affordable than far-south Naples, which merits its catchphrase of “I never felt so young and poor until I moved to Naples.” The west coast has more Midwesterners and is slower-paced than the east. The east has the Space Coast around Cape Canaveral, an industry that is mostly a low-orbiting sector with touristic appeal, as well as the Gold Coast stretching from Palm Beach to Miami.

Miami is a world in itself, one of the most global cities in America, with a strong Cuban influence. It is reinventing itself as a commercial hub. Southern Florida is the engine of the state economy. The state has 67 counties, but the four that make up southern Florida (Broward, Miami-Dade, Monroe and Palm Beach) contribute a third of GDP. The south has two of the four wealthiest zip codes in America (Miami Beach and Palm Beach). Yet an hour’s drive into the Everglades is Belle Glade, Florida’s poorest city, a postcard of despair. The Everglades serves as a reminder of the scrub, mangroves and swamps that explorers encountered in the 16th century. But half the Everglades is now gone, drained and filled in for development.

Florida is worth trying to understand for two big reasons. First, it is a window into the wider challenges facing America. It has a powerful seniors’ lobby but also a growing, dynamic group of minorities, including Hispanics, who account for more than a quarter of the population. “We look more like the US at large than any other state,” says Susan MacManus, a professor emerita at the University of South Florida. As America ages and becomes more diverse, Florida may offer lessons for the entire country.

Second, Florida influences the whole country both economically and politically, especially as more people move in. Like California and Texas, Florida is already shaping the nation, with innovative policies that are copied elsewhere. After the 2020 census, Florida picked up a congressional seat and an electoral vote. It now has more than a tenth of the 270 electoral votes needed to win the presidency. And it is by far America’s largest swing state.

Indeed, Florida’s voters are predictive of American politics, exposing its stark divisions. In the 12 presidential elections since 1976, Floridians have voted four times for Democrats, eight times for Republicans, and all but twice for the winner. Yet most races were extremely close—typified by the 2000 “hanging-chad” election that gripped the world. Adding up the ballots for every presidential election from 1992 to 2016, the results in Florida were separated by less than 20,000 votes, or 0.04%. The strong performance of Mr Trump in 2020 widened the cumulative gap to 354,000 votes, but that still represented a margin of only 0.6%.

This special report will analyse the Sunshine State from different angles, including the economy, public policy, migration, politics and the environment. An animating theme is Florida’s fragility, but also its rise and growing importance. “The way Florida goes, the way the country goes,” says Annette Taddeo, a Democratic state senator who is running for governor. What happens in Florida, in short, reverberates around the country. ■

The economy

Boom and lull

Rapid growth is heating up the Sunshine State

LONG BEFORE Walt Disney arrived in 1963 to survey the swamp-land he planned to convert into a “magic kingdom”, Floridians understood how fantasy could boost their allure. In the 1800s St Augustine was a “pitifully poor fishing village”, so it was embellished to draw visitors, says Jim Clarke, a historian. The fabled fountain of youth, which the Spanish explorer Juan Ponce de León supposedly found here, was the creation of an industrious woman who in 1910 scattered the site with Spanish artefacts. Gasparilla, a pirate-themed festival that attracts more than 300,000 people to Tampa each year, is also an invention: José Gaspar, for whom it is named, seems not to have existed.

It is said that Floridians feast on catfish in the summer and Yankees in the winter. In fact, they are an all-season staple. In 2019 tourism contributed \$97bn to the economy and 13% of jobs. Around 130m people visited the Sunshine State, paying a 6% sales tax on most of what they bought. With no personal income tax, 82% of the state’s revenues come from transaction taxes, including sales and excise tax, against a national average of 48%.

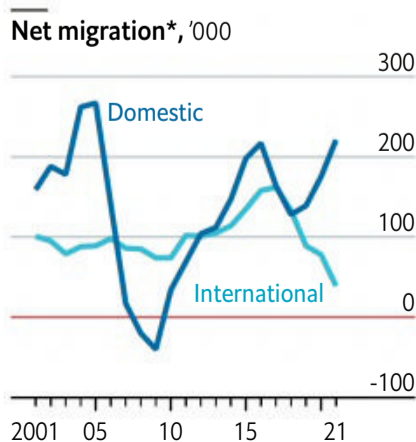
Florida’s mascots are Mickey Mouse and the orange. The state produces 70% of the country’s citrus. But production has declined every year since 2003, as Americans drink less orange juice. This year Florida will have the smallest orange crop since 1945, due to declining demand and a bacterial infection. The largest farm sector in Florida is not oranges but plants and flowers, notes Michael Grunwald, author of “The Swamp”, a history of the Everglades.

Tourism and citrus may be symbols, but property is Florida’s heart. Generating around \$160bn a year, the development, leasing and sale of real estate represents almost a fifth of state GDP. Aubrey Jewett, a political scientist at the University of Central Florida, says the state “relies on population growth as an economic model”. Cranes are as ubiquitous as beach chairs. Eight of the country’s top-ten hottest neighbourhoods for 2022 listed by Redfin, an estate agent, were in Florida. Seven were in the Sarasota area, a more affordable alternative to southern Florida that has seen house prices rise by 50% since March 2020. In December 2021 Miami’s rents shot up by nearly 50%, the most of any metro area, says Real-▶▶

Florida’s voters are predictive of American politics, exposing its stark divisions

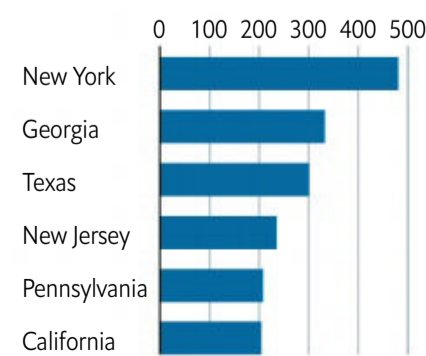
The incomers

Florida, United States



Domestic migration

By selected origin state, 2011-19, '000



Source: William H. Frey analysis of US Census estimates and IRS data

*Years ending July 31st

tor.com, a website. In 2021 house prices in Florida rose by 26%, according to Zillow, which tracks housing data.

Migration is a big contributor. From July 2020 to June 2021, 220,000 more Americans arrived in Florida than left, 30% more than the average over the previous six years. It has been the top destination for American movers since 2014. Adding in foreign immigrants, Florida took in a net 260,000 migrants in 2020-21, equivalent to adding a city the size of Orlando. Sun and tax advantages are not new, but covid, the decision to keep schools and businesses open and the spread of remote working have caused many people to re-think their location.

“Work-from-home is the biggest thing to affect the growth of Florida since air-conditioning,” says Willy Nunn, boss of Homes by WestBay, Tampa’s largest private housebuilder. Whereas 15% of buyers of his firm’s homes once hailed from other states, that share has tripled since covid, with most coming from New York, New Jersey, California and Pennsylvania. The age of people moving to Florida is changing. “Planned communities” that once lured mainly retirees are now attracting younger families, says Lesley Deutch of John Burns Real Estate Consulting. According to Blake Gable of Barron Collier, a developer, communities that were around two-thirds retirees have shifted to two-thirds families.

Bubbles and squeak

Property speculation has altered the state before. In the 1920s southern Florida hosted “one of history’s wildest land booms, with speculation rivalling the Dutch tulip craze and immigration exceeding the California gold rush,” according to Mr Grunwald. Out-of-state buyers rushed to purchase land and houses. After the infamous fraudster Charles Ponzi was released from a Massachusetts jail, he relocated to Jacksonville and began another “Ponzi” scheme with a Floridian twist, selling sub-divided, underwater lots to unsuspecting investors. Then two successive hurricanes, in

Underlying the state’s success has been the ability to attract cheap labour

1926 and 1928, bankrupted developers. By 2006 Florida was once again at the heart of a bubble as the subprime capital of America. When the market collapsed, people moved and tourists cancelled holidays, a double whammy for an economy so heavily reliant on sales tax and property.

As with these previous bubbles, the current one will change Florida. One way is through its industry mix. As more companies, including financial firms and technology outfits, move in, that should diversify the economy. With an ageing population, health care is the largest employer and is expected only to grow. Defence is another big employer, with Florida hosting 21 military bases, the largest number for any state after California. So is the space industry, which transitioned after the end of NASA’s space shuttle in 2011 into private space firms that offer top-paying jobs. Yet Florida still needs a greater diversity of industry and companies to reduce its dependence on property with its dramatic booms and busts.

Another way Florida could change is in its value-proposition and affordability. Underlying the state’s success has been the ability to attract cheap labour for tourism and development. Florida lacks a diverse array of star firms that pay high wages. Publix, the supermarket chain, is the largest employer. Next is Jabil, a manufacturing giant with a small public profile. The mean hourly wage in Florida is just around 90% of the national average.

Not only are house prices rising; so are insurance costs, due to extreme weather, fraud and lawsuits. In 2021 the state accounted for 8% of American property claims but 75% of lawsuits. Florida has America’s highest home-insurance costs. Average premiums in 2021 were \$3,600, 158% above national levels. In the past two years rates for homeowners have risen by 25%, against a national average of 4%, according to the Insurance Information Institute, a research group. “Property insurance is the Achilles heel of Florida’s real-estate market,” says Jeff Brandes, a Republican state senator, terming it a “backdoor tax people pay to live in Florida”.

The Sunshine State is “converting from a low-cost, low-wage state to a high-cost, low-wage state”, says Dan Gelber, mayor of Miami Beach. This has meant staff shortages. Some growth in central Florida is driven by people moving out of expensive southern cities like Miami, says Amy Mercado, property appraiser for Orange County (which includes Orlando) and a former legislator.

A third way that Florida could change is its seasonality. Traditionally its population ballooned in winter, as “snowbirds” from the north flocked in, but depopulated in the summer. This meant erratic year-round receipts for businesses. Now “people are falling in love with Florida as a year-round destination, not just as a second home or vacation stop,” says Adam Putnam, a former state agriculture secretary. He sees this as a “big shift” and “game changer” which will be “enormously consequential for everything from schools to road infrastructure”. More people will require more public spending on infrastructure and other services but also contribute greater revenues to city and local governments.

Optimists hope that more people will still move to Florida. Yet longtime Floridians think it is a matter of time before the good times stop rolling. “In this state, there’s always a bust,” says Alex Sink, the state’s former chief financial officer. “Don’t ask me what the next one will be, but there will be one.” ■



Build back better?

Miami's makeover

Tech in the city

MIAMI

An ambitious mayor is trying to transform Miami's appeal

URBAN RENEWALS rarely trace their origins to Twitter, but then Miami is no conventional city. "How can I help?" Francis Suarez, Miami's mayor, asked on Twitter in 2020, after a tech entrepreneur suggested moving Silicon Valley out of the Bay Area. Mr Suarez has an enthusiastic following as he tries to rebrand Miami from a party paradise into a hub for digital finance and technology. He even sports a T-shirt carrying a "#HowCanIHelp?" tagline.

With the highest share of foreign-born residents of any metro area (more than half its people were not born in America), Miami is a vibrant city with a strong Latino influence. Its diversity is on display in the political leadership. Miami-Dade County is led by Daniella Levine Cava, a New York-born Democrat with Jewish heritage, and Miami city has Mr Suarez, a Republican whose father served as the first Cuban-born mayor.

Cubans arrived in the 1960s, turning Miami into a base for anti-communist organising. Mr Suarez wants to attract a different sort: coastal techies and others wanting to move from high-cost, high-tax states to a sunny climate. A handful of venture capitalists and investment firms have moved to Miami, as have some cryptocurrency exchanges. Mr Suarez was the first mayor to say he would accept his salary in bitcoin and has proposed allowing Miamians to pay bills in cryptocurrency. His embrace of crypto has attracted both interest and scepticism: some see it as the latest example of Miami playing host to a speculative bubble.

The city of nearly 500,000 has plenty of boosters. "The magic of this place is that people are happy," says Keith Rabois, a venture capitalist who decamped from the Bay Area. "If you're here right now, you're actually shaping what this city is going to be versus joining an institution of what it already is," adds Jeff Zalensky, a restaurateur who moved his firm's headquarters from New York during the pandemic. He says that Mr Suarez's approach to helping people relocate businesses to Miami is quite unlike other cities whose politicians fail to offer much support. "Isn't that what public officials are supposed to do, help the people that are coming to their cities succeed?" he asks.

Can Miami be the "city of the future" that Mr Suarez touts? For Latin America-focused businesses it certainly has advantages. Its weather, lifestyle and eastern time zone are attractive for a jet-set crowd with global ties. The fact that Miami is not dominated by a single industry, as Silicon Valley is by tech, also enhances its appeal, says Grant Gittlin, an investor who has relocated. Of the top ten corporate employers in Florida, two are based in Miami: Navarro Discount Pharmacies, a chain of drug stores, and Royal Caribbean Group, a cruise line.

Yet the city has challenges. "No matter what people say about Miami, it's mostly filled with people bringing resources from other areas and is still a difficult place to build a career," says Richard Florida, author of "The Rise of the Creative Class". He points out that by share of knowledge workers the Miami metro area ranks 50th out of 53 large metros with over a million people and 42nd for the share of adults with a bachelor's degree or higher.

There is no top-notch university spewing out computer-science graduates, a drawback for an aspiring tech hub. Rising sea levels will become a problem. Housing is already one. Miami is one of the least affordable cities in America. Homelessness is at a



Low-tech living

record low, but it is a matter of time before an "explosion of massive street homelessness of our workforce", predicts Annie Lord of Miami Homes for All, a non-profit group. "How is it that in a service economy, where we have pretensions of being a tech and finance hub, there isn't a place for the labour force to live?" she asks.

Mr Suarez has hitched his career to Miami's success. But urban challenges such as housing, education and labour supply are harder to deal with than receptive entrepreneurs. Mr Suarez makes no secret of his ambitions for higher office. He is expected to run for governor once Mr DeSantis vacates the post and is one of a growing cohort of Floridians with presidential aspirations. Plenty of Miami enthusiasts will be asking how they can help him navigate his political ascent. ■

Making policy

A peninsula makes waves

Florida has a history as a policy laboratory

IT IS BEST known as the home of "Florida Man", infamous for odd-ball residents committing dubious deeds involving alligators and the like. Yet Florida has a record of creating policies that catch on elsewhere. An early example came in 1889, when it became the first state to adopt a poll tax, requiring people to pay to vote, in effect keeping black voters away from the ballot box, says Darryl Paulson, an academic. There are many other examples of pioneering policies, for worse or better. In 1967 lawmakers passed the first highly regarded "sunshine" law requiring public meetings to be open. This became one of America's first open-meetings laws. Voters added to it in 1992 through a constitutional amendment guaranteeing the right of access to government meetings and records.

Other policies are more problematic. In 2005 Florida was the first state to pass a "stand-your-ground" law at the urging of the National Rifle Association, which makes it easier for people to claim self-defence. It has since spread to other states, with troubling consequences. Recently the law was invoked at a murder ▶▶

▶ trial in Pasco County, Florida. The defendant was a former cop who shot a man in the chest at a cinema after a bag of popcorn was thrown at him. (In February, a jury found him not guilty.)

Education is another example of policy innovation. Jeb Bush, governor from 1999 to 2007, pushed through school choice, allowing students to use vouchers to attend charter and private schools with public funds. In 1999 Florida started America's first statewide voucher programme. Under Rick Scott, Mr Bush's successor, it was also the first to offer vouchers for students who were bullied to switch schools. Today almost half of Floridian students, from kindergarten to high school, participate in school choice. Florida's public schools are in the middle of the pack, ranked 23rd out of 50 by *Education Week*. But its education initiatives have been popular, especially in poor families, says Bob McClure, president of the James Madison Institute, a think-tank.

California has been an incubator of progressive policies and Texas of conservative ones. Florida's record is more mixed, befitting a closely divided state. With the state legislature under Republican control since 1996, policies that emerge from Tallahassee have tended to skew to the right. "Time and again, we lead the charge when it comes to conservative innovation," says Kevin Cabrera of Mercury, a public-affairs firm, who was Donald Trump's campaign director in Florida in 2020. Voters have been more progressive. Ballot initiatives have approved constitutional amendments to re-enfranchise felons and bar gerrymandering.

Political meddling has often obstructed change. Lawmakers voted to keep some government information out of public reach. Giving ex-felons the right to vote is another example. As of 2016, Florida claimed more than a quarter of America's disenfranchised population, with one-fifth of black people unable to vote due to their felony records. In 2018 nearly two-thirds of voters approved restoring voting rights to ex-felons, but in 2019 the legislature passed a law requiring all court fines to be paid first, in effect blocking many from the ballot box.

Covid led to more new policies. Mr DeSantis has used his governorship to position Florida as a state of resistance against the federal government. He was early to outlaw mask and vaccine mandates. Florida was the first state to pass a law fining firms that imposed vaccine requirements and is now penalising school districts that defied the governor's orders and required masks, a policy that some believe to be unconstitutional.

By taking a hardline stance, Mr DeSantis put prosperity and popularity ahead of public health. It is a wager that has paid off politically, elevating his and Florida's profile, even though more than 70,000 Floridians died of covid. Yet predictions that Florida would lead America in deaths proved false: the state has a total death rate of 332 per 100,000 people, the country's 15th-highest, close to New Mexico, which had stricter stay-at-home policies.

Is Florida visionary or merely haphazard, responding to political currents and day-to-day pressures? Mr Schale, the Democratic strategist, says the motive behind Florida's policymaking is a will to be taken seriously. "There's the sense we're the unrespected stepchild of big states, and there's the desire to be seen in the big boys' club," he says. Others see Florida's record as mixed and inconsistent. Because population growth has been so rapid, policymakers have struggled to keep up with sensible and consistent policies, says Mr Paulson. Florida once led America in pushing for standardised testing and accountability for public-school students. But recently Mr DeSantis led the campaign to do away with annual testing, to boost his popularity. In Florida, one first plus another can sometimes equal zero. ■

Politics

The colour purple

Is Florida still a swing state—or a Republican one?

FROM GIANNI VERSACE to Ron DeSantis, Floridians like making fashion statements. On the website for the governor's re-election campaign, fans of Mr DeSantis can buy "Escape to Florida" T-shirts, featuring prominent Democrats who have visited recently. Those looking for a head-to-toe makeover can opt for "Freedom over Fauci" flip-flops, denigrating Joe Biden's chief medical adviser. Accessories include "Let us alone" beverage coolers and two golf balls with the tagline "Florida's governor has a pair".

Wardrobe choices aside, politics is a serious business in Florida, since elections have often been so close. The most famous example was in 2000, when George W. Bush and Al Gore were in a dead heat, triggering a recount and a Supreme Court ruling that handed Mr Bush the presidency, with a recorded majority of a mere 537 votes. Three more recounts occurred in Florida in 2018 alone. The three most recent gubernatorial elections have all been decided by margins of 1.2% or less.

Although Senate, governors' and presidential races are intensely competitive in Florida, the state's government has been under firm Republican control for decades. A Democrat was last elected governor in 1994. Between 2002 and 2020, Republicans won 25 statewide elections and Democrats only six. With Republicans close to a super-majority in the state House of Representatives, Democrats' numbers are so attenuated they have no hope of halting laws they dislike. Evan Jenne, the House minority co-leader, describes Democrats' experience as "lying down on the train track, even though we know it will drive right over us".

In November Republicans are likely to beat Democrats in the mid-term elections and use this to highlight further inroads in the Sunshine State. Already they are trumpeting the idea that Florida is a former swing state that they have now permanently won. They point to voter-registration data from 2021, which for the first time showed the number of Republicans as higher than Democrats. It was only by some 43,000 people out of 14.3m registered voters, but that is a striking change from a decade ago, when Democrats' registration exceeded Republicans by 558,000 voters.

News reports suggest the national Democratic Party is retrenching in Florida to focus on other competitive states, like Wisconsin, bolstering this image of mounting Republican strength. "There is definitely scepticism from national donors about Florida, and it's scepticism that's warranted," says Steve Schale, who helped Barack Obama win Florida in 2008 and 2012. He adds that "a lot of Democrats' money has been lit on fire in the state" with nothing to show for it.

Still swinging

Yet cut through Republicans' chest-pounding, and the reality is that Florida has flared red but may not stay that way. It has seen political transformations before. When he was elected in 1998 Jeb Bush (George W.'s brother) became only the third Republican governor of Florida since Reconstruction. "We went from an evolution of being a blue state to a purple state, and now we're between purple and red," says Alex Sink, the former chief financial officer, who narrowly lost as a Democratic candidate for governor in 2010.

After Mr Obama carried Florida in 2008 and 2012, Democrats hoped demography was on their side, with growing populations of ▶▶

Ballot box

Two races to watch in 2022



DEMOCRATS ARE likely to do badly in November's mid-term elections, which have a tendency to pummel the party in power. In Florida only 39% of voters approve of Mr Biden (below the national average), so Republicans are likely to win the offices that matter. Two races will attract interest for what they reveal about Floridians' priorities and the diversity of their candidates.

Marco Rubio, Florida's senior senator, is running for a third term. The son of Cuban immigrants, Mr Rubio rose to prominence as a Tea Party conservative with hawkish foreign-policy views. He is likely to run against Val Demings, a black Democratic congresswoman who gained attention as a manager during Donald Trump's impeachment trial in 2020 and had served as Orlando's police chief.

The contest will be a "marquee race" that is the most competitive in Florida, predicts the University of South Florida's Susan MacManus. Mr Rubio has more name recognition, but Ms Demings is

exciting national donors. Mr Rubio outpaced Ms Demings last year by raising \$24.3m for his re-election, against Ms Demings's \$20.7m, but she took in more than he did in the three most recent quarters. The two candidates' backgrounds could encourage Hispanics and blacks to turn out, and Ms Demings's law-enforcement chops will make it hard to portray her as soft on crime (although that will not stop Mr Rubio from trying).

Floridians will also vote for their next governor. With a 53% approval rating and a brimming campaign chest, Mr DeSantis (pictured) is likely to win re-election. His rise from little-known congressman to governor surprised many, since he won the Republican primary in 2018 only after Donald Trump offered an unexpected endorsement. Mr DeSantis has since pushed to the right, hoping to win the attention of primary voters in Iowa and New Hampshire by supporting a ban on abortions after 15 weeks of pregnancy. Yet as a potential rival for the 2024 nomination, he must balance his ambitions against keeping in with Mr Trump.

Mr DeSantis's Democratic opponent will be chosen in a primary in August. Among those running are Charlie Crist, a former Republican governor from 2007 to 2011; Nikki Fried, the agriculture commissioner; and Annette Taddeo, a state senator. Mr Crist and Ms Fried have name recognition, but the more compelling candidate is Ms Taddeo. As a Colombian immigrant and small-business owner, she could easily drum up Hispanic support by challenging some of Mr DeSantis's policies, such as barring businesses from requiring vaccines for their staff. According to Ms Taddeo, "That's what they do in Cuba: the government tells you what you cannot do."

been in power for so long in Florida (as in much of the South) that they did not develop a formal and strategic organising structure to match the Republicans. If Democrats could do only one thing to change their fortunes, they would invest more in voter registration, says Mr Schale. Recently Democrats announced they would spend \$2.5m to boost registration, but that is a piddling amount considering the vast size of the state.

A second, connected factor is weaker fundraising. Democrats struggle to raise the same amount as Republicans, which is encapsulated in this year's governor's race. As of February 1st Mr DeSantis had raised \$81.5m, nine times more than the combined total of the three leading Democratic candidates. "Democrats are always a day late and a dollar short," says Amy Mercado, a Puerto Rican Democrat who was elected as Orange County property appraiser in 2021 and formerly served in the legislature.

A third explanation is Republicans' successful messaging to Hispanics. "Florida has been the showcase for where you see the Hispanic vote trending a little bit Republican," says Ms MacManus of the University of South Florida. Republicans type-cast Democrats as socialists, a dirty word for many in the state who fled socialist regimes. They are not just Cubans, who account for 29% of eligible Hispanic voters in Florida. Around 8% of Hispanic voters are Colombian, 3% Venezuelan and 3% Nicaraguan. "The Hispanic vote is a problem for Democrats," says Annette Taddeo, the state senator and candidate for governor, who thinks Democrats "are not fighting back enough against the socialist label". Puerto Ricans are a growing force in Floridian politics as well. Tens of thousands moved to Florida after Hurricane Maria in 2017. Puerto Ricans relocating from other American states tend to register as Democrats, but those from the island often choose no-party affiliation, making them more open to Republican outreach.

A fourth issue is the arrival of transplants from other American states. Around 41% of "baby-boomers" in Florida, aged 57-76, register as Republican, against 37% as Democratic, and they turn out in greater

► Hispanics and black people expected to vote blue. Today more than a third of Florida's voters are non-white. Hispanics account for 17% of voters, non-Hispanic black people 13% and Asians 2%. Yet Hispanics are more diverse than in other American states, where they tend to be of Mexican origin, and there are plenty of blacks from the Dominican Republic, Haiti and elsewhere who do not share other American black people's Democratic leaning. Demography is not destiny in Florida, at least not yet.

Democrats' weakness can be explained by four factors. First is a disorganised and disempowered state party. As outsiders intent on taking power in the 1990s, Republicans invested time and money in voter registration and fielding candidates. Democrats had

numbers. To see this, take a walk around The Villages, a retirement community that was America's fastest-growing metro area in the past decade and may double in size in the next 15 years. Its 80,000 residents zoom around on golf carts and have an activity schedule that might have been written by a general. An essential campaign stop for Republican presidential candidates, The Villages voted overwhelmingly for Mr Trump. Residents often feel like "they've paid their dues and taxes wherever they've come from so their kids could go to school, and they don't have an allegiance here," explains Cris Andersen, vice-chair of the Sumter County Democrats, who lives in The Villages. "They want to reduce government spending for other people, just not them, so they don't want to ►►

► fund Medicaid but don't want Medicare to be touched," she explains, referring to health care for the poor and elderly.

As more people of all generations move into Florida from other states, the impact of migration on the state's politics matters more. There are two schools of thought. One is that people will vote with the values of the states they leave, which are often blue. When covid is the main issue, Florida tilts Republican, but as the pandemic subsides and people vote on a more varied set of concerns, it is going to look more like a purple state and could eventually turn blue, reckons one veteran Republican. Some recent transplants may arrive and react badly to the anaemic level of social services and want the government to have a greater role.

An alternative narrative is that new Floridians are going to make the state even more Republican. Chris Spowls, speaker of the Florida House, thinks there is already proof of how new arrivals will vote in registration data. "They seem to be registering as Republicans...and realising that there's a reason they chose to come here," he says, crediting Republican policies. Jack Abraham, a technology investor who relocated to Miami from the Bay Area, says he has seen "left of centre" people who spend time in Florida "move a little more right on the political spectrum than they were before". It is also possible that recent transplants, including wealthy financiers and techies, could invest more in Republican campaigns in Florida, further sharpening the fundraising divide between Republican and Democratic campaigns.

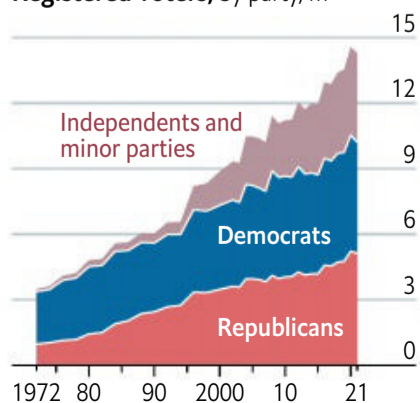
Florida will see close electoral battles in future, but the battlefield will become more complex as Republicans and Democrats vie to win over Independents. Nominally independent voters disgruntled with both parties, who are known as no-party affiliation (NPA), are the fastest-growing "party" in Florida, with a share rising from 20% in 2004 to 26% now. (Nationally, the share of independents is growing too.) Worrying for both parties, NPA status is popular among Florida's fastest-growing groups: Hispanics and Asians, as well as the young. More than a third of millennials and Generation Z are registered NPAs, versus 21% of baby-boomers. Some 40% of Asian voters and 36% of Hispanics are NPAs.

These swing voters tend to be more "candidate-centric" than "party-centric", says Ms MacManus. This puts the onus on both Democrats and Republicans to run candidates that excite NPAs. Dan Gelber, the Democratic mayor of Miami Beach, recently wrote a letter to Manny Diaz, the chair of Florida's Democratic Party, suggesting that they open up primary contests to NPAs, so that they can nominate candidates who will appeal to them. "Ironically, these are the folks that unquestionably determine every close election, yet they are treated as an afterthought," writes Mr Gelber. Democrats still have much thinking to do. ■

Independents rising

Florida, United States

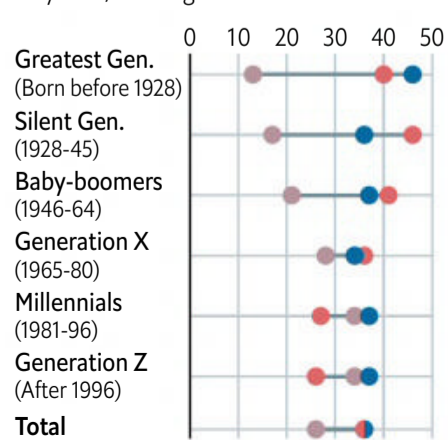
Registered voters, by party, m



Sources: Florida Division of Elections; Susan MacManus

Party membership

May 2021, % of registered voters



The environment, water and climate

A triple threat

The environment is Florida's main attraction, but also its biggest vulnerability

CENTURIES AGO, manatees were symbols of dreams. Early explorers mistook them for mermaids. Now the gentle mammals are symbols of nightmare. Last year 1,100 manatees—around a seventh of those in Florida—died, the worst year since record-keeping began in the 1970s. Pollution-fuelled algal blooms have killed the seagrass they eat, leaving many to starve to death. Concerned researchers on the east coast Indian River Lagoon have started to feed manatees lettuce to sustain them. The manatees' deaths shocked Floridians, but they are an "even bigger event than people realise, because it means that the environment has reached a tipping point", says Craig Pittman, author of "Oh, Florida!: How America's Weirdest State Influences the Rest of the Country".

The environment is at once both Florida's biggest asset and its greatest liability. Tourists visit and people move in because they are drawn to nature: the beaches, freshwater springs, reefs and national parks. Yet Florida is like an ecological O. Henry story, written with an ironic twist. Wittingly or not, people undermine what they love most through pollution, development and carbon emissions. Algal blooms that kill seagrass are fuelled by fertiliser runoff from gardens and farms, breached septic tanks and other pollution, in turn killing marine life and making beaches unattractive. The blooms spread more quickly in warmer waters, and temperatures have risen with climate change.

Water and swamp

Florida's environment, already inherently fragile, has been further taxed by the explosion of a built one. The Florida panther, the official state animal, has been killed by habitat destruction and car collisions. Today fewer than 130 Florida panthers are left in the wild. The Everglades, which used to be double its current size, has been drained and filled in for development. As a reminder of how much man has changed the state, Disney World is built on land that once formed part of the Everglades ecosystem. Invasive species like iguanas and pythons have arrived in greater numbers.

Florida's House of Representatives recently released a risk-assessment report commissioned from the consultancy Willis Towers Watson. Of 72 initial risks catalogued, 22 are linked to the environment, sea-level rise and climate change. With the purview of a ten-year time horizon, the report focuses on the most pressing problems, including water, sea-level rise and extreme weather that is becoming more frequent. Florida has experienced around 40% of hurricanes in America, more than any other state.

These are all difficult generational problems. The state must decide how much to weigh population growth, which fuels the economy, against the cost of investing for long-term benefits that will be appreciated long after today's leaders have left office. And the problems are technically challenging too.

Consider water. "Without significant intervention" water quality and scarcity "will add up to a severe crisis over the coming years and decades", the report says. Water problems belong in several buckets. Sometimes Florida has too much, with rainfall and sea-level rise causing flooding. Sometimes it has too little, contributing to drought and scarcity due to insufficient storage capacity. (On average, Florida has experienced a severe and widespread drought at least once a decade for the past 100 years.) Year-round ►



On edge in the Everglades

► there are concerns about quality, with specific instances like a leak in 2021 at the Piney Point phosphorus plant that led to 205 tonnes of nitrogen being dumped in Tampa Bay. More day-to-day worries include agricultural run-off and septic tanks, which treat one-third of the wastewater in the state and can sometimes contaminate water supply, since rising groundwater causes septic systems' failure and the release of toxins from untreated sewage.

It may seem surprising that the Republican-controlled Florida House wants such a deep-dive on environmental concerns, but on this issue state Republicans sound more like Democrats than does the national party. "Republicans in Florida are more collectively connected to nature and understand nature as part of the economy," says Dawn Shirreffs of the Environmental Defence Fund, a non-profit group. Mr DeSantis was elected in 2018 as an environmentalist, who supported bans on fracking and offshore drilling. He is no Teddy Roosevelt, animated by a personal connection to nature. Instead, he made a savvy political calculation, understanding voters' fears over climate change.

This is a change from Rick Scott, his predecessor, who banned staff from uttering the words "climate change". Mr DeSantis has said he does not want to do "left-wing" stuff and is unwilling to tackle the underlying cause of global warming by reducing carbon emissions, but he often speaks about the environment, including the need to restore the Everglades. The state legislature had agreed since 2021 to invest around \$670m to fund "resilience" work in projects for communities vulnerable to sea-level rise. Mr DeSantis has also created a "chief resilience officer", although this position has spent much time vacant and under-resourced. He is trying to walk a tightrope, bringing attention to environmental issues without putting in place regulations that would alienate businesses or curtail development.

Privately many say that the state is not doing enough, considering the extent of Florida's environmental problems. There have been many headlines on Everglades projects, and both state and federal funding has been diverted there, some of which predated Mr DeSantis. Yet not much has changed, says Michael Grunwald, author of "The Swamp", who says the problems, including a lack of water storage capacity, "are as bad as they ever were".

Stronger moves needed

Some issues require bolder action and investment on a completely different scale. A task-force convened by Mr DeSantis to study blue-green algae recommended measures including state inspections of septic tanks, but not all of its suggestions have been implemented. "Florida is like a sick patient," says Jonathan Webber of Florida Conservation Voters. "We brought the patient to the doctor's and the doctor gave us a prescription, and then we threw the prescription in the trash."

Current state funding will convert less than 4% of septic systems into sewers. But population growth and new development are expected to expand the number of septic systems by almost a quarter over the next ten years (the state has 2.6m septic systems, 12% of America's total). This is an area needing huge investment. To convert septic tanks into sewers costs around

\$40,000 per residence, so doing it for just a quarter of today's septic tanks would cost the state \$26bn. Lack of action carries costs, though. Willis Towers Watson estimates that, without action, chronic contamination of the water supply will result in \$73bn-80bn in damages over the next decade.

Sea-level rise is even costlier. Some 20% of Florida's property is at substantial risk of flooding, and that will rise to 24% by 2050, according to First Street Foundation, a research group. Key West demonstrates the need to plan for the future. Teri Johnston, the mayor, says the cost of raising roads and making other adjustments for sea-level rise has been "astronomical". The county is doing shoreline work to reinforce beaches, and the city has changed regulations around height limits for buildings, so they can be built higher above flood elevation. "We've invested millions, but it's going to take billions, with a b," she says. Tallahassee has provided some funding, but not enough direction, leaving most of it up to counties. "I would like to see more money, more strategy, more support for the entire state," says Ms Johnston.

Mr Scott eliminated the Department of Community Affairs, which served as the central-planning group for where to develop, bowing to pressure from property firms that complained of red tape. Today there is no state-wide strategy for managing population growth alongside environmental protection. "In a state as fragile as Florida, careful planning on where we're putting homes is vital, and that's not happening like it used to, at least on a state level," says Mr Webber. He says that right now, "It's the Wild West for real-estate developers." ■

The environment is at once both Florida's biggest asset and its greatest liability

The way ahead

Which side of paradise?

What Florida can teach America

AFTER SHE published her anti-slavery novel “Uncle Tom’s Cabin” and watched the country wage a civil war, Harriet Beecher Stowe became a snowbird, spending winters in the Jacksonville area. She was enchanted by the state but enraged by visitors’ exploitation of it, as they slaughtered wild birds to use their feathers in fashionable hats. “Florida has been considered in all respects as a prey and a spoil to all comers,” she wrote in “Protect the Birds”, published in 1877. She complained that Florida’s “splendid flowers and trees, its rare and curious animals have been looked upon as made and created only to please the fancy of tourists”.

Florida is still “prey” and “spoil” but to many more people than Ms Stowe could have imagined. Florida’s rapid growth has defied expectation and even reason. Replete with swampland and whipped repeatedly by extreme weather, Florida is among America’s least hospitable long-term habitats for humans, yet they continue to flock there. “There are two overwhelming conclusions we’ve drawn about migration to Florida: people know the risk and they move there anyway,” says Glenn Kelman, boss of RedFin, an online property firm.

Florida’s environmental fragility is one of the fault-lines in the state’s history. Southern Florida is but one catastrophic hurricane away from devastation. Even Flagler’s fortune could not withstand the impact of a big hurricane on his Overseas Railroad. “People are constantly ruining Florida; Florida is constantly ruining them back,” writes T.D. Allman in “Finding Florida”.

Some Floridians might be forgiven for paying less attention to the future. Retirees may just want to enjoy a sun-soaked life now, not to worry about the environment decades hence. But other people look farther beyond the horizon to see what storms might be brewing—whether actual or figurative.

A land apart—or a pioneer

What can Florida reveal about America? In many ways, it is a land apart from the rest of the country. Yet a state as diverse as Florida is also a mini-America, with its political divisions condensed into single blocks. The rise of minor parties and voters with no-party affiliation should be a reckoning for the two main national parties. Immigrants and transplants want a positive message about the future, not a dire one, which should be a wake-up call to Democrats to refine their campaigning to signal optimism and opportunity. The lurch to the right of Mr DeSantis and other Republicans, who prioritise social issues such as abortion over practical economic concerns of ordinary Floridians, is a political calculation that may yet backfire.

Nowhere are the intergenerational divisions that scar America clearer than in Florida. The elderly who retire there feel little connection to the state or much desire to invest in its future. Meanwhile, the young require more than “freedom” (Florida’s favourite rhetorical export) to thrive. With such austere investment in citizens and good government, there is a vast gulf between older migrants who import their fortunes and savings into Florida and those who want to build lives there, but face lower wages.

Florida is a test-bed for the limits of libertarian policies. The early 2020s may be remembered as America’s “Florida years”, with Mr DeSantis’s embrace of policies, such as anti-lockdown provi-

sions, that put his state on the national stage. But now that Florida feels the pain of soaring house prices and displacement of the labour force by new arrivals, some voters’ faith that the free market alone is enough to fix things has been shaken.

Republicans don’t like talking of inequality and affordability because they think it plays into the hands of Democrats, says one lawmaker in Tallahassee. So Florida’s leaders are doing little to resolve the acute problems of the average voters, such as affordable housing. If Mr DeSantis is going to use Florida as a showcase for what he can do for the country as president, there are early warning signs. Having a covid policy that favoured businesses staying open should not be mistaken for having a comprehensive, strategic plan for economic and social success.

Many big challenges do not line up with particular administrations. The state, like America-writ-large, needs long-term investment and better planning. Environmental concerns are a prime example. Florida’s leaders subscribe to the philosophy that “more is more”. Mr DeSantis continues to celebrate growth, but adding the equivalent of a new Orlando every year will come at a cost, especially if it is ill-managed. With the department that once oversaw this having been scrapped, there is no longer an agency or person

developing a growth strategy for the state, looking at where developers should build and where people should be encouraged to move. The result is a free-for-all that worsens environmental problems.

Florida’s leaders are doing little to resolve the acute problems of the average voters

Americans may roll their eyes at Florida’s sun-seekers and see it as a far-off state with little relevance to their lives. That is short-sighted. Although politicians with ties to Florida have a dismal record of running for president (Mr Trump, former New York resident, notwithstanding), Wash-

ington may see another. Four Floridians—Mr Trump, Mr Scott, Mr Rubio and Mr DeSantis—are possible presidential contenders in 2024. The chance that either Mr Trump or Mr DeSantis could make it to the White House is on a par with the chance of a hurricane striking that year: not guaranteed, but not improbable.

The cycle of nature continues to humble those who have set their sights on Florida. The state is early to experience the effects of global warming—but hardly alone. Property-insurance rates are one indicator. Dramatic rises reflect a negative outlook and concern from insurance companies about hitching their financial future to Florida’s.

If, against the odds, Florida makes the essential investment and other changes necessary to protect it from the worst effects of severe weather and climate change, it will hold lessons for the country. Marjory Stoneman Douglas, an environmental activist, once called the Everglades a test: “If we pass it, we get to keep the planet.” Jonathan Webber of Florida Conservation Voters has a new twist: “If we save Florida, we get to keep the country.” ■

ACKNOWLEDGMENTS A list of acknowledgments and sources is included in the online version of this special report

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Hungary's election

Last-ditch pitch

BUDAPEST

A united opposition tries to stop Viktor Orban's creeping autocracy

THE RALLY stretched half a kilometre along the Danube, past Budapest's Technical University where in 1956 students launched a doomed rebellion against their communist overlords. It was March 15th, the day Hungary commemorates its revolution of 1848. On the stage Peter Marki-Zay, the opposition candidate for prime minister, was invoking history. In 1848, 1956 and 1989, when the communists were finally ousted, Hungarians had been "on the right side", he said. Now they were embarrassed by their country, which had become the fief of one man: Viktor Orban.

In 12 years as prime minister Mr Orban had split the nation and enriched only his own supporters. He had turned Hungary towards Russia and autocracy, and away from Europe and the rule of law. Mr Marki-Zay promised support for the EU and NATO in Ukraine, inclusion for gay people and an economy based on merit rather than political connections. Hungarian, Ukrainian, EU and rainbow flags waved in the crowd.

Across the river Mr Orban was addressing a far bigger throng with a very different message. The annual government-spon-

sored "Peace March" had been turned into a rally for the ruling party, Fidesz. "It is not in our interests to become casualties in someone else's war," Mr Orban said. Ukraine's refugees deserved help (something he did not say about migrants from Syria in 2014-15), but he would not let arms be transferred through Hungary or accept sanctions on Russian energy that hurt its economy. The opposition would drag Hungary into the war, in which it would be a mere pawn on the chessboard of America and Russia. He would stay out—and stop "gender madness" too. Here the flags were of Hungary or Fidesz; the few blue-and-yellow ones were not Ukrainian, but the banner of Romania's ethnic Hungarians.

Hungary's election on April 3rd is more than a routine vote in a small central-Euro-

pean country. Because Mr Orban is a hero to many right-wing populists in Europe and America, it is a crucial test for them. The war in Ukraine adds an extra dimension. The Hungarian leader has long-established ties to Vladimir Putin, and has emerged as the most reluctant member of the coalition against him. Volodymyr Zelensky, Ukraine's president, singled him out in a speech on March 24th to the European Council, demanding that he and Hungary "decide which side you are on".

That casts the election as part of a global struggle between liberal democracy and populist autocracy. Hungary is still a democracy, but in his three consecutive terms Mr Orban has undermined democratic norms. The media, the courts, the education system and other institutions are largely controlled by Fidesz or by friendly oligarchs. In 2014 Mr Orban spoke of turning Hungary into an "illiberal state". It has since become the only EU country rated by Freedom House, a watchdog, as only "partly free" rather than "free".

Mr Orban's allies see themselves as patriotic Christian conservatives, fighting an alliance of globalists who want to erase national traditions and swamp Europe with migrants. Their *bêtes noires* are the European Commission and George Soros, a Hungarian-born billionaire and liberal philanthropist. Mr Orban's critics think his main goals are actually financial. His relatives and friends in business have become hugely wealthy; much EU aid ends up going to them. To its opponents Orbanism ▶▶

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▶ looks like Putinism-light: single-party rule without the need for violence.

The popularity of Mr Orban and Fidesz is genuine and striking. In the past two elections they have drawn about half the vote, while a fragmented opposition split the rest. That was enough to give Fidesz a two-thirds majority in parliament, because it had twisted the electoral system to its own advantage (see Graphic Detail).

A rule change in 2012 shrank parliament and raised the share of single-candidate districts, which naturally favour the biggest party, from 176 of 386 seats to 106 of 199. The rest are determined by proportional representation. It also gerrymandered those districts. In 2020 the government made things even tougher, requiring parties to run candidates in at least 71 districts to get on the proportional ballot.

Last year, fear of Mr Orban's growing control finally made the opposition cooperate. Two centrist parties, Democratic Coalition and Momentum Movement, a hard-right party, Jobbik, the centre-left Socialists and the progressive Green and Dialogue parties have fielded a single list under the rubric United for Hungary. They ran primaries last October for each single-candidate seat and nationally for the job of prime minister. Mr Marki-Zay, an independent conservative who is mayor of a small city, came out on top.

Such cross-party alliances have unseated populist leaders in other countries, including Israel's Binyamin Netanyahu and the Czech Republic's Andrej Babis. Yet in Hungary Mr Marki-Zay's chances are not good. Because of the mixed electoral system, *The Economist* calculates the opposition needs to win about 54% of the vote to get a majority in parliament. Polls show them trailing Fidesz by about 50% to 44%.

Message control

One reason is Mr Orban's domination of the media. He has turned the country's state-backed outlets into propaganda megaphones. Nearly all of the country's big private news sources have been bought by oligarchs friendly to the government. Most were donated in 2018 to a foundation headed by an ally of Fidesz.

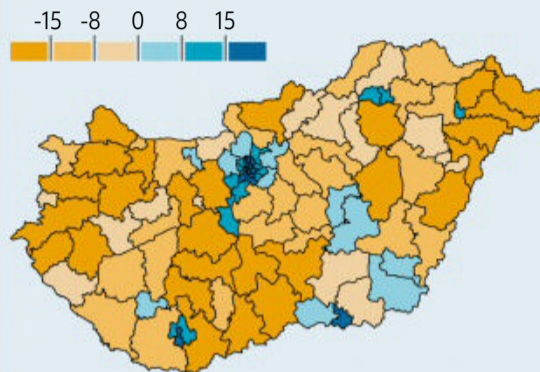
Of the plucky outfits that remained, several have since been throttled. Klubradio, a liberal station in Budapest, had its broadcast licence denied in 2020. Index.hu was the country's most-visited news website until a new owner with links to Mr Orban took over in 2021 and fired its editor-in-chief. "I knew Index would eventually be captured, the only question was when," says Viktoria Munk, who used to be deputy editor. The staff quit and founded a new outlet called Telex, but it has less than half the audience. Other independent websites are read mostly inside the liberal bubble.

Hence the opposition is struggling to be

City blues

Hungary, single-seat constituencies

Predicted difference between **United for Hungary** and **Fidesz** candidates*, March 29th 2022, % points



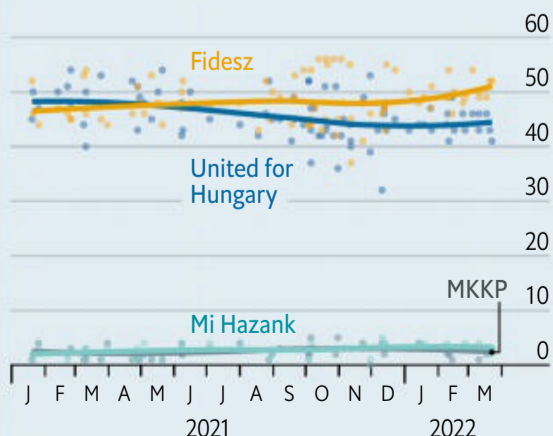
*Based on a weighted average of previous elections and political factors at national and constituency levels
Source: Taktikaizsavazas.hu

heard. The two main TV news channels, one public and one owned by a government ally, give opposition candidates less than a quarter the speaking time of those from Fidesz, according to Mertek, a media watchdog. Only RTL Klub, a popular foreign-owned channel, presents even-handed news coverage. For months before the election, roadsides were lined with placards of Mr Orban and his slogan "Forward, not back". These were put up not by Fidesz but by the government. Other posters, some paid for by a murky foundation funded by state-owned companies, portrayed Mr Marki-Zay as the "mini-me" of Ferenc Gyurcsany, an unpopular former prime minister, or depicted the opposition candidates as a "Gyurcsany Show". (The Democratic Coalition's entry in the primary was Klara Dobrev, Mr Gyurcsany's wife.)

That leaves social media and "knocking on doors", says Anna Donath, an opposition MEP. Yet during the primary Fidesz's social-media spending outweighed the combined budgets of all opposition candidates. Campaign spending limits kicked in on February 12th, and since then the two sides have spent roughly the same amount on advertising. But lots of Facebook ads

Drifting away

Hungary, voting intention in parliamentary election, %



Source: Europeelects.eu

have been bought by a sketchy new party created in December by the wealthy Hungarian owner of LiveJasmin, a pornography website. The opposition thinks it is a decoy intended to divide the anti-Fidesz vote.

Fidesz makes use of every conceivable government resource for the campaign. In January people who had registered for vaccinations against covid-19 began receiving pro-government emails. A national referendum has been scheduled on the same day as the election. It asks questions like "Do you support the unrestricted exposure of underage children to sexually explicit media content that may affect their development?"—falsely insinuating that the opposition does.

In poor rural areas, officials are told that if their municipality does not vote for Fidesz there will be no government jobs. After Budapest had the temerity to elect Gergely Karacsony of the Dialogue party as mayor in 2019, the national government slashed a local tax on businesses, depriving the city of about 20% of its budget, and vetoed a loan from the European Investment Bank to upgrade its trams. Mr Orban wants "to squeeze the city, and then portray the mayor as incompetent," says David Koranyi, an adviser to Mr Karacsony.

The voting rules are biased, too. Mr Orban gave ethnic Hungarians in neighbouring countries the right to vote, along with pensions and other benefits; so most vote for Fidesz. They can vote by post, whereas émigrés (who tend to vote for the opposition) must travel to consulates. There are some concerns about secret balloting and counting votes. But a civil-society group has trained more than 20,000 vote-watchers, enough for the opposition to send two to every precinct in the country.

Some tricks are just old-fashioned politics. The government has raised the minimum wage by 20% and paid an unexpected 13th month of pension benefits. Last year Mr Orban eliminated income tax for under-25s, and this year he gave a rebate to every family with children up to the amount paid by an average worker. Zoltan Kovacs, the government's spokesman, says it wants to reward families and thus raise the birth rate. But like much Hungarian tax policy, the freebies reward the middle class more than the poor, notes Daniel Prinz of the Institute for Fiscal Studies.

The handouts will also accelerate inflation, which is projected to hit 9% this year, says Peter Virovacz of ING Bank. The government has capped the prices of basic foods and fuel, leading to shortages at petrol stations. Economic growth is strong, though the war in Ukraine has cut forecasts for this year to perhaps 4.5%. Unemployment is a scant 3.8%. The next government, though, will probably need to make unpleasant cuts.

The economy is Mr Orban's justifica-▶

► tion for resisting energy sanctions on Russia. In February he travelled to Moscow and extended a long-term gas contract with Gazprom. The terms are secret, but Mr Orbán says they are very beneficial. Responding to Mr Zelensky's criticism, he claimed that without Russian gas and oil Hungary's economy would "grind to a halt". (The country's dependency on Russian energy is high, but not unusually so for central Europe.) In 2014 Mr Orbán struck a deal with Rosatom to upgrade Hungary's nuclear power plant that entails billions of dollars in Russian loans.

For some of its troubles the opposition has itself to blame. It has not found a central theme to hammer away at. The party leaders have campaigned like "six dwarves", says Gabor Toka, a political scientist. Mr Marki-Zay is more right-wing than most of his alliance, and is prone to odd lines of attack, such as unconvincingly charging the government with sending arms to Ukraine. (NATO planes based in Hungary are carrying out deliveries, but only between other countries.)

That partly reflects the coalition's breadth. Dialogue is an urban party that strongly supports gay rights. Jobbik is a rural nationalist party that used to engage in anti-Roma racism. The lack of conflict between such parties during the campaign is striking. Opposition voters, too, seem willing to set aside ideology. "I am economically more free-market, but that doesn't matter now. The point is to get democracy back," said Ben Tordai, a student at the rally on March 15th.

For all Mr Orbán's rhetoric about energy prices, his policy on Ukraine reflects a philosophical difference from other Europeans. "Hungary is a country in the buffer zone" between Russia and the West, says Zoltan Kiszelly of the Szazadveg Foundation, a pro-government think-tank. "We fought four wars with Russia and lost all of them. We don't want to try for a fifth. The Poles had a much worse history, but they want to try one more time."

This position is starting to hurt Hungary. Mr Orbán was once seen as a leader of a group of populist governments across central Europe. Poland is a close ally: its Law and Justice party has imitated Mr Orbán by trying to take over its courts and media. The EU is imposing penalties on both for eroding the rule of law. They rely on each other's vetoes to quash further sanctions. But Law and Justice is vociferously anti-Putin. On March 26th Andrzej Duda, Poland's president, said Mr Orbán's policy would "cost Hungarians a lot". Poland and the Czech Republic later cancelled a visit by their defence ministers to Budapest.

Yet Hungary's opposition is having trouble convincing voters this matters, or getting them angry about the corruption at the heart of Mr Orbán's government. As in

Mr Putin's regime, the list of rich Hungarians is filled with Mr Orbán's friends. A former schoolmate is now the richest man in the country. A huge mansion is under construction outside Budapest for Mr Orbán's father. EU funds and state business flow to Fidesz's backers, who use the money in part to keep the party in power.

For many in the opposition this year's united effort seemed the last and best chance to stop Mr Orbán from locking up power. Should it fail, the way ahead is not clear. Ms Dobrev says the EU should deny Hungary aid while it defies the rule of law. After Mr Putin's invasion, Europe should have no more illusions, she says: "The way from illiberalism to dictatorship is a one-way road, it's a dead-end road, and it ends with catastrophe." ■

Germany's energy dependence

Can Germany forgo Russian imports?

BERLIN

The government and leading economists disagree

OLAF SCHOLZ reacted on March 27th with unusually harsh words to a question by Anne Will, a popular Sunday talk-show host, about studies by economists that suggest an immediate stop of imports of Russian energy would reduce German economic growth by only a modest amount. "Their view is wrong," said Mr Scholz, adding that it was "irresponsible" to feed numbers into mathematical models to arrive at this conclusion.

For several weeks prominent econo-



Under Mr Putin's control

mists have argued passionately among themselves and with Mr Scholz's ministers about the possible consequences of banning Russian energy. The government, as well as industrial lobby groups and think-tanks close either to it or to trade unions, argue that a ban would lead to high unemployment, mass poverty and a recession. But some independent economists, as well as a number of opposition politicians, insist that the consequences would be manageable, if substantial.

The debate may yet become moot. On March 30th Robert Habeck, Germany's minister for economy and climate, activated the first stage of an emergency plan to manage gas supplies in case Russia turns off the tap. Russia is threatening to do so because Germany and the rest of the G7 are refusing to accept its demand that "unfriendly" countries pay for gas in roubles rather than euros or dollars, which sanctions have made it hard for Russia to use.

But if the gas keeps flowing, so will the debate about the morality of buying it. Germany has been importing around €1.8bn (\$2bn)-worth of Russian gas, oil and coal a month, thereby helping to finance Vladimir Putin's war in Ukraine. Mr Scholz says stopping that would hurt Germany more than Russia, even though other European governments have called for an embargo. This week the IMK, a think-tank close to Germany's trade unions, published a study that backs the government's gloomy assessment. It says halting energy imports from Russia would cause a deep recession, with GDP shrinking by more than 6% even if alternative suppliers could make up for half of the gas supplied by Russia. These are rough estimates. "It is impossible to model a stop of gas imports seriously," cautions Sebastian Dullien of the IMK.

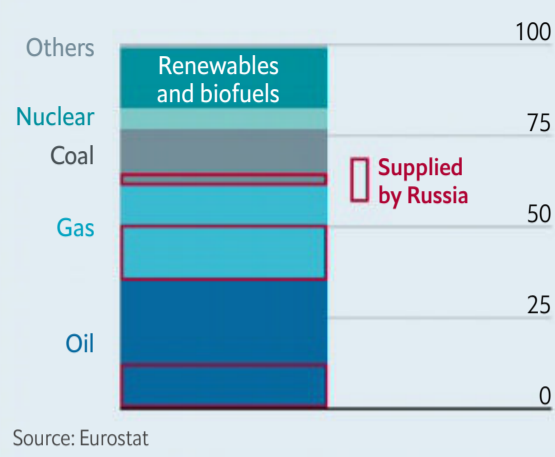
The IMK finds itself in rare agreement with industrial lobbies such as the BDI, the association of German industry. In early March, Siegfried Russwurm, the BDI's boss, warned that talk about an EU embargo on Russian energy is "playing with fire" and would harm the EU more than the aggressor. BASF, a German chemicals giant, said that if its gas supply is halved it will need to halt production at the world's biggest chemicals plant in Ludwigshafen, which employs around 40,000 people. Hundreds of thousands of related jobs would be in danger. Martin Brudermüller, the boss of BASF, told investors on March 26th, "There is no way Russian gas can be replaced in the short term."

These pessimistic assessments are contradicted by the German Institute for Economic Research (DIW); a working paper co-written by a group of German and international economists and published by IFO, another research outfit; and ECONtribute, an economics research group involving the universities of Bonn and Cologne. ►►

In Russia's pocket

Germany, energy consumption, 2020

By fuel type, % of total



▶ These suggest that German GDP would take a hit of up to 3% if imports of Russian energy were to cease immediately. That is substantially less than the 4.5% decline of German GDP in 2020, the first year of the covid-19 pandemic, which Germany stoically managed to weather.

“The big problem is gas,” says Moritz Schularick, one of the authors of the paper. The loss of Russian oil and coal could be managed relatively easily, since they can be replaced by imports from other countries. But Germany gets roughly half its gas from Russia. An increase in gas imports from other countries, the substitution of electricity from coal or nuclear power for the gas-fired sort and a steady refilling of storage facilities over the summer could only make up for 70% of that, he reckons.

The central question is how German industry would cope. Everyone agrees that finding quick substitutes for gas in industrial processes is a daunting task. Yet Benjamin Moll, one of the other authors of the paper, notes that during the second world war the American economy showed an astonishing ability to adapt to similar shortages. When in 1940 America's president, Franklin Roosevelt, demanded that American firms produce 50,000 fighter planes a year, economists deemed his request insane, because yearly aircraft production for the military in 1939 was fewer than 3,000. By the end of the war America was producing 300,000 fighters annually.

In an interview with *Welt am Sonntag*, a weekly newspaper, Wolfgang Schäuble, a former finance minister, argues that people sometimes have to make substantial sacrifices for their way of life and their freedoms. Moreover, prolonging the war in Ukraine is also costly for European economies. “There are lots of hidden costs because of the uncertainty,” says Luis Garicano, a Spanish member of the European Parliament, who backs an immediate EU energy embargo. Mr Garicano fears that such an embargo will only happen after Russia further escalates its brutal war. “We should not wait for that,” he says. ■

France's presidential race

A bit more of a competition

PARIS

Emmanuel Macron remains the favourite, but the polls have tightened

“I WANT IT to be less like a rally,” declares Emmanuel Macron in an electoral clip, as he strolls around the empty indoor arena west of Paris in an overcoat and scarf, scouting out the venue: “I want something more like a sporting event.” On April 2nd, a mere eight days before the first round of voting in France's two-round presidential election, the sitting president will finally hold his first election rally. He might need to take his gloves off at last. He is still the firm favourite. But the race is tightening in the final stretch. And a narrow second-round victory could spell trouble for a second-term president later on.

The average gap between Mr Macron and his nearest rival, the nationalist-populist Marine Le Pen, has narrowed from 13 points on March 15th to seven points two weeks later, according to *The Economist's* poll of polls. On March 29th our forecasting model still gave Mr Macron an 89% chance of re-election, and only a one-in-ten chance to Ms Le Pen. But two new polls suggest that, if the pair meet in the run-off as they did in 2017, his victory over her could be as narrow as 53% to 47%.

As Russia's war against Ukraine drags on, the poll bump that Mr Macron enjoyed from being at the centre of diplomatic efforts to end it has begun to wear off. The French still seem to credit their president for trying, despite his lack of success. But they are now worried about the effects of

the war on their wallets. Moreover, the initial damage suffered by three rival contenders—Ms Le Pen, the far-right Eric Zemmour and the far-left Jean-Luc Mélenchon—owing to their past sympathy for Vladimir Putin seems to have had a lasting impact only on Mr Zemmour. Indeed Mr Mélenchon, a wise-cracking anti-NATO firebrand who is against arming Ukraine, has crept up in the polls. With fully six candidates on the left, including a Communist and two Trotskyists, the sprightly 70-year-old is the tactical choice for leftist voters.

Furthermore, Mr Macron is now saying things that the French do not much care to hear. During the pandemic, he focused on spending “whatever it costs” to protect people and jobs. On March 17th he laid out his plans for a second term. Unlike his manifesto brochure in 2017, which was filled with smiling faces and exclamation marks, this year's displays sombre images and refers to the “brutal return of the tragic in history”. Mr Macron promises, among other things, to raise the pension age from 62 years to 65; to oblige beneficiaries of basic benefits to enrol in training or work; and to pay teachers more only if they take on more tasks. Mr Mélenchon offers a more appealing alternative: “Retirement at 65 with Macron, 60 with me.”

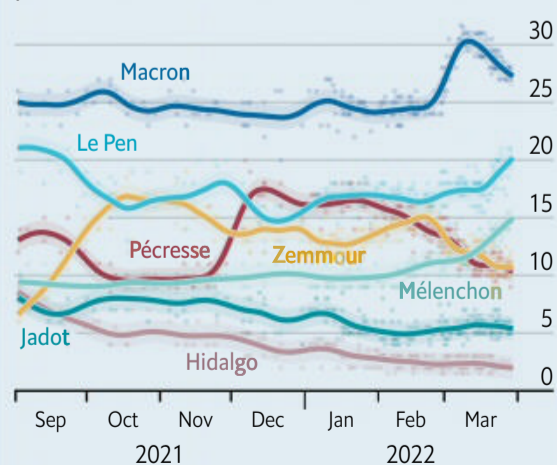
Charges that Mr Macron represents a cosy business elite have also resurfaced, after a report found the government spent €894m (\$1bn) on private consulting firms in 2021. This is in line with other countries, but seen as an affront in statist France.

Ms Le Pen, meanwhile, has campaigned deftly. On March 29th our model gave her an 84% chance of making it to the run-off. She has taken her promises to cut taxes on motor fuel and ease the cost of living to *la France profonde*, leaving ranting about immigration to Mr Zemmour. At a time when old fears about migrants and Islamism have given way to support for refugees fleeing Ukraine, his diatribes have jarred. At an outdoor rally in Paris on March 27th, before a crowd waving French flags, his supporters chanted “This is our home!”, an old far-right mantra. At one point, during a passage on the victims of terrorism, they broke into: “Macron, murderer.”

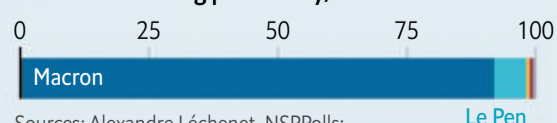
In short, despite having 12 candidates to pick from, voters on April 24th may, as last time, see a run-off between Mr Macron and Ms Le Pen. Some are already saying that, should he defeat her again, it would be a victory “by default”. Mr Macron can hardly be blamed for the mediocrity of his opponents, nor the poor campaigns of the mainstream left and right. Yet muttering about illegitimacy has already begun. ■

Still nothing much to worry about

France, voting intention in first round of presidential election, main candidates, %



Chance of winning presidency, at March 30th 2022



Sources: Alexandre Léchenet, NSPPolls; *The Economist's* French election model

➔ For interactive analysis of pre-election France, and the challenges the country's next president will face, go to economist.com/FracturedFrance

Charlemagne | Of bureaucrats and lovers

It will take years for Ukraine to become an EU member. Better start working on it now



BEING A MEMBER of the European Union is, like marriage, a binary thing: either you are or you are not. Unlike marriage, little romance is involved in getting there. Ukraine got a taste of this in 2013 when it negotiated an “association agreement” with the bloc, a deal to keep both sides sweet while they mulled a closer union. The document came in at 2,135 pages. It included 44 uses of the term *inter alia* and 12 *mutatis mutandis*. One annexe sets out the quality of paper (“not less than 25 g/m²”) and size (“210 × 297mm; a tolerance of up to minus 5mm or plus 8mm in the length may be allowed”) to be used in certain official correspondence. Even by the standards of pre-nups, it was charmless.

So firm has Ukraine’s belief been that its future lies within the European family of nations that such soullessness did not cool its ardour. In 2019 its aspiration to become a member of the EU was enshrined in its constitution. War has further fanned the flames of attraction, at least in one direction. Within a week of Russia invading on February 24th President Volodymyr Zelensky called for a shotgun wedding under a “fast-track” accession procedure. Europe, in full *mutatis mutandis* mode, has made clear that there is no such thing and rules are rules. These stipulate that aspirant members must adopt decades-worth of EU edicts on everything from how food is labelled to how banks are regulated. Even that only results in EU membership for those countries the club has committed itself to. Ukraine is not among them.

Europe needs to let go of the ablative absolutes and allow its romantic side to shine through. Yes, the EU has rules and these matter: how else could a marriage of French officiousness and Germanic efficiency have endured for six decades? And indeed Ukraine is not going to meet the accession criteria for several years yet. Nobody thinks it should become the EU’s 28th member immediately—not even Mr Zelensky, probably. But Ukraine craves a commitment that, if it carries out the necessary reforms over the coming years, it will be allowed to become a member of the club. To this Europe should say: “I will.”

Such a decision is principally one for national governments, all 27 of which need to agree on matters relating to enlargement. Plenty want at least to give Ukraine a “European perspective”, Euro-speak for starting the process of enlargement informally. The

eastern European states would like for it to be officially considered a candidate for membership, a step further in the complex accession process. Reluctance from old-timers such as the Netherlands and Denmark, as well as lukewarm French support, mean the EU thus far is only agreeing to “support Ukraine in pursuing its European path”, which is diplomatic lingo for nothing. The European Commission has been asked to produce a report, a time-honoured stalling tactic.

Ukraine’s misfortune—beyond sharing a border with Vladimir Putin’s Russia—is to have brought up the question of EU membership at a time when enlargement fatigue reigns. No new member has been let in since Croatia in 2013. A handful of accession applications from the western Balkans are essentially frozen. That is in part because governments in countries from previous waves of accession, notably Poland and Hungary, have not lived up to their commitments on corruption and the rule of law. Diplomats from founding countries of the EU mutter that they would be keener to divorce existing member states than tie the knot with new ones.

Ukraine is different. Becoming an EU member is a milestone for any country. But it would have special resonance in this case. Mr Putin, desperate to stop Ukraine from slipping out of Russia’s sphere of influence, derailed the signing of that association agreement in 2013. The ensuing Maidan protests in Kyiv featured a sea of demonstrators waving EU flags with more ardour than is ever seen inside the bloc. Dozens were shot and killed for it before a thuggish Kremlin-backed Ukrainian president fled to Russia. The EU deal was ratified in 2014. By then, Russia had annexed Crimea and invaded eastern Ukraine, a prelude to the current war.

Amor vincit omnia

Several arguments are made against giving Ukraine even informal assurances of future EU membership. Emmanuel Macron of France says one could hardly open talks about accession with a country at war. That is beside the point, as what Ukraine really wants is a promise that once hostilities cease it can start jumping through the required hoops—a process that took ten years for Croatia, and would take longer for a country needing reconstruction to boot. Mark Rutte, the Dutch prime minister, argues that immediate ways of helping Ukraine, such as supplying it with arms or imposing sanctions on Russia, matter more than long-term aspirations. Yet as Benjamin Tallis of the Hertie School in Berlin points out, the issue of EU accession is important enough for Mr Zelensky, a man with rather a lot going on, to keep bringing it up.

Some argue that any signal that Ukraine will one day join the EU might provoke Russia. Into doing what that it is not already doing, exactly? Others say it would complicate peace talks. Again, Mr Zelensky probably knows best when it comes to Ukraine’s national interest. Is there not a collective defence mechanism in the EU that would tie existing member states to Ukraine? In truth that carries little weight. Bending the rules and giving Ukraine a status other countries have earned through years of reforms would ruffle Balkan feathers. That is true, but manageable.

Much would need to go right for Ukraine to join the EU. It needs to fend off Russia, find a suitable peace then improve what until the war began had been a distinctly patchy record of reforms. If it pulls all of that off, letting a Europe-minded Ukraine into the club would not be a favour to Kyiv, as some stuffier member states seem to think, but a boon to the EU, too. As things stand European leaders are thinking with their heads, as bureaucrats are wont to do. But a union—any union—is a thing of the heart, too. ■



Northern Ireland

So close, so far

BELFAST AND DUBLIN

The Good Friday deal was supposed to defer the issue of Irish unity while old wounds healed. Then came Brexit

FOR IRISH nationalists, the border that has sliced through the island of Ireland since 1921 is a scar of British colonialism. For unionists, it delineates Northern Ireland's distinct British identity. The two sides settled into an uneasy peace after the Good Friday Agreement of 1998. Then came Brexit, and an awkward fix in the form of the Northern Ireland protocol, designed to avoid inflaming the old dispute. Now some hope, and others fear, that it will strengthen the all-island economy and speed political reunification. The reality is more complicated—and more fraught.

Before the Brexit referendum, support was strong in Northern Ireland for the status quo. But the administration in Stormont created by the Good Friday deal failed to provide good government. It has collapsed repeatedly as one side or the other withdraws in a huff, leaving Northern Ireland to be governed from Westminster or administered by local civil servants. Politicians shy away from tough decisions, blaming Westminster for their problems while relying on it for hefty subsidies.

Britain's vote to leave the European Union jolted this suboptimal equilibrium.

Northern Ireland voted to remain, and its politicians were ill-prepared for the fallout. The United Kingdom's departure from the EU's customs union and single market meant new customs and regulatory barriers. Neither the EU nor Britain's government wanted them on the island of Ireland, for fear that border infrastructure became a flashpoint. And so the protocol allowed goods to move freely between Northern Ireland and the Republic, instead imposing checks between Northern Ireland and Great Britain.

Alternative Ulster

The British government, however, has been slow to implement the barriers it had agreed to, not least because it denied there would be any. It has repeatedly delayed implementation, as well as showering traders with subsidies, for example by paying to issue health certificates for animal products going into Northern Ireland. On March 28th Brandon Lewis, the Northern Ireland secretary, said the protocol was “not sustainable” in its current form. Boris Johnson, the prime minister, has threatened to trigger Article 16, which would allow Brit-

→ Also in this section

— Bagehot is away

— Read more at: [Economist.com/Britain](https://www.economist.com/Britain)

ain to ditch parts of the deal—and almost certainly bring retaliation from the EU.

One consequence is that Northern Ireland's politics is becoming more fractious. In February Paul Givan of the Democratic Unionist Party (DUP), the biggest of those supporting the link with Britain, vacated the position of first minister in protest at the Irish Sea border, thereby collapsing the power-sharing administration. At first the party had reluctantly accepted the protocol, but now says it will not return to government as long as the border remains.

On the island of Ireland, unionists have always been a minority. That helps explain their insecurity and unease at anything that weakens Northern Ireland's ties with Britain and strengthens those with the Republic. In recent years the DUP has moved closer to the position of its fiercest critic within the unionist camp, Jim Allister, who left the DUP in 2007 to found the hard-line Traditional Unionist Voice party. He regards the Irish Sea border as intended to redirect Northern Ireland's trade with the island of Britain towards the Republic, as the precursor to a united Ireland. Northern Ireland, he says, has moved into “a waiting room for Irish unity”.

Others agree that the protocol brings unification closer—but see that as welcome. Ever since the IRA forswore terrorism, its political wing, Sinn Féin, has pursued a two-pronged strategy: press for referendums on reunification on both sides of the border and in the meantime harmonise policy as much as possible, in order to make unity look less daunting. ▶▶

Before the referendum in 2016, Sinn Fein opposed Brexit, despite having long been staunchly anti-EU. After the vote, it backed the protocol because it would boost trade on the island of Ireland, says Chris Hazzard, one of its MPs: "Trade, much like water running through the rocks, will find the path of least resistance." He, like many on his side in politics, thinks increased north-south trade will play a big role before any vote on unification, by strengthening cross-border connections and making Northern Ireland more prosperous.

Old trade ties are indeed being broken and new ones forged. An official survey last October found that between a fifth and two-fifths of businesses sending goods from Great Britain to Northern Ireland are reducing quantities. Lloyd Jones runs a business from Northern Ireland supplying Amazon; he complains that English suppliers have been reluctant to send him dried dogfood because of uncertainty over paperwork. Mr Johnson once claimed he had an "oven-ready" deal with the EU. "For me," says Mr Jones, "the chips are still stuck in the freezer."

Meanwhile, some of Ireland's exporters seem to be capitalising on the disruption. Between 2016 and 2019 the share of Northern Ireland's export sales going to Great Britain fell from 60% to 48%, while the share going to the Republic rose by around six percentage points. Ireland's statistics show a 31% average annual increase in the value of trade with Northern Ireland between 2019 and 2021. Much of that predates the protocol, which came into force in January 2021. And some is trade in vaccines and plastics for covid-proofing offices. But Fergal O'Brien of IBEC, a business association in the Republic, says that Brexit is driving some of the shift, as businesses "see reshoring or sourcing from Northern Ireland as reduced supply-chain risk".

Some economic activity has rerouted through Northern Ireland, as hauliers have shifted their operations to avoid the even tougher trade border between the Republic and Great Britain. Indeed, Northern Ireland's unique position, with privileged access to both the EU and British markets, has fuelled talk of Brexit opportunities. Almac, a pharmaceutical company, boasts of the "Almac Advantage" for just that reason. Official data published on February 24th suggested that Northern Ireland's economy had recovered more quickly than most other British regions from covid-19.

That is encouraging, as far as it goes. But if economic integration were to precipitate political union in Ireland, says Sir Richard Evans of the University of Cambridge, it would be a historical exception rather than the rule. Despite a German customs union in the mid-1800s, members took opposing sides in the Austro-Prussian war of 1866; the first world war happened

despite considerable European economic integration in the early 1900s. Newfoundland joined Canada because of economic distress rather than economic ties; similarly with Scotland signing the Act of Union that created the United Kingdom in 1707. Spain was unified by dynastic marriages; Italy by revolution and force.

There are reasons to be sceptical that Northern Ireland will buck this long-run trend. One is that, in some ways, the island may not be integrating at all. The Northern Ireland protocol covered goods but not services, where there are now new barriers. Another relates to the hope that a more prosperous Northern Ireland would make voters in the Republic more eager for unification. But uncertainty about Northern Ireland's economic and political status is deterring the investment that might make that happen. And the best estimates available suggest that all these new barriers will, in fact, make Northern Ireland poorer.

Although a long-standing arrangement between Ireland and Britain means citizens of either can live and work freely in the other, Brexit means that professional qualifications are no longer automatically recognised. And some positions in Ireland face stricter residency rules. For example, John Martin of the Road Haulage Association, an industry group, says these have meant haulage companies in Northern Ire-

land having to recruit extra transport managers in Ireland to manage their southern subsidiaries. A study published in March 2020 by Northern Ireland's Department for the Economy estimated that the impact of a bare-bones deal between Britain and the EU for trade in services would be equivalent to significant tariff increases for exporters in Northern Ireland trying to serve the Republic—from 4% to 9% for accounting services, for example, and from 5% to 14% for commercial banking.

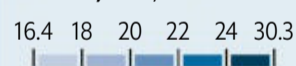
Both the British government's brinkmanship over the terms of the trade border between Northern Ireland and Great Britain, and political opposition to the protocol, make the business environment more uncertain. Last year rioting broke out in parts of Northern Ireland; in January a poll put unionist support for the protocol at just 2%. Officials carrying out border checks have received death threats. The DUP has briefed loyalist paramilitary groups, and in February loyalist anti-protocol protests resumed on the streets.

If the protocol survives until December 2024, Northern Ireland's assembly is scheduled to decide then whether to keep it. Moreover, Irish unification would make the Irish Sea border harder still—a point seemingly lost on those who argue that Northern Ireland's privileged position, with favoured market access to both Great

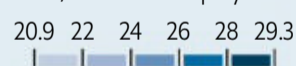
Islands within islands

Britain and Ireland

After-tax household income, 2019, £'000



Public administration*, 2018, % of total employment



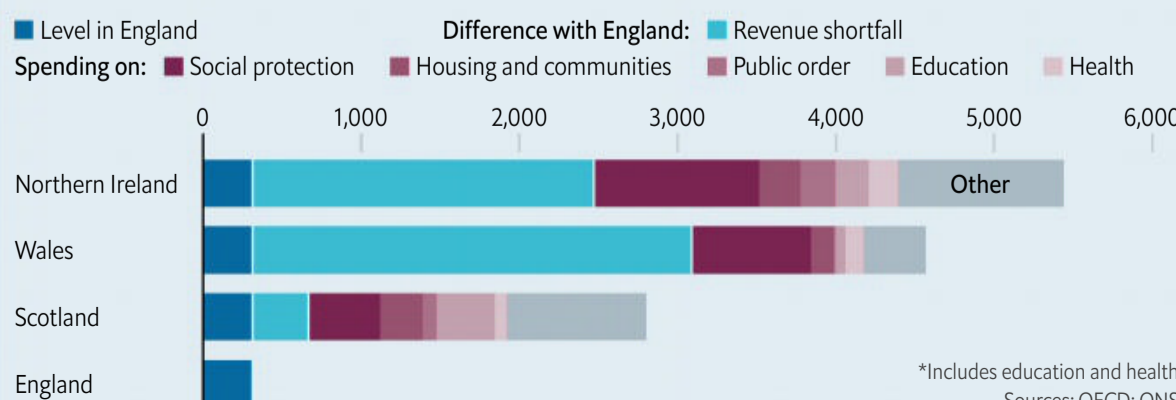
Population 2019, m



Northern Ireland 2019, population as % of



Deficit per person, by nation, 2019-20, £



*Includes education and health
Sources: OECD; ONS

► Britain and the EU, will hasten reunification, which would end those privileges.

As for prosperity, it is becoming clear that Northern Ireland's sweetheart deal merely softens the blow of Brexit, rather than averting it. The new way of doing things is more costly, says Peter Summer-ton of McCulla, a haulier: after all, were it not, it would already have become standard without Brexit. Previously, Northern Ireland's retailers were mostly stocked from distribution hubs in Great Britain. But he has recently opened a new hub for a major retailer in Mallusk, north of Belfast, which is supplying both Northern Ireland and Ireland with goods from the EU and Great Britain. A team of 20 is required to handle the new paperwork. A survey in January 2022 from Manufacturing NI, an industry group, found that only 7% of its members saw Northern Ireland's status as an immediate opportunity, and only 18% saw it as a long-term one.

According to Northern Ireland's statistical agency, two percentage points of Northern Ireland's 3% growth since 2019 was accounted for by the services sector, and 0.6 percentage points by the public sector. Production and construction each contributed 0.2 percentage points. That somewhat undermines the thesis that the economy boomed in 2021 because of superior access for goods going to the EU and Britain. Economists at Strathclyde University have estimated that, relative to no Brexit, in the long term Northern Ireland's investment will be depressed by 3.3%, its GDP by 2.6% and real wages by 3.9%.

That bodes ill for consent to unity in the Republic, where constitutional changes require a referendum, and where it is usual to set out proposals in great detail before any vote. Although unification has broad political support, once pollsters mention the price tag, respondents go cold.

Analysis by the Institute for Government, a think-tank in London, suggests that in the 2018-19 fiscal year, Northern Ireland's public-sector deficit was 19% of its GDP, or £9.4bn (\$12.4bn) more than its people paid in taxes—and that is before the protocol was signed or any long-run effects of Brexit could become apparent. For the United Kingdom, that is 0.4% of GDP; for Ireland, it is 5%. "If you follow the German unification model and you re-rate everything then the burden becomes seven or eight per cent of national income," says John Fitzgerald of Trinity College Dublin.

Cost is not the only reason citizens of the Republic might reject unification. They generally like the idea of more north-south trade, says Mary Murphy of University College Cork, but that sentiment is rather shallow. Unification would mean harmonising institutions, she points out, from the army and police to health and education systems. The Republic could not sim-



Pray for a bright, brand new day

ply expect Northern Ireland to fall into line. Its population accounts for 3% of that of the United Kingdom, but would be 28% of a united Ireland. The most basic matters, such as whether the new state would be unitary or whether Northern Ireland would have some form of devolution from Dublin, have barely been discussed. "If you've had this 800-year conflict with external forces on this island, you'd think there'd be a plan so persuasive that even Orangemen would give it a read," says Peter Shirlow of the University of Liverpool. "But there's nothing there."

North of the border, attitudes towards reunification are largely a matter of the heart, rather than the head. That is not so unusual internationally: Brexit showed that people do not always vote with their wallets; and Germany, that divided countries can be reunited despite great disparities and vast cost. For nationalists, uniting contentiously divided territory has a powerful patriotic allure. Unionists, too, identify strongly with their political position. Vernon Bogdanor, a constitutional expert at King's College London, remarks on the difference between the knowledgeable and positive representation of Northern Ireland's nationalists by the Irish government and even the EU, and how poorly understood unionists are in Westminster. That makes unionists think they have to be militant to be heard, he says.

When Ireland was partitioned in 1921, the position of the border was chosen to create a Northern Ireland populous enough to be viable, but small enough to be dominated by Protestants, who were concentrated in the island's north-east. Census results due this autumn are expected to show that, a century later, Protestants are now outnumbered by Catholics. This worries many Protestants, yet both the old tribes are now minorities, with growing numbers of other faiths or none.

A new and growing cohort of swing voters regard themselves as in neither camp, and many may be attracted to voting for unification because it would mean rejoining the EU. Moreover, to be Catholic no longer automatically equates to wanting unification—or to wanting it immediately. Research by Mr Shirlow shows that support for the union is less siloed than is support for reunification: "More Catholics support the union than Protestants support unity."

When the Good Friday Agreement was signed, a united Ireland looked like a matter for the distant future. The deal was vague on when a vote might happen, simply saying that the British government would call one if a majority in Northern Ireland looked likely to vote in favour. That moment has not arrived. A poll published in December found that a small majority of 54% wanted to remain part of the United Kingdom. (Other polls have found somewhat larger pro-union shares.) For their part, residents of mainland Britain seem not to care much one way or the other. A survey in April 2021 found that 46% would not be bothered if Northern Ireland left, and 11% would be pleased.

That poll in December also found that 51% in Northern Ireland thought that a referendum in a decade's time would favour unification. Another the previous month had found that 60% in the Republic would vote for a united Ireland—but also that support for unification fell to 41% when the cost was spelled out in the form of higher taxes. As long as support remains so shallow in the Republic, and so finely balanced in Northern Ireland, it is highly unlikely that any government, whether in Dublin, Stormont or Westminster, would consider calling a vote. If they did, however, an outcome that would have seemed inconceivable when the island was partitioned a century ago is no longer so: that Northern Ireland would say "yes please", and the Republic would say "no thanks".

What's done is done

In one sense Brexit makes a united Ireland seem more likely than it used to, because it has unsettled previously apathetic voters. It has also made it harder, both by increasing the cost to the Republic and by providing a worked example of the difficulties of radical constitutional change. The post-2016 years have been divisive for British society, but there was never the slightest possibility that the losing side in the Brexit referendum would take up arms. In Northern Ireland it might, however, especially if a vote for reunification was close and contested. The Irish border has survived for a century for the same reason it was first drawn: an Ireland united and independent of Britain against the wishes of hundreds of thousands of unionists would probably result in civil war. ■



Going viral

#Putin's War

Ukraine is the most wired country ever to be invaded

YOU HAVE probably seen the videos from Ukraine. There is the one where Volodymyr Zelensky, Ukraine's president, stands outside Kyiv's government quarter in dim light, pointing his smartphone selfie-style at himself and several senior officials. "We are all here," he declares, days after Vladimir Putin, Russia's president, sent his tanks across the border. Or the one a Ukrainian soldier took of his mates in a snowy field firing anti-tank missiles, set to a thumping techno soundtrack. Or the one where a Ukrainian woman approaches Russian soldiers and tells them to put sunflower seeds in their pockets so that, when they die, something useful will grow.

Each video generated millions of views and likes, reposts and remixes. They became part of the instant digital annals of the war, alongside images of Ukrainian tractors towing Russian tanks and audio of Ukrainian soldiers on an islet in the Black Sea telling an approaching fleet, "Russian warship: go fuck yourself", now a rallying cry at protests as far away as Tokyo.

The war in Ukraine is not, as some commentators rushed to declare, the "first social-media war". It is not even the first con-

flict to appear on a new generation of networks such as TikTok, launched in 2016. But Ukraine has become the most vivid example of how social media are changing the way war is chronicled, experienced and understood, and how that can change the course of a war itself. "Anyone who thinks it is a sideshow isn't paying attention to war and politics in the 21st century," says Peter Singer, co-author of *#LikeWar*, a book about social media and conflict.

Online chatter can shift public opinion, especially when pre-existing beliefs are reinforced. Posts on social networks have become crucial information for gatherers of open-source intelligence (OSINT) and conventional media alike. Social media can be an "instrument" for governments to achieve wartime aims, says Mykhailo Fedorov, Ukraine's minister for digital transformation, who has used Twitter to push for a "digital blockade" of Russia by global technology firms. The White House recently held a briefing on the war for 30 young TikTok influencers.

The war in Ukraine has saturated such apps. "What's new is the scale of it," Mr Singer argues. The sheer horror of the war

attracts attention. European audiences are fascinated because Ukraine is on their doorstep. Race and psychology may add to the mix: Western audiences may identify more with Ukrainians than Syrians, and thus more readily watch, share or like posts about Ukraine.

Ukraine is also more wired than other recent war zones. Some 75% of Ukrainians use the internet, according to the International Telecommunication Union, part of the United Nations. Internet access has remained stable in all but the most brutally besieged cities, thanks in part to satellite coverage. When Russian bombers began pounding Syria on behalf of Bashar al-Assad in 2015, 30% of Syrians were online.

The evolution of social media and communications technologies plays a role too. When Russia began its war in 2014, just 4% of Ukrainian mobile subscribers had access to networks of 3G speed or faster; this year, more than 80% are on high-speed networks, according to Kepios, a research firm. In 2014 just 14% of Ukrainians had smartphones, reckons Kepios; by 2020 more than 70% did, estimates GSMA, a telecommunications industry body. When Mr Putin launched his recent invasion, 4.6bn people were using social media globally, more than double the number in 2014. Social networks had limited capacity to display videos or live-streams in 2014, but are now heaving with them.

Such recordings are the latest stage in the evolution of the imagery of war. Before the camera, artists had to convince audiences they had witnessed the events they

depicted: “I saw this,” Francisco Goya wrote under one of the etchings in his classic series “The Disasters of War”. Photographers began documenting conflict in the mid-19th century, but cumbersome equipment and processes made capturing combat impossible. Instead, pictures tended to show the aftermath of fighting. The invention of lightweight, 35mm cameras made it possible to operate at the front lines. During the Spanish civil war, photojournalists took searing pictures that helped mobilise support for the resistance to Franco, such as Robert Capa’s image of a Republican soldier falling dead. With the Vietnam war, conflict came to television. Cable news carried the first Gulf war live. As the critic Susan Sontag wrote in 2002, “The understanding of war among people who have not experienced war is now chiefly a product of the impact of these images.”

Today’s instantly shareable smartphone photographs and videos take things a step further. Nathan Jurgenson, a social-media theorist, dubs such images “social photo” and “social video”, and reckons they function more as communication than documentation. “Images within the social stream evoke more than they explain; they transmit a general alertness to experience rather than facts,” Mr Jurgenson writes. Social photo and video add a rawer, more personal quality to the picture of war. “News reports give you the big bits, but a lot of what I’m seeing [online] is everyday life as the war makes it, like the lines for bread,” says Simon Kemp of Kepios. “Those scenes make it a lot more like, ‘Fuck, that could be me’—it makes it more human.”

Ukrainians have adapted deftly to the new information environment. It helps to have a charismatic, social-media-savvy leader in Mr Zelensky. His messages embrace the intimate aesthetic of social media, in contrast to his staid foe in Moscow. “It’s organic for him to use technology,” says Mr Fedorov, who ran digital operations for Mr Zelensky’s presidential campaign in 2019. “He wants to share, wants to spread the word, wants to convey his emotions—like a normal person.” Officials across Ukraine have adopted the approach.

The Ukrainian government has taken to social media to pursue various aims. On March 17th Dmytro Kuleba, the foreign minister, sought to embarrass Nestlé for refusing to cease operations in Russia by posting a meme-style image that contrasts “Nestlé’s positioning”—a picture of a healthy child—with “Nestlé’s position”—a picture of a dead child. The digital ministry launched a chatbot on Telegram that allows citizens to send videos and locations of Russian forces; it receives around 10,000 messages a day, which Ukraine’s army uses to supplement traditional intelligence. The government uses social media to spread everything from information

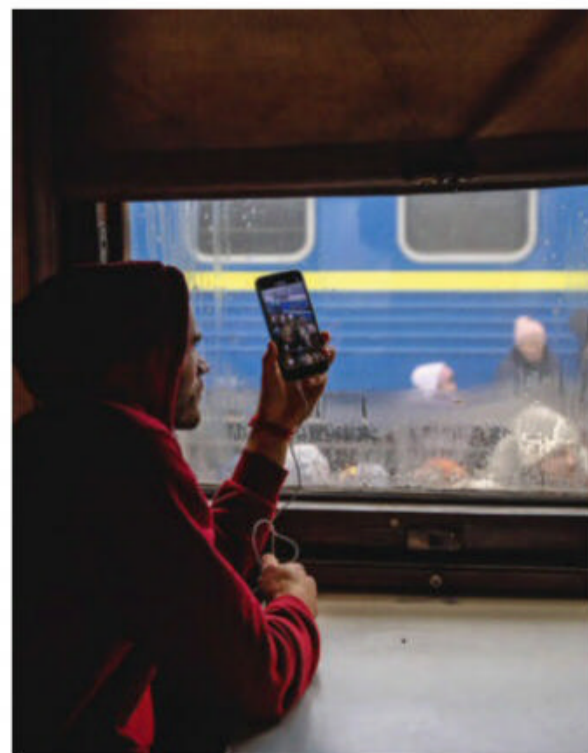
about evacuation trains to stories about heroic soldiers. The tales have been no less powerful even when untrue: the soldiers from the islet in the Black Sea were not killed after delivering their famous line, but captured, a fact that has done little to dent their reputation as martyrs.

The government has had plenty of help. Across Ukraine, public-relations specialists, designers and other media types have banded together through bottom-up networks that emerged within hours of the invasion. “Everybody is an information warrior these days,” says Liubov Tsybulska, who helps co-ordinate several teams. One group packages content aimed at Russians; another produces patriotic clips for a domestic audience; a third focuses on TikTok; a fourth churns out memes; yet others work to archive social-media posts for hoped-for future war-crimes tribunals.

Reality bytes

Just as Ukraine has shifted towards the West geopolitically in recent years, so has its online life. When Russia invaded in 2014, Ukraine’s internet culture, like its economy as a whole, was oriented towards Russia. The most popular social network was vk, a Russian platform. In recent years, Ukraine’s tech scene has boomed; many developers and designers work for Western firms. Ukrainian users speak to Western audiences in a common digital language. One TikTok user became a viral sensation by appropriating an Italian song often used in videos of users cooking pasta to take her followers on a tour of her family’s bomb shelter.

That has helped win hearts and minds in the West. At the end of last year 55% of Americans saw Ukraine as “friendly” or “allied”. Two weeks after Mr Putin’s bombs began falling, more than 80% of Americans did, a greater share than those who



Sharing the pain

thought the same of France or Japan, both longtime allies. Diplomats in Europe say similar shifts in public opinion there have helped galvanise support for sanctions against Russia and a more liberal approach to refugees from Ukraine. The real-time storytelling has also helped boost morale among Ukrainians. “We witness how a new narrative about Ukraine is being born and it gives us strength, gives us courage,” says Ms Tsybulska.

Russia has floundered on the information battlefield inside Ukraine as much as on the physical one, despite its reputation as a pioneer of disinformation. Russian forces have handed out flyers appealing to “comrades” and taken over radio stations to broadcast speeches by Mr Putin. “They’re using crap from the second world war,” says Kristina Berdinskykh, a Ukrainian journalist.

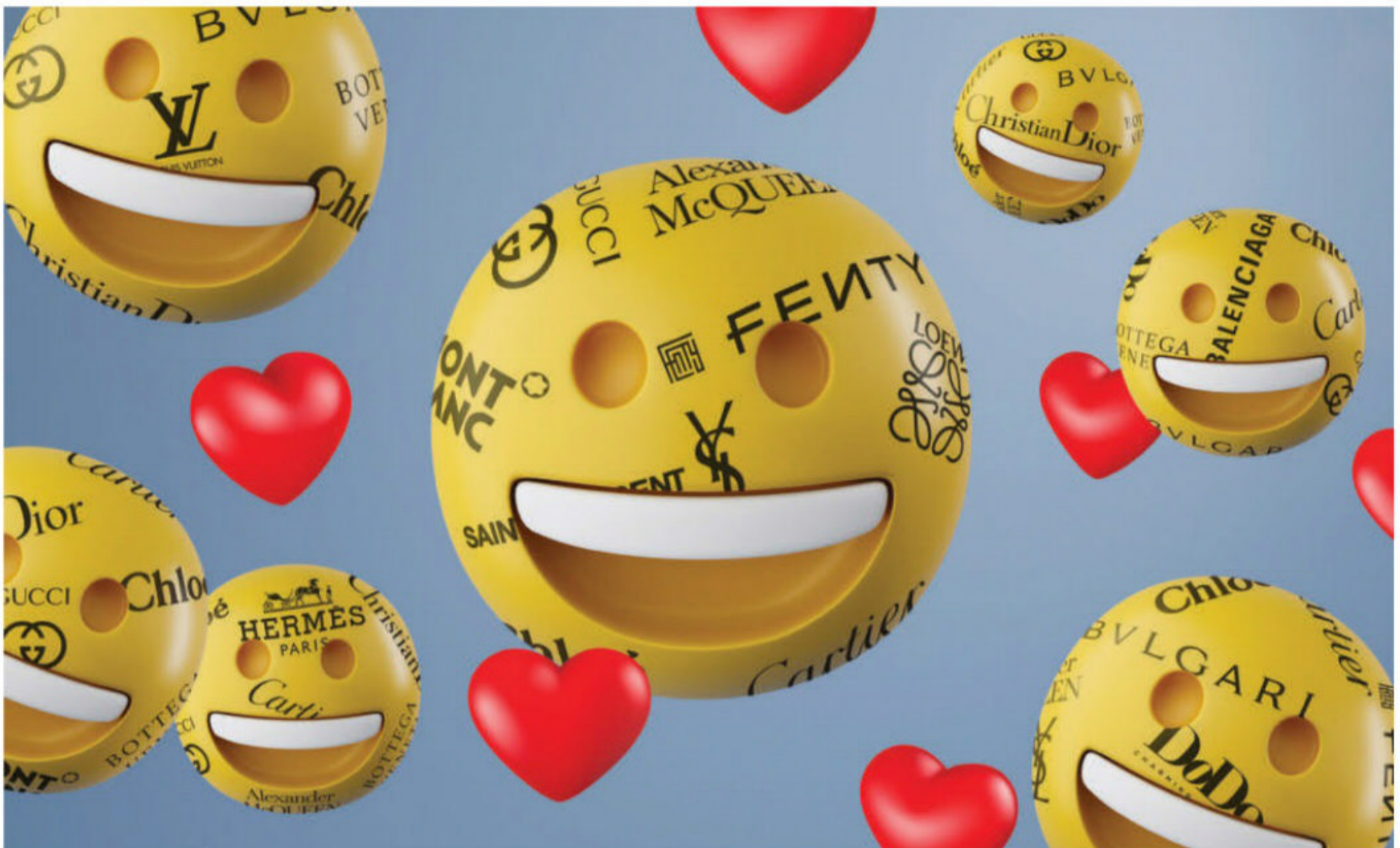
But the preponderance of Ukraine-friendly messages on Western users’ newsfeeds hardly means the information war is over. “The narrative that Ukraine has won the information war is complacent and not necessarily backed up by anything empirical,” Mr Miller argues. Researchers say that social networks’ unwillingness to share data makes it difficult to assess how information is spreading online.

Inside Russia, Mr Putin has kept a grip on the narrative by tightening the flow of information. Twitter, Facebook and Instagram have all been banned; users of TikTok cannot create new content. New censorship laws make calling the war a war punishable by up to 15 years behind bars. The authorities have created Telegram chatbots for citizens to inform on those spreading “incorrect information”.

Russian disinformation campaigns seem to be targeting Asia, Africa and the Middle East, tapping into anti-Western or anti-American sentiments, says Mr Miller. A team at Demos used semantic analysis of accounts pushing pro-Putin hashtags on Twitter and found a preponderance of activity in South Africa and India.

As the physical war settles into a bloody grind of attrition, so will the one for attention online. Westerners “like the stories about tractors and tanks, but not the stories about pregnant women suffering,” Ms Tsybulska sighs. “Tractors and tanks are entertainment, but if you acknowledge the suffering, we all have to do something.” Photographs did not end war by making suffering visible, as some hoped they would in the 19th century; neither will social images now. Yet they will continue to be posted and shared. As Ukraine demonstrates, real life is increasingly lived online, at peace and at war. ■

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The future of marketing

The rise of the influencer economy

PARIS

The business of influencing is not frivolous. It's serious

LUXURY BRANDS used to speak in monologues. News about their latest collections flowed one way—from the boardroom, via billboards and editorial spreads in glossy magazines, to the buyer. In the age of social media, the buyers are talking back. One group, in particular, is getting through to fashion bosses: influencers. These individuals have won large followings by reviewing, advertising and occasionally panning an assortment of wares. Their fame stems not from non-digital pursuits, as was the case with the A-list stars who used to dominate the ranks of brand ambassadors, but from savvy use of Instagram, Snapchat or TikTok. Their posts seem frivolous. Their business isn't.

For consumers, influencers are at once a walking advert and a trusted friend. For intermediaries that sit between them and brands, they are a hot commodity. For the brands' corporate owners, they are becoming a conduit to millennial and Gen-Z consumers, who will be responsible for 70% of the \$350bn or so in global spending on

bling by 2025, according to Bain, a consultancy. And for regulators, they are the subject of ever closer scrutiny. On March 29th news reports surfaced that China's paternalistic authorities are planning new curbs on how much money internet users can spend on tipping their favourite influencers, how much those influencers can earn from fans, and what they are allowed to post. Taken together, all this makes them impossible to ignore.

Few reliable estimates exist of the size of the influencer industry. One in 2020

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from the National Bureau of Statistics in China, where influencers gained prominence earlier than in the West, estimated its contribution to the economy at \$210bn, equivalent to 1.4% of GDP. As with many things digital, the pandemic seems to have given it a fillip, as more people were glued to their smartphones more of the time.

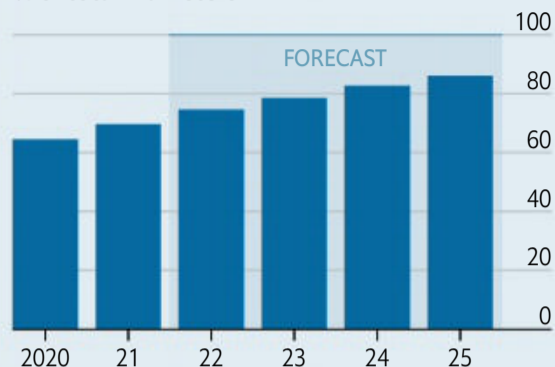
EMarketer, a firm of analysts, estimates that 75% of American marketers will spend money on influencers in 2022, up from 65% in 2020 (see chart on next page). Brands' global spending on influencers may reach \$16bn this year, more than one in ten ad dollars spent on social media. Research and Markets, another analysis firm, reckons that in 2021 the middlemen made \$10bn in revenues globally, and could be making \$85bn by 2028. The ranks of firms offering influencer-related services rose by a quarter last year, to nearly 19,000.

The influencer ecosystem is challenging the time-honoured tenets of luxury-brand management. Apart from being one-directional, campaigns have tended to be standardised, unchanging and expensive. An exclusive group of white actresses with the right cheekbones was supposed to signal consistency, as well as opulence. The same smile from the same photograph of the same Hollywood star would entice passers-by to purchase an item for many years. Julia Roberts and Natalie Portman have been the faces of Lancôme's bestselling La Vie est Belle perfume and Miss Dior, ▶▶

Growing influence

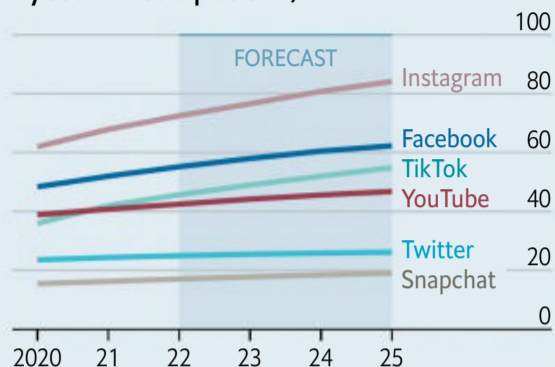
United States, marketers* using influencer marketing

% of total marketers



Source: eMarketer

By social-media platform, %



*Companies with 100 employees or more

▶ respectively, for a decade. Stars and brands alike are tight-lipped about how much money changes hands, but the figures are believed to be in the millions of dollars. One report put the amount spent by LVMH on the entire Miss Dior campaign at “under \$100m” in the past year.

Such star-led campaigns can feel aloof to teenagers and 20-somethings who prize authenticity over timeless glamour. And influencers, with their girl- or boy-next-door charm, offer this in spades—for a fraction of the fee of a big-name star. The best ones are able to repackaging a brand’s message in a way that is harmonious with their voice, their followers’ tastes and their platform of choice (Instagram is best for all-stars with over 2m followers and TikTok for niche “micro-influencers” with up to 100,000 followers and “nano-influencers” with fewer than 10,000).

Influencers are particularly adept at navigating social-media platforms’ constantly evolving algorithms and features. For example, when Instagram’s algorithm seemed to begin favouring short videos (“reels”) over still images, so did many influencers. As social-media apps introduce shopping features, influencers are combining entertainment and direct salesmanship. Such “social commerce” is huge in China, where it was invented. In October 2021 Li Jiaqi, better known as Lipstick King, notched up nearly 250m views during a 12-hour streaming session in which he peddled everything from lotions to earphones ahead of Singles’ Day, that country’s annual shopping extravaganza. He and Viya, a fellow influencer, flogged \$3bn-worth of goods in a day, half as much again as changes hands daily on Amazon.

Many influencers manage their production in ways that traditional ambassadors never could. They are video editors, scriptwriters, lighting specialists, directors and the main talent wrapped into one. Jackie Aina, whose beauty tips attract over 7m followers across several platforms, explains the importance of high-quality equipment that can show texture, accurate

colour grading—“Not to mention the lighting.” Ms Aina’s 30-second lifestyle TikToks can take hours each to make.

This production value, combined with access to the influencers’ audiences, translates into value for the brands. Gauging how much value, precisely, is an inexact science. Launchmetrics, an analytics firm, tries to capture it by tracing a campaign’s visibility across print and online platforms. The resulting “media impact value” (MIV) reflects how much a brand would need to spend to gain a given degree of exposure—itsself indicative of the expected return from a marketing drive. On this measure, which brands use to see how they stack up against rivals, the three-day wedding of Chiara Ferragni, an Italian with 27m Instagram followers, a fondness for pink and a Harvard Business School case study, generated a total of \$36m in MIV for brands including Dior, Prada, Lancôme and Alberta Ferretti, which made the bridesmaids’ gowns. That compares with \$25m for the more conventional—and almost certainly pricier—video campaign for Louis Vuitton’s autumn/winter 2021 collection for which the fashion house enlisted BTS, a hit South Korean pop group.

As well as new opportunities, influencers present new risks, especially for brands whose luxury identities rely on price discipline and exclusivity. Influencer-led live-streamed shopping events in China by Louis Vuitton and Gucci were ridiculed for cheapening their brand. And full-time influencers’ large teams can run up quite a tab. Adam Knight, co-founder of TONG Global, a marketing agency with offices in London and Shanghai, notes how Lipstick King’s live-streaming success has fuelled demand for his services among brands—but also his own kingly demands. Mr Li’s fees, commissions and exclusive perks only pay for themselves if the event is a smash hit. Otherwise, Mr Knight says, the client’s profit “just completely erodes”.

There are more indirect costs to consider, too. A host of younger and more unpredictable brand ambassadors is harder for

brands to control than one or two superstars on exclusive contracts with good-behaviour clauses. Though influencers’ shorter contracts make them easier to replace should they step out of line, untoward antics can be costly. Before the latest clamp-down Chinese authorities had already forced 20,000 influencer accounts to be taken down last year on grounds of “polluting the internet environment”. Luxury brands are reportedly cutting their influencer spending in China in response. Regulators around the world, as well as some social-media platforms, are beginning to clamp down on influencers who do not tag their content as advertorials.

Such worries explain why some luxury houses are leery of influencers. Hermès, the French purveyor of scarves and Birkin bags, maintains a social-media presence that is conspicuously influencer-free. But more feel the benefits outweigh the costs. Despite Louis Vuitton’s and Gucci’s live-streaming flops, LVMH and Kering, the brands’ respective owners, continue to rely on influencers to create social-media momentum. To be a top-ten brand, says Flavio Cereda-Parini of Jefferies, an investment bank, you have to know how to play the digital game. If you don’t, “you are not going to be top ten for very long.” ■

App store fees

Store wars

Laws and litigation threaten a big source of Apple’s and Google’s profits

WHAT DOES it take to rein in two of the biggest companies on the planet? A coalition of Swedish music-streamers, South Korean politicians and Dutch dating apps, apparently. They seem to be succeeding where America’s federal government has failed: to force changes to the way Apple and Google run their app stores.

The app stores are big businesses, with combined sales last year of \$133bn, three times the total five years earlier (see chart on next page). Apple and Google take a cut of up to 30%, which is thought to contribute a fifth of the operating profits at Apple and Alphabet, Google’s parent company. The 30% levy began in Apple’s iTunes music store and was copied to its iPhone app store, launched in 2008. As people came to use their phones for gaming, streaming and much else, it evolved into a tax on digital activity. Sign up to a service like Disney+ on your phone and Apple or Google get a cut of your subscription for ever. Apps have had to use the tech duo’s payment systems, and could not tell users about ▶▶



▶ other ways to sign up. Gripes from app developers have forced only minor concessions: last year Apple said it would let them link to external payment pages and Google reduced its fees for subscriptions. Now, though, the dam is bursting.

Last summer South Korea banned app stores from forcing developers to use a particular payment system. In December Dutch regulators made a similar ruling against Apple, after a complaint by developers of dating apps. On March 23rd the trend went global. Google announced a deal with Spotify, a vocal critic of app-store fees, to let the music-streamer handle its own billing. Google will lower its commission rate, probably in line with the four-percentage-point cut agreed in South Korea. It says more deals are on the way.

Google's magnanimity anticipates laws that may require bigger concessions. A bill before America's Congress would force app stores to allow payment alternatives and let apps advertise other ways to sign up. A bigger threat comes from the EU's Digital Markets Act (DMA), approved in draft form on March 24th. The colossal bill covers various aspects of digital markets, including app stores. The DMA, which is on track to come into force next year, would force mobile platforms to allow third-party app stores and "sideloading" of apps directly from the web—something Google permits but Apple does not. Offenders face fines of up to 20% of worldwide revenue and bans on acquisitions. Breaking open walled gardens, the DMA's proponents say, will strengthen competition.

Apple's boss, Tim Cook, has warned that sideloading would "destroy the security of the iPhone". That is a bit much: Apple allows sideloading on its desktop computers without calamity. But Apple's much bigger share of the mobile market could make the iPhone a juicier target for malware. And the company trades heavily on privacy and security. Despite what the authors of the DMA seem to believe, writes Benedict Evans, a tech analyst, you cannot "pass laws against trade-offs". ■

Covid-19 and business

Shanghai stops

Lockdowns strike at the heart of China Inc

"SNATCH GROCERIES first, then get a covid test" has quickly become an anthem for the lockdown that started suddenly in Shanghai in the early hours of March 28th. Local hip-hop artists CATI2, P.J. and Keyso describe scenes of panic buying—*qiang cai*, or snatching groceries—and the threat of being locked out of one's home amid a frenzied bid to control an outbreak of covid-19 in China's main business and finance hub. One lyric hints that residents can grow vegetables in the small patches of land outside their apartments or scavenge for edible plants.

The song attracted hundreds of thousands of views online in less than a day, bringing cheer to an otherwise grim situation. China is currently facing its worst outbreak since the pandemic started in the city of Wuhan in 2020. Thousands of new cases of the highly transmissible Omicron variant are being discovered each day. The large cities of Shenzhen and Shenyang, as well as the entire province of Jilin, have been locked down in recent weeks.

Now it is Shanghai's turn. The two-phase lockdown of the city, whose 25m inhabitants have been mostly spared harsh containment efforts in the past two years, was announced hours before it began at 5am. The local government had gone to great lengths to avoid shutting down the metropolis, especially its wealthy central districts. In coming weeks it will find it difficult to project an image of business as usual—because business is anything but.

The lockdown's first phase covers areas

east of Huangpu river, home to the main financial centre. Many white-collar workers have packed up toiletry bags and moved into their offices until April 1st, when the lockdown is supposed to be lifted in the east and imposed instead in western neighbourhoods. In order to keep the stock exchange running, employees are said to be sleeping on the floor of the bourse. Countless companies listed in Shanghai have put out statements in recent days to notify investors that they are shutting down their factories in the region and, in some cases, elsewhere in the country. Tesla is suspending production at its electric-car factory in the city, according to Reuters.

The pain will be felt abroad, too, just as it was amid the lockdowns in Shenzhen, another city deeply entangled in global supply chains. Although seaborne traffic can be diverted from Shanghai to other ports, such as Ningbo around 100km to the south, the cross-border flow of people is being disrupted. International flights have been rerouted to airports in other cities. Shanghai's tourism businesses are bracing for a year that will even worse than 2020.

The measures may stretch beyond eight days; parts of the city could remain closed once more cases are identified, as is likely given Omicron's transmissibility. One team of economists estimates that a one-month lockdown of Shanghai and its spillover effects would knock a staggering 4% off China's GDP in that period. Whatever the eventual cost, in the short run the Shanghai experiment is the biggest test yet of China's "zero-covid" approach to snuffing out the virus. Officials hope that "production bubbles", instituted in Shenzhen and other places to bus workers to and from factories in a covid-controlled manner, will work in Shanghai, too. If they do, China may be able to cling to its draconian strategy for longer. If they fail—as they might in the face of Omicron—the authorities will be under pressure to relent. ■



Unwelcome to China's business capital

Information technology in India

Outsourcing 2.0

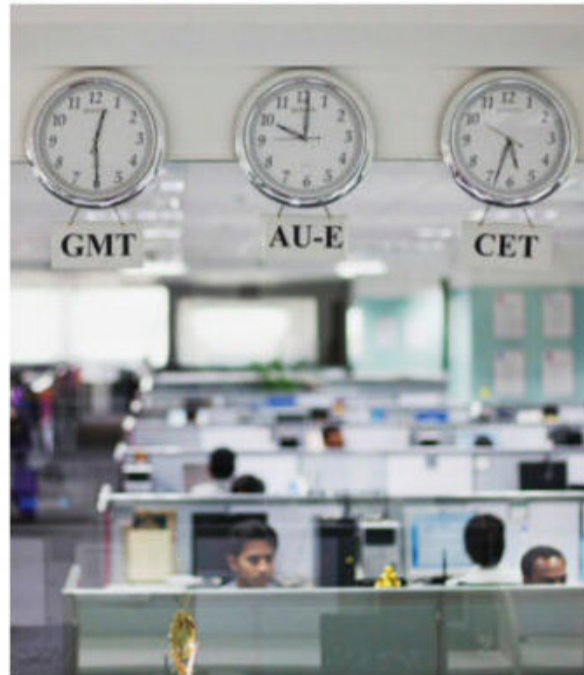
MUMBAI

A half-a-trillion-dollar bet on revolutionising white-collar work

TWO DECADES ago India's information-technology (IT) firms were the stars of the rising country's corporate firmament. The industry's three giants, Tata Consultancy Services (TCS), Infosys and Wipro, became household names at home and familiar to chief executives of big businesses abroad, who had outsourced their companies' countermeasures against the feared "millennium bug", expected to wreak havoc on computers as the date changed from 1999 to 2000, to Indian software engineers. By the mid-2000s the Indian IT trio's revenues were growing by around 40% a year, as Western CEOs realised that Indian programmers could do as good a job as domestic ones or better, at a fraction of the price. Then, following the global financial crisis of 2007-09, revenue growth slowed to single digits. For years afterwards the stars seemed to be losing some of their shine.

Now they are back in the ascendant. Having declined as a share of GDP between 2017 and 2019, exports of Indian software services ticked up again as the world's companies turned to them for help amid the disruption to operations and IT systems wrought by the pandemic. In the last financial year they reached an all-time high of \$150bn, or 5.6% of Indian GDP (see chart). NASSCOM, a trade body, expects the industry's overall revenues to grow from \$227bn last year to \$350bn by 2026.

In the 12 months to March sales at TCS, Infosys and Wipro are once again forecast to grow by double digits—this time from a much higher base than 20 years ago. All told, they could rake in nearly \$60bn next year, up from just over \$40bn in 2019. In



Their time has come

the past two years they have added an astonishing 200,000 or so people to their combined workforce, which now numbers nearly 1.1m. Add the Indian businesses of big Western IT-services firms such as Cognizant (which is based in New Jersey but India-focused), IBM and Capgemini, as well as smaller Indian rivals and around 1,600 "captives", as in-house Indian operations of foreign firms are known, and the headcount rises to 5m.

Both revenues and ranks of Indian IT look poised to keep growing briskly. Lalit Ahuja, who runs a firm that helps set up captives, says a new one opens every other week. TCS, the industry's brightest star, reckons that its sales will rise from nearly \$30bn today to \$50bn before 2030. The

company is eyeing 1m employees. Infosys and Wipro have comparable ambitions. And investors are buying it. The stock-market value of the big three has doubled to \$330bn since covid-19 first emerged. With the addition of Cognizant and Tech Mahindra, another Indian firm, the figure is around \$400bn. This represents a huge bet on the future of white-collar jobs.

Three global forces lie behind Indian IT's sparkling outlook. All manner of businesses are digitising ever more of their operations. They are moving more activities to the computing cloud. And work is becoming more remote. India's low-cost, competent coders can help with all three.

Start with digitisation. The pandemic has turbocharged efforts by companies of all stripes to make their businesses more agile, efficient and clever. Retailers have introduced kerbside pickup. Clinics have launched digital doctor's appointments. Schools have run online classes. Factories have been kitted out with sensors to allow remote monitoring in the absence of workers, locked down at home. Data from covid-19 vaccine trials have been crunched. All these innovations required sophisticated software. A lot of it has been developed in India since early 2020. And there is more to come. Among Infosys's projects are several connected to electric cars (including software for the vehicles themselves and for petrol stations to offer charging).

The corporate great migration to the cloud offers further opportunities. According to Anuj Kadyan of McKinsey, a consultancy, big ones include supervising the migration itself for clients, ensuring that the new cloud operations are cyber-secure and adding advanced cloud-based data analytics and artificial intelligence (AI) on top. Earlier this year JPMorgan Chase, an American bank, announced it would add 6,000 people to its substantial Indian business to work on the cloud, cyber-security and AI. IBM has opened a cyber-security centre in India to cater to its Asian clients.

Combined, digitisation and the cloud ▶▶

Software-withal

India, software-services exports*



Sources: Reserve Bank of India; Haver Analytics; Bloomberg; Refinitiv Datastream

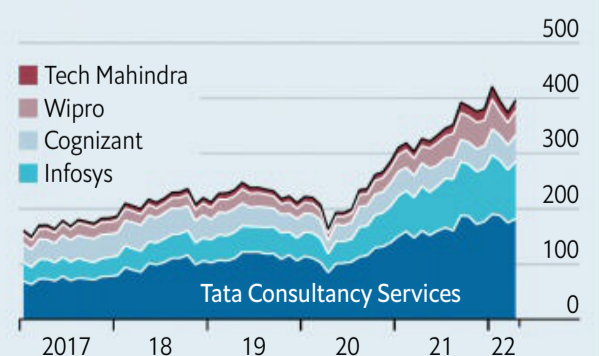
Revenues

% change on a year earlier



Market capitalisation

\$bn



*Includes foreign affiliates †Calendar years

▶ make it possible for companies to untether from their physical headquarters not just peripheral functions but parts of their ever more digital core business. Many have done just that during the pandemic, thanks to remote work. This opens up the third opportunity for India's IT consultants. They could assume some of the core corporate roles from white-collar workers in the rich world. Wages for new hires in India can be as little as \$5,000 annually, less than a tenth of the going rate in rich countries. Even factoring in other costs, Indian projects are at least 20% cheaper

than the same endeavours in the West, estimates Peter Bendor-Samuel, boss of the Everest Group, a consultancy.

A ballooning Indian "talent cloud", as TCS calls it, is the biggest opportunity of all. It is also the most uncertain. Some Western companies are having second thoughts about hybrid work (which requires at least partial presence in the office), let alone the fully remote sort. Indian wages are also beginning to rise. India's IT giants and captives are competing for the best and brightest among themselves, as well as with a vibrant startup scene. McKinsey estimates

that compensation costs have risen by 20-30% over the past year. Company executives say it is not uncommon for employees to ask for their wages to be doubled. Attrition at the big firms has spiked.

As the nature of outsourced work changes, the Indian advantage may erode further. It is easier for clients to outsource standardised assignments on the periphery of corporate functions to faraway India. It is harder to do so for high-value projects at the heart of their business, which require constant communication, continuity and confidentiality. For these reasons, ▶▶

Bartleby Managerial trolleyology

A corporate scandal and a thought experiment teach how not to sack workers

MANAGEMENT ENTAILS some unpleasant conversations, none worse than telling employees that they have lost their jobs. There is nothing enjoyable about giving people this kind of news. But it can be done well or it can be done badly—or it can be done in the style of Peter Hebblethwaite.

Mr Hebblethwaite is the chief executive of P&O Ferries, a ferry operator that carries passengers and freight between Britain and continental Europe. On March 17th the company told almost 800 of its workers on a video call that they were being replaced with immediate effect by cheaper foreign contractors. Security guards were on hand to escort the dismissed workers from the ships.

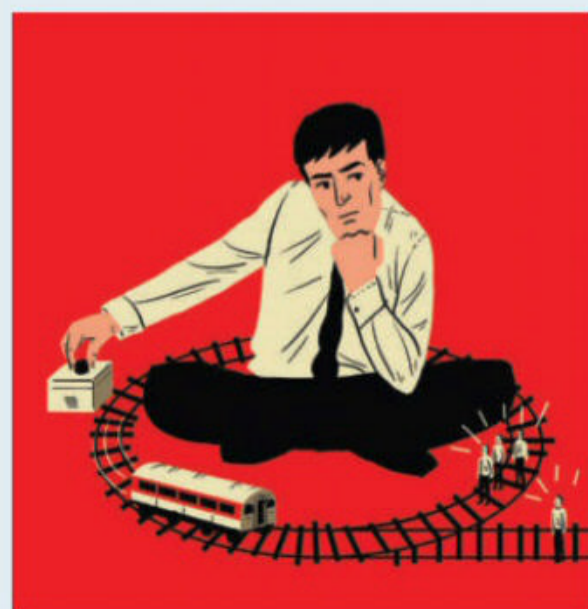
On March 24th Mr Hebblethwaite was hauled in front of a committee of British MPs to explain himself. "Are you in this mess because you don't know what you're doing, or are you just a shameless criminal?" was the first question. And that was before he made them really angry. He admitted he had not seen a safety-risk assessment into the implications of replacing the original crews with agency workers (two of the affected vessels have subsequently been held in port because of safety concerns). He openly acknowledged that the firm had broken the law by not consulting on the dismissals with trade unions, but that he would make the same decision again because the unions would never have agreed to the plans.

If you want to know what slack-jawed astonishment looks like, watch someone telling legislators that the law is not worth following. But what if you take Mr Hebblethwaite at his word—that the business was unsustainable and that the firm faced a choice between cutting some jobs immediately and losing them

all? This is a kind of managerial "trolleyology", the name given to a set of moral thought experiments involving a runaway railway carriage that is careering towards a group of people. In these experiments participants are asked whether they would intervene and sacrifice someone else in order to save the lives of others. Dismissing workers in order to save more jobs is the workplace version of this problem.

The Hebblethwaite approach to managerial trolleyology is a simple matter of accounting: saving 3,000 jobs is worth the loss of 800 workers. That meant moving fast, and not bothering with niceties like following the law or affording people due process or dignity.

But the point of trolleyology is that the brute logic of numbers often conflicts with moral intuitions. Ethical considerations can involve nuances of behaviour, not just outcomes. For example, people are much more willing to switch train tracks so the runaway carriage collides with someone else than they are to push someone off a bridge into the path of the train in order to slow it down.



In managerial trolleyology, too, behaviour matters—even to staunch utilitarians. It makes a difference how people are treated when they lose their jobs, and not just to those who are out of work. Callousness affects the morale of those who are left behind: recent research suggests that a toxic corporate culture is more likely to lead to employee attrition than any other factor. How firms handle redundancies also sends signals to prospective employees, customers and investors. Airbnb chose to publish the memo that Brian Chesky, its boss, sent to employees in May 2020, in which he used a blend of compassion and commercial logic to explain his decision to cut 25% of the workforce.

Displays of humanity can be good for the share price. A new study, from academics at the University of Zurich, the London School of Economics and Judge Business School at the University of Cambridge, looks at how chief executives responded to the outbreak of covid-19 in early 2020. The authors review transcripts of investor calls in which bosses discussed the pandemic, and find that whereas virtually all of them referred to its economic impact, only about half of them mentioned the human costs. The share prices of firms run by the more compassionate-sounding bigwigs outperformed the others in the early stages of the crisis and well beyond.

Every situation is different. The P&O debacle reflects specific aspects of maritime employment law, for example. But if you want a steer on how to handle mass redundancies, Mr Hebblethwaite does not provide it. Managers routinely have to make tough decisions about letting workers go. Whether to show some common decency in the process is not one of the harder ones.



proximity matters. At the very least, it means being in the same time zone as your client. Infosys and TCS now operate in more than 40 countries. Infosys has more than 30 outposts across America and is building a new \$245m campus in Indianapolis. The firm plans to add 10,000 American workers in the next few years, bringing the total to 35,000. “We needed capacity closer to the customers,” explains Ravi Kumar, who oversees Infosys’s global services business. Mr Kumar’s own job has relocated from Bengaluru to New York.

Still, India accounts for the bulk of its IT firms’ workforce. Although the companies are cagey about where their employees are based, securities filings by Infosys and Cognizant show that, give or take, three-quarters of staff are based in India. If India’s entire IT industry grew at the same rate as TCS, more or less doubling its workforce this decade, that could mean nearly

5m new Indian white-collar jobs—and potentially 5m fewer in the West.

This points to a final hurdle. Amid supply-chain disruptions from the pandemic, now compounded by Russia’s war in Ukraine, and a geostrategic contest with China, the West is in a protectionist mood (see Schumpeter). Few politicians would relish millions of well-paid positions moving to India on their watch. Critical visas that once allowed the Indian firms to send star employees abroad to work directly with clients have already grown harder to come by, forcing these positions to be filled locally. Although data can in theory be stored and analysed anywhere, governments are increasingly keen to limit cross-border information flows, often invoking national security. By building a few more campuses in Western countries India’s IT titans may alleviate some of those concerns. They are unlikely to make them disappear. ■

Asian conglomerates

Born to Vin

SINGAPORE

Vietnam’s Vingroup is making a bold leap into global markets. Too bold?

IN THE HEYDAY of Vietnam’s communist economy, comrades could expect their health care, education, housing and entertainment to be provided by the government. In the freeish-market Vietnam of today, those necessities are still purveyed by one dominant entity, albeit a capitalist one. Vingroup, the country’s biggest conglomerate, and its two listed subsidiaries, Vinhomes (a property developer) and Vincom Retail (which offers other real-estate services), jointly make up 28% of free-float shares in Vietnam’s stockmarket index (see chart). Their revenues are equivalent to nearly 2% of Vietnamese GDP.

Having made Vingroup into a dominant force at home, its founder and chairman, Pham Nhat Vuong, now wants to turn it into a household name abroad. In December the group announced plans to list VinFast, its electric-car division, in America this year, to open showrooms across the West, and to sell 42,000 electric vehicles (EVs) globally in 2022, up from a previous goal of 15,000. On March 29th, in the most audacious move yet, VinFast said it would invest \$2bn in its first foreign factory, to be built in North Carolina with capacity to make 150,000 EVs a year.

That is quite a ride for a firm that began life in 1993 making instant noodles in Ukraine, where Mr Vuong found himself after studying geological engineering in the Soviet Union. He subsequently expanded op-

erations to his home country and in 2010 sold the Ukrainian business to Nestlé, a Swiss food giant, for a reported \$150m. The Vietnamese arm became Vingroup. It has been accruing business lines ever since, turning Mr Vuong, who retains a majority stake in the parent company, into Vietnam’s richest man.

Between 2011 and 2021 Vingroup’s revenues exploded nearly 50-fold, to more than \$5bn. Gross operating profit has ballooned ten-fold in the past decade, to

around \$800m. Vingroup’s share price is also 50 times what it was at its initial public offering in 2007. It spun off Vincom Retail in 2017 and Vinhomes a year later, retaining majority stakes in both. These lucrative property businesses generate most of the parent company’s profits.

Now Vingroup wants more to come from techier sectors, says Le Thi Thu Thuy, Mr Vuong’s deputy at Vingroup and CEO of VinFast. In particular, the company is eyeing EVs. To that end, the group is rejigging its industrial divisions. Last year it wound down VinSmart, an unlisted subsidiary that had grabbed just over 10% of the domestic smartphone market with its own models, and launched two new EV-focused high-tech ventures: VINES, a battery-making subsidiary, and VinAI, a machine-learning arm which is led by a former researcher at DeepMind, Google’s artificial-intelligence unit, and whose task is to develop self-driving technology. As part of the electric shift VinFast will also stop making petrol-driven vehicles by the end of this year.

The plan is to conquer the global EV market with snazzy new models—and a crafty new business model. VinFast will sell cars while leasing their batteries, which account for a large chunk of an EV’s cost. That lowers the sticker price, as well as alleviating concerns about long-term decline in range as batteries degrade (the company will replace those which no longer recharge adequately). VinFast’s \$41,000 VF8 is one of the cheapest electric SUVs around, even after you factor in the \$100 or so monthly battery payments.

Vietnam’s president, Nguyen Xuan Phuc, whom Mr Vuong took for a spin in a VF8 at VinFast’s factory in Haiphong earlier this year, certainly looked impressed. Afterwards Mr Phuc reiterated just how Vingroup’s business objectives dovetail with the government’s economic goals. These include the creation of large, internationally competitive conglomerates in the mould of South Korean *chaebol* such as Samsung. No Vietnamese company fits the bill better than Vingroup.

Ambition does not, though, guarantee success. Vingroup’s industrial businesses, of which carmaking is by far the biggest, recorded a net loss of about \$1bn last year. Chris Robinson of Lux Research, an analysis firm, is sceptical about VinFast’s ability to compete with established carmakers like Volkswagen, which is ploughing billions into affordable EVs, or Tesla, the industry superstar. He reckons VinFast will struggle to win a big market share outside South-East Asia. Wall Street’s enthusiasm for upstart EV firms has chilled of late in America, which could dash VinFast’s hopes for a blockbuster New York listing. The world’s motorists and investors may prove harder to impress than Mr Phuc. ■



Schumpeter | War and wokery

Is cancel culture coming to free trade?



JEFFREY SONNENFELD is having what he calls a Marshall McLuhan moment—“15 minutes of prominence soon to subside back into obscurity”. That is because, not long after Vladimir Putin sent his troops into Ukraine on February 24th, the 68-year-old professor at the Yale School of Management drew up a list of firms withdrawing from Russia, helping catalyse a stampede out of the country—470 businesses have closed or cut back operations. His campaign has generated positive media reviews. It has also put him under siege from public-relations types trying to ensure that the companies they represent do not fall into his “hall of shame”.

The “Ukraine morality test”, as the *New York Times* called it, has dramatically raised the profile of a man already dubbed the “CEO whisperer”. Don’t believe it when he talks about returning to obscurity, though. He sees the withdrawal from Russia not just as a virtuous expression of repugnance against Mr Putin’s murderous regime. It is also a nail in the coffin of globalisation. It would be no surprise if he leads a CEO crusade against that next.

Mr Sonnenfeld is no stranger to the limelight. Indeed, he has become the high priest of a belief system in Western business which he started promoting almost 45 years ago, and which has at last come into fashion. He calls it business ethics. Its critics deride it as “woke” (“as if there is something wrong with the past participle of awakening,” he harrumphs). There is nothing too woke about why Western firms are pulling out of Russia. Some might call it high-minded but in most cases it is inherently pragmatic. It pleases customers and staff who are outraged by the war, and because Russia is a tiny part of most firms’ global revenues, it is immaterial from an investor point of view.

It is a slippery slope, though. Less than a year ago Mr Sonnenfeld was helping whip up scores of CEOs in America in a lather about changes to voting legislation in Georgia and other states. He has celebrated protests by business leaders over gun safety, immigration, climate change and transgender rights. He says that after the corporate pullout from Russia, his most recent powwow with chief executives revealed a sharp increase in their concerns about global supply chains, and a consensus about the need for more self-reliance. In other words, free trade may be next in line on the woke agenda. Amid applause for companies’ quick response to

Russian aggression, this ethical mission creep is a worry. Where do bosses draw the line as arbiters of rights and wrongs?

In an interview with your columnist, Mr Sonnenfeld elaborates on why he believes Russia’s invasion of Ukraine will mark a shift in support for globalisation. As he tells it, the era after the fall of the Berlin Wall engendered a “naive belief” that Western-style capitalism and products like McDonald’s hamburgers would usher in global harmony. Russia’s aggression has buried that notion, he reckons. Asked whether the CEOs he talks to want to change a system that has brought their firms profit, as well as helping lift parts of the world out of poverty, he says they do not want the pendulum to swing back completely to isolationism. But he discerns “diminished enthusiasm for limitless free trade”.

He is not alone in thinking that the war will tilt business opinion against globalisation. In his annual letter to shareholders, Larry Fink, boss of BlackRock, the world’s biggest asset manager, said on March 24th that he expected it to prompt companies to re-evaluate their supply chains, probably leading them to bring more of their operations closer to home, even if that means higher costs and margin pressures. Such sentiments gained ground amid the Sino-American trade war during Donald Trump’s presidency, then again amid high labour costs and logistical bottlenecks of the covid-19 pandemic. For the time being, statistics that bear out large-scale reshoring are hard to find. But some anecdotal evidence of it is popping up.

That may reflect nothing more than business pragmatism in action. More and better automation helps offset the higher wages in developed countries while reducing transport costs. As countries divide themselves into opposing camps, with China and Russia on one side and America and Europe on the other, their governments may encourage firms to invest domestically in vital technologies such as semiconductors to bolster security of supply. If domestic demand for firms’ goods is increasing, or being subsidised, it makes sense for them to meet it. Moreover, pressure by investors to put more focus on environmental, social and governance concerns may spur Western companies to think twice about having extended supply chains in hard-to-monitor places.

Autocrats in the c-suite

But when businesses wrap themselves in the flag, rather than standing up for pragmatism (and profits), things become more complicated. As bosses are no doubt aware, when pulling out of Russia, they are leaving the field open to local competitors with no qualms about supporting Mr Putin’s regime. They are abandoning Russian employees who may oppose their government. And their crowd-pleasing stance in Russia may help distract attention from other harmful externalities they are responsible for, such as the carbon footprints of their businesses. As with all ideological positions, there is a kaleidoscope of ways of looking at them.

Then there is democracy itself. Mr Sonnenfeld argues that companies are a rare force pressing for social and political change in Western society today. He sees the corporate campaign against Mr Putin’s regime in the same light as divestment from South Africa in the 1980s, which he argues helped bring about the end of apartheid. By being good citizens, firms are upholding and enforcing democratic values. Yet the idea of an unrepresentative coterie of unelected executives making moral choices on behalf of customers and employees could undermine faith in democracy, not shore it up. In a world at risk from autocracies like Russia, that would be a crushing own goal. ■



The natural-gas standoff

A little help from a friend

NEW YORK

America's gas frackers limber up to save Europe

“NO PAYMENT, NO gas”, growled a Russian government spokesman on March 29th. Angered by the West’s economic sanctions, President Vladimir Putin ordered that “unfriendly” countries must start paying for Russian natural gas in roubles, a demand that ministers from the G7 group of countries refused. Gas prices began to rise at the prospect that Mr Putin would turn off the taps. On March 30th Germany began bracing for the worst, taking its first step towards gas rationing. By the end of the day, however, the German government said it had received assurances that European firms would not have to make payments in roubles.

Even if an embargo has been averted, the latest confrontation surely strengthens Europe’s desire to relax Mr Putin’s grip on the economy. The EU has vowed to slash imports of natural gas from Russia, which made up some 40% of its consumption of the fuel last year, by two-thirds by the end of 2022. Ursula von der Leyen, the head of the European Commission, dreams that

the EU can “get rid” of Russian imports entirely within a few years. Can America, one of the world’s largest natural-gas exporters, help fill the gap?

When the Trump administration tried to persuade European officials to reduce their reliance on Russian energy by implementing policies to import more liquefied natural gas (LNG) from America—which it dubbed “molecules of freedom”—the proposal was ridiculed. Yet President Joe Biden finds himself doing something very similar to his predecessor. On March 25th he and Ms von der Leyen announced a “groundbreaking” plan to help end the EU’s reliance on Russian gas. It calls for American help in securing an additional 15bn cubic metres of LNG for Europe this year (equal to roughly a tenth of total European imports of Russian gas in 2021). It also promises to “ensure additional EU market demand” for 50bn cubic metres per year of the fuel from America by 2030.

Industry insiders have greeted the ambitious plan with scepticism. One reason is

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that American gas companies face severe infrastructure constraints. The share of American exports going to Europe shot up from 4% in 2017 to almost 30% last year (equivalent to 22bn cubic metres), as prices soared on the continent. America “has almost 100% of its liquefaction capacity already in use”, reckons Rystad, a research firm, meaning that “there is no additional LNG to be exported” in the short term. Jack Fusco, boss of Cheniere, a big American energy company, confirms that his firm is “maxed out”. It would take four or five years and tens of billions of dollars in investment, not to mention the fast-tracking of regulatory approvals, to change that.

There are also questions about whether the EU has the infrastructure to cope with the imports. Receiving cargoes of LNG and converting them into usable natural gas requires big facilities for regasification. Europe has spare capacity, but much of it is on the coasts of western countries like Spain and France. Poor interconnections mean that these are not very useful in getting imports to eastern parts of the EU, where an embargo would hit hardest. Germany, which has no LNG terminals, has vowed to build two, but that will take several years. Some European countries talk of acquiring floating LNG terminals, which can be set up more quickly—but there is a severe global shortage of them.

Look to the longer term, though, and the new approach to natural gas shows ▶▶

▶ more promise. That is because the EU appears ready to jettison its misguided hostility to long-term gas contracts, which it had discouraged as part of its effort to boost spot markets for gas. The intent had been to promote competition, but, as last winter's rocketing gas prices revealed, it also left Europe badly exposed to a supply shock. As a top American LNG exporter explains, Europe focused on expanding the spot market when it should have secured "fantastic" long-term pricing instead.

Now the commission says it will encourage long-term contracts "to support final investment decisions on both LNG export and import infrastructure". That should give investors in American export facilities the confidence to spend the billions required, boosting transatlantic trade. Giles Farrer of Wood Mackenzie, a consultancy, reckons that the infrastruc-

ture needed to achieve the aim of 50bn cubic metres of liquefaction capacity in America would cost roughly \$25bn, not including upstream investments and supply-chain inflation. Rystad thinks the spending needed to meet Europe's extra demand could be in the region of \$35bn.

Diversification away from Russia in the long term, then, may be possible. But that does little to help with the short-term problem of an aggressive Mr Putin. A rational calculus suggests that he should be unwilling to turn off the taps, considering he profits handsomely from high prices. Energy Intelligence, an industry publisher, reckons Gazprom earned \$20.5bn from European gas sales in the first two months of the year, nearly as much as it made from Europe in all of 2020. But few observers would dare to predict the actions of an increasingly erratic dictator. ■

Russian oil (1)

Diversions tactics

HONG KONG

What can Russia do to sell its unwanted oil?

ON FEBRUARY 22ND, two days before Russia invaded Ukraine, a German-flagged vessel left the Russian port of Primorsk loaded with 33,000 tonnes of oil. When it reached Tranmere, a British oil terminal, on March 3rd, it received a frosty welcome. Some dockers refused to unload the freight when they learnt where it had come from. Similar boycotts have sprung up elsewhere. Kayrros, a data firm, estimates that the volume of oil "on water" rose by nearly 13% in the fortnight after the invasion, in large part as undelivered Russian cargo sought new takers. The number of vessels returning to Russia also jumped.

Most of what has flowed out of Russia in recent weeks was bought and paid for before the war started. Now less oil is leaving the country in the first place. Worries about sanctions and bad publicity have prompted many buyers to pause purchases. On March 24th the volume of Russian seaborne oil exports, at 2.3m barrels per day (bpd), was nearly 2m below the level on March 1st, reckons Kpler, a data firm. As those barrels fail to sell, the price of Brent crude is nearing \$115. Yet for the countries willing to risk opprobrium and jump through new logistical hoops, Russian oil is beginning to look like a bargain.

The partial embargo of Russia has echoes with the blockade of Iran by the West in the 2010s, which led the Islamic Republic to put together an unrivalled playbook for smuggling oil. In May 2018 America imposed "maximum pressure" sanctions, with the aim of halting Iran's oil exports altogether. It almost succeeded: by October 2019 they had fallen to an average of 260,000 bpd, from 2.3m before the sanctions. Since then, however, they have revived a little, averaging 850,000 bpd in the three months to February 2022.

Iran manages to sell oil through two channels. The first is through authorised but restricted sales. As it imposed its sanctions America granted a limited exemption to eight importing countries. There is a big catch, however: the sales have to be made in the buyers' currency and either kept in escrow accounts at local banks or spent on a list of goods produced locally. For Iran that is deeply frustrating. In December it was forced to accept tea from Sri Lanka as payment for an oil debt valued at \$251m.

To circumvent the restrictions Iran smuggles vast quantities of oil—its second channel for sales. Iranian tankers sail to America's foes, such as Venezuela, with their transponders turned off. Some are repainted to hide their provenance. Others transfer their cargo in the high seas, often at night, to ships sailing under a different flag. Oil is also moved over land by smuggling gangs, says Julia Friedlander, a former intelligence official now at the Atlantic Council, a think-tank in Washington. Petroleum is bartered with China, Turkey and the United Arab Emirates against gold, pesticides and even housing projects in Tehran. Traders in Dubai, home to half a million Iranians, blend crude from the Islamic Republic with other, similar grades which they then rebrand as Kuwaiti oil.

Russia is unlikely to take a leaf out of Iran's book, mainly because, for now, it doesn't need to. The penalties imposed on Iran include secondary sanctions that threaten third-country banks dealing with it with huge fines. That makes overtly buying its oil risky. By contrast, Russia faces a weaker embargo. Only America, which did not buy much to begin with, has banned its oil. On March 25th Germany said it would cut its purchases by half, but it is unclear when that would start. Sales transmitted through pipelines, which are less conspicuous than shipments and represent about a fifth of Russia's total exports of crude, are still flowing. Secondary sanctions have not been imposed.

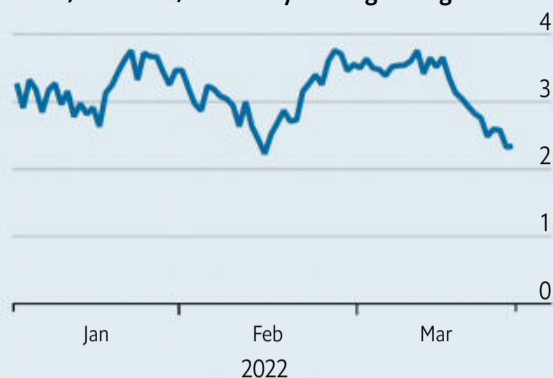
Instead seaborne exports have cratered because Western buyers, such as big energy firms, fear a public backlash. They also face logistical headaches as cautious banks cut credit, ship owners struggle to obtain insurance and freight costs soar. And each time sanctions are tweaked, says Antonia ▶▶



Going spare

Russian crude-oil exports

Total, m barrels, seven-day moving average*



Source: Kpler

By destination, m barrels per day*



*Excludes CPC, a Kazakh-Russian blend

► Tzinova of Holland & Knight, a law firm, compliance staff must study hundreds of pages of legalese, making many Russian deals hardly worth the hassle. As a result, Urals crude, the grade pumped out by Russia, is currently trading at a discount of around \$31 a barrel. One trader expects the gap to hit \$40 within a week's time.

Two big countries that have not joined in with the West's sanctions—India and China—sense a bargain to be had. India is certainly acting on the opportunity. Russian ship loadings headed for the subcontinent are expected to have risen to 230,000 bpd in March, up from nothing in the previous three months (this excludes CPC, a blend of mainly Kazakh and Russian crude). Yet India is unlikely to buy much, at least in the short term. Nearly half its imports come from the Middle East, and shipping from the Gulf is much cheaper than shipping from Russia. Payment cannot be settled in dollars, requiring India to experiment with a rouble-rupee mechanism (see next story).

Adi Imsirovic, a former oil-trading boss of Gazprom now at the Oxford Institute of Energy Studies, does not see India buying more than 10m barrels a month. This is small, considering that Russia's pool of unwanted oil is expected by the International Energy Agency, an official forecaster, to reach 3m bpd in April.

Only China, then, can save Russia. It imports a total of about 10.5m bpd (11% of the world's daily production). Mr Imsirovic thinks China could opportunistically increase its purchases to 12m bpd. That could allow it to buy 6m from Russia in relatively short order. It helps that China has lots of empty storage.

None of this is happening yet. Even for China, transporting oil from Russia has become harder. Whereas shipment from Russia to Europe usually takes three or four days, to Asia it takes 40. Oil must be loaded onto bigger tankers, which is slow and costly. Chinese banks are loth to lend.

Payment is another problem. Financiers in Hong Kong, who have ample access

to greenbacks, have helped North Korea receive hard currency in the past. But Russia's energy deals would be far too large to hide in the city's financial system, says a trade lawyer. And its main regulator would not turn a blind eye to such dealings, lest they lead America to suspend Hong Kong's ability to clear dollars locally, a privilege central to its economy.

One fix, however, is for Russia to use Chinese bank accounts within China to receive payment in yuan. Those accounts could then be used to finance imports of essential goods, avoiding the cross-border dimension of trade accounting.

China may also be biding its time. Even

with the extra costs, buying Russian oil would save lots of money. And Chinese traders know a bargain when they see one: when the oil price neared single digits during the covid-induced downturn of 2020, they stocked up to the gills. As Russia's trading position weakens, the Urals discount will go up. So will China's purchases.

Such a move will not be easily reversed. Most refineries are configured to guzzle certain types of crude, meaning switching from the high-sulphur Urals variety to, say, Saudi Arabia's super light takes time and money. That in turn suggests Russia's push into Asia and Europe's scramble for supplies could reshape the global market. Much of North Sea oil usually goes east; more of it might now stay in Europe. The continent will probably also buy more from West Africa and America, and crank up its imports of sulphur-rich grades from the Gulf. The rest of the world—Asia included—will have to content itself with what Europe does not want. Oil from the Tupi field in Brazil already trades at twice the premium to Brent than usual.

The result of this more fragmented global oil-trading system will be a structurally higher price for importers. Until the war petroleum generally flowed seamlessly from oilfields to the fuel tanks that needed it most. Now, says Ben Luckock of Trafigura, a trading firm, that finely tuned system has been disrupted. ■

Russian oil (2)**Side channels**

MUMBAI

India grapples with the new realities of the global oil market

NOTHING SHORT of outright war and plague is as likely to tank India's economy as much as rising oil prices. Petroleum products made up more than a quarter of the country's overall spending on imports last year—more than for any other big economy. Could cheap Russian crude lower the bill?

India has refrained from condemning Russia for its invasion of Ukraine, even as the West has imposed sanctions. But big Russian banks have been cut off from the SWIFT messaging system used for cross-border transactions and American measures have largely blocked the use of dollars, complicating trade. Sergei Lavrov, Russia's foreign minister, was due to visit Delhi on March 31st, after we wrote this. One item on the agenda was expected to be finding ways to work around sanctions to enable Russian oil sales to India.

Oil-and-gas firms in the two countries

already work together. ONGC Videsh, the Indian government's overseas oil-and-gas exploration and production arm, is involved in three projects in Russia, for instance; Rosneft, a Russian state-owned giant, owns 49% of Nayara Energy, a Mumbai-based firm with 6,000 filling stations and a large refinery in Gujarat.

Yet overall oil trade between the countries is limited: according to India's government, less than 1% of its oil imports last year came from Russia. The fact that trade is a mere trickle is a reflection of geography rather than politics. India bought oil from Iran, another country that faced American sanctions, until about 2019. But Iran is separated from India only by a body of water. By contrast, there are neither direct overland routes nor short water crossings from Russia to India.

In recent weeks a spate of reports in the Indian media have detailed new purchase ►►

► agreements for Russian crude by Indian state-run oil companies. Hindustan Petroleum was said to have purchased 2m barrels and Indian Oil 3m barrels; Mangalore Refinery and Petrochemicals has sought to buy 1m. Others are said to have made bids for Russian oil, too.

All told, the amount comes to perhaps 15m barrels, around three days of India's consumption. But this is seen as the first sign of closer engagement. Russia is said to have offered to pay transport and insurance costs, while offering steep discounts.

The main difficulty, though, is pay-

ments. To deal with Iran after it came under sanctions in 2011, India used Uco Bank, a state-run firm with foreign operations that extended only to Singapore, Hong Kong and Tehran, and which was therefore outside the West's regulatory net. This time around, however, Singapore has cracked down on Russian transactions, meaning Uco cannot be used.

India's government and central bank are therefore mulling other options. One idea that is reportedly being considered is using SPFS, Russia's alternative to SWIFT, to conduct cross-border transactions,

which would circumvent the dollar's financial plumbing. Another proposal, according to the *Economic Times*, involves using the Indian operations of several large Russian banks as a conduit for transactions, by opening rupee accounts for Russian exporters.

The problem, however, is that trade between the two countries is unbalanced: India imports more than twice as much from Russia as it exports, which would leave Russian sellers holding on to unwanted rupees. Plenty for Mr Lavrov and his hosts to chew over. ■

Buttonwood Late to disinflate

Can the Fed pull off an "immaculate disinflation"?

FIGHTING INFLATION gets harder the longer it is put off—and the Federal Reserve has waited quite a while. For most of 2021 the central bank said that it had the tools to slow price rises, but saw no need to put them to use. Now investors are coming to terms with the fact that the Fed will have to deploy them at scale. Since March 1st the three-year Treasury yield has risen by more than a percentage point, the biggest absolute change since yields collapsed in January 2008 during the global financial crisis.

The move reflects the emergence of expectations that the Fed will increase interest rates by another two percentage points this year, having already raised them by a quarter of a point on March 16th. The impact has been felt worldwide. On March 28th the Bank of Japan promised to buy Japanese government debt in unlimited quantities over four days in order to defend its cap on the ten-year government-bond yield. The yield on ten-year German bunds, which turned positive only in January, now stands at over 0.6%, even as soaring energy prices darken the growth outlook.

The most important question for bond investors in America is whether the higher interest rates that are arriving hard and fast can bring about a fabled "soft landing", in which the heat is taken out of the economy without provoking a recession. Past experience suggests that this will be difficult; tightening has often preceded downturns. Jerome Powell, the Fed's chairman, has pointed to successful soft landings in 1964, 1984 and 1993. But those comparisons do not account for the difficulty of the present situation. In none of those cases did the Fed let inflation rise as far as it has today.

The central bank's latest projections are rosy, portraying what its critics have

dubbed an "immaculate disinflation": three years of steadily falling inflation, despite GDP growth remaining above its long-run trend and both the unemployment rate and the Fed's policy rate remaining unusually low. Mr Powell may have given up calling inflation "transitory", but these forecasts make sense only if inflation goes away of its own accord.

It seems likelier that the central bank will have to squeeze inflation out of the economy. Noting that there is no precedent for doing so gracefully, Bill Dudley, a former head of the New York Fed, wrote in a *Bloomberg* column on March 29th that a recession was now inevitable. The r-word is also in the air because yields on some short-term bonds have risen above those on longer-term bonds. Such a yield-curve "inversion" suggests that investors expect interest rates to be cut eventually as the economy weakens.

An inverted yield curve is often regarded as a sign that markets think the central bank is making a mistake. The uncomfortable truth, however, is that a recession and a mistake are not the same thing if causing

a downturn is the only way to restore price stability. In the 1980s Paul Volcker's Fed vanquished inflation by inducing recessions that pushed the unemployment rate to 10.8%. Nobody accuses it of having done so inadvertently; rather, it chose to pay the high price of disinflation. That is not a position in which today's central bankers want to be; they talk as much about their duty to support jobs and growth as they do about ensuring stable prices.

The good news for Mr Powell is that for all the chatter about the yield curve, investors remain mostly on his side. Most economists put the neutral level of interest rates, at which monetary policy is pressing on neither the accelerator nor the brake, at around 2-2.5%. Both the Fed and the bond market expect the policy rate to overshoot that level only slightly. Rates a notch or two above neutral can hardly be compared with Volcker's tightening. The market expects immaculacy, too, believing that modestly tight money will be enough to control inflation.

The recent predictive record of both central bankers and bond markets has been poor, however. Just a year ago the Fed's message was that it was not even "talking about talking about" tightening monetary policy, and investors expected consumer prices to rise by just 2.7% over the following year. If they are caught out again, the Fed could find that meeting its inflation target demands that it induce a recession. The yield curve would then invert more steeply.

In that scenario America would pay a dear price for the glacial pace of action in 2021, which was justified, ironically, by the supposed dangers of sudden moves. It has left the central bank, the world economy and asset prices on more perilous ground.



Russia's economy

Wounded bear

Under unprecedented sanctions, how is the economy holding up?

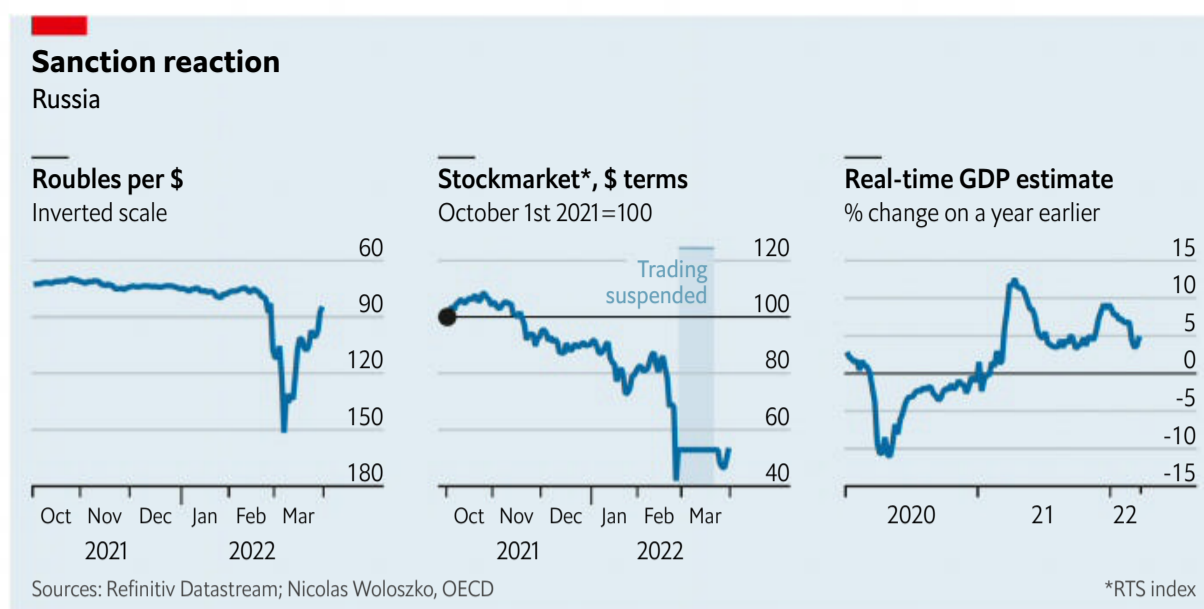
IN RESPONSE TO Russia's invasion of Ukraine, the West launched an economic war. America banned the sale of a wide range of goods to Russia; big companies pulled out by the dozen; and a number of countries together froze 60% of the central bank's international reserves. The idea was to send Russia's economy into free fall, punishing President Vladimir Putin for his aggression. In the week after the invasion the rouble fell by more than a third against the dollar, and the share prices of many Russian companies collapsed.

Is the West's strategy still going to plan? The chaos in Russian markets seems to have subsided. Since its low in early March the rouble has jumped, and is now approaching its pre-war level. The main benchmark of Russian stocks plunged by a third, but has since stabilised. The government and most firms are keeping up with their payments on foreign-currency bonds. A run on banks that saw nearly 3trn roubles (\$31bn) withdrawn came to an end, with Russians returning much of the cash to their accounts.

A battery of policies has helped stabilise the markets. Some are orthodox. The central bank has raised interest rates from 9.5% to 20%, encouraging people to hold interest-bearing Russian assets. Other policies are less conventional. The government has decreed that exporters must convert 80% of their foreign-exchange proceeds into roubles. Trading on the Moscow stock exchange has become, to use the central bank's euphemism, "negotiated". Short-selling is banned, and non-residents cannot offload stocks until April 1st.

The real economy, though, is in some ways the mirror image of the financial one: healthier than it seems at first glance. A weekly measure of consumer prices shows that they have risen by more than 5% since the beginning of March alone. Many foreign firms have pulled out, cutting the supply of goods, while a weaker currency and sanctions have made imports more expensive. But not everything is surging in price. Vodka, largely produced domestically, costs only a bit more than it did before the war. Petrol costs about the same. And though it is early days, there is little evidence yet of a big hit to economic activity.

According to an estimate based on internet-search data and produced by the OECD, a rich-country think-tank, Russia's GDP in the week to March 26th was about



5% higher than the year before. Other "real-time" data gathered by *The Economist*, such as electricity consumption and railway loadings of goods, are holding up. A spending tracker produced by Sberbank, Russia's largest lender, is slightly up year on year. Part of this reflects people stockpiling goods before prices rise: spending on home appliances is especially strong. But spending on services has fallen only a bit, and remains far healthier than it was during much of the pandemic.

Russia seems sure to enter a recession this year. But whether it ends up faring as badly as most economists predict—the wonks are pencilling in a GDP decline of 10–15%—depends on three factors. The first is whether ordinary Russians start worrying about the economy as the war drags on, and reduce spending—as happened in 2014, when Russia invaded Crimea. The second is whether production eventually grinds to a halt as sanctions block firms' access to imports from the West. Russia's aviation sector looks particularly vulnerable, as does the car industry. Yet many big businesses that started during Soviet times are used to operating without imports. If any economy could come close to coping with being cut off from the world, it would be Russia's.



Paying the price of war

The third and most important factor relates to Russia's fossil-fuel exports. Despite the many sanctions imposed on it, Russia is still selling about \$10bn-worth of oil a month to foreign buyers, equivalent to a quarter of its pre-war exports; revenues from the sale of natural gas and other petroleum products are still flowing in, too. This provides a valuable source of foreign currency with which it can buy some consumer goods and parts from neutral or friendly countries. Unless that changes, the Russian economy may continue to defy the worst predictions. ■

Emerging economies

Menu costs

WASHINGTON, DC

Surging food prices take a toll on poor economies

THE SRI LANKAN economy was in danger well before Russian tanks began rolling into Ukraine. Burdened by foreign debts and squeezed by the effects of the pandemic on its tourist receipts, Sri Lanka's government dithered over approaching the IMF for help as the year began. Now a devaluation of the currency and the impact of the war on commodity markets is sending consumer prices soaring. Troops have been deployed to calm the crowds queuing for fuel, and a debt default may be unavoidable. As the prices of everything from oil and gas to corn and wheat surge, other countries may fear a similar fate.

Food makes up a modest share of households' budgets in the rich world, but accounts for more than 20% of consumer spending across most of the emerging world and about 40% in sub-Saharan Africa. Prices had already risen substantially over the past couple of years, owing to interruptions to production and extreme weather. Global food prices, in real terms, ▶▶

approached an all-time high in February, according to an index maintained by the UN Food and Agriculture Organisation. They will have only gone up further since.

One consequence of this is a surge in poverty. The Centre for Global Development, a think-tank, estimates that 40m people worldwide will be pushed into extreme poverty as a result of Russia's invasion of Ukraine. (By comparison, the World Bank estimated in 2021 that roughly 100m people may have fallen into poverty because of the covid-19 pandemic.) High commodity prices will also add to macro-economic strains in many places.

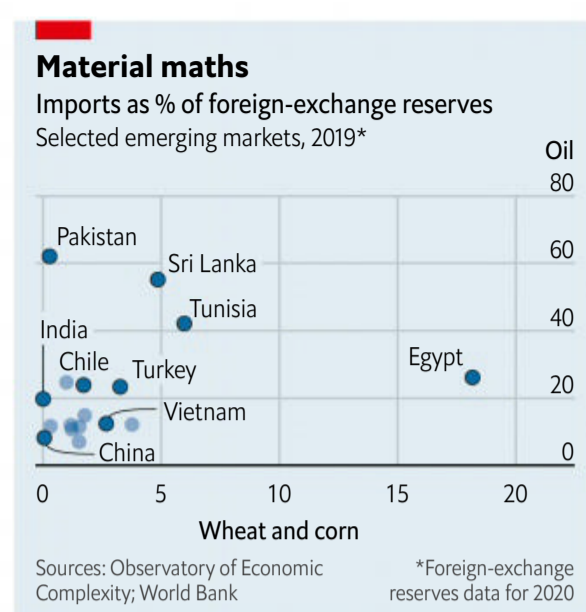
Total debt across emerging and developing economies stood at a 50-year high last year, relative to GDP. The cost of servicing those borrowings is rising, as central banks worldwide begin pushing up interest rates in order to check inflation. The tough economic conditions are weighing on emerging-market currencies, raising the cost of foreign-currency debt and forcing governments to drain currency reserves in order to shore up exchange rates. Higher commodity prices could also further complicate the fiscal picture for emerging economies, given that many governments offer generous food and energy subsidies to households.

Sri Lanka's case is illustrative. Its foreign-exchange reserves shrank from more than \$8bn in 2019 to around \$2bn earlier this year. Though the government has sought aid from both India and China, it will almost certainly require help from the IMF, with which it is expected to begin negotiations in April (and which may ask for a reduction in subsidies as part of any rescue package).

Egypt has also struggled. It imports nearly two-thirds of the wheat it consumes, the vast majority of which comes from Russia and Ukraine. At a pre-pandemic level of consumption, Egypt's annual bill for food and energy imports amounts to about 40% of its foreign-exchange reserves (see chart). Sensing trouble, foreign investors began pulling money out of the country, which in turn forced the government to devalue the currency by 14%. On March 23rd it officially sought the IMF's help.

According to estimates by the World Bank, at least a dozen countries may find themselves unable to service debts over the next 12 months, as stores of hard currency run low. Some south Asian and north African economies are in danger; Pakistan and Tunisia look particularly vulnerable. Even emerging markets with healthier financial positions can expect to face slower growth, higher inflation and grumpier citizens as a result of Russia's war.

The news is not all grim. Economies that specialise in the production of the commodities most disrupted by the war



stand to reap some benefit from soaring prices. Oil-exporting Gulf states will collect a windfall, which higher prices for imported foodstuffs will only partly offset. Some Latin American currencies have appreciated since the outbreak of war, in expectation of higher earnings for their oil and grain exports. In 2021 Brazil seemed to be slipping into crisis, weighed down by high inflation and fiscal profligacy. The war has given the country, which is a big commodity exporter, a reprieve. For much of the rest of the world, though, it has been anything but. ■

Taxing the wealthy

Before death do us part

WASHINGTON, DC

The White House wants to close a tax loophole used by the ultra-rich

MOST AMERICANS want the government to impose higher taxes on the ultra-rich. Every few months or so Democratic lawmakers unveil plans for doing just that, only to stumble well before enacting them. It is not just that the wealthy can afford powerful lobbyists. The nature of their fortunes also makes them an elusive target for tax authorities. A new proposal by the Biden administration may offer a partial solution, provided it can overcome political and legal hurdles.

The idea, contained in President Joe Biden's new budget proposal on March 28th, is that Americans worth more than \$100m would pay a minimum tax of 20% on all their income, including, controversially, the appreciation of their investments. If an ultra-rich American makes a paper gain of, say, \$10m on his stock portfolio in a year, he would face a liability of \$2m.

The goal is to close a gaping loophole. Wealthy Americans must pay capital-gains taxes of at least 20% when they sell assets.

But when assets are inherited, the price at the time of the transfer forms the new basis for calculating capital gains. In this way the ultra-rich can shrink their tax bills: they owe nothing on unsold assets while alive and their heirs then benefit from the "stepped-up basis" for capital gains. Economists in the Biden administration have calculated that the 400 wealthiest American families pay an average federal income-tax rate of just 8%, far below the rates paid by most in the middle class.

A simple way to close this loophole would be to recognise all capital gains upon inheritance. Indeed that was Mr Biden's preference in legislation last year. But opponents tarred it as a "death tax" that would bankrupt family farms. Although that charge was unfair—almost all farms would have been below the tax threshold—the Democrats dropped the idea.

The Biden administration dubs the new proposal a "billionaire minimum income tax". Steve Rosenthal of the Tax Policy Centre, a think-tank, calls this an ingenious re-branding of the stepped-up basis idea. "It would operate like a pre-payment," he says. Taxes owed at death would be reduced by those paid previously.

The White House reckons the new tax would bring in \$360bn over the next decade, impressive for a levy that hits the wealthiest 0.01% of households. That, however, reflects a windfall for the state when it collects on decades of gains for the likes of Jeff Bezos and Elon Musk. To pay the tax, they may need to sell down stakes in their firms, potentially remaking their ownership structures. The government would cushion the blow by breaking payments into instalments (spread over nine years at first and, later, five years). Once established, the revenues would be slimmer. "The \$360bn estimate makes it look more promising than it really is in the long run," says Kyle Pomerleau of the American Enterprise Institute, a think-tank.

There are two immediate obstacles. As with every idea from the Biden White House, the political question is whether Joe Manchin and Kyrsten Sinema, two moderate Democratic senators, support it. They have, for different reasons, opposed previous tax increases. Then there are the courts. The constitution limits the federal government to taxing incomes, not wealth. The White House would argue that accrued capital gains are a form of income, but its proposal would face legal challenges.

Even if Mr Biden were to succeed in shepherding the tax into law, another concern would emerge. The levy would be complex, especially for assets that do not trade in public markets. Lawyers would devise new structures to shelter wealth. "Their pencils are being sharpened even as we speak," says Joel Slemrod, an economist at the University of Michigan. ■

Free exchange | The once and future king

The dollar's clout may be in question, but the features that give currencies heft are unshakable



IN THE WAKE of an invasion that drew international condemnation, Russian officials panicked that their dollar-denominated assets within America's reach were at risk of abrupt confiscation, sending them scrambling for alternatives. The invasion in question did not take place in 2022, or even 2014, but in 1956, when Soviet tanks rolled into Hungary. The event is often regarded as one of the factors that helped kick-start the eurodollar market—a network of dollar-denominated deposits held outside America and usually beyond the direct reach of its banking regulators.

The irony is that the desire to keep dollars outside America only reinforced the greenback's heft. As of September, banks based outside the country reported around \$17trn in dollar liabilities, twice as much as the equivalent for all the other currencies in the world combined. Although eurodollar deposits are beyond Uncle Sam's direct control, America can still block a target's access to the dollar system by making transacting with them illegal, as its latest measures against Russia have done.

This fresh outbreak of financial conflict has raised the question of whether the dollar's dominance has been tarnished, and whether a multipolar currency system will rise instead, with the Chinese yuan playing a bigger role. To understand what the future might look like, it is worth considering how the dollar's role has evolved over the past two decades. Its supremacy reflects more than the fact that America's economy is large and its government powerful. The liquidity, flexibility and the reliability of the system have helped, too, and are likely to help sustain its global role. In the few areas where the dollar has lost ground, the characteristics that made it king are still being sought out by holders and users—and do not favour the yuan.

Eurodollar deposits illustrate the greenback's role as a global store of value. But that is not the only thing that makes the dollar a truly international currency. Its role as a unit of account, in the invoicing of the majority of global trade, may be its most overwhelming area of dominance. According to research published by the IMF in 2020, over half of non-American and non-EU exports are denominated in dollars. In Asian emerging markets and Latin America the share rises to roughly 75% and almost 100%, respectively. Barring a modest increase in euro invoicing by some Euro-

pean countries that are not part of the currency union, these figures have changed little in the past two decades.

Another pillar of the dollar's dominance is its role in cross-border payments, as a medium of exchange. A lack of natural liquidity for smaller currency pairs means that it often acts as a vehicle currency. A Uruguayan importer might pay a Bangladeshi exporter by changing her peso into dollars, and changing those dollars into taka, rather than converting the currencies directly.

So far there has been little shift away from the greenback: in February only one transaction in every five registered by the SWIFT messaging system did not have a dollar leg, a figure that has barely changed over the past half-decade. But a drift away is not impossible. Smaller currency pairs could become more liquid, reducing the need for an intermediary. Eswar Prasad of Cornell University argues convincingly that alternative payment networks, like China's Cross-Border Interbank Payment System, might undermine the greenback's role. He also suggests that greater use of digital currencies will eventually reduce the need for the dollar. Those developed by central banks in particular could facilitate a direct link between national payment systems.

Perhaps the best example in global finance of an area in which the dollar is genuinely and measurably losing ground is central banks' foreign-exchange reserves. Research published in March by Barry Eichengreen, an economic historian at the University of California, Berkeley, shows how the dollar's presence in central-bank reserves has declined. Its share slipped from 71% of global reserves in 1999 to 59% in 2021. The phenomenon is widespread across a variety of central banks, and cannot be explained away by movements in exchange rates.

The findings reveal something compelling about the dollar's new competitors. The greenback's lost share has largely translated into a bigger share for what Mr Eichengreen calls "non-traditional" reserve currencies. The yuan makes up only a quarter of this group's share in global reserves. The Australian and Canadian dollars, by comparison, account for 43% of it. And the currencies of Denmark, Norway, South Korea and Sweden make up another 23%. The things that unite those disparate smaller currencies are clear: all are floating and issued by countries with relatively or completely open capital accounts and governed by reliable political systems. The yuan, by contrast, ticks none of those boxes. "Every reserve currency in history has been a leading democracy with checks and balances," says Mr Eichengreen.

Battle royal

Though the discussion of whether the dollar might be supplanted by the yuan captures the zeitgeist of great-power competition, the reality is more prosaic. Capital markets in countries with predictable legal systems and convertible currencies have deepened, and many offer better risk-adjusted returns than Treasuries. That has allowed reserve managers to diversify without compromising on the tenets that make reserve currencies dependable.

Mr Eichengreen's research also speaks to a plain truth with a broader application: pure economic heft is not nearly enough to build an international currency system. Even where the dollar's dominance looks most like it is being chipped away, the appetite for the yuan to take even a modest share of its place looks limited. Whether the greenback retains its paramount role in the international monetary system or not, the holders and users of global currencies will continue to prize liquidity, flexibility and reliability. Not every currency can provide them. ■



Alternative energy

Scavenger hunt

Sensors that run on light, heat and vibrations, instead of batteries, are all the rage

PERCHED AS IT is above a harbour on the Dingle peninsula, on Ireland’s Atlantic coast, Mike Fitzgerald’s office has an unparalleled view of the domain he hopes to conquer: the open sea. As founder and boss of Net Feasa, a name derived from the Irish word for knowledge, Mr Fitzgerald’s ambition is to fit a sensor to each of the millions of shipping containers that are moving around the world. By using these to track the locations of, and conditions experienced by, those containers, and transmitting that information back to the people who need to know via satellite when a container is at sea and via a mobile-phone network when it is in port or on land, he believes firms will be able to maximise the efficiency of supply chains.

And supply-chain oversight is but one of the benefits small, remotely connected sensors can bring. People already interact with many of them—sometimes knowingly, such as those in smart watches, sometimes less so, such as those which regulate

temperature and lighting in their offices. Some folk, indeed, talk grandly of the result being an interconnected network akin to an “internet of things” (IoT).

Whether or not that comes to pass, there will be a lot more such sensors in the future. In 2017, researchers at ARM, a chip-maker, predicted that the world would have a trillion of them by 2035. Even more sober estimates run into the tens or hundreds of billions. And they will all need power. Lest battery-makers start rubbing their hands in glee at this new market, though, Mr Fitzgerald, and others like him, have a different idea. Their version of this future will not be battery powered. In-

stead, the sensors populating it will scavenge for a living.

Net Feasa is building sensors to do just that. They are powered by vibrations, heat and light, using technology developed in collaboration with Mike Hayes of the Tyn-dall National Institute, in Cork. The electricity thus generated is then stored in devices called supercapacitors, whence it is instantly available. Only in case of dire energy starvation need the system call on the backup battery installed in it. As a consequence, that battery should never need replacement. All of this is packed into a device a few centimetres across, which is designed to fit unobtrusively on a shipping container’s doors. And these devices are already proving themselves in early trials.

Secret source

Net Feasa is not alone. Sensors that draw power from the environment, either to supplement a battery or to replace it, are starting to spread. Managers at EnOcean, a German company that is one of the leading firms in the field, estimate that some 20m of the firm’s products have been installed in a million buildings around the world.

The most advanced are those that use light. Their power-packs are similar to solar cells, but are adjusted to cope with the fact that the artificial interior lighting they are scavenging is both weaker than sunlight and of a different colour. Such photo-▶

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▶ voltaic sensors are used to measure levels of illumination, temperature, air pollution and even (of particular interest at the moment) airborne pathogens. Automatic systems fed these data can then adjust lighting, heating, ventilation and air-conditioning levels appropriately.

Photovoltaic sensors can also track products on assembly lines and monitor quality during manufacture. They offer eyes and ears in sterile chambers and provide early warning of shortages or leaks. They generate vast quantities of data as well, which can be used to maximise efficiency—though firms that employ them in this way tend to be secretive about the details. A study published in 2019 on the industrial applications of all sensor types in Germany, Switzerland and Austria by EY, a consultancy, estimated the combined boost to revenue from their extensive deployment could be as high as 34%, depending on the sector involved.

Obviously, photovoltaic harvesting has restrictions, for it is suitable only in places where the lights are usually on. That works for offices and those parts of factories where people operate. But for many industrial applications, especially those being carried out in the dark, a more useful source of scavenged energy is heat. The trick of turning this into electricity was discovered two centuries ago, and has been improving ever since. It usually involves a device called a thermocouple, made of sheets of two appropriate materials laid face to face. When one side is hotter than the other, electrons move between the sheets, generating a current.

Turning up the heat

One firm which makes energy-harvesters that work this way is Perpetua Power, in Oregon. Its devices are designed for inaccessible locations where battery replacement would be impractical. Perpetua's sensors have been installed on oil wells in the freezing conditions of Alaska and the desert heat of California, to measure the pressure at the well heads. They have, as well, been fitted to steam-flow gauges under the streets of New York, to make sure customers are billed correctly for their use of the city's district-heating system.

ABB, a Swedish-Swiss firm, also makes temperature sensors that rely on thermoelectric harvesting. Customers in the food industry use it to ensure ovens are sufficiently hot, while owners of industrial plants can check their cooling systems are working properly. And thermal harvesters can even be embedded in the concrete foundations of buildings, or affixed to in-

ternal beams, to flag up structural weaknesses and mechanical problems.

Another field in which energy-scavenging sensors are being deployed is transport. It is here that vibrations and movement come into their own. Perpetuum, a firm spun out of the University of Southampton, in Britain, in 2004, and bought in 2021 by Hitachi Rail, designs sensors powered by piezoelectricity. This is a phenomenon whereby certain materials generate current when stressed or deformed. Perpetuum's products monitor the condition of railway rolling stock—an abundant source of vibration. Sensors installed in wheels, gearboxes and motors are able to assess those components' health by looking out for thermal and vibrational tell-tales of mechanical defects. They can also watch the condition of the track. Several countries' railway networks make use of them to varying degrees, including those of America, Australia and India.

Shake, rattle and roll

ReVibe Energy, a Swedish firm, has similar aims. Its sensors, which rely on electromagnetic induction rather than piezoelectricity to convert vibrations into energy, can be fixed to carriage wheels to monitor their position as well as the stresses on their bearings. ReVibe's technology is being applied to mining as well, to look out for unusual patterns of movement in machines involved in the crushing and transport of aggregates.

There is also one further source of movement, which might be exploited to run sensors. This is the human body itself, which it is becoming increasingly fashionable to adorn with sensors. A plausible way to convert body-movement into electricity is to employ devices called triboelectric nanogenerators (TENGs). These convert friction into electricity using a method that goes back at least as far as the Ancient Greeks, namely rubbing together two so-called triboelectric materials (amber, the Greek word for which is *elektron*, and wool were once popular) to create a static charge. TENGs turn this party trick into a useful resource by conducting the charge so generated away as a current.

TENGs, invented a mere decade ago, might plausibly be incorporated into sensors attached to human bodies or clothing. Bodies are continuous generators of motion, whether from breathing, gesticulating or running for a bus. The flexibility of many triboelectric materials makes them ideal for sewing into fabrics, where they could harvest the body's movement in order to power sensors that monitored vital statistics such as breathing and pulse rate during exercise. Such sensors might also do well in the hands of clever marketing types, with the phrase "batteries not included" being not a warning but a boast. ■

Anti-anti-tank weapons

The best defence is a good offence

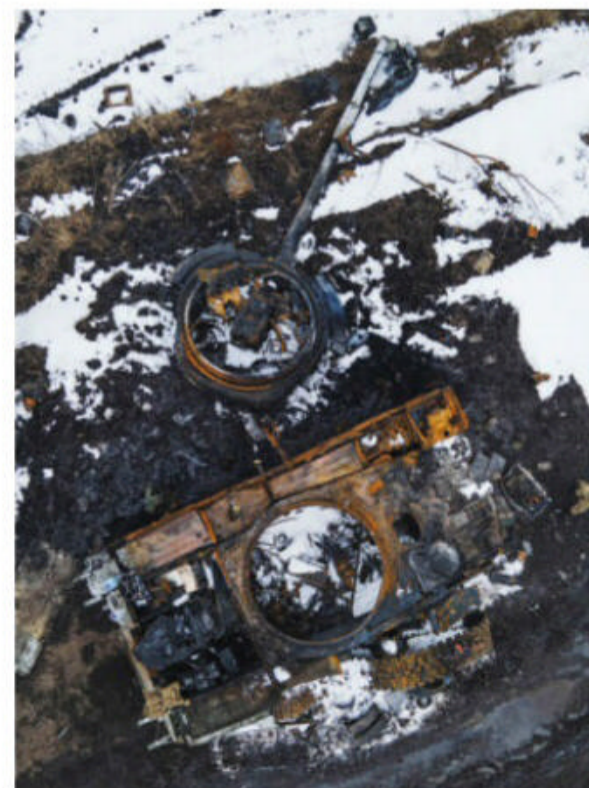
How to protect tanks against cheap, deadly missiles

RUSSIAN TANKS have been having a torrid time during the invasion of Ukraine. According to Oryx, an open-source intelligence blog, at least 153 of them have been destroyed so far, along with 312 armoured vehicles. (The figures for the Ukrainian side are 26 and 57 respectively.)

Many of these have been blown up by cheap anti-tank guided missiles (ATGMS) carried by Ukrainian infantry. Western countries have shipped thousands of such weapons to Ukraine, ranging from American Javelins via Swedish-designed NLAWS to German-made Panzerfaust-3s. The war has been a powerful demonstration of the threat they pose to modern armour, says Jon Hawkes, a land-warfare guru at Jane's, a British military intelligence firm. Some Russian tank drivers have resorted to welding scrap-metal cages to their vehicles in a dubious effort to add extra protection.

It is ironic that ATGMS have proved so effective, since Russia—and the Soviet Union before it—was a pioneer of so-called "active protection systems" (APSS) designed specifically to defeat them. Unlike armour, which is intended to limit damage to a vehicle if it is hit, APSS are there to stop missiles striking in the first place. Armies around the world are experimenting with, and deploying, them. The war in Ukraine will add urgency to that task.

APSS come in two varieties, dubbed "soft-kill" and "hard-kill". Soft-kill systems ▶▶



As ye sow, so shall ye reap

Correction In "Dealing with degradation" (March 26th) we said that devices connecting to Starlink terminals via Wi-Fi can download 150 megabytes of data a second. The correct figure is 150 megabits, an eighth of that rate. Sorry.

▶ divert a missile by interfering with its guidance systems—for instance, by dazzling them with infrared light or lasers. Hard-kill systems are intended to destroy missiles in flight.

The war in Ukraine shows the limitations of the soft-kill approach, says Jack Watling of the Royal United Services Institute, a think-tank in London. “You need a good technical understanding of the system you’re trying to defeat.” The potpourri of ATGMs fielded by Ukrainian soldiers comes with many different guidance systems. Jamming all of them is impossible.

But hard-kill systems have problems, too. You need sophisticated radar to detect incoming missiles, and precise aim to hit them. Anti-tank missiles travel at hundreds of metres a second, so quick reaction times are vital.

The Soviet Drozd system, one of the first hard-kill APSS, was initially deployed in the 1980s, in the wake of the USSR’s invasion of Afghanistan. It fired shells full of shotgun-like pellets at incoming missiles. Afghani, Drozd’s most recent successor, is built into Russia’s brand-new T-14 tanks. But Russia has struggled to construct enough of these. As best as analysts can tell, few APS-equipped tanks have so far been sent into Ukraine.

The army that is furthest along with hard-kill APSS is Israel’s. Its Trophy system is designed by Rafael, a firm in Haifa, and is fitted to the country’s Merkava tanks. Trophy fires a tight spread of precisely aimed projectiles, the idea being to minimise the danger the system poses to nearby friendly infantry. Israel’s army claims that Trophy has defeated many anti-tank rocket attacks in Gaza—though Mr Hawkes notes that such attacks are probably from older, less sophisticated ATGMs. Trophy has attracted interest from abroad, too. America and Germany have equipped some tanks with it and Britain is running trials.

There are downsides to such defences. APSS take up weight, space and power—all precious commodities in a tank. Western tanks, in particular, says Mr Watling, have little room to grow heavier without compromising performance. And hard-kill systems may protect against only a handful of incoming rounds, since debris from a successful interception is likely to damage the delicate radar on which the system relies. Crafty enemies could rake tanks with machine-gun fire to disable this radar before the fact, says Mr Watling.

But a defence does not have to be perfect to be useful. Mr Hawkes talks of multi-layered, “onion-style” defences, in which screening infantry spot threats, smoke can obscure a tank’s location, and armour then protects the target if all else fails. Russia’s experience in Ukraine suggests adding another layer to that onion could prove useful indeed. ■



Invasive species

News from the underground

Worms are changing North America’s ecology

EARTHWORMS’ BENIGN image as aerators, drainers and fertilisers of field and garden belies a darker secret. They are actually fierce competitors with other invertebrates, voraciously consuming rotting plant matter and tiny organisms such as protists, nematodes, bacteria and fungi, all of which might otherwise sustain a wide variety of soil dwellers.

That much is well known, not least from research conducted in northern North America. Here, worms were wiped out during the last ice age, which ended 12,000 years ago. They started returning, in the form of European interlopers, only a few centuries in the past. What have not been investigated much until now are the consequences of this subterranean carnage for surface-dwelling critters. But that has just been corrected by Malte Jochum of Leipzig University, in Germany, and his colleagues, in a study just published in *Biology Letters*.

Dr Jochum and his team worked in a forest overlooking Barrier Lake, in Alberta, Canada, where the earthworm invasion has been tracked for three decades. That has permitted the identification of areas with low (four worms per square metre, on average), medium (43 worms per square metre) and high (106 per square metre) populations.

Within each zone of abundance the researchers marked 20 plots with individual areas of two square metres. They identified all of the plants therein and used vacuum-suction collecting devices to “hoover” up as many as possible of the above-surface arthropods (mostly insects and spiders) in each plot. They then sorted, identified and measured these animals to calculate their abundance,

biomass and species richness.

Altogether, the collectors picked up 13,037 individual arthropods—and discrepancies between plots were quickly obvious. Those with abundant earthworms were depauperised of arthropods compared with ones where worms were rare. Plots with the most worms in them had 61% fewer individual arthropods, 18% fewer arthropod species and a 27% diminution in total arthropod biomass, compared with those with the fewest.

So-called detritivores—which compete directly with worms for food—suffered worst. There were 80% less of them in areas of worm abundance, compared with those of worm scarcity. But herbivores and omnivores suffered, too. Only for carnivorous arthropods, such as spiders, was there good news. Their numbers were up 41% in worm-rich plots, compared with worm-poor ones.

Why predators did well is unclear. Some, perhaps, were eating worms directly. Others may have taken advantage of the stripping of cover for their prey caused by worms pulling the leaf-litter underground for later consumption.

The knock-on effects of this carnage further up the food chain, among invertebrate-eating amphibians, reptiles, birds and mammals, remain obscure. Species that like to consume worms are presumably doing better, while those that prefer their meals crunchy, rather than squishy, will be doing worse. Whether this matters in the grand scheme of things is debatable. But for those who prefer their ecosystems pristine, this work confirms that earthworms are certainly not the unalloyed good which some people make them out to be.

The glymphatic system and dementia

Brain drain

Tweaking the brain's plumbing may help delay Alzheimer's disease

IN MOST BODILY organs waste matter is cleared out by the lymphatic system. Unnecessary proteins, superfluous fluids and so on are carried away by special vessels to lymph nodes, where they are filtered out and destroyed. The more active the organ, the more of these vessels there are. The exception is the brain, which has none. It was thus thought until recently that brain cells broke down nearby waste products *in situ*.

But a paper published in 2012 reported that the brain has a plumbing system of its own to flush out the junk. Researchers working in the laboratory of Maiken Nedergaard, at University of Rochester, in New York state, showed that cerebrospinal fluid—the liquid which suspends the brain and acts as a cushion between it and the skull—was actively washing through the organ by hitchhiking on the pulsing of arteries and veins that happens with every heartbeat. The fluid was collecting trash and carrying it out of the brain to lymph nodes for disposal. Now, ten years later, the discovery of this “glymphatic” system, so called because of the involvement of brain cells known as glia, has opened up new opportunities for the treatment of brain disorders.

Brainwashing

From the first studies of the glymphatic system, it was clear it might be involved in preventing Alzheimer's disease. Alzheimer's is caused by a build-up of two types of proteins, amyloid-beta and tau. These aggregate to form plaques and tangles that stop neurons working properly and eventually lead to their death. When it is functioning normally, the glymphatic system clears out amyloid-beta and tau. However, in older people, or those with Alzheimer's, this process is slower—leaving more potentially harmful proteins behind.

Giving the brain a power wash, by improving the flow of glymphatic fluid, is a potential avenue for treatment. Though the field is in its infancy, most attempts to do so have focused on an interesting quirk of the system. This is that glymphatic fluid moves through the brain only during sleep. The plumbing is disabled during waking hours, and is most active during the deepest sleep stages, switched on by slow-wave brain activity.

That discovery has changed how researchers think about the role of sleep, and also about the link between sleep and neu-

rological disorders. For many diseases, including Alzheimer's, a lack of sleep earlier in life increases the risk. Dr Nedergaard thinks that inadequate glymphatic clearance is the reason. Even a single night of sleep deprivation can increase the amount of amyloid-beta in the brain.

Many drugs affect sleep, sometimes as a side-effect of their main purpose. A study published in *Brain* earlier this year followed almost 70,000 Danes who were being treated for high blood pressure, using beta-blockers. Some, but not all, types of beta-blockers are able to enter the brain by passing through the blood-brain barrier. This is a system of tight junctions between cells lining blood vessels in the brain, which exists to stop the admission of molecules that might upset the function of the organ. Once there, these beta blockers affect normal patterns of sleep and wakefulness. That, in turn, promotes glymphatic circulation. Those in the study who took barrier-crossing beta-blockers every day were less likely to develop Alzheimer's than people taking beta-blockers which could not enter the brain.

Another medicine, suvorexant, which is used to treat insomnia, also shows promise. In one recent study, mice with a mutation that causes early-onset Alzheimer's in people, and similar symptoms in rodents, were given this drug. Mutated mice receiving suvorexant experienced less build up of amyloid-beta. Even more re-

markably, the drug also reversed their cognitive decline. In a maze test, mutated mice on suvorexant performed as well as healthy, unmutated ones. A preliminary human trial of this effect is now under way.

Sleep-promoting drugs can, however, have bad side-effects. Indeed, in many cases, including the Danish study, they increase the risk of death from other causes. Other people are therefore trying to boost glymphatic clearance by different means.

One project, examining mice genetically engineered to be prone to Alzheimer's, found that increasing slow-waves during sleep, thus boosting fluid flow through the brain, reduced the amount of amyloid build up. This work involved “optogenetics”, in which cells are genetically engineered to respond to light, which is obviously a non-starter for a treatment for people. But a similar effect can be induced harmlessly in humans by non-invasive electrical stimulation.

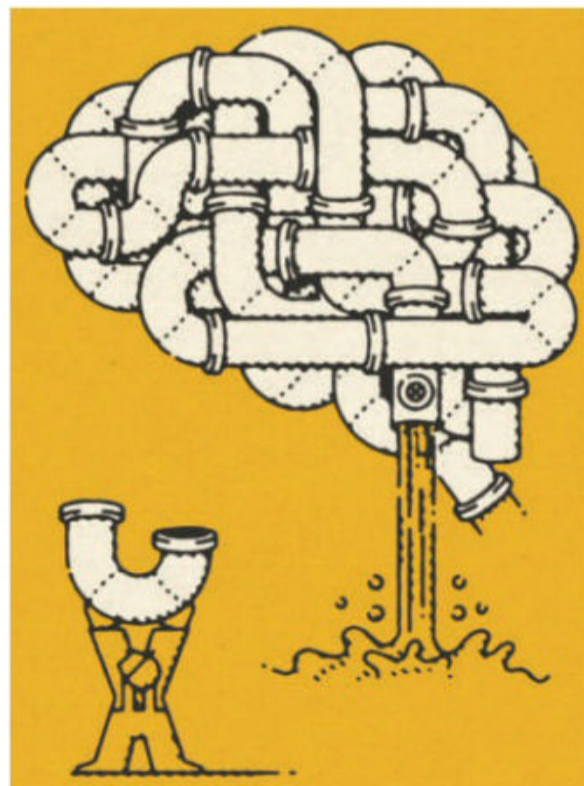
Call the plumber

Some studies report that such stimulation can improve memory formation in the elderly. And it may also be relevant to the young and fit. America's Department of Defence is paying for at least two projects which have the goal of developing wearable caps to improve glymphatic flow during sleep in this way. Lack of sleep is a big problem in the armed forces. During combat, getting a solid eight hours can be hard, and lack of sleep inevitably affects a soldier's performance.

As well as emphasising the importance of a good night's sleep, the discovery of the glymphatic system has highlighted other ways that a healthy life can promote a clean and tidy brain. In mice, exercise improves glymphatic flow, flushing out amyloid-beta. By contrast, high blood pressure, which prevents the normal pulsing of arteries and veins that drives the system, reduces fluid movement. In this context it is no surprise that hypertension during middle age increases the risk of developing Alzheimer's disease later on in life.

The glymphatic system's discovery has had effects outside Alzheimer's research, too. Traumatic head injury, Parkinson's disease and mood disorders are all linked to glymphatic clearance. There is hope, as well, that this newly found plumbing may help with the delivery of brain drugs. Getting medicines past the blood-brain barrier is notoriously difficult. Injecting them into the cerebrospinal fluid directly, then allowing them to wash throughout the brain during sleep, may be simpler.

Decades of Alzheimer's research has left behind a graveyard of failed drug trials. The brain's plumbing network is providing new targets, and new ways to think about treatments for the disease. The glymphatic system, then, is at last being tapped. ■





Twenty-first century authoritarianism

The menace of mendacity

Two scholars examine the modern autocrat's arsenal of deceit

RUSSIA DID not invade Ukraine. Ukrainians are shelling their own cities. A Jewish president is actually a Nazi. Dictators have always told lies, so the Kremlin's recent whoppers have precedent. Dictators have often used terror, too, so what Vladimir Putin is doing to civilians in Ukraine is nothing new, either. But the balance between lying and killing has changed, argues a fascinating new book. For most modern autocrats, lying matters more.

In "Spin Dictators", Sergei Guriev, a Russian economist living in exile, and Daniel Treisman, a political scientist, describe how this shift has occurred. For much of the 20th century, despots were ostentatiously violent. Hitler, Stalin and Mao slew millions. Lesser monsters such as Mobutu Sese Seko, a Congolese tyrant, hanged cabinet ministers in public. The aim was to terrify people into submission.

The authors contrast such "fear dictators" with "spin dictators", who kill fewer people, and deny it when they do. The latter are now more common. Among autocrats who took power in the 1960s, roughly a quarter killed more than 100 dissidents a

Spin Dictators. By Sergei Guriev and Daniel Treisman. *Princeton University Press*; 360 pages; \$29.95 and £25

year; among those who took power in the 2000s, less than a tenth did.

Spin dictators pretend to be democrats. They hold multiparty elections and seldom claim to have won more than 90% of the vote, as was the norm for non-democracies in the 1960s, 1970s and 1980s. They rig less and gerrymander more. In 2018 Viktor Orbán, Hungary's spinner-in-chief, turned less than half the vote for his party into a two-thirds supermajority in parliament.

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He will be hard to dislodge at the election on April 3rd (see Europe).

Fear dictators' propaganda was crude and relentless. Busts of Stalin were placed on 38 mountain peaks in Central Asia. So many Mao badges were produced that China's aircraft industry ran short of aluminium. It was often absurd, too. Mussolini and Kim Jong Il could supposedly conjure up rain and teleport from place to place, respectively. This absurdity was itself a weapon, demonstrating the regime's "capacity to force people to repeat nonsense".

Spin dictators like to project an image of competence. Nursultan Nazarbayev used to address Kazakhs from behind a stack of papers, reading out lists of bread-and-butter policies and chiding his ministers for not serving the public better. Spin dictators seldom have a coherent ideology, but use humour to paint themselves as noble and their opponents as vile. They even weaponise light entertainment. In Peru under Alberto Fujimori, a Jerry Springer-style show featured screaming guests, allegations of infidelity and calm words from the host praising the president.

Censorship under fear dictators was total. When an impure snippet found its way into an agricultural paper in the Soviet Union, "censors raced to track down every copy sold, including 50 already pasted into ersatz wallpaper and 12 used as toilet paper." Spin dictators, by contrast, let a few highbrow, low-circulation dissident papers survive, to show they respect freedom of speech. Meanwhile, independent broad-▶▶

► casters are crippled with spurious tax demands and then bought by the president's cronies. Critics are harassed with libel suits or fined for spreading "fake news". Ecuador's former president, Rafael Correa, forced documentaries off the web by suing for unauthorised use of his picture. Authoritarian leaders who manipulate, rather than censor, the media are typically more popular than democratic ones who face a genuinely free press.

The goal of a spin dictator is to appear to allow political competition while making it nearly impossible in practice. Rather than criminalising dissent, he imprisons his opponents for non-political crimes, such as fraud or rape, of which they are innocent. Sometimes he locks them up for short periods, so they do not become martyrs, and often, so their work is constantly disrupted. Rather than banning opposition parties, he tangles them in red tape or bankrupts them with fines and lawsuits. For extra deniability, the task of making dissidents' lives hell can be outsourced to a youth militia or army of online trolls, who may rough them up, publish their addresses or leak embarrassing photos.

In some respects, the authors' argument is optimistic. Political killing has declined because it has grown more taboo. As people become more educated, they expect better from their governments. As Singapore's former leader, Lee Kuan Yew, put it: "One simply cannot ask a highly educated workforce to stop thinking when it leaves the factory." That is why spin dictators try so hard to pretend to be democrats.

Mr Guriev and Mr Treisman suggest a policy of "adversarial engagement". The free world should watch more closely for signs that leaders—including its own—are grabbing unwarranted powers or undermining institutions. It should welcome modernisation even in dictatorships, since economic and social development may ultimately create more demands for liberty. It should stop helping dictators by laundering their money and reputations—anonymous shell companies should be banned, and mischievous lawsuits against exiled dissidents should be curbed.

Unfortunately, the arsenal of deceit is highly effective at keeping malign leaders in power, which is perhaps why global democracy has been in retreat for the past decade. And if those leaders remain in power for a long time, they often grow more repressive. Mr Putin may be less brutal than Stalin, but in his third decade in office he has shifted firmly from "spin" to "fear". Xi Jinping, who also shows no sign of retiring, has turned China into a surveillance state. That is an aspect of 21st-century repression that this otherwise admirable book fails adequately to explore. In many countries people can neither trust their rulers, nor hide from them. ■

World in a dish

The unreal McCoy

NEW YORK

Authenticity is a terrible metric for judging food

A CERTAIN TYPE of big-city eater—including, sometimes, the author of this column—reflexively assumes that noodles eaten at a restaurant without an English menu are, by definition, superior to those from a strip-mall outlet catering to non-Chinese diners. Such people are liable also to think that non-Italian ingredients have no place on a pizza, or that using Italian rather than Tunisian olive oil in couscous is a grave culinary sin.

A taco, these diners will explain (often without being asked), consists of paired soft tortillas, typically made of corn. These are wrapped around a modest amount of meat, usually braised, with a sprinkling of chopped raw onion, a couple of sprigs of coriander and a squirt of salsa—the spicier the better. Made well, these are indeed delicious, with an almost Japanese austerity that lets every ingredient shine and complement each other.

What innumerable Americans know as a taco—a hard-shell tortilla that comes in boxes on grocery shelves, stuffed to bursting with ground meat cooked in mass-market seasoning, topped with orangey mass-produced cheese, iceberg lettuce, tomatoes and mild salsa from a jar—bears little relation to this "real thing". So, the authenticity-policing diners argue, it should be shunned and mocked.

This is a joyless way to eat. Chubby, crackly American tacos may be unknown in Culiacán or Toluca, but they taste good. They may well seem "inauthentic" in Mexico, but they are deeply authentic in the minds and memories of millions in Amer-

ica. Korean tacos—tortillas filled with Korean-seasoned barbecued meat and kimchi—are also little known in Mexico. But they emerged authentically from the marriage of Korean and Mexican cultures and cuisines in multicultural Los Angeles.

That is how food develops. Being the original progenitor of a recipe may merit some bragging rights at the dining table, but nothing more. Legend has it that Marco Polo brought noodles back to Italy from China: that does not make spaghetti just bastardised *lamian*, except in the way that all foods (and people) are hybrid and derivative. Lebanese emigrants brought lamb cooked upright on a rotating spit with them to Mexico. Decades and countless chillies, onions and pineapples later, Mexicans turned shawarma into *tacos al pastor*.

Judging dishes by their authenticity ignores the development that follows naturally as food and people migrate. It also encourages unwelcome stereotyping. In 2019 Sara Kay, a culinary consultant, studied 20,000 online reviews of restaurants in New York, and found "authentic" to be associated with "dirt floors [and] plastic stools" when describing non-European restaurants. For European eateries, it meant elegant decor.

That exemplifies the common but regrettable belief that non-European food should be cheap and served in tatty surroundings—even when the cuisines in question are intricate and delicious. In the end, whether someone considers a food authentic says more about their own biases than about what is on their plate. ■





Stand-up comedy

Seriously funny

Phil Wang's jokes take on controversial subjects with nuance as well as wit

DURING HIS stand-up set at the London Palladium, Phil Wang explored his mixed heritage—his mother is British, his father is Chinese-Malaysian—his love of unusual delicacies and his enthusiasm for male contraception. He closed with some advice for these fractious and sensitive times: in particular, on how to gauge “whether or not it is morally acceptable to do another person’s accent”.

First and foremost, he argued, the speaker must put in the time and effort to make the impression convincing. Beyond that, any country that has had an empire—or was on the “naughty” side in the second world war—is fair game. This “gets you more accents than you think”: as well as many European ones, Chinese, Egyptian, Japanese, Russian and Turkish are permissible. Just the thought of such impersonations makes his left-leaning white friends queasy, he confided. Yet given their country’s vaulting ambitions, for the Chinese, at least, such neuroses are trivial, he insisted. After all, “the eagle does not concern itself with the impressions of the worm.”

Mr Wang is one of Britain’s sharpest and most surprising stand-up comedians, widely known for his observations on race and the legacy of colonialism. The set he performed at the Palladium and elsewhere on his recent tour, called “Philly Philly Wang Wang”, was released on Netflix last year; he embarks on his first American tour, with fresh material, this month. His new memoir, “Sidesplitter: How To Be From Two Worlds At Once”, includes inci-

sive essays on language, cultural assimilation and dating. Meanwhile “BudPod”, a podcast co-hosted with Pierre Novellie, a fellow comedian, has exceeded 2m downloads since its debut in 2019.

His life and career are an accident of history, both grand and intimate. Britain controlled parts of the Malay peninsula between the 18th and mid-20th centuries; it was exerting a softer kind of power by the time Mr Wang’s mother, an anthropologist, joined the Voluntary Service Overseas. She was posted to northern Borneo where she met Mr Wang’s father, a martial-arts teacher. The comedian was born in 1990 in Stoke-on-Trent in central England, but his family returned to Malaysia soon afterwards. In his book he interweaves their story with that of Kota Kinabalu, the city in which he grew up, and his attitude towards his own identity. “For an enterprise so heavily associated with death,” he writes, “I ironically owe the British Empire my life.”

He acknowledges a debt to British comedy, too. From a young age he watched shows like “Blackadder” and “French and Saunders” (while admiring Harith Iskander, the “godfather of stand-up comedy in Malaysia”). Comedy was a safe haven during tough years at a Chinese school, where there was a “constant threat of physical pain” from corporal punishment. This period shaped his career in another way. “I became really introverted and quite afraid of speaking out,” he says, leaning back and closing his eyes, as if recoiling from the memory. “Then finding stand-up, it was

this form of communication that I thought I could do. I felt I could earn the right to speak by writing something funny.”

Moving back to Britain in his teens, Mr Wang took part in his first comedy night at school. Most of the material was borrowed: “I didn’t realise at the time you had to write your own jokes.” He went on to Cambridge University, which had a thriving comedy scene, and became president of the Footlights, an incubator of entertainment greats including Eric Idle and Hugh Laurie. In 2010 he won the prestigious Chortle Student Comedy Awards. Steve Bennett, editor of Chortle, a comedy website, recalls his cool delivery, self-deprecating jokes and “intricate, detached wordplay”.

That accolade helped Mr Wang make comedy a full-time job. He has since appeared on assorted television and radio programmes and, alongside his stand-up gigs, performed with a sketch group called Daphne. He has encountered bigots as well as fans. In one painful passage in “Sidesplitter”, he describes how a woman in the audience once loudly announced that he was unattractive because of his ethnicity. The incident confirmed his comic vocation, he says, making him even surer “that British society would benefit from an outspoken East Asian making jokes about himself from a place of authority”.

Mr Novellie, his collaborator on “BudPod”, likens Mr Wang’s ability to take on subjects such as race to that of American counterparts such as Dave Chapelle. As well as their joint interest in history, films, games and scatological mishaps, Mr Novellie—who was born in South Africa and brought up on the Isle of Man—suggests he and Mr Wang share an “outside perspective”. That means that when they discuss subjects like the Elgin Marbles, ancient Greek sculptures currently held in the British Museum, they are not constrained by the sense of national embarrassment that many of their liberal peers exude.

For his part, Mr Wang denies that comedy has a political duty. He says he mostly strives to entertain, encourage listeners to take themselves less seriously and point out jarring truths—such as, in his bit about impressions, Chinese people being considered a “very vulnerable minority” in Britain while also being linked to a “globally very powerful” country. Yet, intentionally or otherwise, he is a subtle champion of nuance and balance.

He uses the set-ups of jokes, and the sudden switch of a punchline, to undermine preconceptions about people and places. Perhaps, he says, the gags would come easier if he were more polemical. “It’s much more funny to have a really strong opinion about something and scream about it, than it is to say: ‘But let’s look at this from the other perspective,’” he concedes. “But I don’t. I can’t.” ■

Royalty and disease

Great and smallpox

The Empress and the English Doctor.

By Lucy Ward. *Oneworld Publications*; 352 pages; \$30 and £20

THE MOST dramatic showdown between humans and smallpox probably took place in Europe in the 18th century. The disease had by then been gathering momentum for a couple of hundred years, and despite the advent of the first effective tool for stopping it in its tracks—inoculation—it embarked on a spree of regicide, diverting more than one royal house's line of succession.

So recounted Donald Hopkins in his encyclopedic history of the disease, "Princes and Peasants", published in 1983. Now Lucy Ward has zoomed in on one of the more dramatic episodes in that dramatic century, blowing it up to book length. Whether it merits retelling in such detail is debatable, but Catherine the Great of Russia's decision to get both herself and her son inoculated certainly resonates in these contagious times. It marked a watershed in popular acceptance of the prophylactic technique and showed the power of leadership by example. Irresponsible rulers of the covid-19 era could take a leaf out of the empress's book.

Born in Prussia, Catherine was on a drive to modernise her adopted country, and as the first reigning European monarch to volunteer herself—as well as her offspring—for inoculation, she was taking a brave step and a calculated risk. The procedure involved smearing pus from an infected person's blisters into small incisions in a healthy person's skin. It was far safer than catching the disease naturally, but not as safe as vaccination, which would develop out of the inoculation method and used the related but milder cowpox virus to confer protection.

Smallpox at that time was often lethal. When it did not kill, it could blind or disfigure. So when, in 1768, the English doctor Thomas Dimsdale was summoned to St Petersburg to do the honours, he had understandable qualms about the assignment. Catherine assured him that a yacht would be standing by in the Gulf of Finland, ready to whisk him out of Russia should anything go wrong.

Nothing did go wrong, and once the clandestine procedure was deemed a success, news of it was broadcast from the onion-domed rooftops. There were fireworks and religious blessings, poems and

plays were penned, a national holiday was declared. Voltaire wrote to Catherine, his longtime correspondent, lamenting the French ban on the technique: "You have been inoculated with less fuss than a nun taking an enema."

Ms Ward's vivid and well-told story raises the interesting question of who deserves credit for inoculation. The aristocratic Mary Wortley Montagu had brought it back to England earlier in the century, having seen elderly Turkish women perform it on her travels. English medics then modified it—making it more rather than less dangerous.

But an enterprising layman, Daniel Sutton, stripped away the modifications to produce the method that Dimsdale publicised and carried to Russia. (Dimsdale's genteel manners and scientific standing made him a better emissary than the less polished, more commercially minded Sutton.) In the absence of sufficient numbers of doctors to roll it out in Russia, after inoculation caught on, peasant women were deputised to help once again—only now to perform a technique that had the stamp of scientific approval.

As so often, many people contributed to the success of the invention. But successful it indubitably was. In the last hundred years of its existence, smallpox is estimated to have killed half a billion people; but in Russia, Catherine's gesture made inoculation fashionable and later led to the rapid adoption of vaccination. In this way she helped set the world on the path to the eradication of the scourge. That milestone was announced in 1980, just over two centuries after she, her son and their doctor risked their lives to demonstrate that disease need not be destiny. ■



The pus of power

The genealogy craze

Sins of the forefathers

Ancestor Trouble. By Maud Newton. *Random House*; 324 pages; \$28.99

NEARLY ONE in seven American adults are curious enough about their forebears to have tested their DNA, according to the Pew Research Centre, a think-tank. Maud Newton is one of them—but as well as spitting into a tube she spent years digging into her ancestry, researching not just her lineage but everything from the science of genetics to traditional "ancestor veneration". This "ancestor obsession", she writes in her first book, sprang from worry about what she might have inherited from her troubled family.

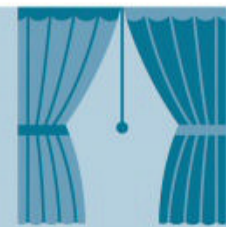
Unpalatable behaviour among her relations includes homicide by hay hook, Bible-thumping mania, mental illness and a grandfather who was married ten times. Ms Newton's own conception was "a home-grown eugenics project", she reports. Her parents "married not for love but because they believed they would have smart children together". If, as Tolstoy famously remarked, every unhappy family is unhappy in its own way, Ms Newton's clan is a knockout.

Such wild material can make for compelling memoir. Yet Ms Newton has broader ambitions. Her book is stuffed with detailed forays into biology, anthropology and intergenerational trauma, as well as ancient and modern stories. No stone is left unturned as she seeks to discover what her nutty ancestors might have handed down. Readers new to genealogy will find it a useful introduction; to others it may feel like an overfull carpet-bag.

Still, her desire to know where she comes from is widely shared. The preoccupation with "roots" has been burgeoning in America since 1977, when Alex Haley's television programme of that name was first broadcast. People whose presence on the continent is due to colonisation, enslavement and migration tend to be hazier on their ancestry than citizens of longer settled countries. For many Americans, the internet changed that. Millions of people now pore over family trees; ancestral sleuthing is big business, including the use of DNA databases to identify criminals.

Much of this was made possible by the Mormons. Among the fascinating titbits Ms Newton relates is the fact that the Church of Jesus Christ of Latter-day Saints "requires members to routinely produce names of dead relatives for posthumous

Back Story The man in the arena



Slava Vakarchuk, Ukraine's most famous rock star, is singing for victory

A LITTLE GIRL sings “Let It Go” in a bomb shelter. A cellist plays alone in a ruined city. The chorus of the Odessa opera performs Verdi in the open air. The clips of Ukrainians making music in adversity are among the war’s most poignant: the melodies seem at once ephemeral and indomitable, ordinary and defiant. In one video, a stubbly man in a hoodie sings for an entranced crowd taking shelter in Kharkiv’s metro. Gradually the listeners join in, as if in a rite.

The figure with the gravelly, soulful voice is Sviatoslav Vakarchuk, known as Slava, the frontman of Okean Elzy (Ocean of Elza), Ukraine’s most popular rock band, which he co-founded in 1994. “Sometimes I sing,” he says of the visits he is making to hospitals, wounded soldiers and refugee centres from Kharkiv to Lviv. Sometimes he just talks. Some onlookers are fans, others simply buoyed by seeing a celebrity—Mr Vakarchuk is the Ukrainian equivalent of Bono or Bruce Springsteen—in a dangerous place.

He is one of the many Ukrainian actors, musicians and dancers to have joined the war effort. Several have been wounded or killed. He doesn’t consider himself a hero: “I’m not Mel Gibson in ‘Braveheart.’” Everyone knows fear, he says, but you do what you can “to make the victory closer”. In his case, signing up to the army has let him criss-cross his embattled country with his guitar.

Mr Vakarchuk is not a regular soldier, but nor is he a regular rock star. He has a PhD in theoretical physics. In 2005 he won the jackpot on Ukraine’s version of “Who Wants to be a Millionaire?” and donated the prize to orphanages. He has done stints at Stanford and Yale, and two as an MP, on the second occasion launching his own party, both times surmising that parliament was not for him.

Rock’n’roll has often been politics by other means. During the Orange revolution of 2004, when protests overturned a rigged election, Okean Elzy played sets on Independence Square to keep morale and the numbers up. “Rise up, my darling!” Mr Vakarchuk sang, bouncing on the stage as a gentle snow fell. “Your land is waiting.” That track rose up again during the revolution of 2013-14, along with “Without a Fight”, a love song repurposed as a resistance tune. Off-stage he strove to halt the ensuing violence. Escalating tragically from peaceful to bloodstained uprisings, then to this invasion, these three events—in all of which Mr Vakarchuk has played a role—are, he reckons, part of a single struggle for independence.

These days the Okean Elzy song people most want to hear is, consolingly, “Everything Will Be Alright”. But a hit of 2015 that decried the Kremlin-backed conflict in the Donbas, “Not Your War”, is in demand too. How many more children, it asks, will you lose in someone else’s war? The tendency of his lyrics to chime with current events has led some to take him for “an oracle”,



Mr Vakarchuk says. Perhaps it’s a gift, he speculates, or a coincidence, or just a form of wishful thinking.

For Ukrainians, after all, artists have always carried a special burden. For generations, their sense of nationhood rested more on bards—above all Taras Shevchenko, a revered 19th-century poet—than on politicians. Misrule since independence in 1991 has meant stars like Mr Vakarchuk have again embodied the country’s yearnings. “Culture is the best cement” while a true political nation is evolving, he comments, but afterwards symbolic figureheads are no longer needed. Artists can just be artists.

Amid the agony, the war is accelerating that process, rallying Ukrainians around the values of “dignity and freedom”, as he puts it. As for the aggressor: in the past Okean Elzy played in arenas and stadiums in Russia, hoping to improve relations and showcase Ukraine’s culture. But it stopped going after Crimea was annexed, resolving not to return until “there is a new Russia and our territory comes back”. Now things are grimly “black and white”, and Russians who back their murderous army, or keep silent, have become “our enemy”.

Music is part of war—national anthems, marching songs, battle hymns, ballads of loss and longing—yet also its opposite, as creation is to destruction. There is never much time for songwriting on the road, Mr Vakarchuk says, let alone on his emergency solo tour. But he has written a poem: “Where have you come from, my hatred?” He has never hated anyone before and hopes the feeling will pass when the war is won. And he has made a recording, a cover of “You Are So Beautiful”, accompanying himself on the piano. “The beautiful woman I am singing to”, he says, “is Ukraine.”

► baptism”. Thus was born the vast genealogical database that it keeps in a vault in a Utah mountain. Such registries, though popular, are imprecise, and can suck in people who never asked to be included. In particular, DNA databases lend themselves to abuses such as racial profiling (as in the creation of facial “mugshots” that are extrapolated from DNA evidence).

For all that research, though, “the nature-nurture puzzle of personality” remains unsolved. Epigenetics, the study of the interplay between genes and their expression, is still in its infancy, Ms Newton

notes. At bottom, this is what she most wants to understand. Are her bouts of depression, irrationality and self-harm—and her creativity—in some sense inherited? Psychotherapy seems not to have supplied an answer. Ultimately she finds relief in connecting with those troublesome predecessors through an alternative approach called “ancestral lineage healing”.

Her most compelling chapters detail a whole set of “monstrous bequests” handed down to this white daughter of the American South. On one side, an ancestor robbed and probably murdered Native Americans.

On the other, successive generations of plantation owners in the Mississippi Delta enslaved scores of African-Americans. Her estranged father’s parents were “openly, unremittingly—‘jubilantly’ would not be too strong a word—racist.”

It is a toxic inheritance, to which Ms Newton returns again and again, asking whether and how descendants today can atone for their ancestors’ sins. At a moment of reckoning over America’s violent history, her book is a salutary call for an “acknowledgment genealogy” of the harms that are hidden in many family trees. ■

Economic data

	Gross domestic product				Consumer prices			Unemployment rate		Current-account balance		Budget balance		Interest rates		Currency units					
	% change on year ago		2022†		% change on year ago		2022†		%		% of GDP, 2022†		% of GDP, 2022†		10-yr gov't bonds		change on year ago, bp		per \$		% change
	latest	quarter*	2022†	2022†	latest	2022†	latest	2022†	%	latest	2022†	latest	2022†	latest,%	change on year ago, bp	per \$	Mar 30th	on year ago	Mar 30th	on year ago	
United States	5.5	Q4	6.9	3.0	7.9	Feb	6.6	3.8	Feb	-3.4		-7.5		2.4	62.0	-					
China	4.0	Q4	6.6	5.2	0.9	Feb	2.4	5.5	Feb [§]	1.8		-5.0		2.6	§§	-48.0	6.35		3.5		
Japan	0.4	Q4	4.6	2.9	0.9	Feb	1.2	2.7	Feb	2.4		-5.3		nil	-8.0	122		-9.6			
Britain	6.5	Q4	3.9	4.1	6.2	Feb	5.4	3.9	Dec ^{††}	-3.3		-5.4		1.7	84.0	0.76		-4.0			
Canada	3.3	Q4	6.7	3.8	5.7	Feb	4.5	5.5	Feb	0.3		-4.8		2.4	91.0	1.25		0.8			
Euro area	4.6	Q4	1.0	3.5	5.9	Feb	4.3	6.8	Jan	2.7		-4.3		0.7	95.0	0.90		-5.6			
Austria	5.5	Q4	-2.0	3.2	5.9	Feb	4.0	4.9	Jan	1.0		-3.8		1.0	109	0.90		-5.6			
Belgium	5.6	Q4	2.1	3.9	8.3	Mar	4.6	5.6	Jan	1.3		-4.7		1.1	112	0.90		-5.6			
France	5.4	Q4	2.9	3.4	3.6	Feb	3.7	7.0	Jan	-1.3		-5.8		1.0	110	0.90		-5.6			
Germany	1.8	Q4	-1.4	2.5	7.3	Mar	5.3	3.1	Jan	5.5		-2.4		0.7	95.0	0.90		-5.6			
Greece	7.4	Q4	1.7	3.7	7.2	Feb	4.7	13.3	Jan	-4.6		-4.7		2.8	188	0.90		-5.6			
Italy	6.2	Q4	2.3	3.4	5.7	Feb	4.2	8.8	Jan	2.5		-5.7		2.1	145	0.90		-5.6			
Netherlands	6.5	Q4	4.1	3.1	6.2	Feb	6.4	3.4	Feb	5.9		-4.9		-0.2	36.0	0.90		-5.6			
Spain	5.5	Q4	9.2	5.4	9.8	Mar	4.5	12.7	Jan	1.4		-5.7		1.5	121	0.90		-5.6			
Czech Republic	3.7	Q4	3.8	2.7	11.1	Feb	9.3	2.3	Jan [†]	-2.8		-4.6		3.8	184	21.9		2.0			
Denmark	4.3	Q4	4.5	2.7	4.8	Feb	2.0	2.7	Jan	8.6		nil		0.9	89.0	6.66		-4.8			
Norway	5.4	Q4	0.3	3.3	3.7	Feb	3.6	3.2	Jan ^{††}	9.2		2.6		1.4	76.0	8.57		-0.2			
Poland	7.6	Q4	7.0	4.2	8.5	Feb	7.9	5.5	Feb [§]	-1.0		-4.0		5.2	361	4.16		-4.6			
Russia	4.3	Q3	na	-10.1	9.2	Feb	15.0	4.1	Feb [§]	8.5		-6.7		11.8	449	84.5		-10.0			
Sweden	5.2	Q4	4.6	3.3	4.3	Feb	3.0	7.9	Feb [§]	4.3		0.1		1.3	90.0	9.25		-5.4			
Switzerland	3.7	Q4	1.1	3.0	2.2	Feb	1.1	2.2	Feb	5.1		0.5		0.7	99.0	0.92		2.2			
Turkey	9.1	Q4	6.2	3.3	54.4	Feb	43.7	12.1	Jan [§]	-2.6		-3.9		24.2	588	14.7		-43.2			
Australia	4.2	Q4	14.4	3.3	3.5	Q4	3.8	4.0	Feb	1.3		-3.2		2.8	106	1.33		-0.8			
Hong Kong	4.8	Q4	0.8	0.8	1.7	Feb	4.5	4.5	Feb ^{††}	-1.6		-6.9		2.2	71.0	7.83		-0.8			
India	5.4	Q4	26.6	7.2	6.1	Feb	4.9	8.1	Feb	-1.1		-6.4		6.8	64.0	76.0		-3.4			
Indonesia	5.0	Q4	na	5.1	2.1	Feb	3.6	6.5	Q3 [§]	0.2		-4.9		6.7	-3.0	14,342		1.0			
Malaysia	3.6	Q4	na	4.0	2.2	Feb	2.9	4.2	Jan [§]	2.9		-6.1		3.9	63.0	4.20		-1.2			
Pakistan	6.0	2021 ^{**}	na	3.0	12.2	Feb	8.0	6.9	2019	-5.1		-6.3		11.9	†††	160	183		-16.2		
Philippines	7.7	Q4	13.0	6.0	3.0	Feb	4.1	6.4	Q1 [§]	-1.7		-7.4		6.0	151	52.0		-6.7			
Singapore	6.1	Q4	9.5	3.8	4.3	Feb	2.9	2.4	Q4	17.5		-0.9		2.4	61.0	1.35		nil			
South Korea	4.1	Q4	5.0	2.9	3.7	Feb	3.2	3.4	Feb [§]	3.5		-2.9		2.9	83.0	1,210		-6.3			
Taiwan	4.9	Q4	7.6	4.5	2.4	Feb	2.4	3.7	Feb	14.7		-1.2		1.0	55.0	28.6		-0.2			
Thailand	1.9	Q4	7.5	3.2	5.3	Feb	2.8	1.5	Dec [§]	0.5		-4.6		2.3	50.0	33.3		-6.1			
Argentina	8.6	Q4	6.3	3.2	52.3	Feb	53.8	7.0	Q4 [§]	1.5		-4.3		na	na	111		-17.1			
Brazil	1.6	Q4	2.2	0.3	10.5	Feb	9.5	11.2	Jan ^{†††}	-0.9		-7.7		11.3	247	4.76		21.0			
Chile	12.0	Q4	7.5	3.0	7.8	Feb	8.9	7.5	Feb ^{§††}	-2.7		-4.1		6.5	299	788		-7.4			
Colombia	10.7	Q4	18.2	4.2	8.0	Feb	7.9	14.6	Jan [§]	-4.0		-5.3		9.8	327	3,742		-0.1			
Mexico	1.1	Q4	0.1	1.9	7.3	Feb	5.1	3.8	Feb	-0.9		-3.3		8.4	186	19.8		3.8			
Peru	3.2	Q4	-12.9	3.1	6.1	Feb	6.5	9.4	Feb [§]	-3.1		-2.6		6.8	207	3.73		0.8			
Egypt	9.8	Q3	na	5.3	8.8	Feb	7.0	7.4	Q4 [§]	-4.1		-6.9		na	na	18.3		-14.0			
Israel	11.0	Q4	17.6	4.1	3.5	Feb	3.8	3.9	Feb	3.4		-2.7		2.2	114	3.18		5.0			
Saudi Arabia	3.2	2021	na	5.7	1.6	Feb	2.0	6.9	Q4	12.0		6.5		na	na	3.75		nil			
South Africa	1.7	Q4	4.7	2.1	5.7	Feb	4.8	35.3	Q4 [§]	-0.9		-6.0		9.6	3.0	14.4		3.2			

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. †††3-month moving average. §§5-year yield. ††††Dollar-denominated bonds.

Markets

In local currency	Index	% change on:		index	% change on:	
		Mar 30th	one week		Mar 30th	one week
United States S&P 500	4,602.5	3.3	-3.4	44,337.6	2.6	-0.6
United States NAScomp	14,442.3	3.7	-7.7	3,442.6	2.3	10.2
China Shanghai Comp	3,266.6	-0.1	-10.3	2,746.7	0.4	-7.8
China Shenzhen Comp	2,137.6	-1.2	-15.5	17,740.6	0.1	-2.6
Japan Nikkei 225	28,027.3	nil	-2.7	1,698.4	1.2	2.5
Japan Topix	1,967.6	-0.6	-1.2	90,867.6	0.8	8.8
Britain FTSE 100	7,578.8	1.6	2.6	120,259.8	2.4	14.7
Canada S&P TSX	22,076.0	0.7	4.0	55,815.0	1.2	4.8
Euro area EURO STOXX 50	3,959.1	2.3	-7.9	11,239.2	-4.3	-5.6
France CAC 40	6,741.6	2.4	-5.8	2,116.3	0.6	2.1
Germany DAX*	14,606.1	2.3	-8.1	13,038.2	0.7	15.1
Italy FTSE/MIB	25,300.3	4.1	-7.5	75,425.3	0.8	2.3
Netherlands AEX	733.9	1.7	-8.0	3,096.7	2.8	-4.2
Spain IBEX 35	8,550.6	2.7	-1.9	1,149.3	0.8	-6.7
Poland WIG	65,909.4	2.4	-4.9			
Russia RTS, \$ terms	949.2	1.3	-40.5			
Switzerland SMI	12,243.7	1.2	-4.9			
Turkey BIST	2,230.2	2.2	20.1			
Australia All Ord.	7,799.9	1.8	0.3			
Hong Kong Hang Seng	22,232.0	0.4	-5.0			
India BSE	58,684.0	1.7	0.7			
Indonesia IDX	7,053.2	0.8	7.2			
Malaysia KLSE	1,583.2	-0.9	1.0			

US corporate bonds, spread over Treasuries			
	Basis points	latest	Dec 31st 2021
Investment grade		142	120
High-yield		373	332

Sources: Refinitiv Datastream; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index				
2015=100	Mar 22nd	Mar 29th*	% change on	
			month	year
Dollar Index				
All Items	190.2	175.7	-7.5	8.5
Food	164.8	160.1	-2.9	30.0
Industrials				
All	214.0	190.2	-10.8	-4.0
Non-food agriculturals	181.6	181.0	-5.2	21.9
Metals	223.6	192.9	-12.3	-9.3
Sterling Index				
All items	219.0	204.1	-6.0	13.3
Euro Index				
All items	191.4	175.5	-7.2	14.6
Gold				
\$ per oz	1,919.0	1,911.1	-0.8	13.4
Brent				
\$ per barrel	115.4	110.5	5.2	71.8

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

For more countries and additional data, visit [Economist.com/indicators](https://www.economist.com/indicators)

Stacking the deck

A wild gerrymander makes Viktor Orban's party hard to dislodge

IN AN UPCOMING election a populist conservative party is poised for victory. It leads polls by mid-single digits. It is also aided by gerrymandered districts, drawn after it won an election in 2010, which should secure its majority today even if its opponents get more votes. The party is not America's Republicans, who lead polls by just two points and whose advantage in gerrymandering has dwindled. Instead, it is one that some Republicans cite as a model: Fidesz in Hungary, led by Viktor Orban, which faces voters on April 3rd.

Hungary has a mixed-member parliament. Just over half of MPs represent geographic districts; the rest come from party lists allocated in proportion to the national vote. Academics often praise this method. But Hungary's version is warped.

First, rather than having independent experts draw districts, Fidesz drew them itself. Legislators in many American states do this, too. But in America, constituencies must have nearly equal numbers of people. In Hungary, by contrast, their populations can vary by up to 35%. This lets the party in power pack opposition voters into a few heavily populated districts, and spread out its own among lots of less-populous ones.

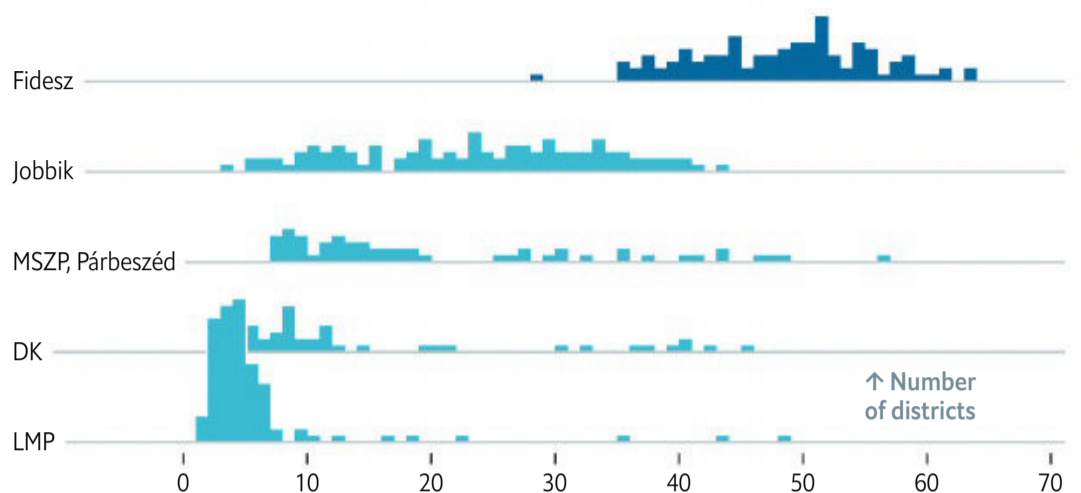
Fidesz has deployed this tactic deftly. When it took power in 2010, it fared similarly in the least- and most-populous districts. At the next election in 2014, after it re-drew the borders, its vote share was six percentage points higher in districts with fewer than 70,000 eligible voters than in those with at least 80,000. As a result, Fidesz won 91% of constituency seats and a two-thirds supermajority overall, despite getting just 45% of the vote. In 2018 it won 67% of seats again, with 49% of the vote.

This time, Fidesz's rivals are better organised. Six parties have joined forces as the United Opposition. Had their votes been combined in 2018, Fidesz would have won only 104 of 199 seats. However, many voters who in 2018 backed Jobbik, the only conservative party in the alliance, have defected. As a result, Fidesz leads polls released in March by 50%-44% on average.

This lead is too small to ensure that Fidesz will get the most votes. But thanks to gerrymandering, the opposition probably needs 54% of votes to control parliament. Fidesz can hold on with just 43%. By contrast, at the peak of American Republicans' gerrymandering in 2012, they needed 48% to win the House of Representatives. ■

→ Fidesz drew district borders that made it competitive everywhere

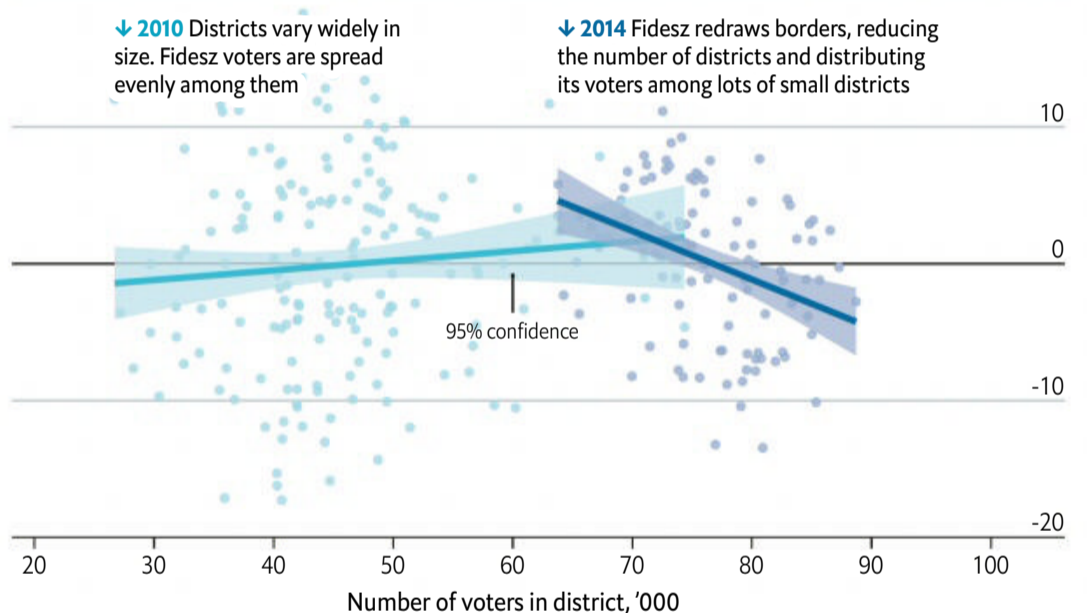
Vote share in Hungarian districts, 2018, %



→ Fidesz spread out its voters over lots of thinly-populated districts

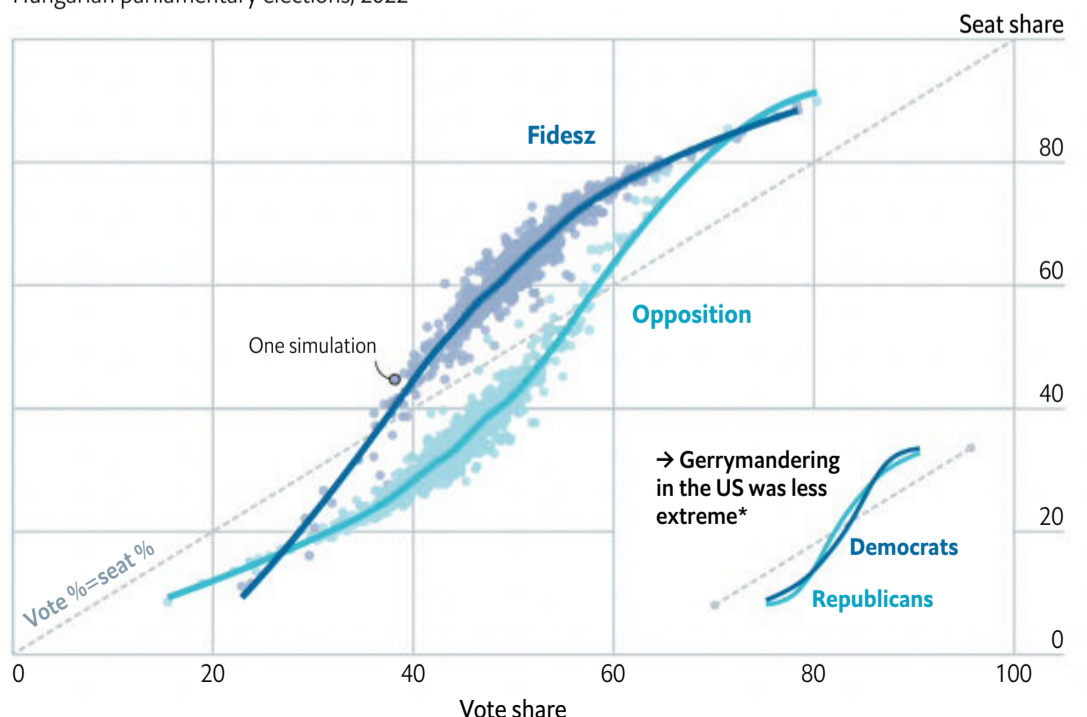
Hungarian electoral districts

Fidesz vote relative to average, % points



→ Gerrymandering boosts Fidesz's share of seats by ten percentage points

Predicted share of seats for a given share of the vote, %
Hungarian parliamentary elections, 2022



*House of Representatives elections in 2012 Sources: The Constituency-Level Elections Archive; The Economist



A different kind of secretary

Madeleine Korbelt Albright, America's first female secretary of state, died on March 23rd, aged 84

WHenever she was asked what advantages a woman brought to the running of foreign policy, Madeleine Albright had several answers. Women disliked head-on arguments; they preferred to sit down and talk things through. Men focused on power and position, dangerous obsessions; women focused on almost anything but that. And, being so small a minority in that men's world, they got noticed more. She herself, short, round and blonde, was instantly recognisable the world over, and enjoyed making herself more so. When she accused Fidel Castro's operatives of having no *cojones*, or called Slobodan Milosevic of Serbia a murderer, people were more startled than if a man had said it. A streak of aggression in a woman went a long way. So did sheer pizzazz. When she was nominated as secretary of state by President Bill Clinton in 1996 she wore a bright red outfit and a pearl necklace with an eagle pendant, both of which advertised her pride and joy far better than boring black could.

Her brooches and pins were another subtle gambit men did not have. She took up this delightful pastime when she was America's ambassador to the UN from 1993 to 1997: at first the only woman on the Security Council, one skirt among 14 suits. On happy days she wore flowers, butterflies or balloons; on bad days, crabs and carnivores. When the Iraqis called her an "unparalleled serpent", a tag she revelled in, she pinned on a snake. When the Russians wired her conference room she wore a huge bug, just to let them know she knew. If she wanted to divert press interest from delicate talks, she sported a mushroom pin to make the point that some things did better in the dark.

Nonetheless, she also keenly felt a woman's disadvantages. As professor of diplomacy at Georgetown University she urged her female students to interrupt and speak up, but she herself sometimes felt a squirm of fear when she butted into a debate among men. Inevitably career and family clashed, too. Even as she accu-

mulated degrees and expertise, she wanted to be a good mother and a dutiful wife. When her husband, Joseph Albright, the scion of a wealthy newspaper family, left her in her 40s, calling her too old-looking, she wanted him back so badly that she was prepared to abandon any thought of a career.

In the end, however, that career saved her. The world, its troubles and their possible solutions were utterly absorbing; she could have stayed at Foggy Bottom for ever. In a sense, she had already been trained for it. Her father, her chief model and adviser, had been the Czech ambassador in Belgrade; the family had been forced first by Nazis and then by Communists to abandon Czechoslovakia and make their way, slowly, to America. They arrived in 1948, when she was 11 and, already, a citizen of the world. She worked hard at becoming "thoroughly American Maddy", until she dreaded that her parents might do something European in front of her friends, such as serving cabbage rolls or singing Slovak songs. America was a haven of peace, democracy and freedom which she keenly embraced and never took for granted.

Her approach to foreign policy flowed naturally from this. She wanted to give freedom and democracy to everyone. Yet America's power to lead was so morally important that it could not be squandered on risky enterprises. As secretary of state she fostered European alliances that could carry some of the burden, and expanded NATO's umbrella to cover the new democracies emerging from the Soviet rubble. (Eastward expansion was a step towards Russia, she insisted, not against it.) Her loathing for Donald Trump, when he appeared, was part-based on his disdain for these alliances, which included the places of her past.

Her years at the State Department, from 1997 to 2001, were relatively quiet. It had not been so at the UN, where Somalia, Rwanda and Bosnia were all traumatic for her. In Somalia, where anarchy reigned, America sent in troops to feed the hungry but, when 18 were killed, felt humiliated and withdrew. In Bosnia, convulsed with ethnic cleansing, America stood by for far too long until limited NATO air strikes cleared the way for a negotiated peace. As for Rwanda, it exploded in 1994 with such volcanic intensity that she received no intelligence and nothing could be done. She argued hard for humanitarian aid but it was too late even for that, and no one, least of all Congress, seemed to care. Working at the UN left her in two minds: first, that it was wonderful that such a body existed; but second, that it was a monstrous bureaucracy which, while people were dying, argued over commas.

Failure in Rwanda was her deepest regret. Having huddled through the London Blitz, she knew something of war, but not like this: children's skulls gouged by machetes, stadiums carpeted with blood. Another vivid cause for regret was her remark on "60 Minutes" that the deaths of half a million Iraqi children, supposedly caused by the sanctions placed on Saddam Hussein for blocking UN nuclear inspections, were a price worth paying. The figures turned out to be false, but she hated to appear so cruel.

The fighting in Yugoslavia touched her most closely. First, she had lived there. But second, it raised again the spectre of concentration camps in Europe, into which Muslim men and boys were herded to be starved or killed by Serbs. By that date she had also learned, to her horror, that 26 members of her own family had been murdered in Terezin and Auschwitz, including three grandparents. She found two of their names on the wall of the Pinkas synagogue in Prague, which she had visited before without knowing. Her parents had wiped that Jewish heritage away, and had her baptised a Catholic, in order to escape such persecution.

She accepted this astonishing truth just after becoming secretary of state. It shocked her, but she stayed an Episcopalian, as she had become to marry Joe, and did not exploit her new identity. Her overwhelming response was to praise and defend what her parents had done for her. Yes, they had lied, and had deprived her of part of herself. But they had enabled her to live, succeed and be an American, the luckiest thing in the world. ■

ECONOMIST
IMPACT

Trade challenges and opportunities in the post-pandemic world

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Global trade has proved remarkably resilient since the covid-19 pandemic. After a steep decline in 2020, global trade in goods grew by 10% in 2021, returning to the pre-pandemic level in 2022.¹ While some sectors like travel and hospitality remain deeply depressed, others are emerging stronger. Digital technology and “green” goods and services are among those benefiting the most, as companies strive for digitalisation and decarbonisation.²

Global trade: Back in black



Source: World Trade Organisation, 2021

Global technology spending is expected to reach nearly \$6 trn by 2023.³ Artificial intelligence, cybersecurity, the internet of things, as well as underlying hardware (eg, semiconductors) are surging. So is sustainability—the value of sustainability-themed funds and bonds in capital markets reached \$3.2 trn in 2020, up 80% from 2019.⁴ Governments have spent billions to support domestic businesses, particularly in priority industries such as digital technology, energy and health care. While promoting investments in these sectors at home, governments are also increasingly restricting foreign capital inflows. State intervention is back.⁵

The Economist Intelligence Unit (EIU), supported by the UK’s Department for International Trade (DIT), has developed a series of reports exploring trends in the global trade and investment landscape across eight critical areas: clean growth; agriculture, food and beverages; digital

technology; education; creative industries; consumer goods; financial and professional services; and investment. Drawing on expert interviews and new analysis, the reports uncover how these sectors are positioned in the face of rapid digitalisation, sustainability concerns and a return of industrial policy.

To find out more about the challenges and opportunities that businesses and governments face in the recovery from the pandemic, visit: <https://bit.ly/3HWKDRW> or scan the QR code with your mobile device



¹ Economist Intelligence Unit, 2022; World Trade Organisation, 2021

² Economist Intelligence Unit, Clean Growth, 2021

³ International Data Corporation, 2021

⁴ UN Conference on Trade and Development, 2021

⁵ Ibid.



TOWARDS A DREAM

LOUIS VUITTON