

The Economist

End of the rip-off economy

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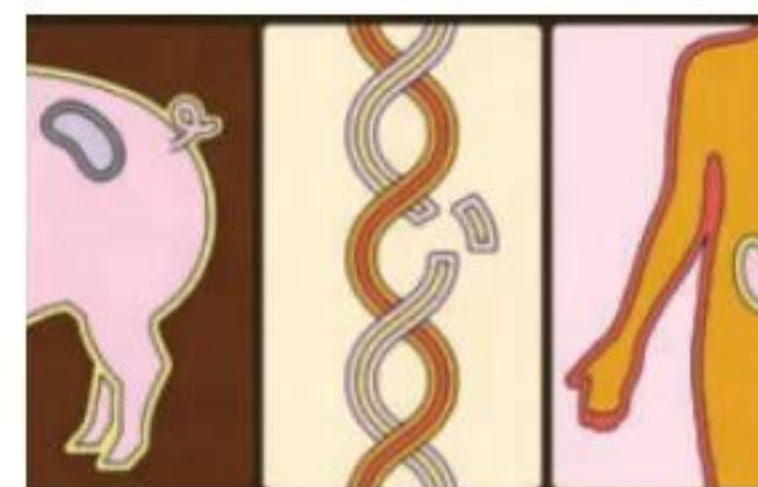
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to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

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The world this week Politics



Donald Trump met **Xi Jinping** in South Korea, their first face-to-face encounter since the American president took office in January. Mr Trump described their meeting as “amazing” and said China had agreed to a one-year trade deal and had promised to loosen its restrictions on exports of rare earths. Mr Trump also confirmed that China had made progress in reducing the flow of fentanyl from the country and he would therefore reduce the level of tariffs he had imposed on Chinese goods. Shortly before the meeting Mr Trump threatened to resume nuclear testing, but gave no details about what he meant.

Mr Trump also visited **Japan** for talks with Takaichi Sanae, the new prime minister, who vowed to strengthen her country’s defence capabilities because of the “severe security environment”. The American president also went to **Malaysia**, where he signed more trade deals and oversaw the signing of an expanded ceasefire between Cambodia and Thailand. He also held talks with Lee Jae Myung, **South Korea’s** president, in which they secured a trade deal that lowers tariffs on Korean car exports.

A row over Reagan’s ghost

Mr Trump earlier imposed an extra 10% levy on Canadian goods in retaliation for a TV ad aired by the government of Ontario province that had used a clip of Ronald Reagan criticising the use of tariffs. Seemingly annoyed by Ontario’s ad, Mark Carney, **Canada’s** prime minister, pointed out that only the federal government has responsibility for trade.

Afghanistan and **Pakistan** said they would resume peace talks in Istanbul, a day after an announcement that they had ended in failure. The talks are aimed at finding a solution to hostilities between the two countries, which recently erupted into fighting along their border, killing dozens of people. Smaller skirmishes have continued despite a ceasefire. Pakistan accuses Afghanistan of giving succour to the Pakistani Taliban.

A general election in the **Netherlands** produced a tight result. D66, a liberal party led by Rob Jetten, won the same number of seats as the hard right Party for Freedom (PVV), led by Geert Wilders. PVV had won the previous election in 2023. But no mainstream party will now deal with the PVV, so Mr Jetten looks likely to be the next prime minister.

Volodymyr Zelensky said that **Ukraine** was ready to hold peace talks with **Russia**, and would even consider Hungary as a venue, but he would not pull back Ukrainian troops from the conflict, a Russian precondition for negotiations. A few days earlier European leaders failed to agree on a plan to use frozen Russian assets to fund Ukraine.

The speaker of **Georgia’s** parliament announced that the pro-Russian government had asked the Constitutional Court to ban three pro-Western opposition parties, alleging that they threatened the constitutional order. Over the past 12 months Georgia has been gripped by pro-democracy protests amid a crackdown on the opposition. The court has nine months to decide the case.

Catherine Connolly won **Ireland’s** presidential election. Ms Connolly ran as an independent but was backed by Sinn Féin and other parties of the left. Although the presidency is a mostly ceremonial role, Ms Connolly is a fierce defender of Irish neutrality at a time

when the European Union is seeking greater commitments to collective defence.

Hurricane Melissa left much of Jamaica without electricity and communications. Recording sustained winds of up to 300kmh (185 miles per hour) it was the strongest-ever storm to hit the island. It barrelled on to Cuba and the Bahamas packing a less severe punch. Around 35 people have been killed by the storm, including in Haiti, a toll that is likely to rise.

At least 121 people were killed in **Brazil** during police raids that targeted a large drug gang. Four of the dead were police officers. Around 2,500 security personnel were deployed, making it the biggest and deadliest operation ever in the country. President Luiz Inácio Lula da Silva called an emergency cabinet meeting, but also said organised gangs “destroy families”. The UN expressed its dismay and called for an investigation.



Argentina’s president, Javier Milei, described his party’s landslide victory in midterm elections as historic. Liberty Advances (LLA) took 41% of the vote, trouncing the Peronists, who took 32%, and confounding pollsters who had predicted a close result. LLA even won Buenos Aires province, which recently gave the Peronists a significant win in local elections. Mr Milei’s radical economic reforms had run into stiff opposition, but the president said the election would bring about “the construction of a great Argentina”. The country’s bonds and stockmarkets rallied.

Israel carried out strikes in Gaza in retaliation for what it said was an attack by **Hamas** in which an Israeli soldier was killed. Hamas denied responsibility and said it was keeping to the ceasefire. Over 100 people were killed in the Israeli strikes according to the Hamas-run authorities, which didn’t say how many were combatants or civilians. Israel also accused Hamas of violating the ceasefire by returning a coffin with some remains of a hostage whose body had already been returned. Meanwhile, the king of Jordan said that international troops would not want to have to enforce peace in Gaza.

The world starts to notice

The rebel Rapid Support Forces in **Sudan** took full control of el-Fasher, a city in the Darfur region. Reports emerged that the RSF, which evolved from Arab militias in Sudan, was executing non-Arab civilians. Egypt, Saudi Arabia and others condemned the killings. The chairman of the Foreign Relations Committee in America’s Senate called for the RSF to be designated as a terrorist group.

Mali closed all its schools and universities because of a fuel shortage caused by Islamist militants, who have blocked tankers on highways from delivering fuel. Bamako, the capital, has been particularly affected by the disruption.

Three African countries went through the motions of holding elections. **Tanzania’s** president, Samia Suluhu Hassan, was expected to have won re-election, after the leading opposition candidates were barred from running. A curfew was imposed after protests broke out. The main opposition was also banned in **Ivory Coast’s** poll, so it was no surprise that Alassane Ouattara secured a fourth term as president. The result of **Cameroon’s** presidential election, held on October 12th, was announced, giving Paul Biya an eighth term; violent protests greeted the result.

The world this week Business

America's **Federal Reserve** cut interest rates for the second time this year, reducing its benchmark rate by another quarter of a percentage point to a range of between 3.75% and 4%. The cut was expected and markets were more interested in the announcement by Jerome Powell, the Fed's chairman, that another reduction this year was "far from certain". The Fed also announced that it will stop reducing its portfolio of bond holdings (a process known as quantitative tightening, which reverses quantitative easing, when the portfolio is expanded). The Fed's holdings peaked at \$9trn in 2022 and are around \$6.6trn today.

The **Bank of Japan** left its main interest rate on hold at 0.5%. Markets still expect an increase by the end of the year as inflation in Japan remains elevated, in part because a weak yen has pushed up import costs.

Coming to an office near you
Amazon started to carry out swingeing job cuts that it had warned earlier this year would come with the adoption of AI. It is reducing its number of white-collar staff by 14,000 (out of a corporate workforce of 350,000), with more job losses to come next year as it aims for a reported total of 30,000. Amazon employs over 1.5m people overall in full-time and part-time jobs. In June Andy Jassy, its chief executive, said the increasing use of AI tools and agents would eliminate the need for routine staff work.

Corporate jobs are experiencing a bloodbath elsewhere, too. As part of its cost-cutting drive UPS revealed that it had taken an axe to 34,000 positions in its operational workforce so far this year, and another 14,000 in management. This is in part because the logistics company is no longer handling Amazon's parcels, which had become uneconomical to deliver. Nestlé recently announced 16,000 job cuts, 12,000 in white-collar work. And Target said it would sever 1,800 corporate roles.

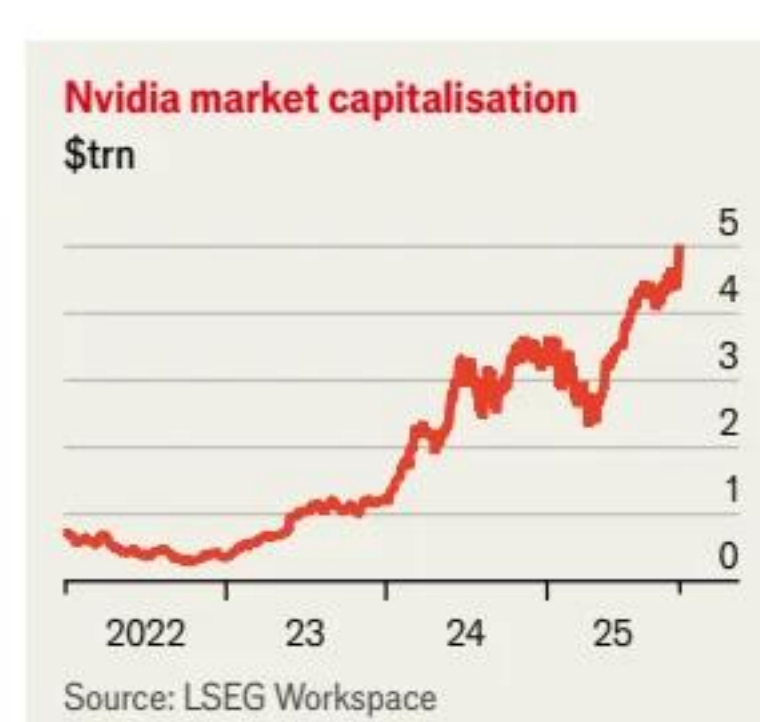
It is not only corporate jobs that are under pressure. **General Motors** announced 1,750 job cuts at its electric-vehicle and battery factories, and another 1,550 temporary lay-offs at the battery plants.

Alphabet's quarterly revenue passed \$100bn for the first time, sending its share price up. In the other eagerly awaited tech earnings, **Meta** and **Microsoft** reported profit and revenues that topped expectations, but the big increases in costs for both companies from spending on artificial intelligence spooked investors.

OpenAI and Microsoft updated their partnership agreement, moving OpenAI towards a for-profit setup and away from its non-profit roots. Microsoft's holding in OpenAI is 27% and valued at \$135bn, meaning the developer of ChatGPT is worth \$500bn. Sam Altman, OpenAI's boss, said it would probably pursue a future IPO but that there were no plans to do so at present.

Nvidia announced \$500bn-worth of orders for its AI processors and a deal to build seven supercomputers for the Department of Energy. Jensen

Huang, Nvidia's CEO, said that some of its Blackwell graphics-processing units were now being produced in Arizona, placating Mr Trump, who wants to "bring manufacturing back" to America.



Investors' giddiness for all things AI-related pushed **stock markets** to new highs. Nvidia's market value reached \$5trn, just three months after passing \$4trn. Microsoft's market capitalisation closed above \$4trn for the first time following the news of its stake in OpenAI. Apple also hit a \$4trn valuation ahead of its earnings.

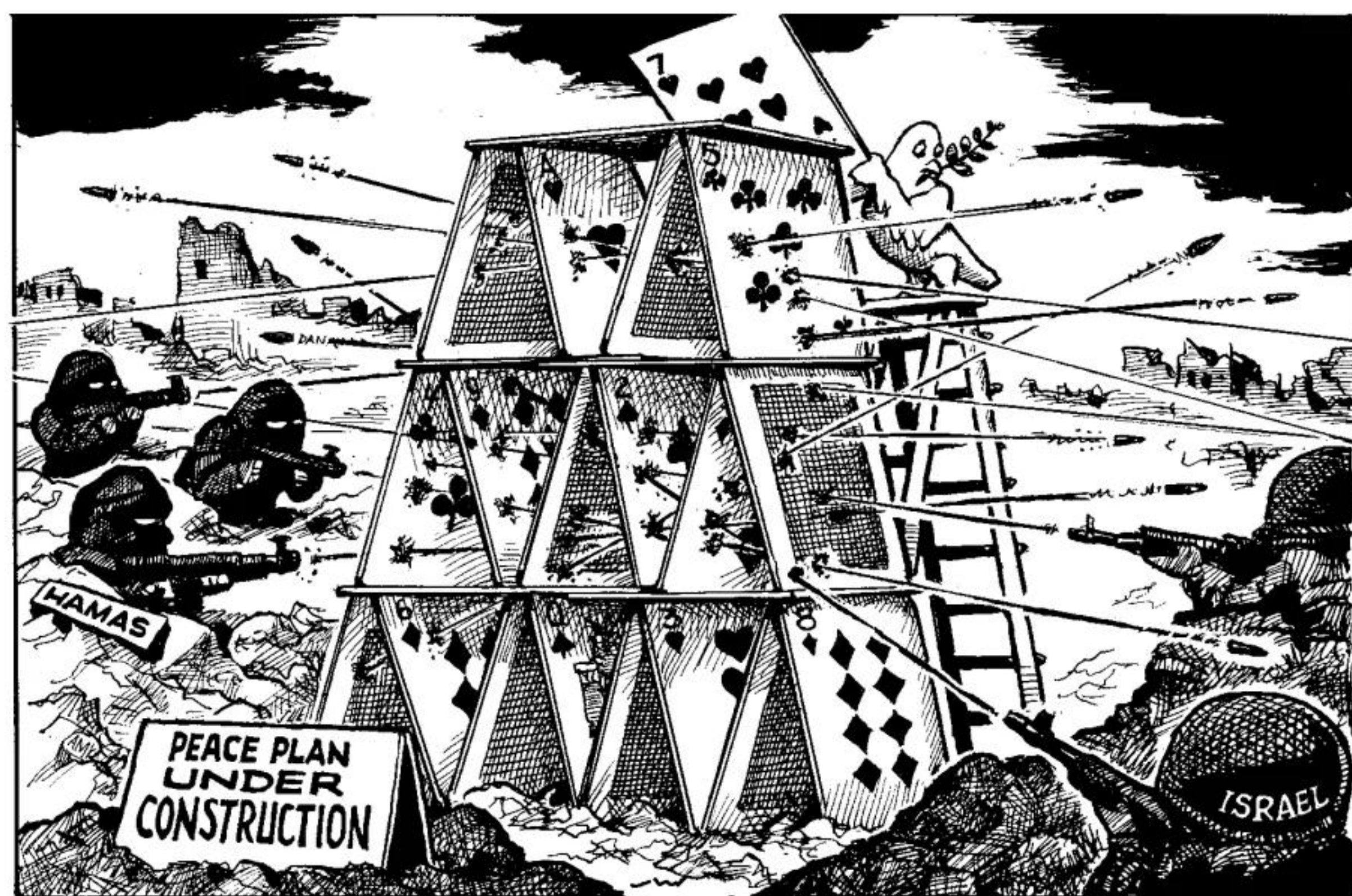
Lukoil, Russia's second-biggest oil producer, announced that it would sell most of its international assets to Gunvor, a Swiss company, because of America's recently announced **sanctions on Russian energy**. Lukoil is a

private company, whereas Rosneft, Russia's biggest oil provider (also subject to sanctions), is state owned. Oil prices jumped when the penalties were announced but have levelled off. The sanctions come into effect on November 21st and will particularly affect countries like India, which buys lots of Russian oil.

Westinghouse unveiled an \$80bn agreement with the American government to build **nuclear reactors** in the United States. Mr Trump issued an executive order in May to "ensure the rapid development" of nuclear energy, in part to feed the enormous appetite for power from AI data centres.

Into the sunset

John Malone said he would step down as chairman of Liberty Global and Liberty Media, respectively the holding companies for his stakes in telecommunications, including Virgin Media O2, and Formula One and Live Nation Entertainment. Over a 50-year career Mr Malone was instrumental in driving the growth of cable television, selling his company, TCI, to AT&T for \$50bn in 1999. His biography is titled "Cable Cowboy".



The battle for New York

A fight is brewing between Donald Trump and Zohran Mamdani

TWO SKILFUL politicians with radical plans are about to be unleashed on America's largest city. On November 4th Zohran Mamdani, a 34-year-old leftist, is all but assured to win New York's election for mayor, with the promise of new social programmes paid for by the rich. Donald Trump, America's 79-year-old president, says he will "straighten out" New York shortly thereafter, with threats to deploy more federal agents and withhold crucial federal funds.

Mr Mamdani's proposals make for terrible public policy. Mr Trump's plans are a more literal threat to New Yorkers and, possibly, the law. The president has talked about an escalation of immigration enforcement, bringing to his home town the aggressive tactics he has tested in Chicago and other Democrat-run cities. The two men are set for a dramatic clash, with New York as its stage and victim.

The battle for New York matters, and not just for New Yorkers. The city remains a crucial economic engine for America, home to more corporate headquarters than any other place in the country. It is the centre of finance, professional services and media, as well as a growing tech hub and a powerhouse of medical research. The result is a metropolitan area with an economy of more than \$2.3trn, bigger than that of Canada and representing about 9% of America's total.

The city is a locus of political power, too. Operatives obsess over the voting patterns of swing counties like Maricopa, in Arizona, rather than deeply Democratic Manhattan. But New York has a different kind of clout. Its donors give more to federal campaigns than those of any other city except greater Washington, DC. Not since the time of Franklin D. Roosevelt has the White House been run by so many New Yorkers, from Mr Trump himself to Steve Witkoff, his peace envoy, and Howard Lutnick, his commerce secretary. Two other New Yorkers, Chuck Schumer and Hakeem Jeffries, lead Democrats in the Senate and House, respectively. Mr Schumer faces pressure from a new generation—led by another New York Democrat, Alexandria Ocasio-Cortez.

New York also remains the country's most enduring symbol of two American ideals: pluralism and opportunity. The city is home to more immigrants than any other in America, living alongside each other in relative harmony. It is the country's top destination for new university graduates, who see it as the place where real life begins.

However, New York is now also under strain. The city's fiscal model is breaking down. The top 1% of New Yorkers account for more than 40% of the city's personal income-tax receipts. But the city no longer creates so many high-flying jobs, and some of its wealthiest residents are leaving (see Briefing). At the same time, life for ordinary New Yorkers is hard to afford. Median rents are more than twice the average of America's 50 biggest cities. The cost of day care for babies and toddlers is \$26,000 a year, up more than 40% in the past five years. With a shaky tax base, New York state will struggle to sustain its welfare and education programmes, which are 72% more

expensive for each person than programmes in Texas.

New York's last good leader was Michael Bloomberg, a competent mayor with the charm of a spreadsheet. But New Yorkers today hanker after a different kind of politics. Mr Trump won an unusually high share of the city's vote in last year's presidential election, including 37% in Queens and 27% in the Bronx. Like him, Mr Mamdani is a master of communication, with a talent for making ordinary voters feel understood. In this summer's Democratic primary for mayor, he trounced the better-known Andrew Cuomo, a former governor. Just a few years ago, his strident criticism of Israel and Zionism would have been disqualifying. Today many voters take it as evidence of his authenticity.

Unfortunately for New York, in their different ways Mr Mamdani and Mr Trump are likely to compound the city's problems. Mr Mamdani wants free child care, free buses, a \$30-an-hour minimum wage by 2030 and a four-year rent freeze for 2m residents. His goal of affordability is worthy, but not his methods. The city's families would surely welcome an expansion of child care, but Mr Mamdani's proposal is wasteful. Free buses would end up as bad buses. His minimum wage would frighten off employers. Freezing rent temporarily for a subset of New Yorkers would drive up rent for others.

Paying for these proposals would require working with the state, most likely to raise taxes on the wealthiest New Yorkers, which would scare more of them away. That would push the government to raise taxes further, risking a fiscal death spiral. All the while, the underlying causes of New York's high costs—its fealty to the public unions, overregulation, a costly and expansive bureaucracy and expensive litigation—would remain untouched.

Mr Trump represents a different and more sinister risk. He is threatening to withhold federal monies that account for 6.4% of New York's budget. The president is not legally authorised to cancel appropriated money without the approval of Congress, but he may do so anyway—he has already used the federal shutdown to freeze \$18bn in infrastructure funds. An aggressive deployment of immigration officers in New York might spur broader unrest, which could in turn inspire the president to send in the National Guard. His agenda is unilateral and, quite possibly, illegal.

As his victory has seemed more assured, Mr Mamdani has shown signs of moderating. New York must hope this is not just a tactic, and that Mr Trump decides that he will lose more by stoking unrest than he has to gain. Even so, New York and America would have better prospects if the city could be a testing-ground not for a bullying president or leftist mayor, but a pragmatist. In so complex a city, a moderate politician might show America how to unleash housing development, trim onerous rules and advance policies that create opportunity, from investing in transport to reforming schools. The fear is that New York is instead about to become the arena for a fight between two men with bad ideas. ■



Ukraine

Europe's opportunity

The bill for funding Ukraine is huge. It is also a historic bargain

WARS ARE fought on the battlefield, but they are also trials of financial strength. In prolonged conflicts the ability and will to marshal resources and find new ways of raising cash are critical in determining who wins: sometimes they are the decisive factor. That truth is about to become all too real for Europe. Ukraine is facing a savage cash crunch. Unless something changes, it will run out of money at the end of February. This cliff edge is fast approaching, now that President Donald Trump has cut America's financial support for Ukraine, hopes of a ceasefire fade and Russian drones smash Ukraine's energy grid in an attempt to break its will.

Indebted, fractious Europe needs to find the money to keep Ukraine in the fight. But it would be a terrible mistake to see this cash call as merely a painful exercise in annual budgeting (see International section). Instead, it is a historic opportunity to shift the balance of power between Europe and Russia by exposing the Kremlin's financial frailty and altering Vladimir Putin's calculus about war and peace. It is also a chance to speed up Europe's efforts to establish its military and financial independence from America. The bill for Ukraine is higher than most Europeans realise, but it is also a bargain.

After almost four years of war, the cost of fighting is huge. By the end of 2025, Ukraine's military effort, defined as its defence budget plus foreign gifts of weapons and military grants, will have cost a total of roughly \$360bn. This year the war effort will require \$100bn-110bn, the highest sum yet, equivalent to about half of Ukraine's GDP.

Two of the three sources of funding for Ukraine are now drying up. In February, after Mr Trump entered the White House, monthly American financial allocations to Ukraine stopped. Meanwhile, Ukraine has now borrowed as much as anyone will lend it. It has an official fiscal deficit of about a fifth of GDP; public debt has doubled as a share of GDP since before the war, to about 110%. Its ability to borrow from war-scarred households and firms at home is limited.

That leaves Europe. The prospect is exposing divisions inside the European Union. On October 23rd its leaders failed to agree on a loan to Ukraine that would be collateralised by \$163bn of frozen Russian assets held in the EU's main clearing house. Objections from Belgium, which hosts the clearing house, threaten to derail the plan. Northern countries fear that agreeing to more EU fundraising by issuing common bonds could undermine fiscal discipline across the currency bloc. France fears that fresh European funds will be spent on overpriced American weapons to please Mr Trump. Everyone worries that a blank cheque could worsen Ukraine's corruption.

These anxieties are reasonable, but they are dwarfed by two gains that lie within Europe's grasp. The first is a financial commitment that can expose and amplify the Kremlin's long-term weakness. Russia has lost the lives of 200,000-500,000 troops—double the figure for Ukraine. It is also bearing a heavy financial burden on its own. Declared defence spending will hit \$160bn in 2025, and state-run banks have also engaged

in an immense off-budget lending spree to support the military-industrial complex. It is true that sanctions in 2022 failed to bring Russia to its knees as some had hoped. But Mr Putin's initial war boom has now given way to stagflation, with growth at almost zero, labour shortages, hidden bad debts, inflation of 8% and interest rates of 16.5%. Another half-decade of this would probably trigger an economic and banking crisis in Russia. If Europe can demonstrate to Russia that it will underwrite the war for at least that long, Mr Putin will be cornered.

Europe's second prize would be to become less dependent on America militarily, a necessity given Mr Trump's wobbly commitment to NATO. Any long-term financing solution for Ukraine would help Europe build the financial and industrial muscle it needs to defend itself.

A four-year commitment would cost \$390bn, composed almost entirely of donated weapons and cash to finance Ukraine's budget deficits. This is a lot, but still excellent value. Spread across the economic resources of all NATO members (not counting America), the bill for Ukraine is affordable, with annual costs rising from 0.2% of GDP last year to 0.4% of GDP. The alternative would be for Ukraine to lose the war and become an embittered, semi-failed state whose army and defence industries could be exploited by Mr Putin as part of a new, reinvigorated Russian threat.

This newspaper supports the seizure of Russian assets, but they are \$230bn short of what is needed. Given the size of the challenge Europe collectively faces, some sort of joint borrowing would be justified. Far from undermining the euro's international status, for the EU to issue bonds collectively would create a bigger pool of common debt, deepening Europe's single capital market and boosting the role of the euro as a reserve currency. A multi-year horizon for weapons procurement would help Europe sequence the build-up of its defence industry (see Business section). In the short term Europe should have no qualms about buying the American weapons that Ukraine needs, including air-defence systems. Later spending should favour European defence firms as they develop their own systems, as well as Ukraine's own cutting-edge defence-tech industries.

Bring it on

Grave problems lie ahead. Inducing despair in Mr Putin, a noble aim, might be complicated if Russia can tap China for funds. Decision-making between the EU and NATO, which includes Britain, Norway and Canada, needs to be nimbler. Safeguards against corruption are important, but must not erode Ukraine's—and the Kremlin's—certainty that, one way or another, the money is coming.

Europe should take heart and recognise its own strength. Its military budget is already four times larger than Russia's; its economy is ten times larger. Far from shying away from a financial contest with the Kremlin, Europe should embrace it—and win the war. ■



China and America

Aversion therapy

Neither China nor America wants decoupling or confrontation—at least, not yet

TWELVE OUT of ten was Donald Trump's own scoring of his summit with Xi Jinping in Busan, South Korea, on October 30th. America's president was sounding characteristically bullish. And the world should indeed be relieved that its two largest economies seem to have no desire to decouple from each other—let alone to haggle over the status of Taiwan. Either outcome would have imposed a heavy cost on Asia and the world. However, their agreement appears to be sketchy and temporary, and that means the planet's most important relationship will continue to be built on sand.

As we write, the details of what was agreed on in Busan remain hazy—itself a metaphor for the ever-shifting nature of the underlying diplomacy (see China section).

The deal was mostly a holstering of weapons, in which China agreed to postpone restrictions on exports of crucial rare earths for a year, while America will stay its tariff of 100% on Chinese goods and its threat of export controls on subsidiaries of blacklisted Chinese firms. The two sides also backed away from a confrontation over shipping. The talks made progress, too. China will once again start buying American soyabeans. America will reward extra Chinese efforts to restrict chemical ingredients for fentanyl by halving a 20% punitive tariff on all goods. Mr Trump appears open to the export of some semiconductor chips, though not the most advanced.

Given the hostility towards China of some in Washington, the deal could very easily have been worse. They urgently want America to decouple from its biggest geopolitical rival but, with this summit, the first since 2019, Mr Trump has shown that he values the commercial relationship too highly to throw it away. At the same time, the president did not sacrifice Taiwan for a heap of soyabeans.



Unfortunately, the summit also shows how much is wrong. For one thing, the agreement leaves an American tariff of 47% on Chinese goods. In the pre-Trump world that would have been an extraordinary level of protection. The terms of the agreement are also temporary—explicitly so, in the sense that many of the terms of this deal will be reviewed in a year's time; but also implicitly, because Mr Trump sees it within his power to lash out with a tariff here or a non-tariff barrier there at any time over almost any issue.

Another source of potential conflict is the fact that, in contrast to every other country, China is more than a match for America. The Busan summit came after Mr Trump's royal procession through much of Asia in which one leader after another showered him with praise and gifts, including a golden golf ball and a replica crown (see Asia section). Japan, Malaysia and South Korea all made concessions, including over market access and with pledges to invest hundreds of billions of dollars in America, in exchange for a modest reprieve on tariffs. Reliance on America for security and

markets made retreat the only option.

China is different. It can withstand American pressure. It is also retaliating in areas where America is vulnerable—rare earths and soyabeans are good examples. As it embraces the combative nature of the new trading system, Mr Xi's project to make China more resilient has been vindicated.

All that makes the Busan summit a pause rather than a conclusion. As China and America, consumed by mutual distrust, continue to tussle with each other, a row will surely break out sooner or later. The good news is that, for the time being at any rate, both sides still believe they have more to gain from tolerance than confrontation. ■

Argentina

Choosing the chainsaw

The electoral success of Argentine austerity shows that voters can take hard choices

JAVIER MILEI is making a habit of beating expectations. When he announced a presidential run, people laughed. After he won, they said protests would scupper his reforms. When he scored early successes, they played them down. Now, after a bumpy year, the irascible libertarian has surprised the world again with a big win in legislative midterms. He must use it to revitalise his programme of radical reform.

Mr Milei's spending cuts are perhaps the deepest and fastest ever imposed on a country through broad democratic consent. When he won the presidency, promising intense austerity, voters had not yet felt his chainsaw. Now they have: cuts so vicious that the only comparison is post-crisis Greece, where a troika of international institutions imposed austerity in the

face of popular outrage. And yet the voters have backed him again. Because only some seats were contested, Mr Milei was never going to gain a majority in Congress. But he now has enough deputies to block any attempts to restore public spending; and he can build a coalition to pass further reforms.

This matters beyond the Rio de la Plata. Many rich-world governments are struggling with fiscal deficits and soaring debt. Their problems are not at Argentine levels, but rich-country leaders can still learn from Mr Milei. His success shows the power of tough-but-coherent economic messages that are proclaimed with clarity and conviction. True, blunt fiscal realism may play better with Argentines than with Europeans or Americans, who have no direct experience of the mis- ►►

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eries of repeated bouts of hyperinflation and labyrinthine price controls. But until Mr Milei, sceptical pundits held that Argentine voters could never be persuaded to back deep cuts.

The president now has a welcome opportunity to launch a second tranche of reforms. The urgent task is to complete Argentina's transition to macroeconomic normality. That starts with fully floating the peso. Mr Milei came to rely too heavily on an artificially strong currency to curb inflation, which hampered growth and hindered the accumulation of foreign reserves. His victory makes an orderly float possible, but the clock is ticking. After a brief post-election rally, the peso has again fallen towards the weaker limit of the band within which it is currently permitted to range.

Alongside removing the band—or at least widening it—the government needs a clear monetary policy that uses interest rates to anchor inflation. It should also accumulate foreign reserves. Do this, and Argentina could regain access to global capital markets, allowing it to roll over some of its debt. Roughly \$20bn of this will come due next year.

Mr Milei must also create the conditions for growth. Liber-

alising labour markets and simplifying the tax system would be a good start. This would reinforce the financial reforms, boosting the economy and Mr Milei's popularity, paving the way to dealing with tougher policies like pension reform. The president needs a coalition to pass laws in Congress, as well as the support of provincial governors. Investors want legal certainty and stability. The government's aggression, sometimes aimed at independent institutions, must not undermine that. A cabinet reshuffle would help.

Mr Milei has a chance to improve Argentina in a way that will last long after he leaves office, by transforming the terms of political debate. Every election year markets gyrate at the prospect of a victory for the wild-spending Peronists. Argentina will not become a normal country until it has an opposition that also believes in fiscal discipline. If Mr Milei's reforms make Argentina a more prosperous and stable place, it could force the Peronists to embrace fiscal rationality.

The path is littered with obstacles. Hubris and a bludgeoning political style may trip Mr Milei up. Yet his journey already holds lessons for the world—and it may soon offer more. ■

Development

America First need not be Africa last

The Trump administration's approach to health aid is flawed but fixable

“SELDOM HAS history offered a greater opportunity to do so much for so many,” argued George W. Bush in 2003, when launching the President's Emergency Plan for AIDS Relief. Known as PEPFAR, it has saved more than 25m lives, mostly in Africa, through anti-HIV treatment. Today it seems like a relic: a symbol of a receding era in which rich countries, led by America, were willing to spend ever-increasing sums of money on stopping disease in poor countries.

America used to be the source of more than two-thirds of the aid destined to improve the health of people in sub-Saharan Africa. The Trump administration has dismantled the United States Agency for International Development (USAID), the main disburser of overseas assistance. It has proposed further large cuts over the next few years, as have other big donors. Although that is not the end of aid, it does mean that what is spent must be spent wisely.

Dismantling USAID has caused chaos (see Middle East & Africa section). Marco Rubio, the secretary of state, has denied that it has caused any deaths. And since American-funded data systems have gone dark, it is hard to be sure what is happening. However, in southern Africa clinics supplying HIV patients with antiretrovirals (ARVs) have run out. Programmes that reached the most vulnerable have stopped. Elsewhere in Africa, deliveries of antimalarial treatments have been disrupted, leading to warnings of rising case numbers. Deaths from cholera have risen in places that once received American help. Vaccination drives have stalled. Food rations in refugee camps are shrinking. Some forecast hundreds of thousands, if not millions, of extra deaths. Although no one can say how many will die, it is certain the final toll will not be zero.

The better news is that the Trump administration's “Amer-

ica First Global Health Strategy”, published in September, shows that it is not withdrawing entirely from the fight for better health in Africa. It aims to protect Americans from infectious disease and pledges to bypass the “wasteful” projects of NGOs. Instead it will strike deals directly with governments, most of which will reach “full self-reliance”. Having proposed that funding for bilateral health aid should be cut by two-thirds, the administration argues that it can fund “front-line” work while no longer spending on superfluous extras.

The Trump strategy gets several things right. American aid has fostered a “culture of dependency” in poor countries. A focus on specific diseases has led to “parallel” delivery systems.

But the approach risks failing on its own terms. Americans will not be protected if surveillance is defunded and infections spread across borders. The poorest African countries will struggle to do more without funding to boost their health systems.

The irony is that new technologies promise to help run programmes with less bureaucracy. For instance, malaria vaccines and ARVs that need be taken only twice a year will reduce the need for the large NGO-led programmes that the Trump administration has in its sights. But these treatments still require some funding and governments will need aid to deploy them.

Mr Bush once said he was confident he could explain “how saving lives in Africa served our strategic and moral interests”. To this day, whereas most Republicans do not like the idea of spending money promoting democracy, economic development and cultural activities, more than three-quarters support American aid for saving lives. Their instincts are the right ones. When it comes to global health, America First should not mean Africa last. ■





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Letters *wolves and ranchers, Steve Bannon, voting in America, rats in New York, barefoot running, surveys*

Dire times for wolves

Your article about Montana's decision to allow the hunting of more wolves portrayed a "battle between farmers and conservationists", describing the debate and its participants as heated and horrified ("What big quotas!", October 4th). I recently spent a month in the American West interviewing hunters, ranchers and conservationists about wolves. I encountered only moderation. Ranchers explained that despite compensation payments for livestock lost to predation, it hurt them to see the animals they raised ripped apart by the wolves. Similarly, hunters, who placed great importance on making clean kills to minimise animal suffering, were disturbed by the wolves' ruthlessness in bringing down elk and other prey.

But when I pushed ranchers and hunters they almost always said they would not eradicate wolves. Their reasons varied. Wolves belong in the ecosystem; local people like to hunt them so it's good to have some around; they understand that much of the land is public and other people want wild carnivores on it. They lamented that a minority of radicals gave them all a bad name.

In this they were at one with conservationists, who explained how extreme voices within their movement vilified ranchers and hunters, making it hard to collaborate with these groups. Given the extent to which wolves tap into broader social and political divisions (liberal versus conservative, rural versus urban), and the deeply polarised times in which we live, we would do well to amplify the moderate majority and sideline the radical few.

DR ROGELIO LUQUE-LORA
Leverhulme early career fellow
School of GeoSciences
University of Edinburgh

Battling Bannon

I had to switch off your interview with Steve Bannon on *The Insider* (October 23rd) after a few minutes because I was so offended when he talked about "trying to help the little guy" and reining in the big corporations. Donald Trump clearly favours his big corporate buddies. On the day you aired the interview the president pardoned Changpeng Zhao, the co-founder of Binance, a cryptocurrency exchange. I'm sorry that you chose to give Mr Bannon a platform to spew his rhetoric.

GARY GAND
Chicago

The approach that the team took to interviewing Mr Bannon allowed viewers to cut through the cacophony of the information age. It let me understand his point of view without distraction. The interview gave a perspective on the MAGA force that the normal press coverage does not convey. By the way, I think that Mr Bannon's reference to "The

Barefoot doctor

I was pleased to read your article on whether "minimalist footwear", which mimics the experience of running barefoot, is good for runners ("Well informed", October 18th). It offered an excellent and balanced overview of the evidence on the risks and benefits of barefoot and minimal-footwear running. In 2015 we measured running styles based on data from over 220 members of the Barefoot Runners Society. We found that the risk of injury increased at least threefold during the transition from conventional to minimal-footwear or barefoot running. This supports your key point. Although minimal-footwear running may bring

Fourth Turning", a book which argues that history moves in cycles of roughly 80 to 100 years, could be more significant in the movement's actions than would otherwise be recognised.

JOHN AYDELOTTE
Fort Collins, Colorado

Voter choice

The solution to gerrymandering in America ("Cracking up", October 18th) is to change the voting system to multi-member districts and proportional representation. Many cities in Utah, the focus of your article, including Salt Lake City, have experimented with a new voting system using ranked-choice voting, albeit not the proportional version. So people in that state are probably more open to improving their way of voting.

KATHRINE SANTOS
London

Voracious vermin

New York is winning the race against rats, you argue ("Rats and charts", October 11th). Living beside Tompkins Square Park in East Village, we find that hard to believe. During a typical evening stroll in the park, our dog chases at least 20 rats. That makes Hamilton Heights in north Manhattan, where 61 rats were reported in an entire year, seem like a

rodent-free paradise.

Perhaps word has spread among Manhattan's food-deprived rodents that the feast has moved downtown, where large open bins still offer an all-day buffet of the finest leftovers from our neighbourhood's renowned eateries. Until all food waste is kept under lids, the East Village dog community will at least try to keep rats on their back paws.

JULIAN SLOTMAN
New York

We took a poll

It is unclear, you said, why the response rate to surveys has dropped sharply since the 1990s ("Question 1: why are questionnaires in trouble?", October 19th). Anyone with email can tell you why. The internet has eliminated any barrier to creating a survey, guaranteeing that if something can be asked, it will, and repeatedly.

Everything from the banal ("Out of ten, how did you rate our customer service today?") to the harrowing ("Out of ten, how well did I run this afternoon's meeting?") must be probed. But the internet has also eliminated the awkwardness of not answering. No longer must you make your apologies to a student with a clipboard. You can simply close your laptop and get on with your day. Questionnaires are useful. But fatigue has set in. So many are sent out, on every conceivable topic. Ignoring them is a reasonable choice.

CRAIG MCCLUSKIE
Edinburgh

After reading your piece on the diminishing responses to surveys, a pop-up question immediately appeared on your website asking if I had enjoyed the article. I declined to respond.

NEIL COWAN
London

long-term benefits, the transition phase carries significant risk and must be approached gradually. Avoid the common pitfall of "doing too much too fast".

DR MARTIN DAUMER
Professor of computational medicine
Technical University of Munich



→ Letters should be addressed to the Editor at: *The Economist*, The Adelphi Building, 1-11 John Adam Street, London WC2N; Email: letters@economist.com. More letters available at: economist.com/letters

BY INVITATION

*Peter York**A style guru winces at White House bling and bulldozers*

IT ALL STARTED with the multiplying golden blobs over everything in the Oval Office. The room is typical of the White House, a restrained building completed in 1800. The city around it is deliberately low-rise and “classical” by design, a capital built to express the “no kings” dignity of the late-18th-century republic.

Design geeks like me watched the constant Trump shows in that office aghast. The president and foreign leaders, from Volodymyr Zelensky to Sir Keir Starmer, sat on either side of the formerly plain white-marble chimneypiece. Over months of meetings more of these gilded mouldings appeared, some round, some rococo flourishes (ordered from Home Depot, said the comedians). They sprouted around the chimneypiece and also, shockingly, were stuck onto the fireplace marble itself—an act inconceivable to designers of the kind who advise on historic houses.

But the White House has moved into its own new Gilded Age. By mid-October, when Mark Rutte, NATO’s secretary-general, visited, the Oval Office was covered in yet more bright new bits. Gilt vases on the chimneypiece, shiny cartouches under the historic pictures, which were themselves reframed in gilt, rather than wood. It couldn’t have looked less Preppie, less Establishment, less Washington. It couldn’t have looked more like Dictator Style, the look of absolute rulers around the world.

On July 31st the whole thing moved up a gear: Mr Trump announced that a beautiful ballroom would be built for the White House. There were no problems with planning or cost, he said, as it would be built near to but separate from the East Wing, leaving it unharmed but “modernised”; and rich friends would pay.

But on October 20th the demolition gangs arrived and began bulldozing the East Wing, which had been built in 1902 (making it historic by American standards) and contained a number of familiar offices including, notionally, the First Lady’s. The whole thing was mostly rubble within days. After squeals of outrage Mr Trump changed his tune. He said that the East Wing had never been anything special anyway and after a “tremendous amount of study with some of the best architects in the world” (he didn’t say who) they’d decided it all had to go, like unsavable rotten teeth.

The beautiful new ballroom would hold 900 people and cost

over \$300m. In the polystyrene model you could see that the familiar plan—the original house with its two later wings—was banged completely out of shape by the loss of the East Wing and the addition of a 90,000-square-foot room that looked like something attached to a Dubai hyper-hotel. A good comparison would be knocking down 11 Downing Street and replacing it with a mock-18th-century high-rise double the size of Number 10.

I was appalled, but not remotely surprised, because I’d literally written the book on Dictator Style back in 2006. My book described the interior style of 20th-century absolute rulers, from the Mexican dictator Porfirio Díaz through to Saddam Hussein, via Hitler, Mussolini, Marcos, Mobutu and Bokassa. I codified the style similarities of very dissimilar people in a parody of the “Get The Look” guides seen in smart design magazines.

Among these rules of thumb: make it the biggest anywhere, with mega-hotels your inspiration; go for “repro” styles inside and out (real old stuff looks dowdy; you want bright and new); gold everywhere, from walls and furniture to taps; huge chandeliers and mirrors; giant 19th-century oil paintings—nothing earlier or later—plus portraits of yourself; oodles of shiny new marble.

These rules came in handy when, ten years after the book came out, people asked me about the Trump look as seen in Mar-a-Lago, his Florida estate, and the Trump Tower penthouse in Manhattan. Was it Dictator Style? When I first saw the Trump Tower pictures in 2017, I couldn’t believe that a real Manhattan American lived there—it looked more like a Saudi prince’s place.

I reformulated the Dictator Style rules, aware that shocking the historian-curator class is exactly what they love to do in MAGA-land. It’s called “owning the Libs” there. It means upsetting the “metropolitan liberal elite”, life’s over-educated regulators and clever-dick commentators. Upsetting them to the point of aesthetic PTSD. And Mr Trump’s love of gold fits neatly within the logic of all dictators. For men who fear being forgotten, it promises permanence; for those with fragile egos, it signals power; and for those who dream of being kings, it gleams like a divine right.

At the White House Correspondents’ dinner in 2011 President Barack Obama joked elegantly from the dais, showing a mock-up of what Mr Trump might do to the building if he ever became president. It featured an extra three storeys, a portico with gilded columns and a huge chandelier. On the top storey was the Trump brand in gigantic Times Roman. Below, it promised “Hotel. Casino. Golf course. Presidential suite”.

The implication was that not only would Mr Trump vulgarise the place, he’d privatise it too, even turn it into a club like Mar-a-Lago. Mr Trump, who was in attendance, looked furious. Many commentators date his resolve to be president from that evening.

The East Wing was never marvellous, but it was seen as part of the historic whole. And the whole was a metaphor for the way Americans used to think about themselves and their constitution.

Paul Krugman, an American economist, recently wrote that “Tackiness and tyranny go hand in hand.” One of Mr Trump’s latest plans is for an overscale Arc de Triomphe in central Washington to celebrate America’s 250th birthday. According to CBS News, when a White House correspondent asked the president who the arch was for, Mr Trump pointed at himself and said: “Me”. ■

Peter York is a consultant, broadcaster and author, whose books include “Dictator Style: Lifestyles of the World’s Most Colourful Despots”. He hosts the Peter York’s Culture Wars House Party podcast.

Briefing New York City



Core weakness

NEW YORK, NEW YORK

As new jobs in finance dry up, New York City's fiscal model is wilting

AT 270 PARK AVENUE in midtown Manhattan, employees have moved into the immense new headquarters of JPMorgan Chase. The building boasts 2.5m square feet of office space and is almost 1,400 feet tall—more or less the same as the Empire State Building a mile to the south. Measuring an entire city block across, and built by a bank whose market capitalisation is climbing towards \$1trn, the building gives the impression of unshakable dominion. For more than two centuries New York City has been a behemoth of trading, banking and money-management and an im-

posing gateway to capital markets for America and the world.

But below the towering spires, the city is losing its swagger. Whereas many parts of the world that once hosted humming factories gripe about deindustrialisation, New York faces a different challenge: call it “definancialisation”. Its grip on America’s finance industry, and its high-paying jobs, has weakened, and it is also losing its allure for the ultra-rich. That poses a threat to New York City’s generous municipal welfare system, which is funded by milking the financiers using some of the highest lo-

cal taxes in America. The ultra-rich and the finance industry are on a collision course with the city’s likely next mayor, cheery left-winger Zohran Mamdani, who hopes to supercharge the city’s tax-and-spend model, soaking businesses and the rich to pay for new social programmes.

The share of New York City’s workers employed in finance and insurance has been in decline for years, falling from 11.5% in 1990 to 7.7% in August (see chart 1 on next page). Of the 233,000 jobs in the industry created in America over the past five years, the state of New York secured only around 19,000, behind Texas, Florida, North Carolina and Georgia. JPMorgan, its vast new skyscraper notwithstanding, employs more people in Texas than New York.

Start spreading the blues

Why is the city’s financial pre-eminence slipping? Kathryn Wylde, head of the Partnership for New York City, an influential business group, blames a double-whammy of high costs and heavy taxes. New York state’s corporate income tax, at 7.25%, is not especially burdensome. But the city, unusually, piles its own corporate income tax on top, as well as a levy for the regional transport network, leaving some local businesses paying more than 18% in local taxes alone.

Another burden comes from exacting local regulations on hiring, such as rules that prevent firms using AI tools without an independent audit on their bias, or those that stop employers asking potential employees about their criminal or salary history. The result is that financial firms can cut costs dramatically by shifting work to cheaper places. Goldman Sachs has nudged managers to move to Dallas and Salt Lake City. As of last year, Morgan Stanley is the largest employer in Alpharetta, Georgia, a distant suburb of Atlanta. In July Citigroup announced that it will expand its operations in Charlotte, North Carolina, hiring 510 people with an average salary of around \$132,000, almost twice the state’s median household income.

The shift at the corporate level is possible only because educated workers have been gravitating elsewhere, too. Between 2010 and 2024 the number of people with at least a bachelor’s degree living in the New York metropolitan area rose by 32%, to 3.6m—by far the greatest concentration of skilled workers in America. But the overall number of Americans with a degree rose by 44% over the same period, meaning that their ranks have been swelling much faster in other cities. In Miami and Dallas the number of graduates has risen by more than 60%. In Charlotte and Austin, Texas, the number has more than doubled. Em- »

- ployers can find the workers they need in many more places.

Workers have good reason to shun New York, too. They also face high taxes and other costs. According to Bankrate, a price comparison website, the average cost of the most basic car insurance in New York is \$1,729 a year, about \$400 more than in the next-highest state. The average annual cost of a spot at a nursery in the city rose to \$26,000 in 2024, a figure that has leapt by 43% since 2019. More than anything else, the sky-high cost of housing is a burden on both employers and employees alike. The median monthly rent for an apartment in New York City is around \$3,600 according to Realtor.com, a property-listings website, more than twice the average of around \$1,700 in America's 50 largest cities.

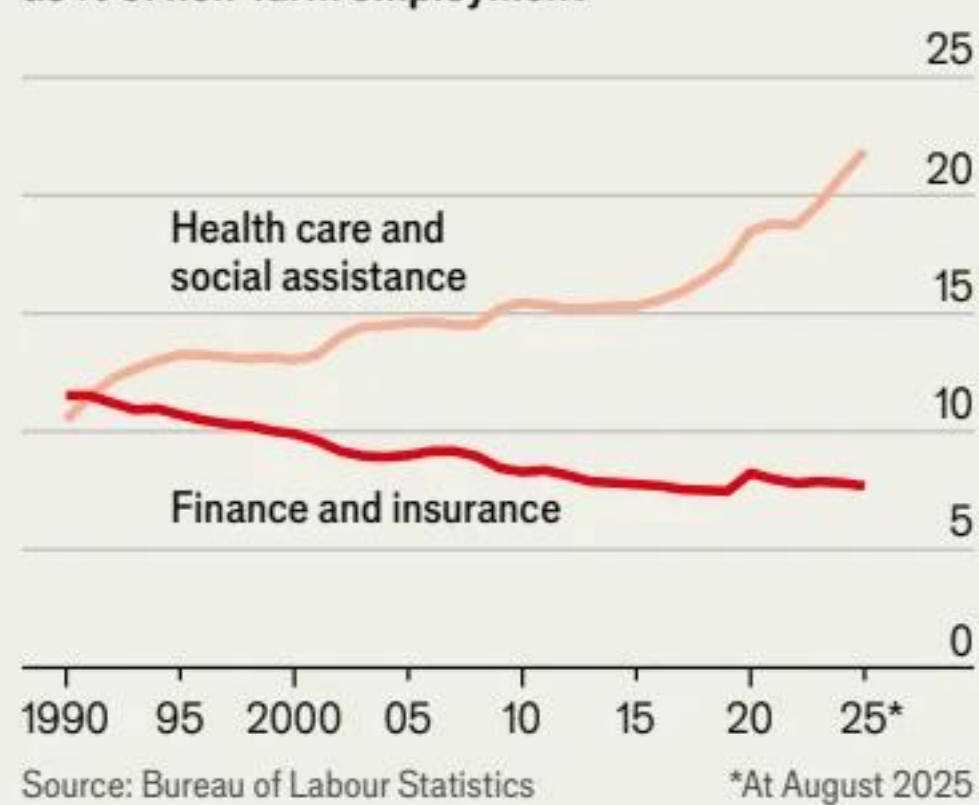
For the very richest, a change to federal tax laws in 2017 has been particularly important in driving people away from New York. Until then, taxpayers could deduct state and local taxes (SALT) from their income when calculating their federal tax bill. The Tax Cuts and Jobs Act passed during Donald Trump's first term as president capped this deduction at \$10,000. That constituted a big increase in taxes for high-earners in places with high local taxes.

Longing to stray

Paul Singer and Carl Icahn, respectively the founders of Elliott Management and Icahn Enterprises, both big investment firms, are among the ultra-wealthy New Yorkers who have decamped to Florida. Mr Trump himself relocated there in 2019. According to the Citizens Budget Commission, a think-tank, New York state's share of American taxpayers reporting more than \$1m in income declined from 12.7% in 2010 to 8.7% in 2022. Such people paid \$34bn in income tax to the state and city in

Leaving today

New York City, selected industries, as % of non-farm employment



2022, a figure that would have been \$13bn higher if New York's share of millionaires had held up. Estimates from Goldman Sachs suggest that fully 10% of households in New York City with incomes of more than \$10m established residency elsewhere between 2018 and 2023.

As the ultra-rich have headed for the exit, the city's employment growth has become concentrated in much worse-paid industries than finance. Since the end of 2019, New York has added more than 268,000 jobs in health care and social assistance, particularly home health care. Employment as a whole rose by just 220,000 over the same period, meaning that, if it was not for that industry, overall employment would have shrunk.

The shift is visible in pay packets. Wage growth accelerated in most of America in the aftermath of the covid-19 pandemic, as inflation surged and a tight labour market allowed workers to extract more from their employers. Not so in the country's biggest city. Whereas hourly wages in the private sector have risen by around 3% across the

country since January 2020, after accounting for inflation, they have dropped by around 9% in New York City (see chart 2 on next page). No wonder Mr Mamdani's campaign platform, which focuses on the cost of living, has resonated so widely.

Optimists see a ray of hope in jobs in tech. Employment in the industry in New York City rose by 64% between 2014 and 2024, according to the Centre for an Urban Future, a local think-tank. Alphabet, which owns Google, opened a campus on the Hudson river in 2022. Last year OpenAI and Anthropic, two big artificial-intelligence firms, opened offices in the city, too.

Even after the city government's efforts to persuade Amazon to move its headquarters to New York collapsed in 2019 under local opposition, the e-commerce giant has quietly expanded in the city. In 2023 it opened an office for 2,000 employees in Manhattan. In April it leased another 330,000 square feet nearby, taking over offices once occupied by HSBC—a symbolic handover from finance to tech.

But the tech industry cannot compensate entirely for the dearth of new jobs in finance. As of August, New York City hosted 84,000 employees in computer-systems design and related services, the group which includes well-paid software developers. That is less than a quarter of the 383,000 employed in finance and insurance. What's more, the industry and its employees face many of the same disincentives to expand in New York, including high taxes and a daunting cost of living.

For the city's government, a leaner finance industry, a smaller slice of the ultra-rich and a growing share of the population in low-wage work are big problems. No state spends more per person on welfare and education. New York shelled out \$9,761 a head on the two in 2022, 72% more than Texas and 130% more than Florida (see chart 3 on next page). Daniel Wortel-London, a professor of history at Bard College and author of "The Menace of Prosperity", a recent book about New York's fiscal history, notes that the rise of the city's welfare state has been bound up with "elite-driven growth". Politicians have promoted the expansion of the highest-paying businesses to benefit from the tax revenue the firms and their employees generate.

The most expensive part of Mr Mamdani's platform is his plan to spend as much as \$6bn a year to provide New Yorkers with free child care. Even for some of the city's well-paid finance workers, the idea sounds appealing. Mr Mamdani hopes to pay for this by getting the state government to raise New York's corporate tax rate to 11.5%, bringing it to the same level as neighbouring New Jersey, and by levying an additional 2% income tax on those with incomes of over \$1m. Although New York's profligate legislature might embrace this



It's been waiting for you





These streets will make you feel poor

► idea, Kathy Hochul, the governor, would have to sign off on any tax rises, too, and she has repeatedly said she will not allow them. For the very wealthy and for businesses, the additional tax would simply strengthen the case for decamping to Fort Lauderdale or Dallas.

The fewer well-paid jobs there are, the more painful the city's housing costs will become. Complaints about ruinous rents in New York City are hardly new. But across the income distribution, housing is becoming a more pressing issue, both politically and economically.

Big town blues

For poorer New Yorkers, rent swallows up an ever-expanding proportion of their already constricted salaries. Over the past 20 years the amount of rent paid by low-income New Yorkers has climbed steadily. According to the city housing and vacancy survey, conducted every three years, households earning less than \$70,000

(roughly the median for tenants) spent 54% of their incomes on rent. Among households earning the equivalent of \$70,000 in 1991, rent accounted for less than 40% of their income.

The cost of housing is a headache for better-paid workers, too. According to *The Economist's* Carrie Bradshaw index, named for the protagonist of "Sex and the City", a television show set in the posh bars and expensive shoe stores of New York, locals would have had to earn \$151,600 to be able to afford (ie, spend no more than 30% of their gross income on) the rent on a studio apartment in 2024. That is 50% higher than pricey cities like Boston and San Francisco. The Centre for an Urban Future, which published a bullish report on the prospects for the tech industry in the city, notes that the daunting cost of housing is the biggest constraint on its expansion.

Recently, there has been some good news about New York's housing squeeze. In December the city council approved the "City of Yes" amendments to zoning laws, which make it easier to convert offices into housing, loosen parking requirements for some new developments and allow taller buildings in less dense areas near public transport. The liberalisation may be the most positive outcome of the scandal-ridden tenure of Eric Adams, the current mayor. Last year 34,000 new apartments were built in the city, the highest number in 60 years. Developers were chasing an expiring tax relief when they rushed to complete projects, however. The performance is unlikely to be repeated this year.

Mr Mamdani's most notable policy on housing is to freeze rents for the roughly 1m "rent-stabilised" apartments across the city. That would be a boon to the millions

of New Yorkers fortunate enough to live in such homes, but it would not help the remainder of the city's residents. Landlords who own both rent-stabilised apartments and ones rented at market rates would probably raise bills where they could, driving up costs for those already paying higher rent on the open market. With their incomes frozen, landlords would also drag their feet about maintaining rental properties. Developers and investors gripe that a freeze would discourage construction, too, since new buildings must include some rent-stabilised apartments to receive property-tax exemptions.

Mr Mamdani supported the "City of Yes" amendments and says that he wants 200,000 rent-stabilised apartments to be built over the next ten years, triple the current rate of construction. Some of the city's YIMBYs ("yes, in my back yard") are excited by promises to fast-track projects that include lots of rent-stabilised units. In a recent debate among candidates, Mr Mamdani said he wanted to make it easier to build apartments with free-market rents, too, by cutting red tape for all developers.

Whether Mr Mamdani's housing policy ends up including enough liberalisation to offset its socialist kludge remains to be seen. But nothing would do more to improve the economic circumstances of most New Yorkers than a dramatic expansion of the supply of housing.

Without a resurgence in high-paying jobs and a big jump in the number of homes in which workers of all incomes can live, New York will become a more economically ordinary American city—albeit one with extraordinary housing costs and a generous welfare system that its politicians wish only to expand. Worse still, the dimming of the city's pre-eminence in finance comes at a time when markets are booming, banks are in rude health and unemployment is low. What might happen if America's economy were to slow and the banking industry fall on hard times? As Ms Wylde says with resignation, "I'm afraid we're going to find out." ■

Make it anywhere else

Private-sector real hourly earnings

Three-month moving average, Jan 2007=100



Sources: Bureau of Labour Statistics; Federal Reserve Bank of St Louis

The city that's never cheap

Spending on education and public welfare per person, 2022, \$'000, selected states



Source: Urban Institute

United States



Zohran Mamdani

Start spreading the views

NEW YORK

A political drama for the ages, opening soon in America's biggest city

A SQUADRON OF door-knocking volunteers eager to spread the word for Zohran Mamdani's mayoral campaign assembled at a playground on Manhattan's Upper West Side on a sunny Saturday afternoon in mid-October. Helen Rosenthal, a former city councilwoman, offered notes on how to canvass. Don't argue with doormen. If you encounter a hostile voter—and in this partially Jewish neighbourhood, it would not be surprising, given Mr Mamdani's outspoken support for Palestinians—don't escalate. "It's not your job to change their mind," Ms Rosenthal advised. "It's your job to leave them thinking that Zohran's people are classy."

Meeting sceptics with smiles is a luxury Mr Mamdani appears able to afford. Polls and betting markets suggest he will very likely be elected mayor of New York City on November 4th. His nearest challenger, Andrew Cuomo, a former governor running as an independent, would have to de-

fy a persistent double-digit polling deficit. If it is Mr Mamdani, voters will deliver one of the most stunning results in the city's history. A 34-year-old Democratic Socialist with an eye-catching (and eye-wateringly expensive) progressive agenda, but no executive experience, would take charge of America's largest city, with a workforce of about 300,000 and a budget of \$116bn.

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How did New York get here? To call Mr Mamdani "charismatic" understates the appeal he exerts on his supporters, many of them young and ethnically diverse. Mr Mamdani's gifts as a made-for-TikTok video auteur are well-known, but his campaign's message discipline has been as impressive. He has made his affordability platform—rent freezes, housing investment, free child care, free buses—the main story of the election, while avoiding culture-war traps and shouting matches with Donald Trump, who calls him a communist. "What his campaign did so well was to celebrate the city," says Eli Northrup, an ally who is running for the state legislature next year. "It's joyful. It's positive."

Several other factors have lifted Mr Mamdani. The most obvious is his weak opposition. The incumbent mayor, Eric Adams, a Democratic centrist, sought reelection despite being indicted for corruption. What little credibility Mr Adams retained after the criminal charges evaporated in April, when Mr Trump agreed to drop his case in exchange for help on illegal immigration. Yet Mr Adams hung on in the race until September, complicating the path for Mr Cuomo, 67, another centrist, who is himself tainted by his resignation as governor in 2021 amid allegations of sexual harassment, which he denies.

Mr Mamdani has also benefited from ►►

► the city's grumpy mood. Barely a third of New Yorkers rate their quality of life as good or excellent, down from just over half eight years ago, according to a survey by the Citizens Budget Commission (CBC), a think-tank. Only 27% think well of government services, down from 44%. This helps explain why some of the city's financial bosses are moving jobs elsewhere or decamping altogether.

Mr Mamdani already appears to be in governing mode, using the home stretch of his campaign to court a nervous Democratic Party and business establishment that is still trying to decide what to make of him. On October 14th he turned up at a tattered gymnasium in Astoria, the neighbourhood in Queens that he represents in the state assembly. Kathy Hochul, New York state's governor, and a bevy of local politicians joined him. After noting that she had promoted affordability and child-friendly policies before Mr Mamdani made them cool, Ms Hochul announced a \$5m state investment in Astoria's largest Boys and Girls Club, along with 200 units of below-market housing.

The political favour-trading on the dais went undisguised. Mr Mamdani would almost certainly need help from the state to pay for his free child-care scheme, estimated to cost up to \$6bn annually. Ms Hochul, who faces re-election next year, might invest state funds or consider a tax rise if she can get some credit with Mr Mamdani's ardent following. She said she had talked with Mr Mamdani "about how we can get to universal child care", adding, "I believe we can." When Mr Mamdani stepped forward, he cited a machine politician's adage: "Queens get the money."

Bidding for favours in Albany might be off-brand for Mr Mamdani, but it will be essential if he becomes mayor. Free buses and the city-run grocery stores he has also touted would not be too costly, but transformational investments in child care and affordable housing are beyond the city's means on its own. The next mayor will immediately encounter an operating budget deficit of \$6bn-\$8bn, reckons the CBC.

The medium-term fiscal picture is also strained. Cuts to Medicaid and other programmes contained in the One Big Beautiful Bill passed by Congress last summer will cost New York state about \$10bn annually, reckons the Fiscal Policy Institute, a progressive think-tank. Those losses will narrow Ms Hochul's choices and will eventually hit New York City's public hospital system. On top of all that is the possibility that Mr Trump will go to war with New York City if Mr Mamdani is mayor, as the president has done in Chicago and Los Angeles, among other cities.

If Mr Trump goes hostile, he will have leverage. The city's current budget relies on \$7.4bn in federal funds, or 6.4% of the

total. That aid is heavily concentrated in areas such as housing and education. Mr Mamdani could find himself pinched both financially and politically. "Protecting the city's funding from the vicissitudes of Trump is something [Mr Mamdani] has to do," says Nicole Gelinas, a senior fellow at the Manhattan Institute, a think-tank. "But to spend a lot of time excoriating Trump, I think people will lose patience with that."

To fulfil even some of his promises, Mr Mamdani would need a savvy team at City Hall. New York's mayor wields considerable power through appointments but cannot adjust income taxes, a state prerogative, and must cut through a thicket of vested interests, from trade unions to property tycoons to NIMBY activists. Mr Mamdani's advantage is the same as his deficiency: he has no history with the city's power-brokers.

His recent comments on the stump sound pragmatic. He name-checks Michael Bloomberg, a billionaire former mayor, and has said that he would appoint "the best and the brightest...more akin to a 'Team of Rivals' approach". He says he recognises that he can't achieve his affordable housing goals without heavy private investment. He would like to retain Jessica Tisch, the police commissioner and no favourite of progressives.

None of these moderating instincts is likely to keep Mr Trump's boot off his neck. At a minimum, if Mr Mamdani is elected, the White House will probably make a midterms-focused spectacle of the mayor's unabashed socialism, to undermine suburban New York Democrats running for closely contested seats in the House of Representatives next year, races that may help decide whether Democrats regain control of the lower house of Congress.

Yet if Mr Trump freezes more federal funds (he has already "terminated" a \$16bn tunnel project linking New York and New Jersey) or if he sends soldiers and border-control agents to his former hometown, he would be taking his own political risks. Badly disrupting the country's largest city could have knock-on effects in the national economy. New York's police (33,000 officers strong) and Democratic prosecutors will not take kindly to interlopers tear-gassing city neighbourhoods. And Mr Mamdani has proved that he is no slouch at the attention-grabbing arts of modern strategic communication. "Donald Trump is not prepared or experienced in dealing with someone like Zohran Mamdani," says Mitchell Moss, an urban policy scholar at New York University.

If New Yorkers choose Mr Mamdani on November 4th, they will not only vote in a bold but inexperienced reformer, with uncertain consequences for the city's trajectory. They may also raise the curtain on a political drama for the ages. ■

AI and electricity prices

Power politics

WASHINGTON, DC

The data centre backlash is brewing

ONLY IN AMERICA are electricity regulators elected by popular vote. Ten states do so, and, unsurprisingly, the campaigns usually win little attention. The upcoming election for two seats on Georgia's Public Service Commission (PSC) has been an exception. The public is grumpy about power bills and it is the year's only statewide vote. "It's getting more attention than any PSC race has before," says Brian Robinson, a local Republican operative. "More than normal, but normal is non-existent."

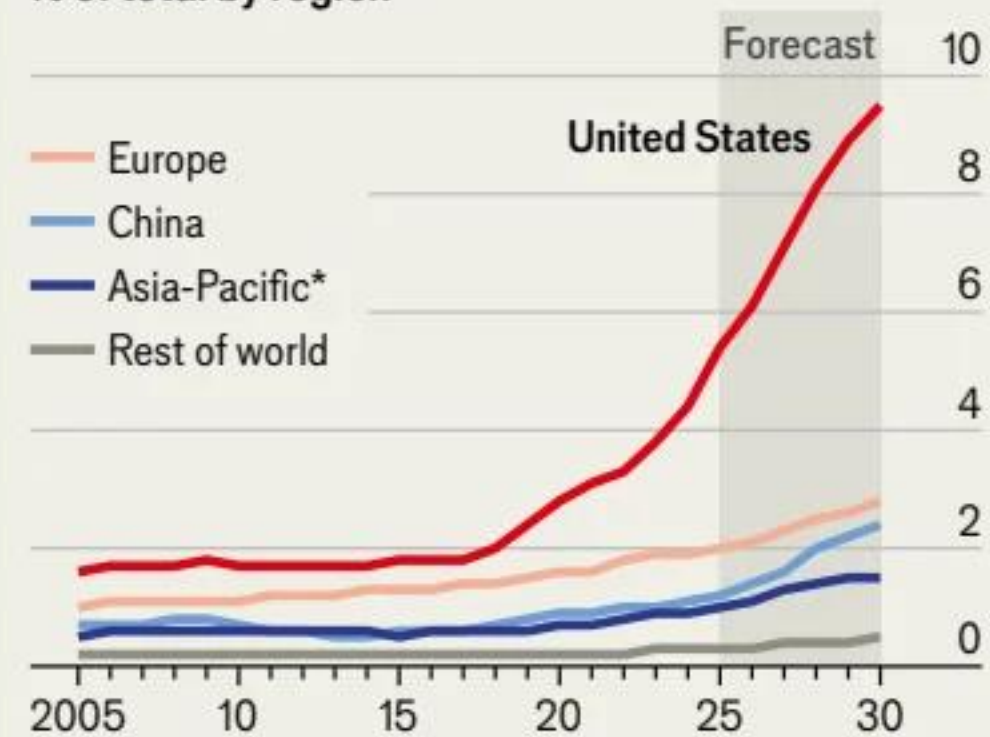
Meanwhile, the data-centre boom is hitting Georgia with force; fields are dotted with building sites. That has brought the state something else new: the politics of the data centre. Over the past few months, a clutch of counties around Atlanta have paused new data-centre approvals. Alaina Reaves, a county commissioner who sponsored a moratorium, says it was rare to hear a single pro-data-centre voice in favour during town-hall meetings.

Plenty of the grumbles are standard not-in-my-backyard fare: building noise, disruption to nature, crankish fears of electromagnetic interference. Worries about water use have gone viral, even though data centres are no thirstier than other industrial projects. But they do eat up power, rapaciously. Data centres consume 5% of America's electricity, up from 2% a decade ago. The International Energy Agency projects nearly 10% by 2030 (see chart 1). Average power bills are up around 40% since 2019, well above inflation. Georgia's PSC has approved six bill rises in recent years.

Are data centres to blame? In Georgia, the main culprit is more prosaic. Alongside the standard pressures—natural gas prices, ►

The exception

Data centres' electricity consumption, % of total by region



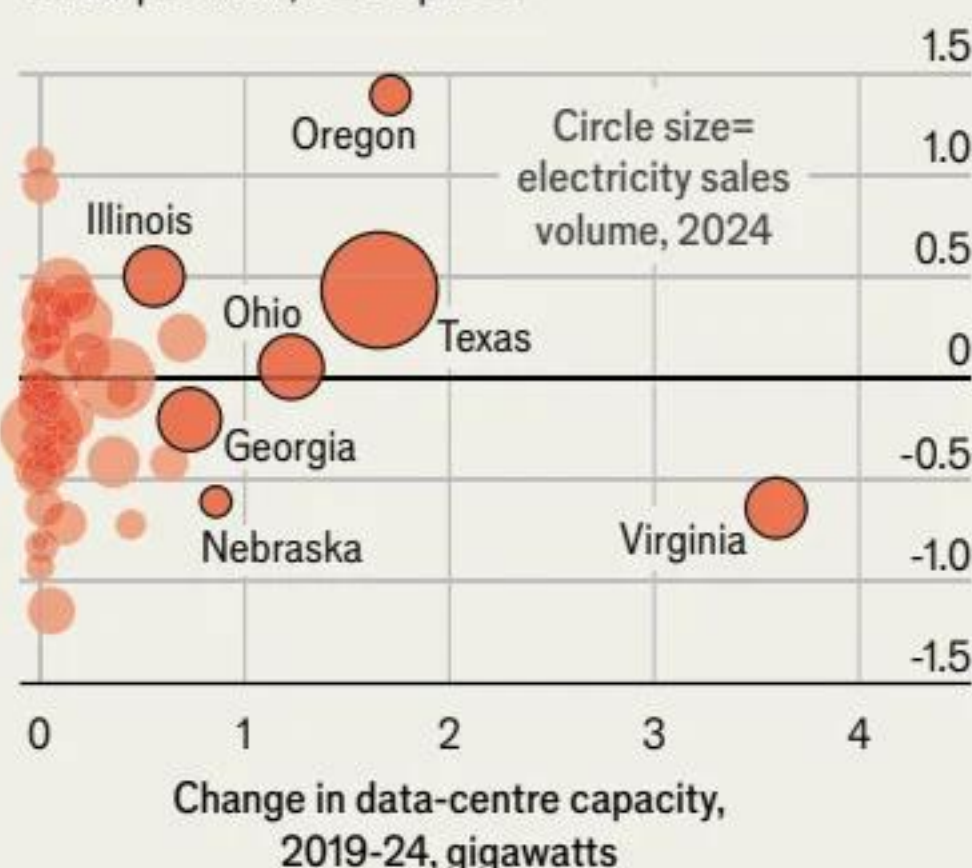
Source: International Energy Agency

*Excludes China

The dog that hasn't barked

2

United States, change in electricity prices above or below expectation*, 2019-24
Cents per kWh, 2024 prices



*Based on predictors including electricity load growth, exposure to natural gas and prior price trend
Sources: "Factors influencing recent trends in retail electricity prices in the United States", by R. Wiser et al., The Electricity Journal, 2025; DC Byte; The Economist

tailable data centres. The optimistic scenario, then, is that new demand from data centres pays for upgrades to America's power infrastructure.

There is a nightmare scenario too, though, where data-centre demand forces grids into costly expansions but it melts away without paying off. Then, frets Peter Hubbard, a Democratic PSC candidate, "we will be left holding the bag." That could happen if data centres decamp to another state, if AI breakthroughs disappoint or if better algorithms need less computing power. Tim Echols, a Republican on the PSC, says he is "somewhat sceptical of data centres and their load request". The body pushed through a rule change in January requiring longer-term guarantees from large users like data centres. (Mr Hubbard maintains these commitments need to be beefed up.)

And for now at least, voters are worried. Half of Americans say they do not want data centres built near them. Democrats may well gain a foothold on Georgia's PSC this year for the first time in decades, though more because of turnout patterns (concurrent municipal elections are mainly being held in Democratic-leaning areas) than highfalutin arguments about electricity regulations. Still, data centres would give a split PSC more than usual to argue about—just like the rest of America. ■

Manufacturing

Serving chips

WASHINGTON, DC

Led by Nvidia, the AI industry has plans to reindustrialise America

BEFORE CO-FOUNDING Nvidia, the pioneer of artificial-intelligence (AI) chips, Jensen Huang was a busboy at Denny's, a restaurant chain. He playfully reminded people of this on October 28th while delivering water to panellists at his firm's first big jamboree in Washington, DC. From busboy to billionaire, Mr Huang is now also in service to President Donald Trump. Shortly after he made a keynote speech peppered with tributes to the president, he flew to South Korea to accompany him as he prepared for trade talks with China.

Many people look askance at the way the tech elite has cosied up to the president. But the boss of the world's most valuable firm, who once kept his distance from politics, says he is "incredibly proud" that Nvidia is contributing to Mr Trump's new White House ballroom. Moreover, he is doubling down by pledging to help President Trump reindustrialise America.

That may be mostly calculated to win

the president's support in convincing China to reopen its market to Nvidia's graphics processing units (GPUs). It also involves significant rebranding of existing plans. Yet it is meaningful, nonetheless.

It begins with chipmaking. In mid-October, nine months after the president told Mr Huang that he wanted to reshore manufacturing, TSMC, a Taiwan-based semiconductor maker, produced a wafer for Nvidia's most advanced GPU, called Blackwell, at its Arizona fab. Mr Huang said Blackwell's processors, memory and packaging will all soon be made in America—though it is likely to take a long time before production happens at scale.

His efforts extend to robotics. AI, the Nvidia boss said, was enabling firms like Foxconn, another Taiwanese manufacturer once joined at the hip to China, to build fully robotic factories in America that will be run via AI-created simulations, or "digital twins", using Nvidia technology. To offset labour shortages, some factories will eventually produce AI-powered robots—humanoid and otherwise.

It is not just Nvidia. Peter Thiel, a venture capitalist, is also placing bets on America's high-tech manufacturing renaissance. On October 28th one of his former acolytes, James Proud, a London-born entrepreneur, unveiled a plan to create a chipmaking machine in America to revive semiconductor production. Using advanced x-ray lithography, his firm, Substrate, aims to take on ASML, the Dutch firm that is the sole supplier of extreme ultraviolet lithography used in advanced semiconductor manufacturing.

It is a huge challenge. But Substrate has raised \$100m at a valuation of \$1bn, backed by venture-capital firms such as Mr Thiel's Founders Fund. Eventually it hopes to support chipmaking foundries across America, reducing the country's vulnerability to a Chinese invasion of Taiwan. "Most believe we will fail. But this is important enough to do," says Mr Proud.

Full-scale reshoring remains a quixotic endeavour and is based on flawed economics. The president's ability to sway corporate decision-making is concerning. And there are also bottlenecks. Mr Huang praised Mr Trump for his "pro-energy" policies, but his administration has discouraged clean-energy sources such as wind. Its immigration crackdown has affected skilled and unskilled labour.

Silicon Valley has long attributed its success to its distance from Washington. Yet the more AI hinges not just on digital technology but on chips, data centres and grids, the more politics matters. Rightly or wrongly, Mr Huang is acting on that. At the end of his keynote, he thanked the audience for their "service in making America great again." On October 29th Nvidia became the world's first \$5trn company. ■

► costly grid modernisation—Georgians are also paying for cost overruns at Plant Vogtle, the site of America's first from-scratch nuclear reactors in decades. (The plant is named after Alvin Vogtle, an electricity executive and possible inspiration for Steve McQueen's character in "The Great Escape". The new reactors will be the world's most expensive until Britain's Hinkley Point C wraps up in the 2030s.)

What about elsewhere? *The Economist* has adapted a model of state-level retail electricity prices from the Lawrence Berkeley National Laboratory to include data centres (see chart 2). We find no association between the increase in bills from 2019 to 2024 and data-centre additions. The state with the most new data centres, Virginia, saw bills rise by less than the model projected. The same went for Georgia. In fact, the model found that higher growth in electricity demand came alongside lower bills, reflecting the fact that a larger load lets a grid spread its fixed costs across more bill-payers. Still, problems may be coming. The clearest warning sign comes from PJM Interconnection, the largest grid operator in the country. Prices at auctions for future generation capacity there have soared, as data-centre growth has yanked up projected demand. That will hit households; PJM reckons the latest auction will lift bills by up to 5%.

In principle, data centres could lower power prices. As well as adding more load to spread costs over, if data-centre operators are able to learn to curtail demand when the grid is under most strain (either with algorithmic tweaks, or paying for on-site backup batteries or generators), they could help use the existing grid more efficiently. On October 23rd Chris Wright, the energy secretary, proposed a rule that would speed-up grid connections for cur-

Third terms

Trump 2028

WASHINGTON, DC

There is a legal case—but it is strewn with obstacles

TRUMP IS GOING to be president in 28, and people just ought to get accommodated with that." So Steve Bannon, a former White House chief strategist, addressed the possibility of a third Trump presidential term in a video interview with *The Economist*. "At the appropriate time, we'll lay out what the plan is." It is hard to know if Mr Bannon is serious or not. But his suggestion is worth taking seriously because Donald Trump has repeatedly floated the idea of serving a third term. "I would love to do it," he recently enthused, before more recently ruling it out. "It's pretty clear I'm not allowed to run," he told reporters this week. Is it?

No president other than Franklin Delano Roosevelt has served more than two terms. In part because of Roosevelt's norm-shattering fourth electoral victory in 1944, Congress later passed—and 41 states ratified—the 22nd Amendment, which limits a president to two terms. It states that "no person shall be elected to the office of the President more than twice".

Legal scholars argue that there is a loophole, though. Although the 22nd Amendment bars a person from being "elected" to more than two terms, it says nothing about serving or holding office again. Mr Trump could theoretically run as a vice-presidential candidate, and then, once his pliant running-mate resigns as president, succeed to the presidency. Critics retort that the 12th Amendment, which says that someone who is ineligible to be elected president cannot be elected vice-president, rules this manoeuvre out. But other scholars say that point is moot: two-termers may still be president, so long as they are not elected to get there.

Such a narrow argument violates the spirit of the 22nd Amendment. It is also untested. And yet, legal experts suggest that some courts may be deferential. If a presiding judge is a strict textualist, they could find the argument persuasive, argues Brian Kalt, a constitutional-law professor at Michigan State University. "There is a possibility that a court would be OK with this." "Five years ago I would have said they would fail", says Stephen Gillers, a law professor at New York University. "But now, I'm not so sure."

Other zany workarounds may also exist. One possible path involves being appointed, not elected, to the vice-presidency by a new president once their term starts. Mr

Trump would then need only a Senate confirmation, before becoming president through the 25th Amendment. "In this sequence Trump is not 'elected' to anything, not even vice-president," points out Mr Gillers. In any case, Mr Trump appears to have ruled out the vice-presidential loophole, at least for now. "I think people wouldn't like that," he said on October 27th. "It's too cute. It wouldn't be right."

There is one more possibility: that in the case of a disputed presidential election, Congress could ask the incumbent to stay put. That too is a long-shot. None of which seems to have deterred Mr Bannon. "We had longer odds in 16 and longer odds in 24 than we've got in 28," he says. ■

Sports gambling

The Billups comes due

A basketball scandal highlights vulnerabilities in legalised betting

FOR A CENTURY following the Black Sox scandal of 1919, when Major League Baseball (MLB) players conspired with gamblers to lose a championship series, American sports leagues opposed betting as a threat to their integrity. In 2012 Bud Selig, then MLB's commissioner, said that gambling was "the deadliest of all things that can happen...It creates doubt and destroys your sport." Nonetheless, in 2018 the Supreme Court authorised the legalisation of sports betting. Now, the biggest sports-gambling scandal in years has made naysayers' warnings look prescient.

On October 23rd prosecutors unveiled

indictments against Terry Rozier, a mid-tier player in the National Basketball Association (NBA), and Chauncey Billups, the coach of the NBA's Portland Trail Blazers, among others. They alleged that Mr Rozier told a friend that he would remove himself from a game shortly after it began, and that the friend sold this information to gamblers, who won bets that Mr Rozier's statistics would fall short of key thresholds. Jim Trusty, Mr Rozier's lawyer—and formerly Donald Trump's—noted that the NBA's earlier investigation had cleared his client.

In a separate case, Mr Billups was charged with playing in a rigged poker game run by the Mafia. One of the alleged organisers of these events, Ammar Awawdeh, was arraigned in 2024 for a scheme in which another NBA player, Jontay Porter, repaid gambling debts by leaving a game early so that "under" bets on his statistics would win. In addition, the indictment of Mr Rozier accuses an unnamed coach—whose description matches only Mr Billups—of informing gamblers that he planned not to play his team's stars in an upcoming game. Mr Awawdeh is still in plea negotiations in the Porter case, and Mr Billups's lawyer released a statement denying that he had shared any secrets.

These cases are not quite as damning for the NBA as that of Tim Donaghy, a former referee who in 2007 admitted to betting on games where he had officiated. Prosecutors accuse Mr Rozier and the coach identifiable as Mr Billups only of sharing non-public information, not of being paid for it or of changing how they played or coached (though the indictment does not say why Mr Rozier planned to leave the game early). However, Mr Rozier and particularly Mr Billups, a member of the NBA's Hall of Fame, are much better-known than Mr Donaghy or Mr Porter were. »



Chauncey Billups

Did legalisation make such a scandal inevitable? Industry supporters argue that prohibition did not prevent earlier wrongdoing, and note that the NBA began investigating the game involving Mr Rozier only because legal sportsbooks detected and reported suspicious bets on it. On the other hand, mass-market gambling increases the number of potential conspirators, and eliminates stigma about players consorting with punters. Moreover, only big companies can afford to offer enormous payouts on “same-game parlays” (SGPs) that let users combine multiple bets into a single high-risk, high-reward wager, increasing the potential profits for users with inside information.

Given the near-impossibility of reinstating a ban, however, the more pressing question is how leagues should address the specific vulnerabilities raised by the allegations. One is bets on individuals’ statistical performances, called “player props”, which have surged in popularity. Their growth has led to a torrent of verbal abuse and occasional threats aimed at players, including college students as young as 18, from bettors with a financial stake in those athletes’ numbers. Props are also uniquely appealing to match-fixers, since they require only a single player’s participation and can usually be manipulated without affecting a game’s outcome.

Charlie Baker, the president of the National Collegiate Athletic Association, has long called for a ban on props in college sports, and Adam Silver, the NBA’s commissioner, has advocated eliminating them for bottom-tier NBA players. Sportsbooks would be loth to scrap props entirely because SGPs, typically laden with props, are their most profitable product. However, limiting props to prominent professional players—who draw the most interest from recreational bettors, and stand the most to lose from being caught match-fixing—might be a sensible compromise.

The other glaring weakness made evident by the charges is the NBA’s broken incentive structure. Title contenders generally prioritise keeping players healthy for the playoffs, which decide the league’s champion, rather than maximising regular-season wins. Meanwhile, teams that miss the playoffs are actually rewarded for losing, because those with the worst records have the best odds of winning the lottery that determines the selection order in the league’s annual draft of new young talent.

As a result, many teams routinely rest their best players during the final months of the regular season, which makes betting markets revolve around inside information on stars’ availability and coaches’ intentions. Gamblers and ordinary fans alike would cheer if the scandal prods the NBA into devising new rewards for teams that play to win every time out. ■

Slow burn

How marathoning went mainstream

NEW YORK AND BOSTON

As races fill with amateurs, speed matters less than spirit

BY THE TIME Stephanie Pennington came to cheer on the last runners in the New York City marathon in 2015, the “finish line was pretty dead,” she recalls. Inspired, the following year Ms Pennington organised a riotous late-night cheer squad, clocking on ten hours after the starting gun. On November 2nd runners will again traipse through the five boroughs in the largest race in the country. More joggers than ever are likely to come through Ms Pennington’s party.

Marathoning has transformed from an elite activity, done only by the most passionate of amateurs, into a mass-participation event. A decade ago around 80,000 people entered the lottery for the chance to run the NYC marathon. This year over 200,000 did. As interest has grown, so too have mile times.

Over the past four decades, the broadening of the NYC marathon has reshaped its rhythm. An analysis of every finisher’s time shows that, for men and women alike, the leading 10% of runners have maintained their pace. Top men typically finish in just over three hours, while the top women are 30 minutes slower. But the back of the pack has steadily fallen behind. In 1986 the slowest tenth of men took just under five hours to finish the race, while women took five-and-a-half. By 2022 each group slowed by roughly an hour (see chart).



Kudos

Track record

Average NYC marathon finishing time, hours



The influx of non-elite runners also seems to have altered runners’ strategy. Women tend to pace more evenly; their finish times cluster around a gentle bell curve. But a conspicuous cluster of male finishers appears right before the four-hour mark. *The Economist’s* analysis of NYC marathons since 2021 shows that this push to run the race in under four hours can backfire. Men are more prone to start too fast and fade—they are three times more likely than women to run the second half of the race at least 50% slower than they ran the first half.

Most agree the pandemic generated the wave of interest, as boredom and isolation pushed people outside. Those who stuck with it are now maturing into longer distances. A cadre of ‘runfluencers’ are inspiring the unfit. Jenny Mannon, a British running-influencer, ran the NYC Marathon in just over eight hours last year, filming along the way. “Slow runners aren’t actually given enough credit,” she argues. “We’re on our feet for twice as long, trying just as hard.”

The NYC marathon now prides itself on having “a whole operation” to help the final runners, says Rob Simmelkjaer, the organisation’s boss, including a bicycle-based support squad. Other races reward taking breaks. The Walt Disney World Marathon has chances for photos with costumed characters and even the option to get on a rollercoaster.

State violence

Tear gas and Halloween costumes

CHICAGO

Operation Midway Blitz in Chicago is out of hand

UNDER WHAT circumstances can federal agents use chemical irritants on children preparing for a Halloween parade? On October 28th Sara Ellis, a judge for the federal district of northern Illinois, called in Greg Bovino, a senior official at the Customs and Border Protection (CBP) agency, to outline when his officers can deploy tear gas while remaining compliant with a restraining order she previously issued on October 9th. The answer, she made clear, is essentially never.

Judge Ellis summoned Mr Bovino to court after an incident in which federal agents, confronted with the threat of middle-aged dads shouting at them, lobbed tear-gas grenades just as a crowd of children in costumes were gathering on the street. "These kids were tear-gassed on their way to celebrate Halloween in a local school parking lot," Judge Ellis said. "I can only imagine how terrified they were." At the hearing neither Mr Bovino nor the lawyers representing the government disputed the specific facts, though the Department of Homeland Security (DHS) has said that the use of force was justified because agents were "boxed in".

The event, in Old Irving Park, a quiet neighbourhood on Chicago's north-west side, was just one of at least five that week where officials from CBP threw tear gas at seemingly peaceful crowds. So goes "Operation Midway Blitz", the federal immigra-

tion enforcement effort in Chicago, which started in early September. As it has expanded, the government claims to have arrested nearly 3,000 migrants. But the use of tear gas seems to reflect how local resistance, in the form of whistle-blowing protesters, is frustrating their work.

Over the course of just a few days, Border Patrol agents have been filmed lobbing tear-gas grenades out of a car, shoving a woman who was shouting at them to the ground and dragging a 67-year-old man out of his car and pinning him to the ground—allegedly breaking his ribs in the process. In the latter two cases, both victims were citizens, not targets for arrest. These videos, cited in court, have all been viewed by *The Economist*. According to court documents submitted to Judge Ellis by the plaintiffs, one agent also pointed his rifle at a protester and told him "Bang, bang" and "You're dead, liberal." "I never expected to be tear-gassed on a street of multimillion-dollar houses," says a woman who saw an incident in Lakeview, one of the city's wealthier neighbourhoods.

Remarkably, even Mr Bovino himself on October 23rd was caught on camera at the front of a phalanx of heavily armed officers throwing a tear-gas grenade in Little Village, the heart of Chicago's Mexican district. As Judge Ellis noted, he did not appear to issue a warning, as required by her restraining order. He also lobbed the gre-

nade over the heads of a crowd of protesters, which the order also forbade. A DHS spokeswoman said he did so only after somebody threw a stone that hit his head, but the department has provided no evidence of this. Even with the presence of professional photographers and people filming on phones, as well as federal agents' body cameras, nobody seems to have captured it. Mr Bovino did not have a head injury at his court appearance.

If there is any reason beyond intimidation for this display of force, it seems to be that federal agents are finding their jobs harder. Resistance works like this: on group chats and on Facebook Live videos, activists share information about when federal agents are spotted. When a spotting is confirmed, dozens of people rush to the scene, blowing whistles, shouting warnings and creating traffic to slow cars. Potential targets are ushered inside, where they cannot be arrested without a judicial warrant. With only 200 CBP officers in Chicago, and a similar number from ICE, getting ahead of them is not that difficult. "There are more of us than them," says Tatiana Solis, a resident of Pilsen, a largely Hispanic neighbourhood.

Whistling in the windy

Baltazar Enriquez, the Mexican-American president of the Little Village Community Council, a non-profit, is among those who rushes to the scene of arrests, usually broadcasting footage live to his Facebook page. He says that his organisation is also transporting 68 children who are either undocumented themselves, or have undocumented parents, to school each morning. "Beautiful people are willing to come out and help these children get to school safely," he says. His group is delivering food and other support to street vendors who are hiding indoors. For his troubles, Mr Enriquez says his home was visited by FBI agents earlier this month.

The government view of all this activity is that it is illegitimate, violent interference. Kristi Noem, the DHS secretary, wrote in the *Wall Street Journal* that organisers are "terrorists, gang members and rioters" (perhaps the children's Halloween costumes were too convincing). In her hearing on October 28th, Judge Ellis ordered Mr Bovino to report to her in person at court every evening to explain each day's operations. All body-camera footage must be given to the court, and all officers must wear one when in the field. From now on, "I don't know that we're going to see a whole lot of tear gas being deployed," she said. Mr Bovino listened attentively and promised to comply. But as he left the court building, he got into a car—and, in front of a crowd of protesters wielding camera phones, placed a tear-gas grenade on the dashboard. ■



It's Chi-town

LEXINGTON

Fairy-tale of New York

Donald Trump is not the only politician nostalgic for a bygone era



SOME FIFTY years ago a young lawyer representing a bank dropped by the office of New York City's assistant comptroller with a question no one had bothered to ask before, about the "tax anticipation" bonds the city was issuing to cover its debt. "What taxes do you anticipate receiving?" he asked. The uncomfortable answer was, in effect, not enough. Shortly thereafter the banks that had been happily competing for, and profiting from, each issue of new city debt failed to show up to bid for the next round.

So began the most vertiginous stretch of New York's slide toward bankruptcy, as the story is told in "Drop Dead City", a documentary coming to Amazon, Apple and Google Play in November. Part comedy of errors and part thriller, the story also unspools as tragedy. The film is an elegy to an idea of New York that faded with that crisis, and to an era that ended then of great optimism, as one city budget analyst puts it, "about the power of government to do all the things that need doing".

Born in 1991, Zohran Mamdani is far too young to have known the pre-crisis New York. Yet its pull remains so strong that his campaign to be the next mayor is suffused with nostalgia for it. He rejects the bitter lessons city, state and national leaders still take from the fiscal crisis. His vision of government's proper role in New Yorkers' lives is, if anything, more vaulting than that of the pre-crisis years. As he declared at a rally in Queens on October 26th, "The era of government that deems an issue too small or a crisis too big must come to an end." (It is the "too small", paradoxically, that gives the measure of his ambition.)

One can understand the nostalgia. As the film tells its tale through archival footage and interviews, with people who share a city speaking in the accents of many nations, it conjures a less gilded, more middle-class New York with strong unions, affordable houses in Brooklyn and Queens, good schools and a higher-education system free to anyone. It was a much loved city, or at least it seems so in retrospect. "Everything that my family and I accomplished here I owe to the city of New York," says Anthony Lofaso, a sanitation worker. "I mean it gave a bum like me an opportunity when there were no opportunities for people without education, without training—not even good looks."

But the economic and political basis of that city's social compact was unstable. At mid-century, the many urban factories, with their jobs for low-skilled workers, began closing or moving elsewhere. Then in the 60s middle-class white residents began packing up their tax dollars and driving away to the suburbs. When recession hit in the mid-70s, the city did not have the resources to redeem its promises. As it began laying off city workers, the government was soon struggling to fulfil basic functions. The compact unravelled. In clips excavated for the film, garbage piles up on sidewalks and spills into the streets; houses burn as arsonists lay siege to Brooklyn. "I hope to God that the damn city blows up," Ken McFeely, the president of the police union, explodes to a television reporter.

By then bipartisan support for the old idea of New York had also collapsed. As governor of the state from 1959 to 1973, Nelson Rockefeller, a Republican, helped bring on the crisis through lavish commitments to health care, education and housing, along with breezy approval of the city's inventive bonds. Rockefeller was vice-president when New York came calling at the White House for a bail-out, but by then his brand of north-eastern, liberal Republicanism had, sadly, exhausted itself.

President Gerald Ford, a moderate himself, was worried about a primary challenge from a radical conservative, Ronald Reagan. "Ford to City: Drop Dead", the *Daily News* indelibly declared on October 30th 1975. Ford never said that, but he did commit to veto legislation to bail out the city. If he intended brinkmanship, it worked on him, too: the state legislature approved a tax increase, municipal unions ponied up for city bonds, and, as a city bankruptcy began to threaten the banks and the dollar, Ford came through with a federal line of credit.

The city also agreed to profound changes. "Even at best, if we succeed in getting this plan in place, the city will be a much lesser place," Felix Rohatyn, who led the state agency created to address the crisis, is heard to lament, with admirable candour, in the film. "Poor people will suffer, since they are always the first to suffer." New York began charging tuition for City University. It closed five public hospitals and by 1980 had cut one in four workers, according to "The Menace of Prosperity", by Daniel Wortel-London.

Candidate of the past

Yet the economic and political basis of the new, lesser social compact New York embraced after the crisis has also proved unstable (see Briefing). Counting on increasing taxes paid by highly mobile corporations and wealthy people to finance a growing city budget for spotty services is a strategy that sows the seeds of its own destruction. But, beyond incremental proposals to speed up permits for new small businesses and private construction, Mr Mamdani is suggesting no new model to create jobs for striving residents or to pay for his many new initiatives, from "massively" investing in City University to providing day care for every child up to five to decreasing health-care costs "for everyone".

Mr Mamdani has spoken of making city services more efficient, but any serious effort to do so would pit him against his union supporters. He says he will persuade the state government to put up taxes on residents who already pay among the highest state and local rates in the country. His joyous politicking, his youth and his optimism make him seem a candidate of the future. But as mayor he may offer New York only a tantalising, and ultimately self-defeating, trip to the past. ■

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The Americas



Argentine politics

Javier's chance

BUENOS AIRES

A surprisingly strong midterm win breathes new life into the president's radical economic project

IN THE END it was a landslide. The party of President Javier Milei, Liberty Advances (LLA), won Argentina's midterm elections with almost 41% of the vote. The Peronist opposition, including the main party and its regional allies, trailed by nine percentage points. LLA even won in Buenos Aires province, where they were trounced in a provincial vote in September. The resounding win far surpassed the expectations of pollsters and markets, which clustered around a draw or perhaps a modest victory for Mr Milei. "Today we pass the turning-point," the president told cheering crowds on election night. "Today begins the construction of a great Argentina."

The result gives a jolt of energy to Mr Milei's radical reform programme, which has been faltering this year. He now has an opportunity to reshape Argentina's economy with sound macroeconomic management and free markets. Crucially, he has the numbers in Congress to defend his

presidential vetoes, thereby preventing the left-wing opposition from forcing through big spending on their own priorities. That renews the credibility of his impressive fiscal discipline.

Yet the triumph comes with caveats. Turnout of 68% in a country with compulsory voting is the lowest since 1983. That suggests many voters remain unenthusiastic about Mr Milei. The peso rose sharply after results were announced but has quickly given up most of its gains. Above all, Mr Milei is still short of the number of seats that he needs to pass laws that tackle

big economic problems such as those relating to tax and pensions. He is in a stronger position, but must negotiate skilfully.

Since he took office in late 2023 Mr Milei, a political outsider and irascible libertarian, has pulled inflation precipitously down, in part by making huge cuts to spending. Poverty has fallen sharply, too. Yet his chances of a big victory looked to have waned as he battled corruption scandals, the economic recovery stuttered and the peso, which he had tried to keep artificially strong, came under heavy pressure. In the weeks before the election the Trump administration stepped in to support the currency, which was threatening to crash out of the exchange-rate band in which it had been allowed to float. The United States stumped up an extraordinary \$20bn swap line and made direct purchases of pesos worth perhaps \$2bn.

This victory moves Mr Milei's government past a period of deep uncertainty. LLA ran up big scores in the interior of the country, where it was expected to do well. In Buenos Aires province, where LLA enjoyed a 15-point swing from September, the message that this was a choice between Peronism and Mr Milei seems to have resonated. Even those lukewarm on the president seem to have concluded that, above all, they fear the spendthrift opposition.

Markets celebrated wildly. Dollar ►►

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► bonds due in 2035 leapt by 13 cents to around 70 cents on the dollar (see chart). A local stock market index shot up by over 20%. Investors are now much perkier about Mr Milei's chances of re-election in 2027.

By comparison, despite an initial surge, the peso rose by only 4% after the first day of post-election trading, and then weakened further. The government needs urgently to accumulate foreign reserves to pay back at least \$20bn of its debt that is due in 2026—and the very act of buying dollars would usually weaken the peso. Moreover, many economists think the peso looks overvalued relative to the fundamentals of the economy.

Given Mr Milei's unexpectedly strong position, now seems the perfect time to fully float the peso and target inflation using normal monetary policy. That would reduce the chances of future trouble with the currency and make it easier to accumulate reserves, all without much risk of an immediate inflationary lurch. But prior to the election the government insisted it would not change the exchange-rate regime. The band within which the peso floats is widening marginally each month, though inflation is running higher which, in effect, negates the widening. Markets suspect the system may have to change.

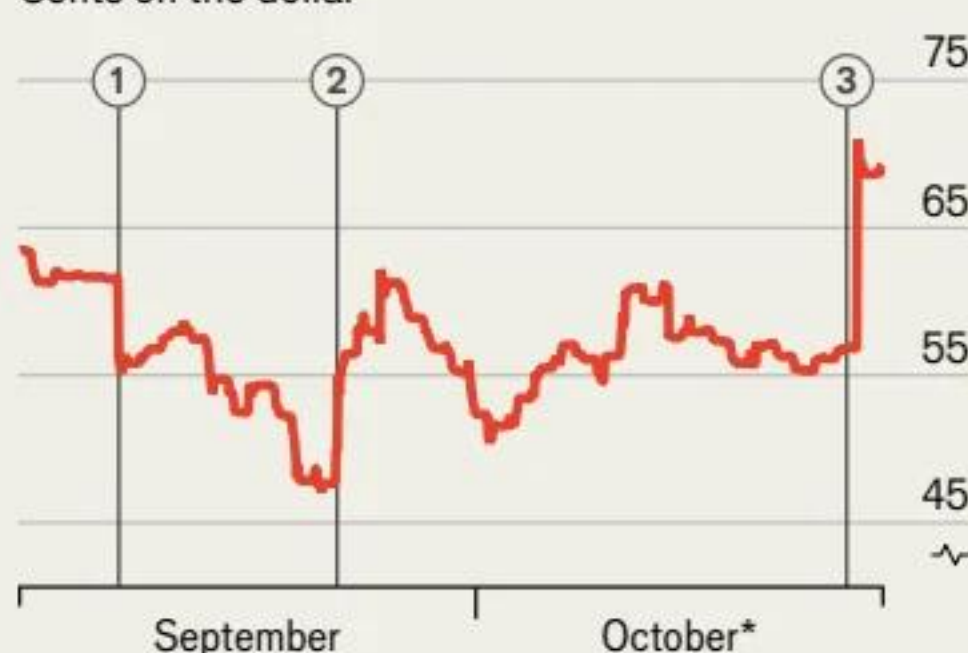
Scott Bessent, America's treasury secretary, will surely feel vindicated. The \$20bn swap line will probably stay in place. After the result Mr Bessent hinted that support from the United States would now be more limited. With debt payments looming, the market would certainly prefer otherwise. Investors also wonder whether he may push for changes in Mr Milei's approach, particularly on the exchange rate and monetary policy, or perhaps seek a payback in some other form for the extraordinary support that surely contributed to Mr Milei's resounding victory.

Beyond accumulating reserves to pay back debt, Mr Milei's other big challenge is structural reform. His priorities include cleaning up the byzantine tax system, liberalising the labour market and perhaps overhauling pensions. All of these require a majority in both the lower chamber and the Senate. With only half the lower chamber and a third of the upper one renewed in this election, Mr Milei still does not have the numbers, so he must build coalitions. This has not previously been his strong suit, but the big win will help. Plenty of legislators who might have opposed him will now consider it wise to make deals with the strengthened government.

Mr Milei, who frequently and graphically insults Argentine politicians, may also be changing his tune. He has softened his abrasiveness in recent months. His victory speech suggested that he understands his need for partners. He said he was willing to work with any party with which he

V is for victory

Argentina, ten-year government-bond price, 2025
Cents on the dollar



- 1 Milei's party loses the Buenos Aires provincial election
- 2 Bessent posts on X that US Treasury stands with Argentina
- 3 Milei's party wins midterm elections

Sources: Bloomberg; The Economist *To Oct 28th, 14:00 GMT

has "points of agreement". As *The Economist* went to press, he was about to meet the provincial governors, a powerful lot.

Election years in Argentina often bring financial and political mayhem. Mr Milei himself will be up for re-election in 2027. Ominously, since 2009 the party that wins the midterms has lost the subsequent presidential elections. Reforms that boost growth and create jobs are his best chance to buck that trend. The earlier he can propose such reforms to Congress the better. There is no time to lose. ■

Venezuela

Aircraft-carrier ahoy!

Donald Trump's plan is not yet clear

ON OCTOBER 26th the *USS Gerald Ford*, the largest aircraft-carrier in the world, slipped out of the Croatian port of Split. Days earlier the Pentagon's boss, Pete Hegseth, had ordered her to sail to the Caribbean to join a vast and so-far-unexplained military build-up. More than 10% of all deployed American naval assets are currently in the area controlled by the Pentagon's Southern Command (SOUTHCOM), which oversees operations in Central and South America. Does the Trump administration have the regime of Nicolás Maduro in Venezuela in its sights?

In recent weeks the United States has mounted a campaign of air strikes against boats allegedly linked to drug-smugglers. The latest, on October 29th, killed four men. The death toll from the 14 strikes so far, in both the Caribbean and the Pacific, is an estimated 61 people. Each time the Trump administration has stressed that its strikes took place in international waters.

Many legal experts say they are blatantly illegal, questioning the administration's justification that it is in an "armed conflict" with drug-traffickers. Neither Congress nor United States military commanders have pushed back much against that claim, though Admiral Alvin Holsey, SOUTHCOM's commander, recently said he would leave his post. He is said to have disagreed with Mr Hegseth over the attacks.

The broader military build-up seems at least partly directed at Mr Maduro, who lost the 2024 election but fraudulently claimed he won. The United States accuses him of being a drug kingpin, a claim viewed sceptically by many analysts. Mr Trump, who has also described Gustavo Petro, Colombia's president, as a "drug leader", has openly hinted at the prospect of strikes on land. "We have a lot of drugs coming in from Venezuela," he said, adding: "We're going to stop them by land also...The land is going to be next."

Plenty of firepower is in place. The build-up of ships is the largest in the region since the Cuban missile crisis of 1962, with capacity to launch around 110 Tomahawk cruise missiles. The three destroyers accompanying the *Ford* could collectively launch around 70 more, reckon Mark Cancian and Chris Park of the Centre for Strategic and International Studies (CSIS), a think-tank in Washington. B-1 and B-52 bombers, as well as helicopters assigned to the United States' special forces, have been flying near Venezuela's coast. This could all be an effort to rattle Mr Maduro, or to map out his air defences, of which he has recently been boasting—or both.

On October 26th an American destroyer docked in Trinidad & Tobago, an island country 11km from Venezuela, as part of what the United States called a training exercise involving the US Marine Corps. That could serve as a cover for moving naval assets closer to the shore. Mr Hegseth has announced a new counternarcotics task-force that will be led by one of the marines' three expeditionary forces.

The aim of this gunboat diplomacy is fuzzy. Different advisers within the Trump administration have so far taken divergent approaches to Venezuela. One possibility is that Mr Trump seeks to capture or kill Mr Maduro, perhaps with a special-forces operation. (Attacking military infrastructure or a ground invasion is still unlikely.) Mr Trump says he has authorised a covert CIA campaign inside the country, which is said to include lethal operations.

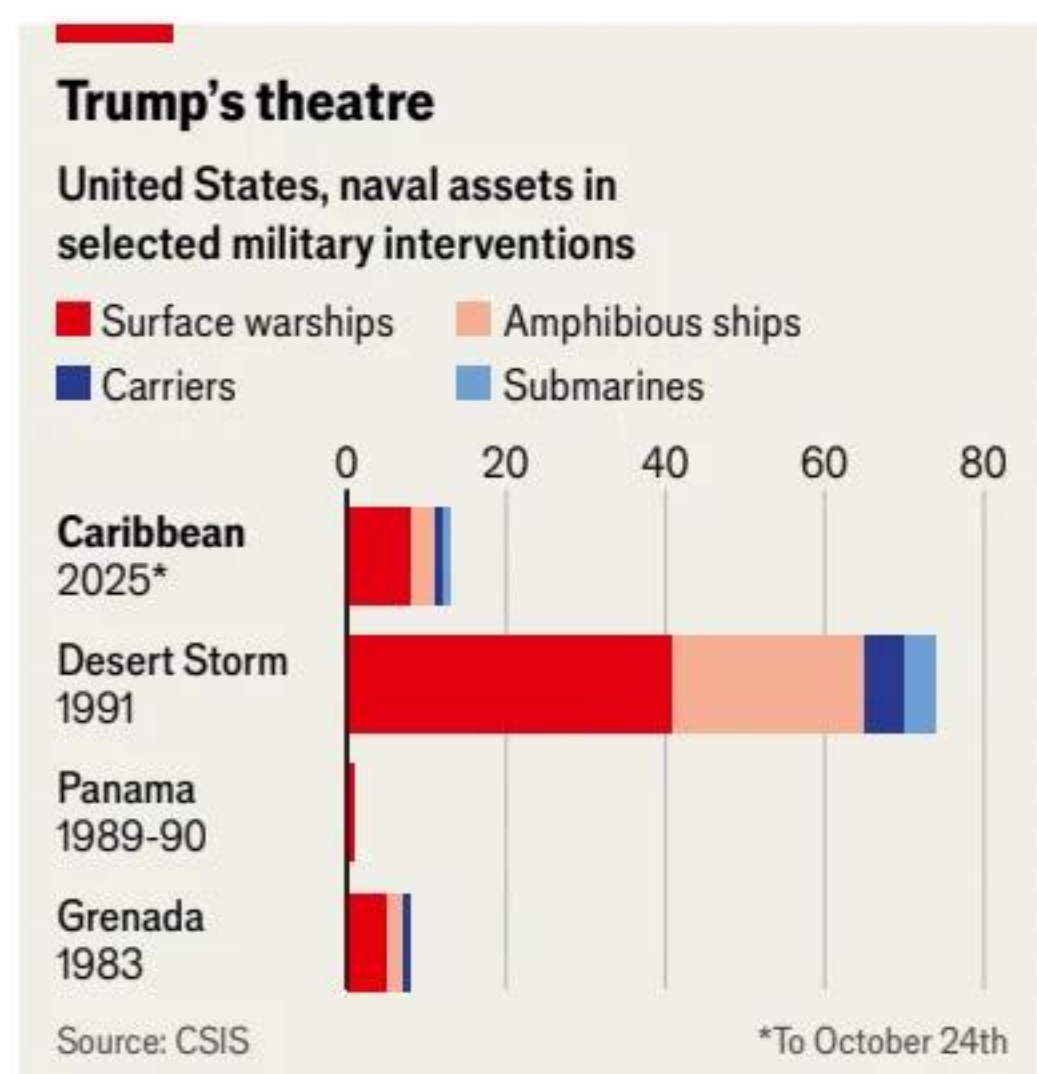
The goal may also be to heap pressure on the dictator until someone in his inner circle betrays him. The \$50m reward that the United States has offered for information leading to his capture has not turned anyone, yet. But the regime is worried. It has raised militias, increased security and paved the way for a state of emergency. ►►

► Instead of attacking Mr Maduro and his regime directly, Mr Trump could just continue to carry out his stated aims and attack sites in Venezuela which he can claim to be associated with drug-traffickers. That would do little to alleviate America's drug problem, though it might let Mr Trump declare victory and move on. The fentanyl that enters the United States is mostly produced in Mexico, not Venezuela. Any strikes on land, bringing the conflict from international waters to sovereign territory, would be an extraordinary escalation, pulling America's focus away from Europe and the Pacific despite the insistence from many in the Pentagon that its "pacing threat" is China.

Speaking to his generals and admirals last month, Mr Hegseth praised the Gulf war of 1991 as a model "limited mission with overwhelming forces and a clear end state". He criticised the "mission creep" in Vietnam. Now he is in a bind in Venezuela. Pinprick air strikes will probably be ineffective. A ground war could become a quagmire. Even if Mr Maduro were unseated, and the man who won the elections last year, Edmundo González, were put in power, no doubt to euphoria in Venezuela, it is unclear what would happen next. "The risks of violence in any post-Maduro scenario should not be downplayed," notes the International Crisis Group, a think-tank in Brussels. "Many senior military officers could resist regime change."

When you have an aircraft-carrier...

In any case, the clock is ticking. The *Ford* is a "use-or-lose asset", notes the CSIS, because the Pentagon will be reluctant to keep one of its most important warships in the Caribbean for long unless it is truly needed. It will take at least a week or more for it to get there. CSIS says its deployment is one of two indicators for an "attack and invasion" scenario. The other would be the creation of "tent cities" in Puerto Rico, a United States territory in the Caribbean, which could house many troops. There is no sign of them. ■



Brazilian security

Bloodshed in Rio

SÃO PAULO

The deadliest police operation in Brazil's history killed at least 121 people

BEFORE DAWN on October 28th, security forces advanced into dozens of slums in Rio de Janeiro. Their targets were the leaders of the Red Command, Brazil's second-largest drug gang. Armoured trucks smashed their way through barricades. Police helicopters whirled overhead. Panicked mobsters fired on the police with automatic weapons and launched grenades by drone. It made little difference. By day's end, hooded agents triumphantly brought out 81 suspects, dozens of rifles and 200kg of drugs. They left behind a grisly haul in the nearby river and rainforest: scores of young, male and mostly black corpses.

Ordered by the state governor, Cláudio Castro, the raid's brutality has shocked a nation accustomed to police violence. The death toll has now risen to 121, double the 60 people that the authorities initially claimed had been killed. This makes the operation the deadliest in Brazilian history, surpassing the 111 people killed in a notorious massacre in Carandiru, a jail in São Paulo, in 1992. According to locals, some of the latest victims were found with their hands tied. Others appeared to have been shot or stabbed from behind. Families have gathered to search for their relatives.

Reactions have reflected political divisions. The right has loudly celebrated the raid. Mr Castro, a member of Jair Bolsonaro's far-right Liberal Party, declared it a successful crackdown on crime groups. Pressing to put soldiers on the streets, he announced that "we're not going to sit around crying" and that the only "victims" were the four police officers killed. Rio's conservative mayor, Eduardo Paes, concurred, saying that "Rio cannot be held hostage by criminal groups." Both politicians favour iron-fist policies to tackle the Red Command, which has long been fighting against a coalition of right-wing militias founded by off-duty policemen.

The federal government has been cautiously critical. Brazil's left-wing president, Luiz Inácio Lula da Silva, known as Lula, called an emergency cabinet meeting. Ricardo Lewandowski, the justice minister, called the raid "very bloody" and offered condolences to the families of those "innocent people" killed. Neither has yet gone further, despite mounting international condemnation. The United Nations Human Rights Office said it was "horrified" by the operation and warned local law en-

forcement to abide by international law.

Lula's government may be trying to gauge public opinion. Security is a top issue in next year's elections. Nearly half of voters think it has deteriorated under Lula, according to a survey by Paraná Pesquisas, a pollster. A government-sponsored law in Congress that is intended to curb organised crime is seen as weak, says Rafael Alcadipani of the FGV, a university. And Lula's recent pronouncements have not helped. On October 22nd, during a trip to Malaysia, the president said drug-traffickers were the victims of users and vice versa, sparking immediate outrage.

There may be more raids to come. Since taking office in 2021, Mr Castro has presided over three of Rio's four deadliest operations. Last month he backed a bill in the state legislature to pay police officers a bonus for every suspect killed in a raid. His term as governor ends in April and he is preparing to run for Congress in next year's general election.

The raids appeal to right-wing presidential candidates. Several flew to Rio to praise Mr Castro in person. That includes Tarcísio de Freitas, governor of São Paulo, who has overseen his own militarised campaign against drug gangs in poor communities. Under his mandate, police killings increased by 60% last year. For now, most middle-class voters don't seem to mind. ■

Hurricane season

Melissa's wrath

MIAMI

Jamaica experiences the full force of a category-five hurricane for the first time

"ALmighty Father, spare us." That was how Jamaica's science minister, Daryl Vaz, greeted journalists at a press conference hours before Hurricane Melissa, a record-breaking category-five storm with 300kph (185mph) winds, buzz-sawed across the western half of the island.

His prayers were answered, but only in part. The storm passed well west of the capital Kingston, home to a quarter of the island's 2.8m inhabitants. Instead it tore through the agricultural region of St Elizabeth parish, the island's breadbasket, still recovering from Hurricane Beryl, which passed close offshore as a category-four storm with 225kph winds in 2024. Melissa's savage winds and five-metre storm surge tore up pristine beaches and devastated coastal communities along the south coast, ripping roofs from homes and almost completely destroying the historic town of Black River, one of the oldest colonial settlements on the island. ►►



Stripped by the storm

► “Catastrophic is a mild term for what we are seeing,” says Richard Solomon, Black River’s mayor, who spent a harrowing night on the first floor of the fire station, huddled with 40 others as the sea engulfed the town. The mayor appealed for urgent help. All the town’s emergency supplies of bedding, blankets and tarpaulins were lost when a container was swept away during the storm. Five bodies were found in Black River and elsewhere in St Elizabeth parish, bringing the death toll for Jamaica at the time *The Economist* went to press to nine, though that is certain to rise.

Melissa will go down as “one of the most powerful hurricane landfalls on record in the Atlantic Basin”, according to the US National Hurricane Centre. It tied with Dorian in 2019 for the strongest hurricane landfall in the Caribbean. Its formation carries all the hallmarks of a storm supercharged by a hotter atmosphere. The seas around the Caribbean have been 1.4°C above average for the time of year. According to one estimate, climate change made these high sea-surface temperatures between 500 and 800 times more likely. There has been an increase in the number of hurricanes which turbocharge rapidly like Melissa, which climate experts call “extremely rapid intensification”. Melissa fell into this category when its wind speeds rose by 113kph in 24 hours between October 25th and 26th before accelerating further to category-five speeds on Monday.

The Jamaican government said the storm left three-quarters of the island without electricity. “Almost every parish is experiencing blocked roads, falling trees, utility poles and excess flooding,” Desmond McKenzie, the government minister leading the disaster response, told a press briefing. All schools in Jamaica were ordered closed, as were airports, although by

October 29th they had started to reopen. Some 25,000 foreign tourists were stranded, though the country’s big hotel chains said all guests were accounted for.

Across the sea in Haiti, Melissa killed at least 20 people, including ten children. Heavy rains caused a flash flood that swept away their makeshift homes on the banks of the Digue river in Petit-Goâve, on the southern peninsula. The main road into the town of Jacmel, on Haiti’s south coast, was also sheered off by storm surge.

After Melissa was done with Haiti and Jamaica, it sped north and struck eastern Cuba, its winds only slightly blunted by Jamaica’s mountainous terrain. Cuba still got a category-three pounding that flooded towns and forced more than 700,000 people to take refuge in government shelters.

Ready to recover

Jamaica’s prime minister, Andrew Holness, who was re-elected to a third term in September, is crisis-tested, having navigated the covid-19 pandemic and Hurricane Beryl. In March his government approved \$192m in funds from the World Bank, designed in part to improve disaster preparedness. This should help the country get back on its feet. Melissa seems also to have triggered the island’s \$150m catastrophe bond, set up by the World Bank (see Finance section).

The Holness government says it is in touch with foreign donors, including the United States, about recovery assistance. Jamaicans are famously resilient, but most have no insurance, and the country will need all the aid it can get. Delano Seiveright, a government minister, painted an optimistic picture: “Whatever Melissa brings, we’ll respond swiftly and, with international support and our own determination, recover quickly once again.” ■

Colombian politics

The new left

BOGOTÁ

Iván Cepeda has been chosen as Gustavo Petro’s left-wing successor

IN 2022 COLOMBIA elected Gustavo Petro, its first avowedly left-wing president. He made history by uniting a swathe of left-wing parties into the appropriately named Historic Pact coalition. On October 26th nearly 2.8m Colombians voted in primaries for a candidate to lead Mr Petro’s coalition into the next presidential election in May. Although the right denies it, the turnout was relatively high for a primary. Donald Trump’s decision to impose economic sanctions against Mr Petro probably motivated voters.

Colombia’s constitution bars Mr Petro from seeking re-election. His torch has been handed to Iván Cepeda, a senator known for bringing the “trial of the century” against Álvaro Uribe, a right-wing former president recently convicted of witness-tampering and bribery (the verdict was subsequently overturned). Mr Cepeda won 65% of the votes, beating Diana Carolina Corcho, a former health minister.

Mr Cepeda is not on the presidential ballot yet. In March he will face Colombia’s other left and centre parties in another primary to determine who will be the candidate of the left. A rival coalition called the Broad Front could beat him, though Colombia’s increasingly polarised politics will probably push voters to the extremes.

Whereas Mr Petro is confrontational and egotistical, Mr Cepeda seems intellectual and sincere. A victim of Colombia’s violent past, his tone on peace and social justice is measured. José Mujica, a former Uruguayan president, and Pope Francis are his role models. “I never wanted to be a candidate,” he recently told *The Economist*. “I’ve seen how presidents suffer.”

Mr Cepeda defends Mr Petro’s policies, from his economic vision to his failed effort to negotiate with Colombia’s criminal groups. If elected, he says he would reach across the aisle to craft policy which curbs the illegal economies that fund armed groups.

He would have to deal with a fiscal mess, but says he won’t cut social spending. Instead, he says it would be paid for in part by fighting corruption “relentlessly”, starting with people in the current government.

Asia



POTUS on tour

All that glitters

BUSAN, KUALA LUMPUR AND TOKYO

Asia adapts to Donald Trump's transactional diplomacy

A SPARKLE SEEMED to follow Donald Trump as he traipsed across Asia this week. Dancers clad in traditional garments woven with gold threads lined the tarmac in Kuala Lumpur when Mr Trump arrived there to meet South-East Asian leaders on October 26th. Next in Tokyo, Mr Trump enjoyed an audience with the emperor and a reception in a gilded hall, where Takaichi Sanae, the new prime minister, presented glittering gifts, including a gold-coated golf ball. Finally, in South Korea, President Lee Jae Myung donned a gold tie, bestowed a replica of an ancient gold crown, and served up a meal of dishes "all tailored to President Trump's preference", concluding with a brownie adorned with gold.

The gilt appeared to have its intended effect. Throughout his trip Mr Trump was in a magnanimous mood, praising his hosts and reiterating America's commit-

ment to Asia. For governments across the region, avoiding acrimony and receiving blessings was a form of relief as sweet as any dessert. Yet that is a low bar for success—and it came with a high price tag, in the form of eye-watering investment pledges, ongoing tariffs and uncertainty.

In keeping with his disdain for multilateral groupings, Mr Trump eschewed the larger regional gatherings that were the ostensible reasons for his trip. He left Malaysia on the morning of the East Asia Sum-

mit, an annual pow-wow of regional leaders, taking both his secretary of state and his top Asia hand with him, leaving a lower level official to represent America alongside presidents and prime ministers. While he appeared on October 29th at a forum for corporate executives alongside the Asia-Pacific Economic Co-operation (APEC) gathering in South Korea, he skipped the main meeting between APEC heads of state later in the week.

Mr Trump focused instead on bolstering his reputation as a peacemaker, gathering pledges to invest in America and arming himself for his trade war with China's Xi Jinping, whom he met on October 30th (see China section). His appearance in Malaysia hinged on being able to preside over the signing of a ceasefire deal between Cambodia and Thailand that he helped to forge. In Japan, Ms Takaichi pledged to nominate Mr Trump for the Nobel peace prize he so covets. The South Korean brownie was dubbed a "Peacemaker's Dessert" and served on plates decorated with the inscription "PEACE!".

Countries around the region offered goodies to get Mr Trump to ease the steep tariffs he has imposed. Cambodia, Thailand and Vietnam signed vague agreements focused on critical minerals, which

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► China dominates and has weaponised in the trade war with America. The most substantive pact was with Malaysia, which offered concessions on market access; it hopes to avoid crippling tariffs on its growing semiconductor industry.

The costs of staying in Mr Trump's good graces are even higher for Japan and South Korea, which rely on their alliances with America for security amid intensifying threats from China, North Korea and Russia. During their meeting, Mr Trump and Mr Lee formalised an agreement that will see America lower tariffs on most South Korean imports from the 25% that Mr Trump set earlier this year to 15%. In exchange, South Korea will make \$350bn worth of investments in America. (Before Mr Trump returned to office, most goods faced no duties, thanks to a free-trade agreement signed in 2012.) South Korean officials took solace in the fact that they at least came away with a slightly less onerous deal than Japan, which pledged \$550bn earlier this year in exchange for similar tariff relief.

After extracting such concessions, Mr Trump has switched to sweet-talk. "Any time you have any question, any doubt, anything you want, any favours you need, anything I can do to help Japan, we will be there," he told Ms Takaichi. She did not, of course, dare ask that Mr Trump lift the remaining 15% tariffs on Japanese goods, or that he revisit the coercive investment agreement her predecessor signed. "We're wedded, and we have a very special relationship, a special bond," Mr Trump insisted to Mr Lee. Coming from Mr Trump, such commitments are hardly ironclad.

Faltering confidence in American security guarantees is a big reason why allies are accelerating their defence build-ups. By showing willingness to play bigger security roles, they hope to keep Mr Trump on side—and if that fails, to be in a better position to fend for themselves. After taking office on October 21st, Ms Takaichi promised to raise defence spending to 2% of GDP by early next year—two years faster than originally planned.

Mr Lee received Mr Trump's approval to build nuclear-powered (but not nuclear-armed) submarines, a long-sought goal of South Korean leaders. The two countries are expected to renegotiate a nuclear agreement that barred South Korea from enriching or reprocessing nuclear fuel. (Such technology could also be used to make atomic weapons; previous American governments maintained the restrictions owing to concerns about proliferation.) In early October Mr Lee said that South Korea's defence budget would grow by 8.2% next year, the largest annual hike since 2008. As he explained, his country must face the reality of "an era of increased conflict, where it's every man for himself". ■

Political violence in Japan

Legacy of a murder

NARA

What the trial of Abe Shinzo's killer reveals about Japan

MORE THAN three years ago Yamagami Tetsuya shocked Japan by killing Abe Shinzo, a former prime minister. As his trial began on October 28th Mr Yamagami, now 45, sat silently, eyes cast downwards. When prosecutors read a detailed account of what happened on July 8th 2022, he replied quietly but clearly: "Everything is true. I did it."

The horrifying image of Abe collapsing at a campaign event after Mr Yamagami shot him twice in broad daylight remains etched in the public psyche. But while many Japanese condemned the act of political violence, a surprisingly large number of people showed sympathy for the killer and his motive in the wake of the attack. In the three years since the murder, that response has proved enduring. The sentiment could well influence the course of Mr Yamagami's trial.

Given that Mr Yamagami has admitted to the crime, the trial turns mostly on the question of his punishment. In theory, he could face the death penalty. Yet the defence argues that Mr Yamagami deserves leniency both because the bizarre homemade weapon he constructed from pipes and duct tape does not meet the definition of a gun under Japanese law, and because of his troubled background. A panel of lay judges will play an important role in making that call. A verdict is expected early next year.

Mr Yamagami chose to assassinate Abe following a series of personal tragedies. His father committed suicide when he was a child. His mother, seeking solace, sought out the Unification Church, a religious group that has been accused of having cult-like structures, and donated some ¥100m (\$650,000) to the group, allegedly bankrupting the family (the church says it returned half the money). After his older brother also committed suicide, Mr Yamagami sought revenge. Unable to get close enough to the church's leader, he set his sights on Abe, whom he saw had sent a congratulatory video message to a church-affiliated event.

Disturbingly, the assassination accomplished what Mr Yamagami wanted. It thrust the Unification Church, which had faded from headlines after scandals over deceptive recruitment practices and "spiritual sales" in the 1980s and 1990s, back into the spotlight. Within months, extensive ties between the church and members of



On trial

Japan's ruling Liberal Democratic Party were exposed. Seven cabinet ministers were forced to resign. The government eventually moved to strip the church of its status as a religious corporation, a demand that is still being contested in court.

Mr Yamagami's case has also highlighted the risk of isolated individuals, mired in despair and powerlessness, turning to violence. Despite Japan's low crime rate, lone-offender attacks are increasingly seen as a threat. In 2021 a man dressed as the Joker attacked passengers on a Tokyo train, stabbing 17 people. (Mr Yamagami had also posted about watching the Hollywood film.) Alarmed by such incidents, this year Japan's police set up its first unit specialising in lone-offender attacks.

Yet the most alarming aspect of the saga may be just how much sympathy for political violence there is in a country usually seen as peaceable, and how prepared ordinary people are to side with the killer rather than the victim. Ushiyama Rin, a sociologist at Queen's University Belfast, draws parallels with the case of Luigi Mangione, who became a folk hero in America after being accused of killing Brian Thompson, then the boss of United-Healthcare, in December 2024 (Mr Mangione is awaiting trial). In both cases, for a vocal minority distaste for what the victim represented apparently exceeded revulsion at the act of murder.

Outside the court on the first day of the trial, that attitude was well represented. "Of course we shouldn't condone terrorism," said a woman in her 70s. "But there is a whole context that led to this." Some Japanese have gone further. "I know it's inappropriate to say this," said a woman in her 30s whose mother, like Mr Yamagami's, had donated heavily to the Unification Church. "But he's absolutely my hero." ■

Timor-Leste

Joining the club

SINGAPORE

ASEAN's new member has big plans

GETTING INTO the Association of South-East Asian Nations (ASEAN) is as hard as getting into heaven, says José Ramos-Horta, the president of Timor-Leste. After years in purgatory, the tiny country of 1.4m people has at last ascended. On October 26th ASEAN admitted Timor-Leste as its 11th member state, and first new one since 1999, at a summit in Malaysia. For Mr Ramos-Horta, this is "the achievement of a lifelong goal". For Timor-Leste, membership brings with it the prospect of more trade, investment and integration with South-East Asia.

The former Portuguese colony, once called East Timor, has come a long way since 2002, when it gained independence from Indonesia after 24 years of brutal occupation. Back then Timor-Leste had "no economy to speak of, no banking system, no administration", says Mr Ramos-Horta, who won the Nobel peace prize while in exile during Indonesian rule. The country has since established a democracy, installed a power grid and earned billions from oil-and-gas-fields. But it is still poor, and existing fields are depleted. The economy relies on money from a sovereign wealth fund that invested the fossil-fuel proceeds.

Timor-Leste's resource constraints help explain why ASEAN took 14 years to mull its application. Members worried that it lacked the administrative chops to cope with the demands of full membership. Others were concerned that bringing in a small, poor country could render the bloc more vulnerable to Chinese influence. For now, that risk looks small. Timor-Leste follows a non-aligned foreign policy and has avoided taking loans from China. Officials are also wary of state capture, given the history of occupation.

For his part, Mr Ramos-Horta hopes that joining a market of almost 700m people will make it easier for his country to export to the region. It may also bring in foreign investment and know-how, which could help improve agricultural productivity and diversify the economy before the money from its fossil-fuel fund runs out. If that comes to pass, accession will have been worth the 14-year wait.

Bihar's state election

Time-warp

CHAINPUR AND PATNA

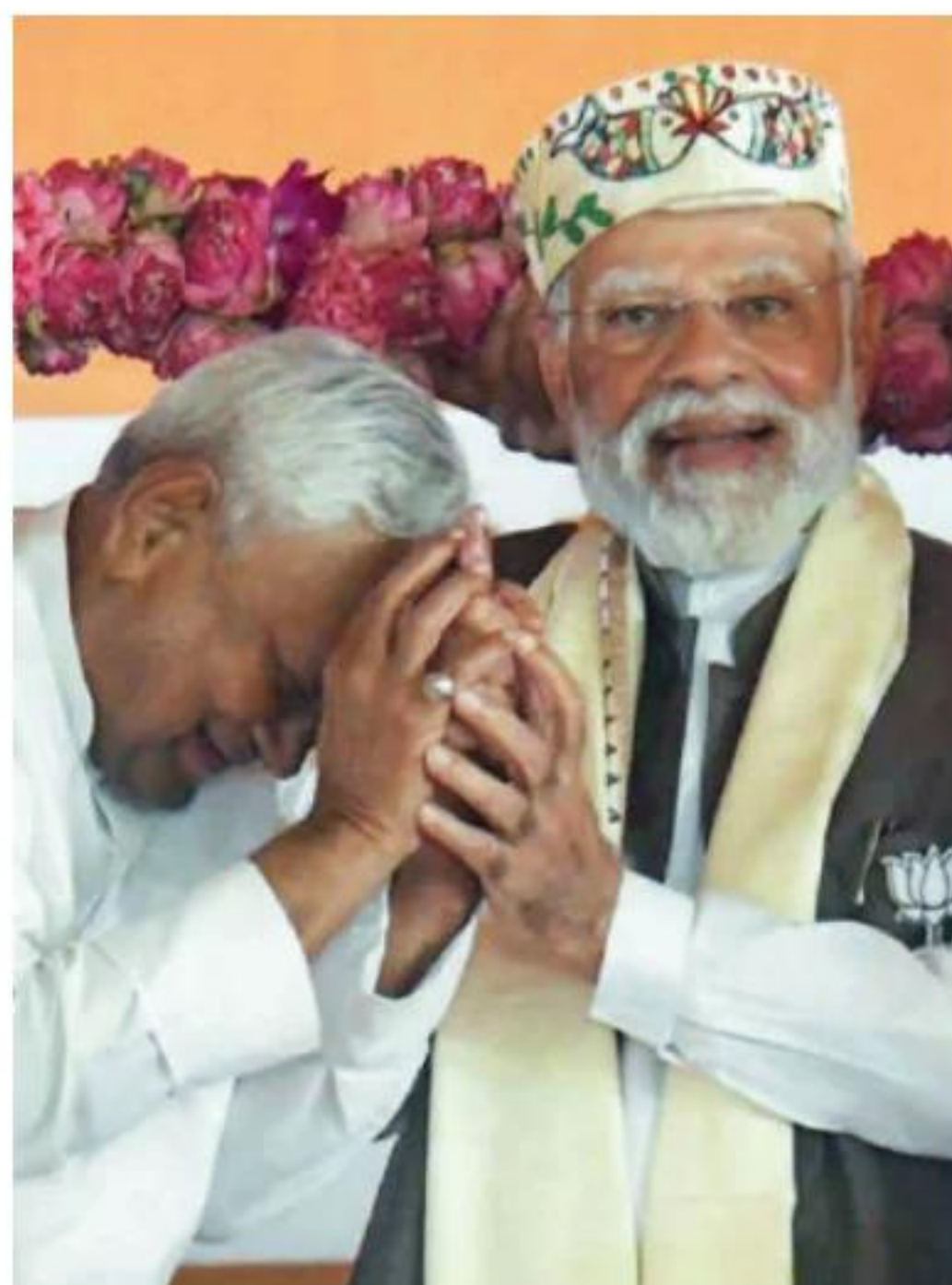
India's poorest electorate votes

INDIANS LIKE to call elections a "dance of democracy". But in Bihar, India's poorest state, the build-up to state-assembly polls on November 6th and 11th has felt more like a brawl than a ballet. More than 20 parties are contesting seats. Candidates are defecting. Claims of dirty tricks are being furiously hurled about.

The squabbling can seem parochial, but the poll will have national effects. The result, due on November 14th, will offer insight into the popularity of the Bharatiya Janata Party (BJP), which runs India, as well as providing a measure of the opposition's cohesion. It could also have consequences for India's economic development. The country's ambition of getting rich depends on politicians finding ways to make Bihar's 130m people much better off.

Per-person income in Bihar is about 66,000 rupees (\$800) a year, less than a third of the national average (see chart). The state is also India's youngest, with a median age of just 22, compared with 30 nationally. Bihar is run by a coalition that joins the BJP with a regional party called Janata Dal (United). Its pitch for re-election rests heavily on the record of Nitish Kumar, Janata Dal's leader (pictured, left, next to the prime minister, Narendra Modi), who has served as Bihar's chief minister for most of the past two decades.

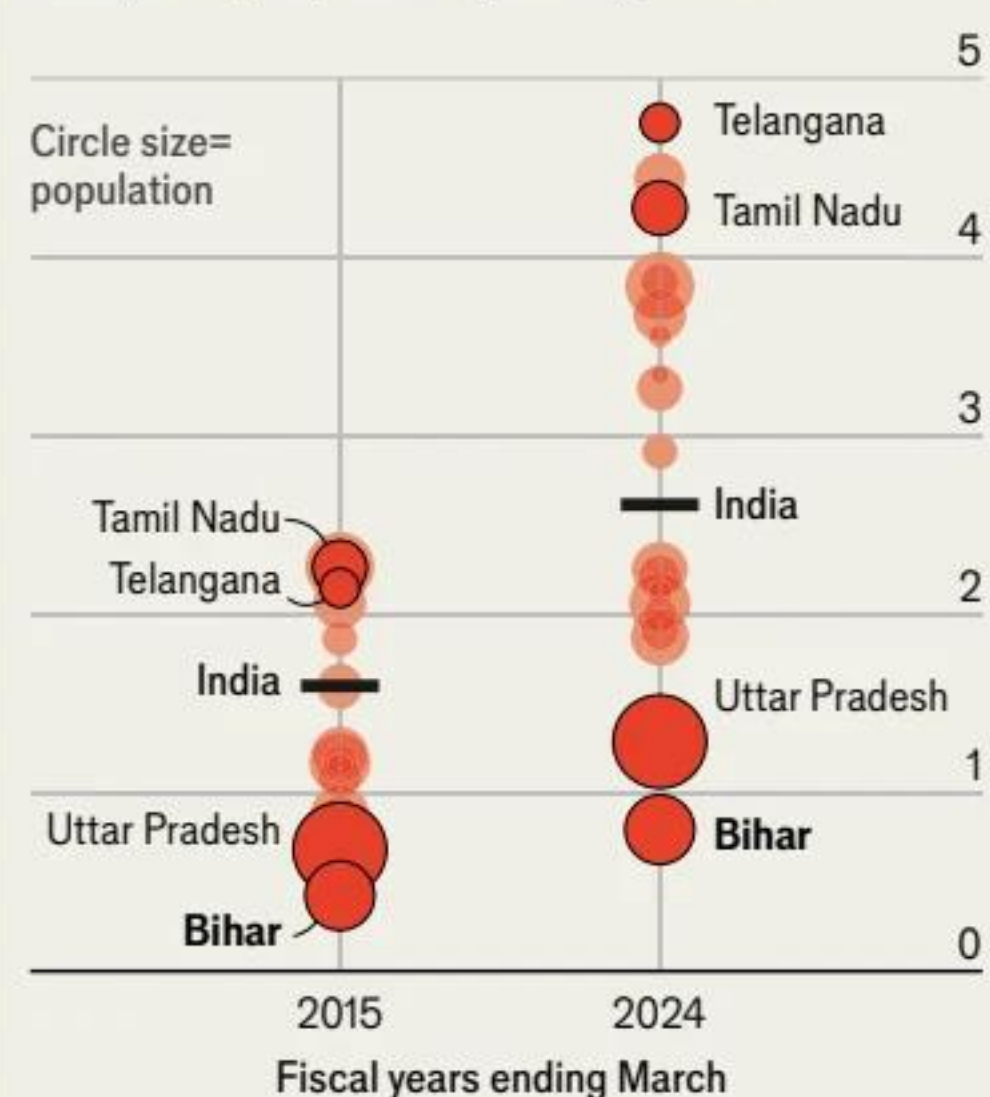
Over the years Mr Kumar has taken his party into and out of political alliances.



Scheming over schemes

Back of the pack

India, GDP per person by state*, \$'000



Source: National statistics

*With population over 5m

His voters have largely followed him; they cite his record of road construction, electrification and schemes that aim to help women, such as free bicycles for girls.

As the poll approaches, Mr Kumar is campaigning on the popularity of existing schemes, including a one-off payment of 10,000 rupees (\$114) to female entrepreneurs. "We will always vote for him", says one woman as she waits to register for that programme in Chainpur in southern Bihar, "because he has changed our lives".

Yet Mr Kumar, 74, is not the striking young leader he once was. And Biharis are increasingly worried about their economy. The state's GDP has expanded by more than 60% in real terms over the past decade. That is not slow—but the increase is from a terribly low base. Several other states, including neighbouring Uttar Pradesh, have grown faster.

The single biggest complaint is the lack of decent jobs. Workers from Bihar can be found on factory floors across India. But their own state hosts a mere 1% of the country's factories. Around half of Bihar's workforce toils on farms that are less productive than elsewhere in India. Many young Biharis have given up looking for work. Only about one-third of 15-to-29-year-olds are in the labour force, among the lowest rates in the country.

The opposition is making hay from these problems. But its solution is exasperating: to promise more government posts. Tejashwi Yadav, 35, is Mr Kumar's main rival. His party says that within 20 months of taking office it will deliver enough government jobs to guarantee at least one per family. That could require creating over a million new posts a month.

This pledge sounds fantastical, but it has wide appeal. India's cities celebrate techies and people who have gone to business school; in Bihar status, financial sta-

BANYAN

Pop and protest

How East Asian pop culture is inspiring Gen Z rebels

MONKEY D. LUFFY, the protagonist of “One Piece”, a popular Japanese manga and anime series recently adapted by Netflix, is a spirited teenage pirate with a huge grin plastered under his straw hat. Luffy and his crew sail the high seas in search of treasure, standing up to the corrupt World Government that rules them. Their flag—a Jolly Roger featuring Luffy’s hat—flies with them.

In recent months the flag has acquired its own importance off-screen. Over the summer young Indonesians protesting against economic hardship and creeping authoritarianism started to wave the “One Piece” Jolly Roger. The government threatened treason charges, which only broadened the flag’s appeal at mass demonstrations. In September it appeared in Nepal, where youngsters hoisted it during protests against nepotism and corruption that toppled the prime minister, and in Madagascar, where similar demonstrations resulted in a military coup that ousted the president in October. It has also been spotted in the Philippines, Peru and Morocco.

Luffy’s Jolly Roger is an example of a broader phenomenon. For generations Western pop culture, from punk to hip-hop, defined youthful rebellion. Today’s crop of protesters is galvanised by anime characters and K-pop anthems. In South Korea “Into The New World” by Girls’ Generation soundtracked both anti-corruption protests in 2016-17 and demonstrations against the imposition of martial law in 2024, booting out two presidents. The same song rang out at pro-democracy rallies in Hong Kong in 2019 and 2020, and in Thailand in 2020. Thai protesters donned hamster ears and jogged around in circles near Bangkok’s Democracy Monument, chanting “The most delicious food is taxpayers’ money”

to the jingle from Hamtaro, a popular Japanese anime series featuring a hamster. East Asia, a region long associated with conformity and conservatism, now supplies “the imagery and soundtrack” of global resistance movements, notes Roland Kelts, a pop-culture expert in Tokyo.

Partly that is simply because K-pop and anime are shared cultural touchstones for today’s young people in the way Western music, films and books were for earlier generations. In addition, near-universal access to social media means that the use of a particular symbol can spread quickly from one place to another. Watching the protests in Nepal and Indonesia online made Shely Andriamihaja, a 26-year-old activist in Madagascar, realise that young people everywhere were fighting “the same fight...against corruption, bad governance and neglect”. She and her peers decided to use the “One Piece” flag to express solidarity. Instantly recognisable, the flag also made their own protest more visible online.

Yet there may also be something deeper at work. K-pop, which became popular

in the early 1990s just after South Korea moved from military dictatorship to democracy, is associated with a spirit of civil resistance despite its mostly apolitical lyrics, argues Lee Gyu-tag of George Mason University Korea in Incheon. Many of its fans belong to hyper-organised communities that excel at social-media campaigns and often throw their weight behind left-wing causes.

Anime, with its ethnically ambiguous characters living in fantastical worlds, provides an easier foil for identification than the all-American heroes of yore, says Mr Kelts. The fact that Luffy and his seafaring friends can be all things to all people helps explain the universal appeal that allows protesters in places as different as Nepal, Indonesia and Madagascar to claim them as their own. In societies where free speech is tightly curtailed, playful anime characters may also help camouflage more serious criticism, albeit only for a while (Indonesian MPs soon decided Luffy’s Jolly Roger was a threat to national unity).

Ultimately, the appeal to protesters of Luffy & Co may lie in their optimism, adolescent exuberance and earnest celebration of friendship and solidarity. Luffy accidentally eats a “devil fruit”, which grants him the power to stretch like rubber and stand up to fearsome enemies. The fruit also robs him of the ability to swim—clearly a serious weakness for a pirate. But whenever he tumbles into the sea, his friends are always there to pull him out.

To young people standing up to truncheons and tear gas to persuade governments to listen to them, Luffy’s indefatigable self-belief is irresistible. “You can hit me all day long,” he says as he is struck down by a mighty opponent. “But I’m never giving up on my dreams.”



► bility and money for things such as dowries come from entering the bureaucracy. Women prefer men with government jobs, sighs a student outside a coaching centre in Sasaram district, where he is preparing for the civil-service entrance exams.

Instead of wrangling with tough questions about growth, politicians on both sides of the aisle are playing up caste politics. The caste system is particularly entrenched in Bihar. Villages are still organised into caste enclaves. The upper-caste

minority tend to be more educated and wealthier than everyone else. Parties have long selected candidates according to their ability to command loyalty from specific communities, rather than because of their ideas or their performance on the stump.

Lately Bihar’s leading parties have been talking about expanding the system of “reservations”, which provides preferential access to jobs to members of castes that are deemed to need a leg-up. In this, Bihar may be ahead of the curve. Earlier this year

the BJP, smarting over the unexpected loss of its absolute majority in the general election in 2024, announced plans to undertake a national caste census (Bihar completed a state version in 2023). This could eventually lead to reforms that make the system of reservations bigger.

Growth would transform lives in Bihar, more than anywhere else in India. If only politicians would spend more time debating how to make the pie bigger—and less time fighting over how to slice it up. ■

China



Donald Trump and Xi Jinping meet

The real deal?

Trade peace breaks out between America and China, though much remains unresolved

IT WAS MORE grand bazaar than grand bargain. After months of haggling, bluffing and fist-shaking, America and China appear to have a trade deal. Meeting in a pokey room at a South Korean airbase on October 30th, President Donald Trump and his counterpart, Xi Jinping, finalised the essentials of an agreement. Their apparent truce reduces the risk of another flare-up, for now. It also allows for the two leaders to visit each other's countries next year. Yet the timing of a final deal remains unclear, as does its durability—Mr Trump suggested it could be renegotiated annually. Whether it resolves more fundamental problems in the two powers' relationship is another matter entirely.

In their first meeting in six years, the two leaders agreed to roll back many of the

moves that each side had made or threatened in recent weeks. Both sides confirmed that China would delay new restrictions on the export of rare earths for a year. This suggests America will not slap an extra 100% tariff on Chinese goods from November 1st, as he once threatened. China's commerce ministry said America would also put off, for a year, reciprocal tariffs due to come into force on November 10th, as well as new export controls on subsidiaries that are at least 50%-owned by black-listed companies. That would have affected many Chinese firms.

Both sides also confirmed that America would halve a 20% tariff imposed earlier over China's alleged failure to curb exports of chemicals used to make fentanyl, which has claimed many American lives: Mr

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Trump said China would do more to help stifle that trade. He also said China had resumed purchases of American soybeans which it stopped in May in a bid to increase pressure on the White House from American farmers. China said both sides had agreed to expand their farm trade.

"There wasn't too much left out there," Mr Trump told reporters aboard Air Force One as he left Busan. "We have a deal." He added that he and Mr Xi had discussed Ukraine at length, agreeing to work together on bringing peace there.

It was not immediately clear what a final deal would actually entail. Mr Trump said he did not discuss Taiwan and did not agree to the sale of Nvidia's state-of-the-art Blackwell AI chips to China. But he said he discussed access to some of the company's other chips, something he said should be negotiated between China and Nvidia with his government as "referee". In his remarks to reporters, Mr Trump did not mention a deal to transfer the American operations of TikTok, a short-video platform whose parent company is Chinese, to American ownership. China's commerce ministry said it would work with America to resolve the TikTok issue for good.

Both Mr Trump and Mr Xi struck a positive tone from the meeting's start. Mr Trump called Mr Xi a "great leader of a great country" and said: "I think we're going to have a fantastic relationship for a long period of time." Mr Xi acknowledged that: "We do not always see eye to eye with each other". But such friction, he added, was normal between the world's two leading economies and they should be "friends and partners". Mr Xi also acknowledged Mr Trump's peace-making efforts in Gaza and in South-East Asia.

The prospect of an agreement has cheered global markets, and in the hours after the Trump-Xi meeting they were calm. It also came as a relief for many companies and foreign governments ensnared in the trade war. Taiwan, the self-governed island that China claims, will be heartened that Mr Trump said it was not discussed. He had said earlier in October that he would discuss the island with Mr Xi; that raised concerns in Taiwan that he might water down America's commitment to help the island defend itself.

For all the relief, the tentative deal stops well short of ending the trade war. As Mr Trump confirmed, it leaves in place an American tariff rate of 47% on Chinese

► goods. China's commitment to delay its rare-earth export controls will not allay anxieties in America and elsewhere about how they will be implemented. And though Mr Trump said a final deal could be signed "pretty soon", his suggestion that it could be renegotiated each year raises the prospect of perpetual instability.

The risk for now is that the current framework deal collapses. Trade talks between the two sides have been through a rollercoaster of temporary truces and dramatic escalations over five rounds of negotiations since May. Those talks have been led by Scott Bessent, America's treasury secretary, and a Chinese vice-premier, He Lifeng. They negotiated the outlines of the agreement in a two-day pow-wow in Malaysia that ended on October 26th. Yet Messrs Bessent and He have often struggled to agree on what was concluded in earlier rounds of talks; each has appeared surprised by subsequent steps taken by the other. Given the short time frame and the lead negotiators' relative lack of experience, considerable scope exists for loopholes or differences in interpretation.

If the current agreement does hold, a second question arises. That is whether it will address the deeper structural problems in the relationship. In the trade deal signed in 2020, China committed to buy at least \$200bn-worth of additional American goods and services over the following two years. Yet China never met the purchase targets (blaming the start of the pandemic); American officials recently accused it of violating the agreement.

Critics of the new framework deal argue that it focuses too much on near-term issues, such as soybeans and TikTok, and too little on fundamental problems, China's industrial policy above all. The two sides may try to build on the deal over the coming months. Yet at an October conclave of the Communist Party leadership, China once again made clear its determination to dominate advanced manufacturing, as well as achieve technological self-reliance. Meanwhile, both sides continue to manoeuvre in a broader geopolitical contest. Before arriving in South Korea, Mr Trump signed a series of deals with Asian countries to boost trade ties and co-operate on supply chains for critical minerals.

A third risk is that an unanticipated crisis in another arena upends the deal. Mutual suspicion colours relations between the two powers. Relations have been rocked before by incidents such as a Chinese spy balloon's flight over America in 2023. Military tension remains high in the South China Sea and around Taiwan. Just before meeting Mr Xi, Mr Trump said he had ordered a start to testing nuclear weapons on an "equal basis" with Russia and China. A trade deal is a step in the right direction. But stable ground is still far away. ■

Xi Jinping's language

Scraping a leader's mind

What 14,000 communications over 13 years tell you about China's leader

THE MEETING between Donald Trump and Xi Jinping on October 30th was the first time the two leaders had sat down together in six years. Mr Xi has changed in that time. A new analysis by *The Economist* of more than 14,000 of his speeches, writings and other communications since 2013 offers a window into his mind. China's president appears more assured and less tentative than ever before—a tough leader to sit across from at a negotiating table.

His megaphone is not Truth Social but the *People's Daily*, a Communist Party mouthpiece. It meticulously records his spoken and written output and puts it in an online database. Since 2013 entries amount to over 20m characters (the Bible in Chinese has fewer than 1m). Analysts pore over this mound to glean insights; *The Economist* has adopted a computational approach. Using an algorithm to chop up Mr Xi's sayings into individual words, we looked at which ones have gained and lost the most in usage, measured as the share of speeches containing a word in a given year.

He strikes an increasingly confident note. China is now a "strong country" (up from 7% of speeches in 2013 to 23% this year). It stands at the brink of "changes unseen in a hundred years" (0% to 10%), a phrase he now repeats to foreign leaders. He may be increasingly convinced the global balance of power is shifting in China's direction. Mr Xi also speaks of the "great enterprise" (1% to 15%) of China's renaissance. The build-up of tension around Taiwan during Mr Xi's rule, involving sabre-rattling by the Chinese navy and air force,

may explain his increasing mentions of the democratically ruled island (4% to 7%).

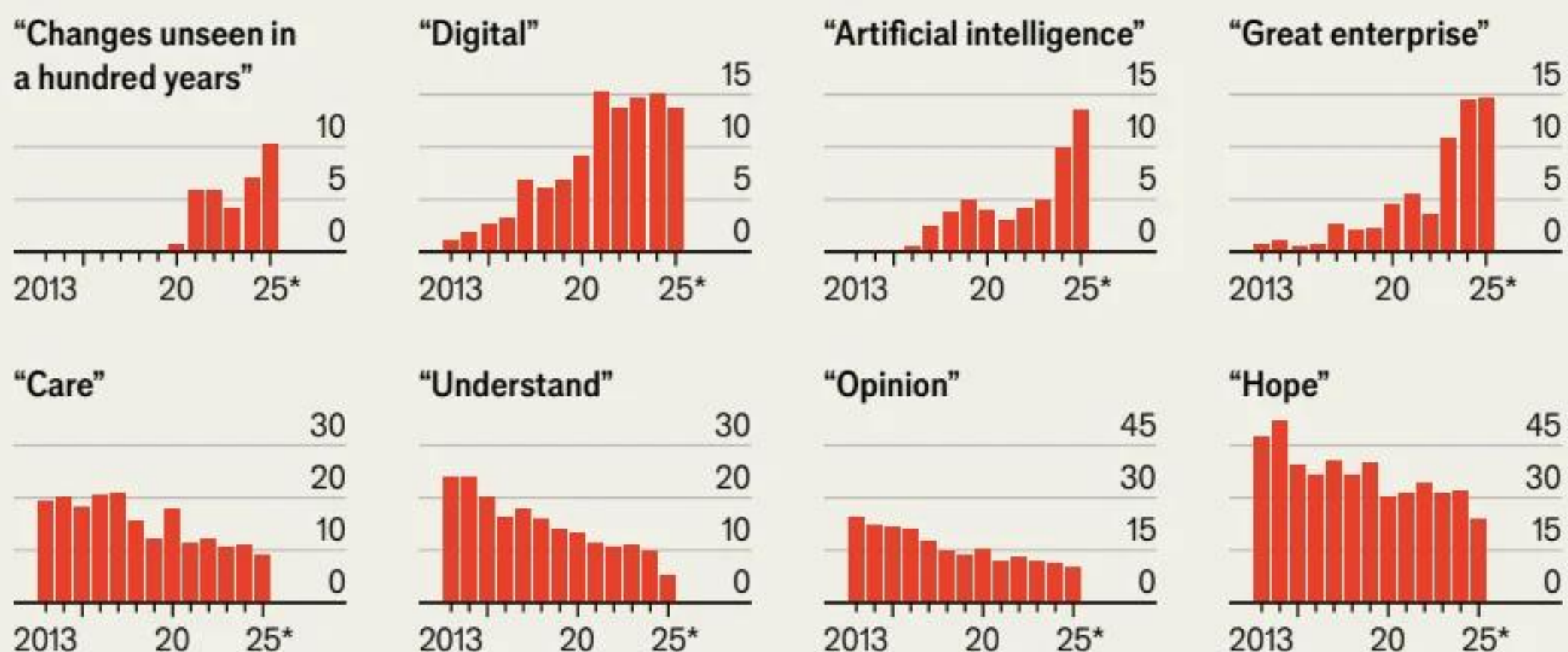
Mr Xi is clearly turbocharging China's efforts to be a tech power. Between 2013 and this year, the phrase that has increased the most in frequency is "high quality", appearing in 40% of his speeches, up from 3%. It relates to Mr Xi's desire for growth to come from technological innovation. "Digital" (up from 1% to 14%) and "technology" (17% to 27%) are, unsurprisingly, fast-rising terms. Although he mentions electric vehicles and drones, he fixes upon one thing: "artificial intelligence" has cropped up in 13% of speeches this year, though was little mentioned before.

Mr Xi's tone has also become more imperious. The word that has declined the most in usage is "hope", down to 24% this year from 47% in 2013. Now he likes to "govern" things (11% to 29%). Mr Xi also "cares" less than before (19% to 9%). "The people can eat with peace of mind, that is what I care about most," he told a shopkeeper in 2013—no such display of fellowship with the people this year. Mr Xi now feels less of a need to "strive" (53% to 38%) or to "believe" (21% to 8%), but more of a desire to "defend" (2% to 17%) and "protect" (35% to 49%). He sees fewer "problems" (52% to 36%) in China today than he used to, and greater "order" (4% to 17%).

There may be hints of hubris. Mr Xi appears less interested in trying to "understand" (24% to 5%) than to "point out" (46% to 69%). There are fewer "discussions" (16% to 6%), and he is less keen on "opinions" (25% to 10%). "I would like to hear your opinions and communicate with you," he told business leaders at the Boao Forum in 2013. This year Mr Xi has exchanged views mainly with other heads of state. Though "self-criticism" has never been prominent (1% in 2013), it has disappeared from his lexicon for the first time this year. He speaks like a leader at the top of his game—though the line between confidence and arrogance can be fine. ■

Le-Xi-con

China, Xi Jinping's speeches containing selected words or phrases, % of total



Sources: People's Daily; The Economist

*To October 20th



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CHAGUAN

*Xi Jinping's latest purge: paranoid or purposeful?**What the biggest military crackdown in decades says about his strength*

XINWEN LIANBO, the flagship evening newscast on Chinese state television, is known for its rigid consistency. True to form, its coverage of the Communist Party's recently concluded plenum pretty much stuck to the pattern of recent years. It started with a wide-angle shot of the Great Hall of the People, followed by a clip of Central Committee members applauding as Politburo leaders walked in. Taking his place in the middle of the stage, Xi Jinping coolly gazed upon the assembled crowd. As he spoke, committee members were rapt; many took notes.

But as the camera panned back to the crowd again, a difference from previous plenums leapt out. Four largely empty rows gaped in the room. In all, 37 of the committee's 205 full-time members were missing—a hint that many, probably most, of them had been purged. The planning for such an event is meticulous, so it was no accident that these vacant seats were shown. Indeed, in several shots the camera placed them dead-centre.

The message was clear: Mr Xi is firmly in charge, and unabashed about showing the party and the world that he will dump anyone deemed to be a bad actor. It was unclear what, exactly, the purged officials had done to deserve their punishment. State media accused some of corruption, without giving details. To cause such an extensive and public cleansing of the party's leadership ranks, their crimes had to be more than run-of-the-mill bribes.

China's present purge is remarkable. By some measures it is the largest since the era of Mao Zedong. The last time attendance at a plenum was so low was during the Cultural Revolution. Mr Xi's main focus has been the armed forces. The party expelled nine generals this month, taking the total to at least 22 since he came to power. His three immediate predecessors—Hu Jintao, Jiang Zemin and, before him, Deng Xiaoping—failed to remove a single brass hat.

Just as remarkable is that the latest purges are taking place nearly 13 years into Mr Xi's rule. Cleaning out the party in his early years was understandable. Back then, corruption was extreme. Mr Xi used his anti-graft sweep as a way to put his stamp on the army and get rid of potential enemies. Now, though, he is purging his own appointees. These are generals whom, presumably, he had

thoroughly vetted before their promotion.

The purges have fuelled a debate among observers. Do they mean that Mr Xi is weaker than he appears, since he cannot trust his own people? Or, rather, are they evidence of his iron grip?

The party itself offers few clues. A recent editorial in the *People's Liberation Army Daily* provided the most clarity (or least opacity) yet about the expulsion of the nine PLA generals. It wrote they had been suspected of crimes involving "extraordinarily large sums of money". An even more damning line says that they had been disloyal and had "undermined the principle of the party commanding the gun".

Purged and primed

According to a former editor of a party paper, Deng Yuwen, who is now in exile, this wording suggests that their gravest sin was factionalism: not that there was a power struggle but that generals had cultivated their own patronage networks. Other circumstantial evidence is that many were previously involved in the same military formation, the former 31st Group Army. But even if true, it does not have to mean Mr Xi had lost control of them, only that he was pruning his garden. The purges ought to be seen, in the first instance, as evidence of his raw power. Whether promoting officials or toppling them, Mr Xi calls the shots.

The more interesting question is whether purges help or hinder China's policymaking and its military capabilities. Many believe that such a harsh crackdown will beget more problems. Critical posts in the armed forces are now vacant, including three of seven seats on the Central Military Commission, the highest decision-making body. Morale throughout the armed forces is likely to be damaged. More generally, fears about what will happen now and who is next for the chop may deter officials at all levels in the system from displaying initiative. The combined effect—fear, anxiety, paranoia—is a recipe for paralysis.

Yet there is a contrary case: that the purges serve a higher purpose for China. For this to be true, it must follow that corruption—the extraordinarily large sums of money mentioned in the *PLA Daily*—was at the root of the problem. "For Xi to have gone to such lengths in appointing these generals, only to turn around and fire them, something egregious must have happened," says Lyle Morris of the Asia Society Policy Institute, an American think-tank. The Pentagon's 2024 annual report on China's armed forces noted that some of the PLA's dismissals may have been linked to fraud in the construction of underground silos for ballistic missiles—shocking given their importance for China's nuclear posture. But it also noted that graft investigations had probably led the PLA to fix the silos, boosting its operational readiness. The corollary, then, is that purges may provide the same impetus on a systemic level. Little by little, they will mould the armed forces into a cleaner, more professional organisation, one that is ready to "fight and win wars", as Mr Xi has repeatedly said.

This generous interpretation may seem easy to dismiss. Purges will probably never stop in China. Opportunities for graft are too vast when so much power is vested in high-ranking officials, with so little transparency. The country is thus doomed to repeat its pattern of corruption, crackdown and fear.

Yet those in the job of assessing China's rise must weigh an unsettling possibility: that Mr Xi's purges, far from being self-defeating, have become part of the system itself. If so, their role may be to strengthen it. ■

Middle East & Africa



Aid in Africa

A silent crisis

KIRYANDONGO AND SAMBAVA

The sudden dismantling of USAID has led to more death and disease

“IT’S HEARTBREAKING,” says Velontafa Jackia, a doctor based in Sambava, in the north-east of Madagascar. Until this year she was part of a project funded by the United States Agency for International Development (USAID) that helped send health workers to even the remotest parts of the impoverished island. But since the funding stopped, fewer patients have been seen. Ms Jackia lists the effects: more birth complications, more maternal deaths, more malarial deaths and “lots of outbreaks”. She sighs: “We’ve been reliant too much on aid and now it’s gone.”

Nine months after Donald Trump’s administration began dismantling USAID the effects are being felt across sub-Saharan Africa, where America supplied more than two-thirds of the bilateral aid for public health. The Trump administration says the largesse created a “culture of dependency”. Its America First Global Health Strategy, published in September, says recipient

governments must do more of the work and pay for more of it themselves. This is a good idea in theory, but in practice many people are going to die as aid is reduced.

America became the “indispensable nation” for African public health, notes Jeremy Nel, a South African doctor specialising in HIV. In 21 African countries its aid equalled at least 20% of government health spending; in eight it was over 50%; and in three countries (Somalia, South Sudan and Malawi) it exceeded government spending (see chart on next page). America was also the largest single donor to global bodies

like the Global Fund to Fight AIDS, Tuberculosis and Malaria, and UN agencies like Unicef (which helps children), the World Health Organisation (WHO) and the World Food Programme (WFP).

These contributions have “collapsed”, notes Charles Kenny of the Centre for Global Development (CGD), a think tank. According to estimates of disbursements for the 2025 fiscal year (which runs from October to September), WFP received \$326m v \$4.3bn in the previous fiscal year. Also cut were funds for the WHO (\$133m v \$553m), the Global Fund (\$1.3bn v \$2.3bn) and Unicef (\$265m v \$1.1bn).

The fate of bilateral aid—ie, money not spent via international groups—is harder to gauge. Typically this aid was disbursed via thousands of contracts with third parties, usually NGOs, who then implemented programmes in the relevant country. As of August 1st, 86% of USAID contracts (and 77% of those related to health) had been terminated. Since some of the largest contracts remain in place, the percentage drop in funding is less dramatic. Mr Kenny estimates that there will be a 38% drop in aid spending in 2025 from 2024.

Foreign aid could be constrained for many years; 2024 and 2025 will probably mark two years of consecutive bilateral aid cuts by the four largest donors (America, Britain, France and Germany) for the first

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time since the OECD, a club of mainly rich countries, started collecting data. Britain is cutting its aid spending from 0.5% of gross national income to 0.3% by 2027. Mr Trump's proposed budget for 2026 has a two-thirds cut in bilateral health funding relative to 2025, and no money for the WHO, GAVI (a vaccine funder) or the Global Fund.

The impact of aid cuts on Africans' health is obscured by the fact that the data systems used to track disease were paid for by American aid—and have largely been shut down. But two sources of information suggest reasons to worry. The first are analysts' estimates that take the relationship between previous aid spending and the deaths that it averted, then in effect undo it to estimate the additional mortality. Mr Kenny and Justin Sandefur, another economist, reckon that Mr Trump's recent budget proposals would put as many as 1m lives at risk, mostly from more untreated cases of HIV, tuberculosis and malaria.

The State Department, which has absorbed some of USAID's functions, has said it would maintain "life-saving" work. This includes antiretroviral drugs for HIV and salaries for health workers who administer them as part of PEPFAR, America's flagship anti-AIDS programme. But another analysis for CGD found that contracts for these elements affecting 2.3m people had still been cancelled. In addition, cuts to preventive programmes put hundreds of thousands at risk of new HIV infections.

State has said it will provide "bridging" funding for countries until they strike new bilateral deals with America, but there is little sign of the money. And many of the NGOs best placed to spend it have closed down operations. Meanwhile, the European governments that many Africans hoped might help fill gaps are, at least in some cases, doing the opposite.

The second source of information comes from on-the-ground reports of chaos across Africa. In South Africa, where PEPFAR paid for only a minority of anti-HIV programmes, clinics have been receiving "HIV migrants" from neighbouring Eswatini, Lesotho, Mozambique and Zimbabwe, unable to find drugs in their countries. "We are going backwards," says Olive Shisana, a South African epidemiologist, who cites estimates by the UN that there could be more than 6m new HIV infections and 4m more deaths from AIDS by 2030 than would otherwise be the case.

In Madagascar people who used to work for American-funded projects worry about a looming crisis in the island's south. The area is subject to regular drought and mass hunger. But the supply of emergency food is "a tenth of what it was" last year, says a senior humanitarian figure.

Across Africa, refugee camps are vulnerable. In Kiryandongo, in Uganda,

America paid for about 60% of the WFP budget. Ronald Onen, from South Sudan, says that in April he was told he no longer qualified for food rations. "You can imagine the problems, the stress, this has caused," he says.

In July hundreds of South Sudanese refugees with sticks and machetes attacked a compound housing newcomers who had fled the war in Sudan—and supplies. Over a hundred were injured and one killed. One mother said the attackers stole food, including the dinner her children were about to eat, which was part of their food aid.

Similarly troubling reports come from north-eastern Nigeria, where America footed the bill for 60% of humanitarian costs. NGOs say they are turning away famished children. In Somalia the WFP says it must cut the number getting food aid from 1.1m in August to 350,000, less than a tenth of those the agency says require help.

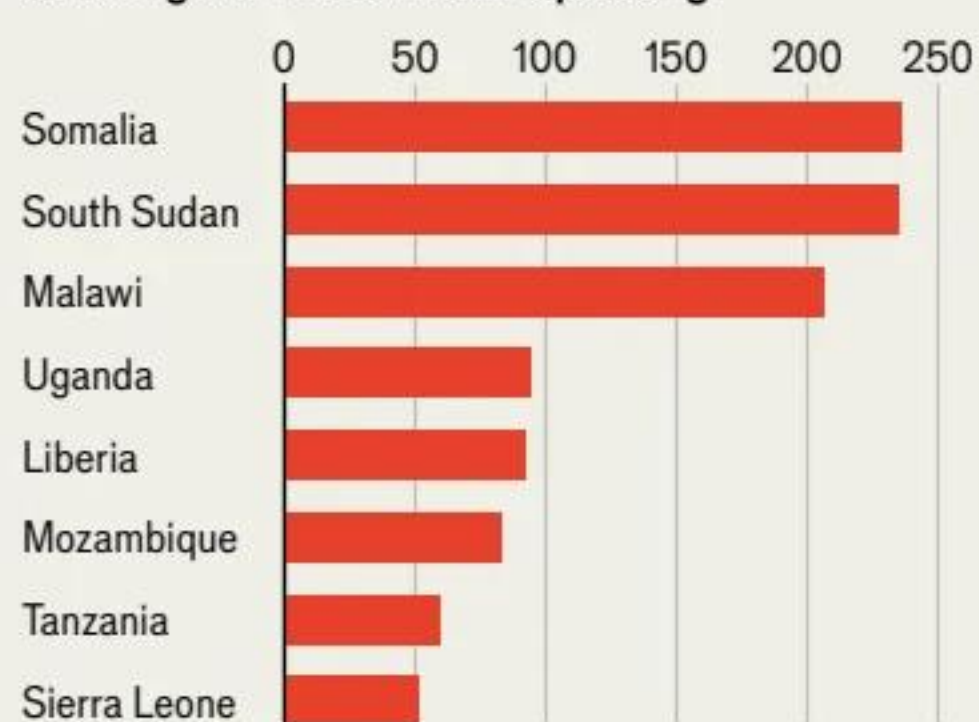
Basic preventive health care has suffered too. In early October CGD noticed a rise in cholera in Angola, Congo, Sudan and South Sudan. In each case there was a reduction in American funding for "WASH" projects—water, sanitation and hygiene.

African policymakers are paying lip service to the idea that the crisis offers an opportunity. "We cannot build healthier populations purely on the generosity of other nations," said Muhammad Ali Pate, the Nigerian health minister, in August. But the NGOs and local officials dealing with the fallout are gloomier. Seramila Teddy, who governs the Madagascan province where Dr Jackia works, says he has no money to dispatch health workers to remote areas. South Africa's government has said it will replace the lost PEPFAR funding, but NGOs say no cash has arrived.

A silent crisis could be dangerously convenient for both sides. America does not want to be blamed for contributing to the deaths of Africans; African governments do not want to look weak and incompetent. All the while, the signs are growing that America First also means Africa last. ■

America's dependents

Africa, US bilateral health assistance, 2022-23, as % of government health spending



Source: Centre for Global Development

Sudan's war

El-Fasher falls

Satellite imagery suggests a killing spree is under way

THE NOOSE had been tightening for months. Ousted from Khartoum, Sudan's capital, in March, the Rapid Support Forces (RSF) redoubled its efforts to take el-Fasher, the last major city in the region of Darfur outside its control. The paramilitary group, which has been at war with the national army since 2023, erected earth walls around the city's estimated 260,000 remaining residents. Food was barred from entering. RSF drones and artillery pumelled markets, hospitals, refugee camps and homes. Those trapped inside began to starve.

On October 27th, following a siege that had lasted 18 months, el-Fasher fell to the RSF. Facing assault from three sides, the army and its local allies collapsed. Jubilant RSF fighters stormed the army's garrison and the airport. General Abdel Fattah al-Burhan, Sudan's army chief and de facto president, announced that his forces had retreated in order "to spare citizens and the rest of the city from destruction". The UN says 26,000 panicked civilians fled the city in just 48 hours.

Those that remain in el-Fasher are at risk of a "Rwanda-style wave of hyper-violence", warns Nathaniel Raymond of Yale University's Humanitarian Research Lab, a conflict monitor. Telecoms in the city are down, but evidence of mass murder is emerging. Satellite imagery collected in the past few days shows signs of what open-source-intelligence analysts believe were summary killings at an RSF detention site, a hospital and near the walls built by the RSF. Survivors arriving in the nearby town of Tawila report young men being separated from their families and taken away on trucks.

This is part of a pattern. Across Darfur, places that have fallen to the RSF since the civil war began in 2023 have been ethnically cleansed. The group is descended from the mostly Arab Janjaweed militias responsible for the first Darfur genocide 20 years ago, when hundreds of thousands of black Africans were chased from their lands. In January America accused the RSF of committing a second genocide in the region. The fall of el-Fasher could lead to another frightening escalation.



Turkey and Syria

Know your limits

DAMASCUS

Turkey is finding it harder to exert its influence in Syria

THE OTTOMAN EMPIRE is back, and has a new vassal state. That at least is the impression Donald Trump gives when commenting on relations between Turkey and Syria. The American president has previously referred to the rebels of Hayat Tahrir al-Sham (HTS), who brought down Bashar al-Assad's regime last year, as Turkish surrogates. On September 25th he went a step further. "Take the credit," he told Turkey's president, Recep Tayyip Erdogan, during a meeting at the White House, before telling his cabinet members: "He took over Syria."

Yet ten months after Ahmed al-Sharaa's HTS men stormed Damascus, the Syrian capital shows few signs of a Turkish take-over. Turkish businesses and brands are scarce. Even in northern Syria, occupied for years by Turkish troops, the country's footprint is fading. Its soldiers remain, but schools and hospitals once run by Turks have been handed over to the Syrian authorities. The armed groups known collectively (and misleadingly) as the Syrian National Army (SNA), which Turkey used to police the region, but which often terrorised and robbed locals instead, now answer, at least in theory, to the government in Damascus. Some of their fighters, once subsidised by Turkey, are now paid out of the central budget, with cash from Qatar.

Turkey probably has more leverage than any other regional power over the new Syria. Its intelligence agency has numer-

ous allies inside Syria's security forces. Its army has begun to train Syrian troops and police officers. Natural gas from Azerbaijan has started to flow into Syria via Turkey, thanks to a newly repaired pipeline. Trade is booming. Turkish exports to Syria reached \$2.1bn in the first eight months of the year alone, a new record. Sympathy for Mr Erdogan, who championed Syria's opposition for over a decade and took in nearly 4m of its refugees, is widespread.

But the limits of Turkey's ambitions in Syria are showing. Most of the pushback comes from Israel. Earlier this year, the Israelis struck army bases that the Syrian government had planned to hand over to the Turks. Mr Erdogan's government now appears to be calibrating its assistance to Damascus, and its own military presence in Syria, to avoid escalation with Israel.

At America's urging, Israel and Turkey have found an uneasy balance, each hoping the other will avoid its red lines. A Turkish base in Damascus would cross Israel's, says Omer Ozkizilcik, an analyst at the Atlantic Council, a think-tank. An Israeli intervention in support of Syria's Kurdish insurgents would cross Turkey's.

Mr Sharaa, now Syria's interim president, is close to Mr Erdogan's government, but he is no puppet. He depended on Turkey when he was holed up on its doorstep, in Idlib. Today, however, he and his allies have access to Syria's ports and trade routes, and have offers of assistance and investment from a slew of Arab partners. He also has American backing. "America, not Turkey, is becoming Mr Sharaa's main patron," says a European ambassador.

Turkey still has no shortage of proxies in Syria. Former SNA officers have been folded into the country's new security apparatus. Many have connections to Turkey's intelligence, says one of the group's former commanders. Mr Sharaa wants to keep the SNA at arm's length. He has put his own allies in charge of the army and the defence and interior ministries, while demoting SNA figures. Syria's leader and his backers are far less beholden to Turkey, says the former SNA commander: "HTS are different. They take, but they do not give."

Not everyone is convinced. Government officials in Israel suspect Mr Sharaa may become, or already is, a Turkish stooge. But Israel's own policies are pushing him into Turkey's arms. Earlier this summer, Israel bombed Syria's ministry of defence, in response to sectarian violence in Suwayda, a southern governorate. A week later Syria formally asked Turkey for military assistance. The two countries signed a defence pact in August.

Turkey's biggest headache in Syria is the country's north-east, controlled by Kurdish insurgents, who dominate the Syrian Democratic Forces (SDF), an American-backed group. Earlier this year, the

SDF agreed to hand over the region's border crossings, airports and oilfields to Damascus and to integrate into Syria's new army. None of this has happened. The SDF has been playing for time, while Mr Sharaa's team seems overwhelmed by the mammoth task of rebuilding their country.

Turkey and Mr Sharaa have made noises about an offensive against the SDF unless the group fulfils its promises by the end of the year. But Syria's armed forces cannot take on the Kurds on their own. That became clear during clashes in Suwayda, where the army lost control and was then accused of murdering scores of civilians. The government is loth to open a new front against the SDF. "We're not ready for war," says an official.

Turkey could defeat the SDF easily, but is wary of the possible fallout, including the collapse of peace talks with its own Kurdish rebels, the Kurdistan Workers' Party (PKK). Earlier this year, the PKK began to lay down its weapons and disband. A new Turkish offensive in Syria could send that process into reverse and put Turkey and the PKK on the path to renewed war. It would also poison Turkey's recently improved relations with America. Syria remains a potential minefield. Turkey will have to tread carefully. ■

Gaza's ceasefire

Barely holding

JERUSALEM

The next stage of Donald Trump's peace plan is stalling

A SERIES OF Israeli air strikes that began on October 28th and killed over a hundred people was a stark reminder that the ceasefire in Gaza, less than three weeks old, remains fragile. Israel went on the attack following a clash near Rafah, in which one of its soldiers was killed. Israel blames Hamas, the Islamist movement which is now back in control of half the strip, for breaking the ceasefire first. Hamas denies this, claiming they were not responsible and that they are sticking to the truce.

The next morning Israel announced the ceasefire was back on, though it stressed that Hamas is still breaching the agreement by not returning 13 bodies of Israeli hostages. The shaky peace is holding, once again, largely because of American pressure. America has established a "Civil-Military Co-ordination Centre" in Israel under a four-star admiral to ensure Israel adheres to the agreement. To reinforce the message, a string of senior American officials, including the vice-president and secretary of state, have paid flying visits. »

► For now, the Israel Defence Forces (IDF) and Hamas are in their respective parts of the strip. Nearly all of Gaza's 2m civilians have been corralled into less than half the territory, where Hamas has re-established its rule through public executions and beatings. In the other half, which is almost totally depopulated bar a few hundred civilians, most of them members of clans co-operating with Israel, the IDF has built a chain of over 20 outposts, guarding a buffer zone along Gaza's borders. When your correspondent visited one of these outposts, the soldiers seemed to be preparing for a lengthy stay.

Under the 20-point plan presented on September 29th by Donald Trump, this Israeli line is meant to be temporary. Once a Palestinian technocratic government has been set up to oversee civilian matters and an International Stabilisation Force (ISF) is deployed and begins disarming Hamas, Israel is to withdraw to a thinner buffer zone.

But this stage is proving tricky. Gaza's neighbours, Israel and Egypt, are wrangling over the list of names to serve as "independent" technocrats. No country has yet formally pledged troops to the ISF. For now, Hamas shows no sign of disarming.

Still on tenterhooks

While an agreement over the technocrats is expected soon, the future of the ISF is far less certain. Turkey is said to be eager to send troops. Israel has, however, vetoed its participation, pointing to the virulently anti-Israel positions of Turkey's government and its support for Hamas, whose leaders were often hosted in Ankara.

Israel hopes that Indonesia and Azerbaijan, both Muslim-majority countries but opponents of Hamas's brand of political Islam, will send troops. Azerbaijan has long had a strategic alliance with Israel. It supplies most of Israel's oil and buys Israeli weapons systems, which it has used to devastating effect in its wars with Armenia over the Nagorno-Karabakh region.

Indonesia does not have formal diplomatic relations with Israel but its president, Prabowo Subianto, has been in contact with Israelis for years. In a speech last month at the United Nations he said that while a Palestinian state is necessary for peace, "we must also recognise, we must also respect, and we must also guarantee the safety and security of Israel."

More important, Azerbaijan and Indonesia, situated in tense neighbourhoods, want to curry favour with Mr Trump. Their governments are talking to the Americans and the Israelis about sending troops for the ISF, but even if they do, security officials in Israel are sceptical that they would take Hamas on directly if it refused to give up its arms. For all their ties to Jerusalem, the governments in Baku and Jakarta are mindful of public opinion at home and wa-

ry of seeming to side with Israel in Gaza.

"Stranger things have happened in the Middle East, but at present it looks like the best we can hope for from the ISF is that they will efficiently monitor the ceasefire," says an Israeli general. "They won't be the ones disarming Hamas. That will be up to internal Palestinian pressures."

The Israeli security establishment reckons Hamas will give up some of its weapons only in return for a wider reconstruction programme in Gaza, in a future deal.

For the moment there is relief in Gaza as the ceasefire more or less holds and as some aid resumes, but the strip is still a wasteland. The Israelis hope that as winter sets in and Gazans start asking why reconstruction has not begun, a new Palestinian security force, backed by the ISF, can oversee Hamas's disarmament as part of an international effort to start rehabilitating Gaza. "If that doesn't happen," says the Israeli general, "We will have to go back in again and do it ourselves." ■

Egyptian comedy

The (virtual) return of Bassem Youssef

CAIRO

From biting satirist at home to TV rumination from afar

IN RECENT WEEKS an unlikely face has beamed down from big screens on the streets of Cairo. Bassem Youssef, an exiled comedian once forced to flee his homeland for mocking its rulers, is back, at least virtually, delighting his compatriots with pungent interviews on a TV channel linked to Egypt's intelligence services. But it is unclear whether he will resume his career as a brutal satirist or become a more emollient talk-show figure whom Egypt's rulers can tolerate.

A heart surgeon-turned-comedian, Mr Youssef shot to fame during Egypt's 2011 revolution that brought the Muslim Brotherhood briefly to power. His YouTube skits skewering the powerful earned him a prime-time show, *El Bernamag* ("The Programme"), which blended Arabic and English and emulated his

American idol, Jon Stewart. Back then, he spared no one: not the dour Islamists of the Brotherhood, nor later the generals led by Abdel-Fattah al-Sisi who toppled them. His irreverence made millions chuckle. But by 2014 he had to flee into exile in America.

Since then Mr Youssef has built a new career abroad, performing to packed Western audiences with jokey routines about being Arab in America. More recently, however, he has emerged as a hard-hitting advocate for Gaza in the Western media (his wife is part-Palestinian). On "Piers Morgan Uncensored", a YouTube talk-show widely watched in America, he parried and provoked, making him once again a sensation across the Arab world with his gibes at Western double standards.

His persona on Egypt's airwaves nowadays is quite new: no barbs at the *mukhabarat* (intelligence service), no digs at the country's rulers. Instead, he muses sombrely on the failures of Western journalism, lamenting that his American taxes helped fund Israel's war in Gaza. "Talking about my country while I'm living in it," he says, "is completely different from talking about it from abroad while watching Facebook."

Under Mr Sisi Egypt has grown suffocatingly repressive, with jails full of political prisoners. Does Mr Youssef's re-emergence signal a softening of the regime, or merely display its confidence that dissent is toothless? A prominent dissident journalist who has stayed on in Cairo is glum. "It's all orchestrated. They are very careful about the questions they ask him, while people like me are given no real space." Either way, Egypt's most famous jester is again gracing the screens—from a safe distance.



Yalla, I'm back

Europe



Electric grids

Power-hungry

DELFT

Europe's enormous need for green electricity is blowing fuses. Grid operators plan to spend hundreds of billions to keep up

DELFT UNIVERSITY'S Electrical Sustainable Power Lab occupies a 25-metre-tall peak-roofed shed, a cross between a hayloft and an aeroplane hangar, not far from where Vermeer painted his celebrated view of the city. The inside has a Frankenstein feel: arrays of corona rings on poles, a multistorey stack of power cells that can simulate lightning. The supercomputer is upstairs, inside a Faraday cage that insulates it from magnetic fields (a wise precaution when there is mock lightning about). But the most unusual thing at the lab is the software running on that supercomputer: a virtual model of a high-voltage electric grid, with all of its power plants, transmission lines and substations.

The model, one of the most sophisticated in Europe, is known as a "digital twin". "For 150 years electrical engineers were trying to predict grid responses using differential equations," says Peter Palensky, the lab's head. Now they can experiment

with a mock-up based on real-world data. An unexpected change can ripple out and cause a blackout, as happened in 2022 when Russian hackers inserted malware into circuit-breakers in Ukraine, or last April when frequency disturbances crashed the grids in Spain and Portugal.

Beyond preparing for calamities, digital twins have a broader mission: understanding the complexity of modern grids. Cars, homes and industries are switching from fossil fuels to electricity, and data centres'

thirst for kilowatt-hours is insatiable. Renewable power sources such as solar and wind are intermittent; they may supply too much or too little at a given time. So grids need to shuffle huge amounts of current all over Europe, shutting down overloaded nodes or using batteries to store charge.

All this requires enormous upgrades. Local electricity suppliers, or distribution system operators (DSOs), have long queues of businesses waiting to be connected. Transmission system operators (TSOs), which run the regional or countrywide grids that bring power to DSOs, are frantically building high-tension lines, substations and interconnectors between countries. Italy's national grid operator, Terna, is investing €18bn (\$21bn) in 2024-28. France's RTE plans to invest €100bn between 2025 and 2040. TenneT, the sole TSO in the Netherlands and the biggest in Germany, plans to spend a whopping €200bn by 2034. ENTSO-E, the European TSO regulator, estimates the total amount needed to meet the European Union's electrification goals by 2050 at a staggering €800bn.

The economic implications are stark. Last year's report on the EU's competitiveness problems written by Mario Draghi, a former governor of the European Central Bank and Italian prime minister, started its recommendations with energy costs. Electricity prices in Europe are typically two to

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► three times those in America. The continent has largely exhausted its fossil fuels and has banned Russian gas. That leaves renewables, which require fixing the grids.

One measure of the challenge is the backlog in hook-ups. Italy's national renewable-energy plan envisaged 65 gigawatts (GW) worth of capacity by 2030. In fact the country already has 350 GW-worth of applications. In the Dutch grid, congestion at one point led the government to block permits for non-residential connections. In Germany 500 GW-worth of battery projects have applied for connections, more than 20 times the current capacity. (Not all are serious: the country's first-come, first-served rule for electric hook-ups encourages entrepreneurs to file speculative applications and sit on them.)

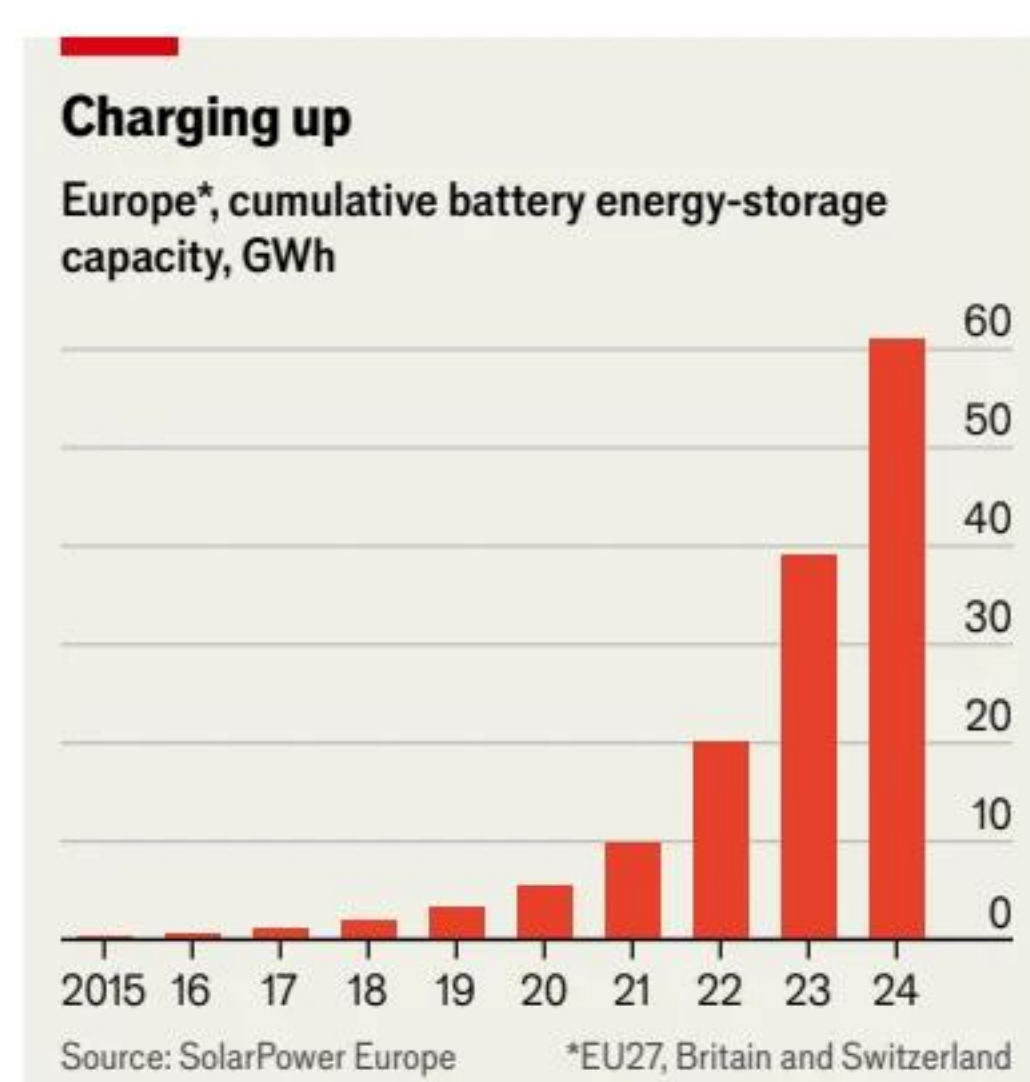
Another is the increasing frequency of negative prices in electricity markets. When supply exceeds demand, whether because of a lack of storage or an inability to get current to where it is needed, many grid operators pay consumers to take their power. In 2024 Germany had negative prices 5% of the time, up from 3% in 2023 (though nowhere near the 25% rate in parts of Australia). In the first eight months of this year that rose to 10%. "The market is screaming for capacity," says Michael Waldner, CEO of Pexapark, a Zurich-based renewable energy consultancy.

Volatile markets do, however, incentivise entrepreneurs to build storage. Battery operators earn money by taking power from the grid when prices are low and selling it back when they rise. Such arbitrage is one reason for Europe's battery boom: grids added a record 8.8 GW-hours of storage in 2024, 80% more than in 2023 and ten times as much as in 2020 (see chart).

Yet if batteries are built willy-nilly wherever land is cheap, they add headaches for grid operators who must connect and send them power over congested lines. "They exacerbate the flow problems," says Vera Brenzel, policy director at TenneT. Governments should require that battery entrepreneurs build close to renewable power sources, she argues.

Some of Europe's problems are the same ones arising everywhere. For example, renewable energy sources do not naturally supply "system inertia", the tendency of traditional generators to resist frequency deviations because they are powered by heavy turbines spinning at a constant rate. Hence modern grids need electronic devices to create synthetic inertia. Renewables are also less able to supply reactive power, the unconsumed power needed simply to keep current moving.

But other challenges are about regulation, not technology. In theory, it is in Europeans' interests to have seamless markets that link power-rich places (Scandinavia with its hydroelectric dams) with pow-



er-hungry ones (southern Germany's factories). But countries with cheap, stable power often worry that linking to their neighbours will raise domestic prices.

Indeed, an evaluation by ENTSO-E found that permitting delays are the most important barrier to grid upgrades. One interconnector project between Italy and Slovenia has been authorised on the Italian side since 2012 but is only now finishing the permitting process; on the Slovenian side it is still under consideration. To speed up permitting in Italy, last summer the grid operator introduced a new system that breaks the country into "microzones"; those that issue permits faster will get priority for connections.

The grid's cross-border nature makes it a logical job for the EU. The bloc's next seven-year budget proposes to raise its spending on grids to over €30bn, from €5.8bn in the previous seven years. But ultimately, whether Europe can lower its electricity costs quickly enough to stay competitive depends on how fast its industry can build power lines, batteries and substations. ■

France's budget

The case for compromise

PARIS

An interview with France's finance minister

IN 2023, DESPITE strikes that ran for months and left rotting rubbish piled in the streets, Emmanuel Macron held firm and pushed through a pension reform that raised the legal minimum retirement age from 62 years to 64. For the centrist French president re-elected the previous year, it was a landmark achievement, though modest by European standards: an attempt to get the French to work longer, raise the employment rate, and show that the country was serious about fixing its shortcom-

ings. Today, as a new government struggles to put together a budget for 2026, and to the dismay of many centrists, the pension reform has been suspended. In an interview with *The Economist* on October 28th, Roland Lescure, the new finance minister, argues that "It's the price of compromise and it's the price of political stability."

If France were more like Germany, says the minister, "we would have gone away for a week, locked ourselves in a room, and probably come out with 200 pages of a coalition government platform that would then have been easy to pass in parliament." But France has no tradition of cross-party parliamentary compromise. So those differences are now being fought out in the fragmented lower house in order to try to pass a budget by the end of December. "We're learning the hard way," he says.

Because the new minority government, under Sébastien Lecornu, needs the votes of the 69 Socialists in the 577-seat lower house, the left has real negotiating clout. The Socialists want a tax on the ultra-rich too. This week deputies voted to increase taxes on multinationals and on American big tech. It all looks like a lurch to the left for the Macronist centrists, who made a business-friendly approach their hallmark.

"This will not be a socialist budget," insists Mr Lescure. The plan includes budget savings worth around €30bn (\$35bn)—less than his predecessor had pledged—including a freezing of pensions and benefits in 2026, and cuts to overseas aid, sport, forestry and other departments. Given the fragmented parliament, which has brought down two previous centrist governments over the budget, an attempt at compromise may be the only option, though there is no guarantee of success. No parties of the broad centre, the Socialists included, want a snap election: they would probably all lose seats, while Marine Le Pen's hard-right National Rally would gain. France is on its fourth government in under a year. This instability has unnerved markets and allies, and made investors wary.

A former financier who spent nearly a decade working in Canada, before standing for election in France in 2017 as part of Mr Macron's original centrist project, Mr Lescure knows full well what outsiders make of the messy politics. The best way to reassure investors, he argues, "is to lift those uncertainties and...show the world that we're not just a bunch of Gauls in a village fighting tooth and nail."

Mr Lescure insists that France will respect its pledge to the European Union to curb the budget deficit to 3% of GDP by 2029. He has pencilled in a deficit in 2026 of 4.7%, after 5.4% this year, although most economists think it will slip closer to 5%. France needs "a sound budget that doesn't just tax and spend", two activities at which its politicians tend to excel. Holding this ►►

line, though, will be extremely difficult. The government's attempt to woo the left may lose it support on the right. Not all of the left's demands will be met. Mr Lescure is firmly against the Zucman tax, for instance, a Socialist proposal for a minimum 2% levy on individuals' assets worth over €100m. Bernard Arnault, head of LVMH, a luxury-goods conglomerate, has said such a tax would "destroy" growth.

The trouble is that while French parliamentarians squabble about how to share out wealth, they are not debating the real economic challenge: how to generate more of it. Mr Lescure insists that the budget wrangles are not incompatible with keeping France attractive. It boasts low-carbon, nuclear-powered electricity and a startup ecosystem that has bred a home-grown AI star, Mistral. GDP growth in 2025 is expected to be 0.7%, a little better than in Germany (0.3%) and Italy (0.6%). Growth in the third quarter of 2025 outperformed expectations, at 0.5%. But instability has taken its toll. In September the Bank of France lowered its growth forecast for 2026, partly because of the impact of political uncertainty. Two rating agencies recently downgraded France's sovereign credit rating.

Since the new government took office, the spread on French ten-year bonds over German bunds, a measure of the risk premium, has eased a bit. France, argues Mr Lescure, is "hundreds of thousands of miles" away from any "doomsday" scenario in which it needs outside institutional support. It has no trouble finding lenders, even if it is now, unusually for a sovereign borrower in a wealthy country, obliged to pay more to borrow than some of its big companies do. Markets, though, can turn fast. If they do, or parliament topples this government too, snap elections could bring the populist right to power. ■



Lescure's turn

Dutch election

Yes, he can

LEIDEN

Rob Jetten, a progressive liberal, fends off Geert Wilders

ON OCTOBER 28TH, in the final debate of the Dutch electoral campaign, Rob Jetten, the 38-year-old leader of the liberal D66 party, found himself facing off against Geert Wilders, the 62-year-old hard-right populist leader of the Party for Freedom (PVV). The PVV was the largest party in the previous government, a shambolic affair that accomplished little, even on Mr Wilders's signature issue of cutting immigration, and lasted less than a year. Mr Jetten used the confrontation to set the stakes for the next day's election. Dutch voters, he told Mr Wilders, could "listen for another 20 years to your bitterness and hatred" or turn towards "positive forces".

The sunnier vision won out. Mr Jetten, who ran an enthusiastic flag-waving campaign under the slogan *Het kan wel* (roughly "Yes we can"), tied Mr Wilders for first place: as *The Economist* went to press, with 99% of the vote counted, each party had 16.7% of the vote and will get 26 of the 150 seats in parliament. That is a huge win for D66, which previously had just nine, and Mr Jetten will probably become prime minister. Mr Wilders's PVV fell from 37 seats. He will not be in the next government; every major party has ruled out cooperating with him again.

Mr Jetten served in the last cabinet of Mark Rutte, the former prime minister who now leads NATO. He would be the Netherlands' youngest prime minister ever and its first openly gay one. But forming a coalition will be tricky. As in the previous election, 15 parties seem to have made it into parliament. That a progressive liberal party beat a hard-right one for first place does not mean the electorate has shifted much to the left. The centrist Christian Democrats (CDA) won 18 seats—a big gain, but less than polls had long hinted.

Meanwhile, Frans Timmermans, who led the GreenLeft-Labour alliance, announced his resignation. His party lost five seats, ending up with 20, a crushing disappointment for the country's last major left-wing group. The Liberals (VVD), who have been moving rightward, fell just short of their previous result at 22 seats. That should save the job of Dilan Yesilgoz, Mr Rutte's successor as party leader, who seemed doomed when polls looked bad.

The natural partners for D66 would be the CDA, GreenLeft-Labour and the VVD. But Ms Yesilgoz has adamantly ruled out a coalition with GreenLeft-Labour. That

could force Mr Jetten to team up with parties further right. He has not ruled out JA21, a smaller hard-right party that leapt from one seat to nine. (JA21 is less fierce in its hostility to Islam than the PVV, which has long called for banning the Koran.) But he would need one more party for a majority.

The chief issues in the election were housing and immigration. The Netherlands faces a shortage of some 400,000 homes. Social-housing corporations, which provide 30% of the country's housing, have waiting-lists ten years long in some cities; young people and immigrants find it all but impossible to find apartments. A failure to build new asylum centres has left the country's main one overflowing, and nearly all parties agree that immigration must be cut.

As a progressive in a conservative-leaning country, Mr Jetten will find it hard to put together a government that can tackle these problems. But he is celebrating his victory as a triumph of optimism. The election has "turned the page" on Mr Wilders, he told supporters at D66's election party in the university town of Leiden. Indeed, where the last election was dominated by the politics of protest, voters this time rewarded leaders with more positive messages. The ideological shape of the Netherlands may not have changed very much. But the mood has. ■

Turkey

Democracy hanging by a thread

ISTANBUL

President Erdogan is trying to neuter the opposition

THE REPUBLICAN PEOPLE'S PARTY (CHP), Turkey's main opposition party, dodged a bullet on October 24th. A court in Ankara, the capital, threw out a lawsuit that could have ousted the party's leader, Ozgur Ozel, and replaced him with a trustee. The case rested on claims that the convention in 2023 where Mr Ozel was elected as chair of the CHP had been tainted by vote-buying. It was widely seen as a ploy backed by the government of Turkey's autocratic president, Recep Tayyip Erdogan.

Despite the court decision Mr Ozel warns it is no time for complacency. "What mattered in this case was the process, not the result," he says, speaking at his party headquarters in Istanbul a few days after the verdict. "They did this to wear down the CHP."

Turkey's stockmarket greeted the news with its biggest rally in weeks. But the open season on the CHP shows no sign of ending. On October 27th the authorities is- ►►

► sued new arrest warrants on suspicion of espionage against Ekrem Imamoglu, the party's presidential candidate, and his former campaign director. Police also arrested the editor of a pro-opposition television network. Hours later, a state trustee was appointed as the station's new boss.

Mr Imamoglu is already behind bars, having been arrested in March on trumped-up charges and removed as mayor of Istanbul. The new ones will keep him there even longer. Worse may be to come for the CHP if the latest probe transforms into a terrorism investigation. That could allow Mr Erdogan and his Justice and Development (AK) party to wrest control from the CHP of the city Mr Imamoglu had run since 2019.

With annual GDP amounting to some \$400bn, Istanbul accounts for almost a third of Turkey's economy. Mr Ozel thinks it unlikely that Mr Erdogan would seize control of it so brazenly. "This would cause irreversible damage to the economy, Turkish society, and politics," he says. "They would not dare to do it."

Turkey's oldest party has been facing an unprecedented attack. Since March hundreds of CHP members, including the mayors of some of Turkey's biggest cities, have been detained. Such is the crackdown that when Mr Imamoglu appeared in court in September, to hear charges related to his university diploma, his lawyer had to join the hearing via video link. He too had been arrested, and was speaking from prison.

There are signs that Mansur Yavas, the mayor of Ankara, presumed to be the CHP's back-up candidate for the presidency, could be next. Prosecutors recently indicted 14 people, including current and former Ankara municipal officials, on embezzlement charges. They now want to open an investigation against Mr Yavas.

Such operations will probably pick up pace ahead of general elections, scheduled for 2028 but expected to take place earlier. Mr Erdogan's government seems determined to turn the CHP into what Mr Ozel refers to as "his majesty's opposition". But it cannot afford to get carried away. A dramatic uptick in repression risks triggering mass protests and a market backlash.

"The new Turkey needs a new opposition," Mr Erdogan said in 2014. What sounded then like a suggestion that his AK deserved a worthy opponent now sounds like a threat. The president seems to be making good on it, one court case at a time. But pruning the CHP has not so far delivered the expected results. "If the government could push opposition voters to apathy or disappointment, that's a big danger," says Seda Demiralp, a professor at Isik University in Istanbul. "But it's not happening. And Ozel deserves credit, because they feel somebody's fighting for them, so it's not over yet." ■

Ukraine

The power war

KYIV

Russia's drone and missile attacks aim to black out Ukraine this winter

Vladimir Putin's ground war is not going well. This year he has lost hundreds of thousands of soldiers in exchange for less than 1% of Ukrainian territory. So instead of conquering Ukraine, he now wants to destroy it, with air attacks on the power grid and central heating and gas infrastructure as winter nears. The aim is to make swathes of the country's east uninhabitable, undermining industry and encouraging mass emigration.

Days before Donald Trump met Volodymyr Zelensky on October 17th, missiles and drones cut off the Ukrainian capital's water supply. For the first time, the Kyiv metro went dark. Attacks on frontline areas like Sumy and Chernihiv have left parts of those regions without power for days. Ukraine has dramatically improved its missile interception and electronic warfare, and is scaling up new interceptor drone technology. But Russian capabilities are evolving faster. In previous years the Kremlin used expensive missiles in scatter-gun attacks. Now it focuses on specific regions, attacking in waves using the latest inexpensive Shahed drones.

The most advanced Shahed-like drones now travel in excess of 300kph, and use artificial intelligence to overcome Ukrainian jamming. They approach from near-vertical positions, above the range of machine-

guns. A year ago 150 drones in a night was considered a serious attack. Now Ukraine frequently faces 600 or 700. Protecting every target is an impossible task.

Some 60% of Ukraine's power comes from nuclear reactors, with most of the rest from hydropower and thermal (coal or gas) plants. In three weeks, Russia has taken offline several thermal power plants and perhaps half of Ukraine's gas production, forcing it to spend \$1.9bn on imported gas. Beyond the capital, Russia is focusing on the border regions of Sumy, Chernihiv and Kharkiv. The aim appears to be to detach the industrial east from energy production in the west of the country. Ukraine's transmission grid rests on about 90 crucial substations that convert the 750-kilovolt current from power stations into lower voltages for regional networks. Russia is striking them one by one. Critical nodes were supposed to be protected with reinforced concrete and wire mesh, but many were not.

Since Russia's full-scale invasion in 2022, Ukraine's government has been in a state of emergency. When the pressing energy crises in 2022 and 2023 passed, attention turned elsewhere. The lack of systemic thinking has been compounded by government rivalries and by overcentralisation in the presidential office. In 2024 two officials responsible for building defences—Oleksandr Kubrakov, then deputy prime minister, and Volodymyr Kudrytskyi, then head of Ukrenergo, the transmission-system operator—were forced out. After Mr Trump returned to the White House in January, aid dried up. "The protective systems weren't built simultaneously across all sites," says one contractor.

The mood in the sector is downbeat, but not defeatist. Ukraine has dealt with difficult challenges before. It has some spare transformers for repairs. An achievable aim might be to slow Russian destruction enough for replacement to keep up. The country is creating hundreds of new military units combining air defence with drones to protect the most essential facilities. But this winter will test resilience like no other. Prolonged blackouts across many regions are a real prospect. Some may experience blackouts of both electric power and gas. Mr Putin, scenting blood, is unlikely to stop. In previous years his attacks have only stiffened Ukrainian resolve. This time round they may be more effective. ■



CHARLEMAGNE

Why sisu should be the new hygge

This Finnish lifestyle philosophy might just save Europe. No, hear me out



EVERY FEW years, some novel (or supposedly timeworn) Nordic concept comes along to seize the imaginations of Europe's forward-thinking and trendy. Some are practical: think Alfred Nobel's dynamite, Sweden's welfare state, IKEA's flat-packed furniture or, once upon a time, Nokia's phones. Others are modish or metaphysical. The Danes conquered the continent with gritty cinema, high-minded cuisine and most recently *hygge*, a cosy decorating-craze-cum-lifestyle that seemed to involve turning every day into Christmas. But these days, Europeans are too anxious for such innocent distractions. Facing hostile superpowers to the east and west, chaotic politics, fragile economies and the threat of war on their Russian borders, they need stronger stuff.

In short, it is time for a new Nordic trend. Luckily, Finland has just the thing: *sisu*—a personality trait or philosophy combining inner strength, perseverance and a can-do attitude towards adversity. It comes from a country that has been through plenty. Ruled first by Sweden and then by Russia, Finland gained independence only in 1917, and fought the Soviet Union twice to keep it. Today its 1,350km-long border with Russia leaves it vulnerable to Vladimir Putin's delusional revanchism. Yet the Finns have not panicked: indeed, an international study shows they are the happiest people in the world. The Finns, widely known for their stoicism, find this bemusing. If we are the happiest, goes a local refrain, how badly must everyone else be doing?

If events are making Europeans feel helpless and depressed, Finns might say, what is needed is more *sisu*. The war in Ukraine, for instance, highlights "the importance of psychological resilience", says Annukka Ylivaara, the deputy head of Finland's national security committee. The committee brings together all relevant ministries and agencies to plan for potential threats to Finnish security. Guaranteeing psychological resilience, she explains, means ensuring that Finns can still pray, visit museums and play sports amid a crisis. But it also means empowering citizens to take part in national defence themselves, making them feel they are active contributors to the country's security.

It starts early. At Jatkasaari primary and middle school in Helsinki on a sunny autumn morning, not a parent is in sight. Chil-

dren of all ages walk or cycle to school alone. They are taught about "safe society" as one of five themes of the school year. For the tots, that means safety walks in the neighbourhood. Older children learn to identify online disinformation campaigns.

After graduation the young men are subject to military conscription, and an increasing number of young women join up voluntarily. At the Santahamina military base outside Helsinki, a squad of five recruits uses explosives to blow open a door. Asked whether they would fight if Russia invades, not one hesitates. A survey shows almost 80% of Finns would take up arms to defend their country—"even if the outcome seemed uncertain", as the pollster puts it, adding a bit of extra *sisu*. The share in most European countries is far lower, and is just 14% in Italy.

Many Finnish adults, meanwhile, attend multi-day security courses. These may sound about as exciting as a fire drill, but in fact they are invitation-only networking events for the country's elite, promoting ways for them and their organisations to help keep Finland safe. Alumni get together periodically for pow-wows. Ask Finnish political or business leaders whether they have been to one and they generally say yes, with a proud smile. They may give you the number of their group; a low one means you were invited early, which is more prestigious. It is the local equivalent of mentioning a master's degree from a fancy business school.

When one is as well-prepared as the Finns are, it is easy to accept the threat from Russia as a fact of life—one that, though worrisome, can be faced and overcome. Most other European countries, however, are not so far along. In the past two months, as airports in Denmark and Germany were tested by drone incursions (Russian? Who knows?), excitable politicians called for shooting down the intruders. That struck Alexander Stubb, Finland's president, as unproductive. "I think the Finnish assessment is never to panic," Mr Stubb told Charlemagne. "React and act when necessary." As for his own *sisu*, the 57-year-old president, a physical-fitness nut, looks ready to charge into enemy trenches personally, should the need arise.

Finland's national character and historical experiences cannot simply be transplanted elsewhere. That left Charlemagne wondering where his *sisu* might be found. For help, he consulted Elisabet Lahti, the author of a book on the concept. "The idea is not to find *sisu*, it is not lost," she explains. She recommends "remembering moments of *sisu* in your life and what allowed you to overcome hardship". The European Union might recall how it pulled itself together in past emergencies, such as the euro crisis, Brexit and the covid pandemic, and the steps it has taken (aid to Ukraine, sanctions on Russia) to fight its way out of the present one.

Keep calm and learn how to shoot while skiing

However, this requires believing that there is something worth fighting for. The Finns are a patriotic lot. "We built this nation in the last hundred years into a magnificent state," says Ms Lahti—with, she emphasises, a strong welfare system. That success story matters. Finland was not always rich and secure. "Shy of thy poorness never be; be calm, be glad, be free," admonishes the national poem, "Maamme" (Our Land), written in the 1800s. Finns are no longer poor (though they are still rather shy), but they are less complacent in their wealth than countries farther west. For other Europeans too, cultivating *sisu* will mean celebrating the tale of how they became prosperous and secure. If they want to stay that way, they have much to do. ■

Britain



Special educational needs

A broken system

Reform is sorely needed, but it could cause a storm

THE CLASSES at Westmorland Primary School are small, between five and eight pupils, and the atmosphere is calm. “Pupils, and their families, appreciate the great lengths that staff go to for them,” Ofsted, the inspectorate, wrote after a visit in July, in which it judged the school “good”. There are 80 pupils on the roll, but Westmorland is growing fast. This year it opened a secondary campus.

Westmorland is one of 35 schools for children with special educational needs and disabilities (SEND) run by Witherslack Group, a private company. It in turn is owned by Mubadala Capital, the asset-management arm of Abu Dhabi’s sovereign-wealth fund. You might wonder what attracts an Emirati private-equity company to a special-needs school in Chorley, an old mill-town in Lancashire. The answer helps explain just how broken England’s special-needs system has become.

In the past decade spending on chil-

dren with SEND in England has almost doubled, reaching £11.6bn (\$15.5bn). Yet even as costs have soared, no one thinks the system is working (Scotland and Wales have different systems which are less problematic). Teachers say they cannot cope; children are suffering; parents are pulling their hair out.

SEND is a broad category: it spans communication, cognition and learning, physical and sensory needs, and mental health.

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— **The prisoner-release cock-up**

— **Space Forge**

The number of children with SEND has risen steadily across the world for three decades. There is debate about how much of this is due to changes in society versus changes in diagnostic practices. Most experts say it is both. The covid-19 pandemic did not help.

Spend time in a classroom and you will see pupils with real difficulties. “I now see far more children with limited social skills, not interacting with other children, unable to sit still, just not ready for school,” says an educational psychologist. England, however, has devised a uniquely bad system for supporting them. Its problems stem from the 2014 Children and Families Act—indeed they are a case study of how law can produce unintended consequences.

The act set out to enshrine “parent power”, granting parents a legal right to financial support for their child based on an assessment, called an education, health and care plan (EHCP). These plans were supposed to be for children with severe needs. Critically, however, the money would follow the pupil. And at the same time other support—such as teaching assistants and speech-and-language services—was pared back due to funding cuts.

The result is an all-or-nothing system, which guarantees conflict. Schools tend to get extra support only if they can show a child is not succeeding. Their incentive is

to get pupils onto plans, but more widely secondary schools in particular are pushed to focus on attainment over inclusion. Cash-strapped councils (which foot the bill for children with EHCPs) try to minimise costs, and struggle to keep pace with demand for assessments.

Nervous parents see an EHCP as the only way to get any support. Many have to wait years for an assessment, which can involve a maze of paperwork, expert reports and appeals. While parents usually win, the process takes a toll, and leaves educational psychologists tied up in bureaucracy rather than working practically with children and schools. Even if a child gets a plan, there is little guarantee that their school will be able to meet it.

Since the 2014 law came into effect the number of children with an EHCP has doubled. It is now more than 500,000 (see chart), or one in 20 pupils. As numbers have risen, the average level of per-pupil support has fallen by a third. There is huge variation across schools, with some secondary schools offering good SEND support and others very little. Some parents take matters into their own hands: since 2020 the number of children with SEND who are taught at home has doubled.

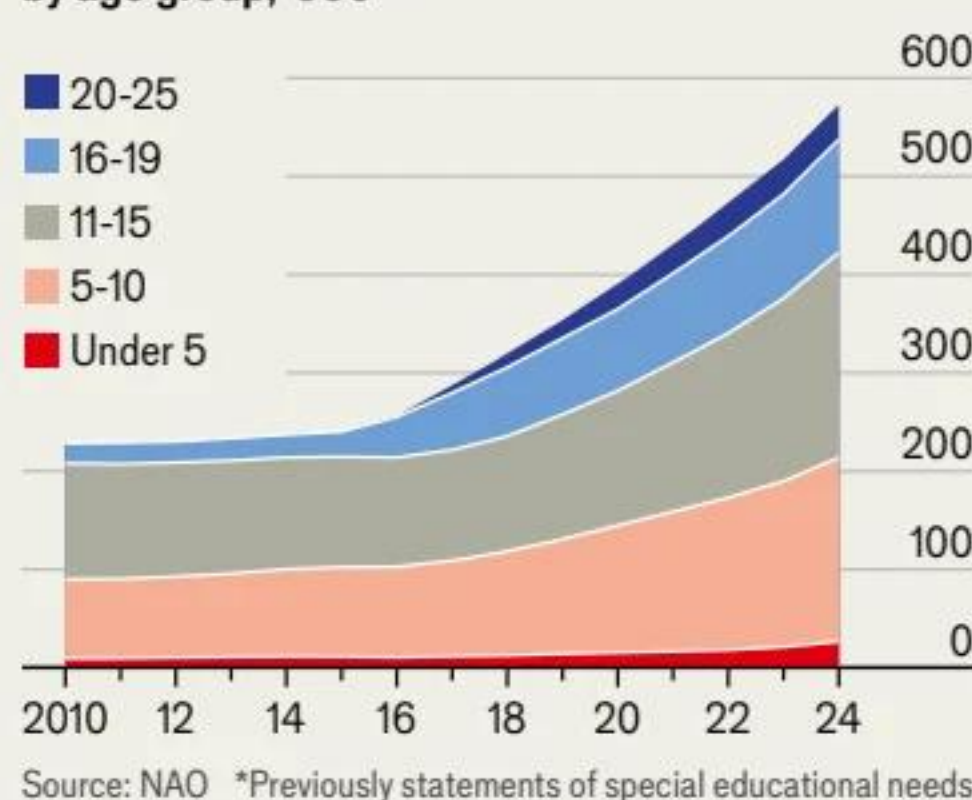
Demand has also surged for special schools, outside mainstream provision. The sector has grown by 50% in a decade, to 160,000 children. State schools have been unable to keep up, so the number of children in private special schools has soared, from 10,000 to 30,000. Most of these schools achieve good standards, but at a premium. Westmorland charges annual fees of £85,617 (\$114,000) per pupil, which must be paid by local authorities.

In the past private special schools had a niche role, says Luke Sibietta of the Institute for Fiscal Studies, a think-tank. In recent years they have become an “overflow”. Their growth accounts for nearly a quarter of the rise in overall spending since 2018. Investors like Mubadala Capital are betting the trend will continue.

All this adds up to a gross misallocation

More special

England, education, health and care plans*, by age group, '000



of resources. The vast majority of children should be able to thrive in mainstream education, but many don't, which pushes money elsewhere, creating a downward spiral. The trial-by-combat system also penalises poorer families. A paper by the Sutton Trust, a think-tank, finds that two-thirds of middle-class parents spend money on EHCP applications, often running into four figures. They are almost twice as likely to secure a special-school place, compared with working-class parents.

A white paper was due this autumn. But on October 22nd the government said it would be delayed, to allow more time for consultation. Ministers could easily face a repeat of the summer rebellion over welfare—in which they were accused of fixing a hole in the public finances at the expense of the most vulnerable.

Doubling down

The best long-term solution would be to go back to a system in which schools are given funding to meet all of their pupils' needs, and the ability to decide how to use it. Wider education policy should encourage schools to see SEND as a core function. Ofsted could then hold them to account. Some schools already do a good job with limited resources (see next note). Making this the norm would require investment, but it would lower costs over time.

The problem with such a plan is that it would involve removing a legal power which, for battle-weary parents, has become a life raft. It could be deeply unpopular. A successful transition is therefore likely to require some element of double-funding (paying for the new, more flexible system while only gradually running down the existing one), to convince parents that provision will indeed improve. Building more special schools would also reduce the need for costly private places.

The trouble with all this, though, is that the government has no money for it. But if it does nothing, spending on special needs will keep rising, and producing the same maddening results. ■

Neurodiversity profiles

Pioneering Portsmouth

PORTSMOUTH

A fresh approach to helping children with conditions like ADHD

PANELS WITH colourful drawings hover over the canteen at Mayfield School in Portsmouth, a sprawling new building for nearly 1,500 pupils aged four to 16 years. It is more than decor: they are part of recent measures to make hallways calmer. Sensory problems, such as heightened sensitivity to noise or bright lights, are common in people with attention-deficit hyperactivity disorder (ADHD), autism and other “neurodivergent” conditions. They can make a child feel overwhelmed.

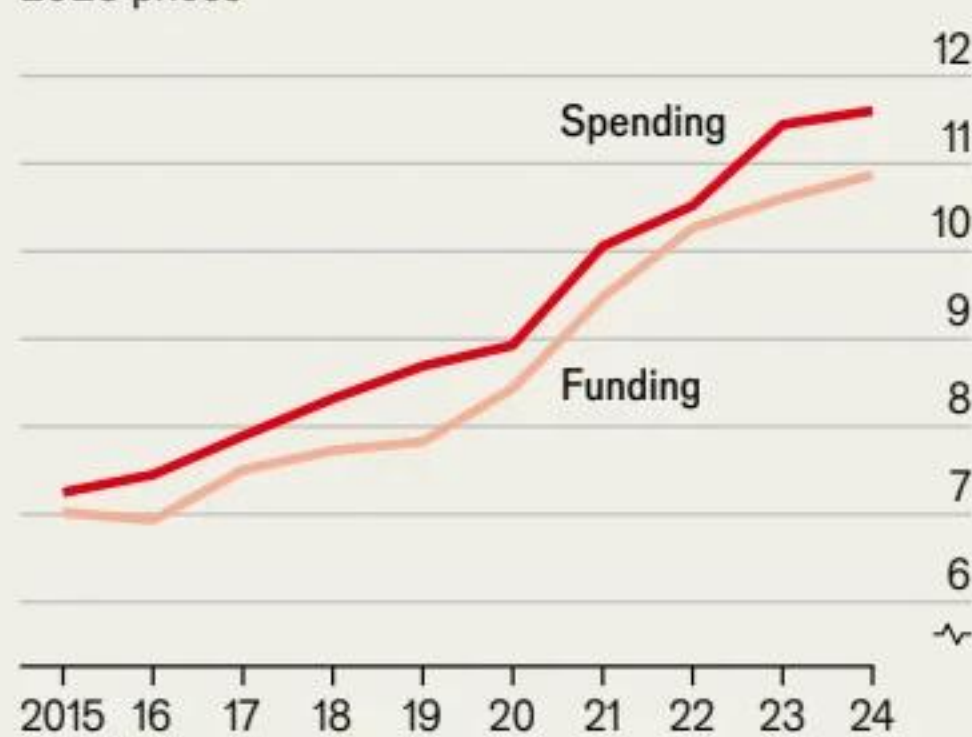
One in four pupils at the school—and one in five in England as a whole—has special educational needs and disabilities (SEND), based on assessments by their teachers. Nationwide, external assessment designate a quarter of those pupils as complex cases, requiring legally binding plans for support (see previous story).

A new government programme, covering one in six primary schools, is training teachers in how such children understand the world. This initiative is borne out of desperation. Children who received a diagnosis in 2022-24 were waiting an average of two years for a first assessment through the National Health Service (NHS). In some areas the waiting time is now ten years. But when they finally reach the front of the queue, parents realise that a diagnosis does not resolve their child's problems. “It felt like a cliff,” says Elise Meyer, a parents' representative in Portsmouth's council, about her son's ADHD diagnosis. “It's a report. And you're left on your own.”



Maths problem

England, high-needs education, £bn
2025 prices



► In 2022 Portsmouth pioneered a different model, which is now being tested in other parts of England, including Bristol, Cornwall, Kent and Manchester. In Portsmouth, students with behavioural and learning difficulties are no longer referred to the NHS automatically for a medical diagnosis. Instead, each school's SEND coordinator or a designated teacher sits down with parents to draw up the child's "neurodiversity profile". The goal is for teachers and parents to understand when the child is at their best and at their worst. This helps identify specific things that can help, including the child's strengths (creativity, say, or a keen eye for patterns).

The adaptations are often simple. At Mayfield, some students have a timeout pass to leave class for a few minutes when they need a quiet space to reset or a short break to run up and down the stairs. Tinted plastic overlays help children with dyslexic symptoms (the colour stops letters and words from dancing on the page). Knowing what it takes for some children to just show up at school, teachers don't make a fuss if they are missing the uniform's tie.

Verity Howard, who manages Mayfield's SEND programme, says the profiles have been "really useful". Classes are now organised with neurodiversity in mind. They include group-work (to move around and learn how to work with others), as well as deep-focus tasks (a mode relished by autistic people). For a worked-example exercise, a teacher may use lyrics from a child's favourite pop star or themes from their favourite film. A fidgety child may be tapped to clear the board or hand out the worksheets in class, to get them moving.

Parents in Portsmouth get more help too. The city council has set up a neurodiversity service hub, staffed by educational psychologists, therapists and counsellors. They provide advice to parents on how to manage challenging behaviour, improve sleep, reduce anxiety and try small things that help some children, such as weighted blankets for sensory issues.

Researchers are just starting to look at what difference this approach makes. Anecdotal, officials in some places that have tried it reckon it improves school attendance. In Portsmouth new referrals for diagnostic assessments have plateaued, but partly because the bar is now set higher: a referral is considered if two rounds of the neurodiversity profile, weeks apart, show that a child is not doing better. In some cases what looks like ADHD stems from poor sleep or too much screen time—so parents get advice on that instead. ■

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Parkrun

The joy of the jog

BUSHY PARK

A 5km run has unwittingly become one of Britain's best public-health schemes

BUSHY PARK, in London's leafy Richmond area, has become an unlikely place of pilgrimage. Annie, a warehouse worker, travelled here from Belfast after her running friends clubbed together to buy flights for her 60th birthday. She joins parents with pushchairs, pensioners and puppies as they get ready to charge—or chat—their way around the park. Home of the first Parkrun event 21 years ago, Bushy is the "Holy Grail", says a veteran of 350 such runs.

Every Saturday at 9am starting guns sound in 880 spots around Britain, from Land's End to Shetland, for a 5km run or walk. Parkrun is free. Attendance has grown from 13 at the opening run in 2004 to 200,000 across the country on a typical Saturday now. In Britain nearly 3.9m people have completed at least one parkrun. The simple formula has spread to 23 countries, as far as Australia and Eswatini. On Sundays there are now 490 children's 2km runs as well.

What began as a way for Paul Sinton-Hewitt, a keen runner, to stay in touch with friends has unwittingly turned into one of Britain's most successful public-health schemes. A recent study by Steve Haake, at Sheffield Hallam University, estimates the benefits to the country could be as high as £668m a year. The World Health Organisation has given it a seal of approval.

The secret behind Parkrun's popularity is its inclusivity. Its mantra is "a run, not a race". Some runners obsess over personal records, but most turn up for the fun and friendships. The scheme has been found to reduce loneliness and 70% of participants report an improvement in mental health. A partnership with the Royal College of General Practitioners has led GPs from 2,000 practices to prescribe Parkrun to patients.

In 2024 the charity removed the course records from its website to deter overly competitive running, much to the chagrin of overly competitive runners. Participation is lower in more deprived areas; a particular shame as poorer people who take part report the greatest improvements to their fitness and happiness. It is, as one supportive GP put it, "still quite middle-class". An annual grant of £1m (\$1.3m) from Sport England, a public sport-funding body, aims to remedy that. A quarter of new parkruns are in deprived areas. There are also around 20 parkruns in British prisons.

The success of Parkrun has been precisely that it did not start as a public-health initiative, notes David Hindley, of Nottingham Trent University. For Annie, it is a reason to go the extra mile. Past the finish at Bushy she ranks it among her other parkruns: "Absolute number one," she beams.



Running, not racing

BAGEHOT

The idolatry of victimhood

An obsession with victims leads to bad policy, dire politics and more pain



WHEN FOUR grooming-gang victims resigned from an inquiry on the topic, they called for Jess Phillips, the minister whose portfolio includes safeguarding women and girls, to quit. Kemi Badenoch, the Conservative leader, joined in. Nigel Farage even held a press conference alongside Ellie Reynolds, one of the four, calling both for Ms Phillips's exit and a parliamentary inquiry. One factor helped keep Ms Phillips in place: other victims who in turn promised to quit if Ms Phillips were removed. It took a victim to stop a victim.

There is no better summary of the increasingly dominant role victims play in British politics. Since the start of 2020 "victims" have been mentioned in Parliament 16,515 times, more than "Brexit" (10,797 times), "welfare" (9,978), "immigration" (8,644), "pensioners" (3,438) and "voters" (2,540).

It was not always like this. Once, the British state cared little about the victims of its failures. In 1966 a coal tip collapsed at Aberfan, a Welsh village, sending 150,000 tonnes of spoil onto a school. It killed 144 people, including 116 children. The National Coal Board, the state body responsible, denied any wrongdoing before offering £50 (\$66) compensation for each dead child. Eventually it gave £500, or about the price of an Austin Mini, a car.

Until well into the 1970s and 1980s it was the norm, rather than the exception, for the state to treat people with casual contempt or outright brutality. Whether it was police lying about how 97 Liverpool football fans died due to a crush at Hillsborough stadium, or the National Health Service carelessly infecting patients with HIV and other diseases via tainted blood, the British state mixed cruelty, incompetence and impunity. Only in the late 1990s and 2000s did this attitude begin to shift. Victims could fight back. The Human Rights Act made it simpler to challenge government failure. And so began the ascent of the victim in political life.

Now, victims dominate. A victims' commissioner (the current one a victim herself) was created in 2010. Inquiries, once a rarity, became an instinctive reaction to any government mistake. Laws named after victims pass Parliament with ease, dealing with everything from mould in flats to terrorism. A victims and courts bill, which will give victims more rights in their dealings with the

police, is weaving its way into law.

If any man personifies the rise of the victim it is Sir Keir Starmer. The prime minister has few fully formed political beliefs beyond a vague idea that human rights are good because the state can be very bad. Victims are mentioned 24 times in Labour's most recent manifesto. For comparison, "pensioners" appear twice. At the party's annual conference in Liverpool the Labour leader was introduced on stage by Margaret Aspinall, whose son died at Hillsborough. "This party was founded to hear working-class people like that," said Sir Keir. "To look directly into the eyes of their suffering." Labour once advanced their economic interests, now it manages their emotional needs.

It is, however, a hollow politics that leads to bad policy. Victims petrify politicians. They are apex stakeholders. Normal rules for decisions—risk, cost, proportionality—are thrown away when they are involved. What if a headline suggests ministers snubbed victims? Write the cheque. Civil servants, always cautious, become cowards. Campaigners know this. The unedifying spectacle of a grieving parent wheeled in front of cameras to push a particular policy, whether limits on smartphones or ninja swords, has become a political trump card.

Trade-offs are ignored when victims campaign. Martyn's law, named after a victim of a suicide-bombing at a concert in Manchester in 2017, requires any venue that can hold more than 200 people to have an anti-terror plan, even if it is a village hall. It is likely to cost businesses about £170m (\$225m) a year to comply and bring about £2m of benefits, mainly from lower crime. A careful balancing of interests is close to impossible if a victim's mother is involved. "This would not have happened without your campaigning," said Sir Keir at a meeting with Martyn's mother, rightly.

Justice is often delayed in the name of victims. Inquiries are now sprawling affairs, with victims involved at every step. The result is a less nimble and more costly process (which the state will soon finance for any victim, thanks to a bill named after the Hillsborough disaster). Short, sharp inquiries have become impossible. One on covid-19 is in its third year, with costs projected to be over £200m. Yet victims rarely leave the process happy. Anyone responsible has probably left office; any advice is dangerously late. Placating victims potentially creates more. The state can harm when it is callous, and it can harm when it is trying to be kind.

From stiff upper lips to blubbing Blighty

Allowing victims a hallowed status in British politics ignores the fact that state failures are collective scandals. Hillsborough could easily have happened at another stadium to other fans. Grenfell was not the only tower caked in flammable material. Grooming gangs were so widespread that any vulnerable girl could have been dragged in. When victims play such a large role, what should be society's problem becomes an individual one. What is left is a mangled Thatcherite philosophy: there is no such thing as society, only victims and their families.

In this way British politics becomes an autocracy of lived experience, in which politicians advise and victims decide. For a politician as vapid as Sir Keir or as cynical as Mr Farage perhaps this is no bad thing. A world in which rape victims are compelled to argue with each other over the future of a government minister, cheered on by elected politicians, is a depressing one. But it is the one Britain inhabits. It is a final dereliction of duty to people the state has already failed once and now does again. ■

International



Defending Ukraine

What will it cost to make Putin stop?

BERLIN, BRUSSELS AND KYIV

Europe must offer a big enough financial package to deter the Kremlin

HISTORY TEACHES that wars begin when governments believe the price of aggression is cheap,” argued President Ronald Reagan in 1984. He oversaw a vast increase in America’s defence budget that the Soviet Union could try to counter only by wrecking its economy. By the end of the decade the “evil empire” was collapsing.

Today Europe is confronted by a similar external threat in the form of an aggressive Russia that is determined to destroy Ukraine and break the unity of NATO. To stop it, Ukraine needs to be supplied with enough money and materiel to defend itself, keep its economy afloat and impose a punishing cost on Russia. Ukraine’s backers also need to signal credibly that they will support the country for as long as it takes to make it clear to Vladimir Putin that he cannot win a long war. The difference now is that Europe will have to foot this bill almost entirely without America, which under President Donald Trump is

walking away from an alliance that kept the peace in Europe for 70 years.

The task is daunting. We calculate that Ukraine will need approximately \$389bn in cash and arms over the four years from 2026 to 2029 (for consistency we are using dollars and constant prices throughout), mainly from Europe. That is almost double the roughly \$206bn that Europe has supplied since just before the war started in February 2022. Over the same period America gave about \$133bn in cash and weapons. Put another way, the cost of supporting Ukraine without America to the remaining members of NATO will need to increase from about 0.2% of GDP to 0.4%. Whether Europe rises to this challenge will be a test of its aspirations to “strategic au-

tonomy”, by which it means it can act in its own foreign-policy interests without depending on America (or China).

Ukraine’s government currently has a direct defence budget of about \$65bn a year. It also spends another \$73bn a year on all other government services and outlays, according to Dragon Capital, an investment firm in Kyiv. The government raises close to \$90bn in revenues domestically, leaving it with an annual budget deficit of about \$50bn. In addition it relies on donated weapons, such as American rockets and European air-defence systems, which are valued at some \$40bn this year, according to data from the Ukrainian defence ministry shared with *The Economist*.

This has been enough for Ukraine to hold the line, but only just. Ukraine’s own spending on defence has been increasing by about 20% a year to stay at roughly two-thirds the value of Russia’s rising spending, though this comparison may flatter Ukraine. A senior Ukrainian official suggests Russia’s actual expenditure on the war may be more than double its official budget.

How much more Ukraine needs depends largely on the future structure of its defence force, says a government insider. *The Economist* has assumed that Ukraine’s total defence needs (including donated kit) will increase by 5% a year in real US dollar terms. We assume other government

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► spending will remain flat, with one exception. Repairing Ukraine's war-damaged infrastructure and starting to rebuild the country will cost \$5bn a year, we reckon.

In addition, Europe will need to provide about \$181bn-worth of weapons and ammunition to Ukraine. America, which had pledged or provided about \$75bn-worth of kit under the Biden administration, has now turned off the taps (though it still gives crucial intelligence and communications support). There are other European programmes, but they are not big enough. For instance, Britain's arms supplies are worth some \$4bn a year, while Denmark and others are allocating \$8bn between 2022 and 2028 to supply Ukraine with weapons made by its own industry.

Adding up Ukraine's needs over the next four years, including donated arms, budget support and some reconstruction costs, comes to \$389bn. If this were to be funded entirely by Europe, the European Union and its members would have to provide \$328bn and Britain about \$61bn. Funding would have to continue even if the war stopped, as Ukraine would need to replenish ammunition stocks and maintain a standing army to deter Mr Putin.

Digging deep

Where is this to come from? The EU has budgeted to provide \$15bn by 2027. Non-European partners other than America will probably give Ukraine \$2bn a year, as will domestic buyers of government bonds, who are encouraged by regulation and capital controls to hold them. The IMF is expected to provide about \$10bn. Although the programme would be small, it "is the anchor that allows others to contribute", says Kostiantyn Kucherenko of Dragon Capital, referring to how the fund's economic oversight can provide confidence.

There are two initial pots of money the EU could use to fill the remaining gap. The first is its own budget. Although the current one has been tapped out, the European Commission wants to provide Ukraine with \$117bn in the next seven-year cycle, starting in 2028. Doing so would need big savings elsewhere. A more realistic estimate is \$30bn a year in 2028 and 2029.

The second pot is a so-called "reparations loan" that would be made using \$163bn-worth of Russian state assets frozen in European (mostly Belgian) accounts. The recent conversion of Friedrich Merz, Germany's chancellor, to this cause helped energise efforts to pursue it. The idea is for clearing houses to lend the money to the EU (through issuing special bonds), which then would pass the proceeds onto Ukraine. The catch for Russia is that the loans would be repayable only if it agreed to pay Ukraine reparations after the war. But Belgium fears the mooted national guarantees for the new EU bonds are

not sufficient and could leave it on the hook. Its unexpectedly entrenched opposition has stalled the plan.

There is also considerable disagreement over what this \$163bn can be spent on. Mr Merz says the new money must be used only to buy weapons, not to fill the hole in Ukraine's budget. Ukrainian officials see that as unfeasible. But Mr Merz's real intention may be to press other international donors, such as Japan or Canada, to fill the budget gap, and to prod Ukraine to raise more revenue or cut its spending.

A related debate is where money for weapons should be spent. European aid to Ukraine surged to \$23bn from April to June this year, as America's has declined. Much of the European cash has found its way to America regardless. Under a scheme known as the Prioritised Ukraine Requirements List, America sells weapons at cost price to Europeans, who send them on to Ukraine. Sending oodles of cash across the Atlantic is increasingly awkward at a time when Europe is trying to build up its own arms industries to wean itself off American weapons.

But there are some capabilities that only America can provide. The French-Italian SAMP/T air-defence system is not as good at shooting down ballistic missiles as America's Patriot. Europe has yet to field its own equivalent of the HIMARS, which fires precision-guided rockets, or the Tomahawk cruise missile, which has a longer range than European missiles.

Europe is better placed to provide jets. On October 22nd Ukraine and Sweden signed a deal that could lead to Ukraine buying 100-150 Gripen fighter jets to rebuild its air force over many years. The Gripen is relatively cheap and especially well suited to Ukraine's needs. If Ukraine follows through on the order, it would boost Sweden's aerospace industry. Even France, which makes competing planes, would prefer this to it buying American ones.

Mark Rutte, NATO's secretary-general, says that Europe is on track to produce 2m

rounds of artillery ammunition annually by the end of the year. In some cases Europe might also funnel its money towards the production of American arms on European soil. Raytheon, which makes Patriot missiles, collaborates with MBDA Deutschland to produce the interceptors in Germany. Feeding Ukraine from that production line could serve as a happy compromise.

Ukraine insists it should have full control over where the money is spent: on its own industry, on European weapons, or, where needed, American ones. "We know better what needs to be covered with this money," says Iryna Mudra, the deputy head of Ukraine's presidential office. Officials say Ukraine's own defence industries are efficient and can produce pioneering drone technologies at scale. But questions of corruption persist. One model being pursued is joint production in Europe using Ukrainian designs. "It's a win-win," says a Ukrainian official. "We get more capabilities. You get new capabilities."

Dirigisme and defence

France, however, has been pushing for the EU to spend more in Europe. "The politics, the geopolitics and the economics of European defence for 80 years have been: 'We have a US umbrella.' This has a cost," says Roland Lescure, France's finance minister. "Let's make sure that that umbrella, at least most of it, is made in Europe." Others, notably in northern and central Europe, are comfortable buying from America or South Korea. "In practice it will be a mix," says an EU official. "Ukraine needs Patriots and the like, but they also understand that it is easier for European politicians to write large cheques to Ukraine if some of that money helps bolster European defence capabilities."

Those problems will probably be resolved through what the EU does best: compromise that leaves everyone a bit unhappy. Few doubt that the "reparations loan" will happen, Belgian resistance or not, because it is the only game in town to fund Ukraine in the coming year or two. When that runs out, the obvious solution would be joint European borrowing along the lines of the bloc's €800bn post-pandemic recovery fund. Yet German officials fear that EU bonds would undermine fiscal discipline in Europe and would also be vulnerable to vetoes wielded by Russia-friendly leaders in the EU. "The main problem is not the Bundestag but [Hungary's] Viktor Orban," says one.

Still, the continent knows what must be done, and is finding the backbone to do it. "Europe now looks switched on, and takes the Russian threat seriously," says Vladyslav Rashkovan, who represents Ukraine alongside 15 other countries on the IMF's executive board. "This is now about Europe, not just Ukraine." ■

Beans, bullets and banknotes

Ukraine's budget, 2026-29 forecast, \$bn

Costs, by type



Funding, by source

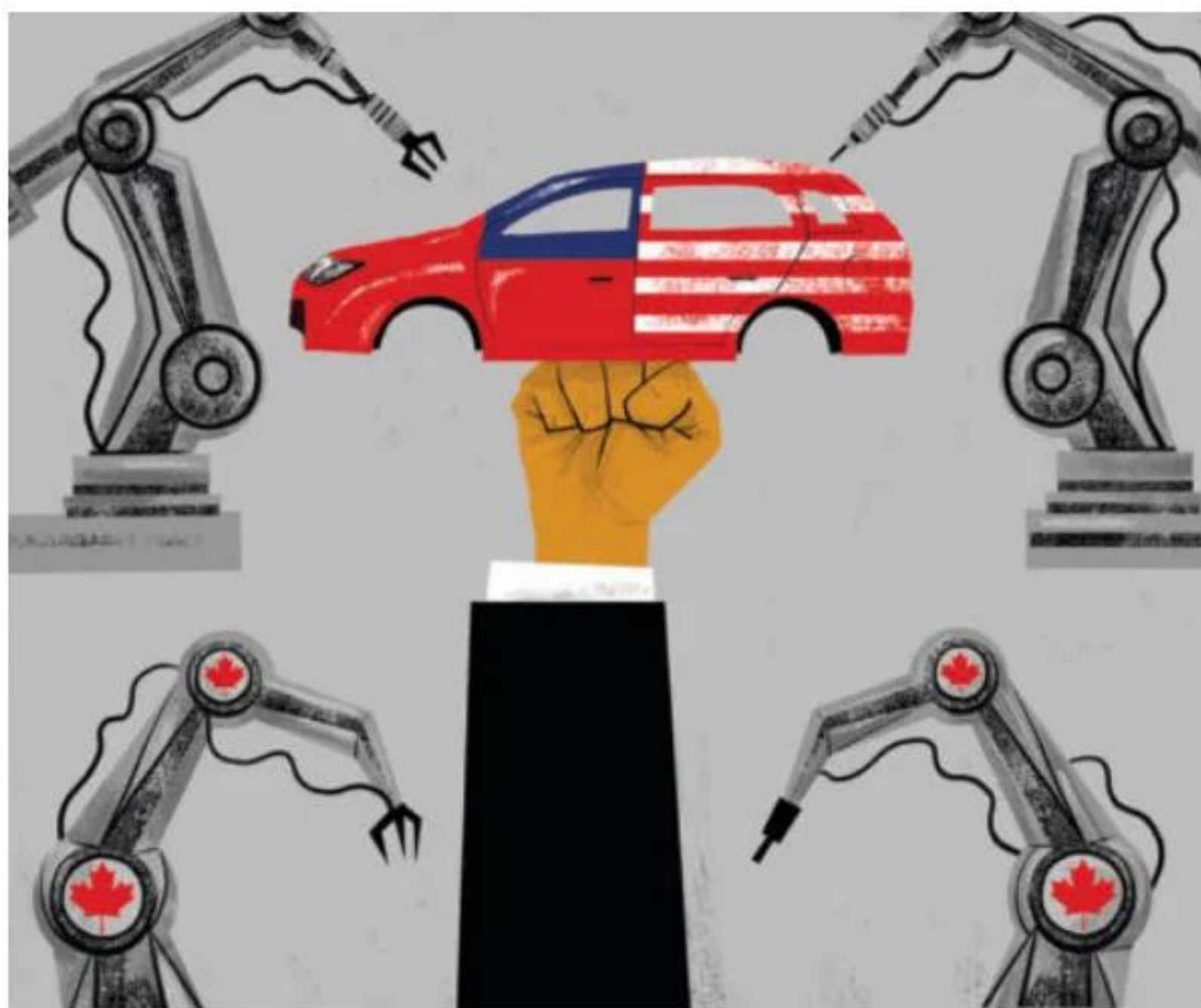


Source: The Economist

THE TELEGRAM

Donald Trump's trade power is vast, but self-defeating

The view from Canada, as Trumpian threats fly



CANADA HAS a heroic record of standing up to President Donald Trump, in political advertisements written by Canadians, that is. In the real world, Trumpian bullying is racking up the wins.

By chance, your correspondent found himself in Canada at a gathering of business leaders and politicians on October 24th, the day after Mr Trump denounced as “fake” a Canadian-made television advertisement that borrowed Ronald Reagan’s own words to explain the dangers of protectionism. Rewriting history, Mr Trump claimed that Reagan “loved tariffs”. To punish what he called an “egregious” abuse of Reagan’s legacy, he terminated trade negotiations with Canada, then raised tariffs by 10% for luck.

If life were a 60-second campaign spot, the assembled industrialists and financiers would have met Mr Trump’s threats with roars of: “Elbows up!” That battle cry from ice hockey was used by Mark Carney to signal defiance of America, including in election ads during his successful bid to become prime minister this year. Their actual views are sober and pragmatic, and revealing about globalisation as seen from Canada.

The television spot that provoked Mr Trump was commissioned by Doug Ford, the pugilistic premier of Ontario, a border province and carmaking hub. A self-styled “big Ronald Reagan fan”, Mr Ford’s stated ambition was to remind “every Republican district” in America that their party’s 20th-century hero was a free-trader. Behind closed doors in Canada, Mr Ford’s claims cut no ice. Republicans know that Mr Trump is traducing Reagan’s legacy, scoffs a chief executive: “You don’t need to remind them.” He describes a recent visit with other Canadian bosses to Washington, DC, to lobby for the preservation of the USMCA free-trade pact between America, Canada and Mexico. That deal was negotiated by Mr Trump in his first term to replace an earlier agreement, NAFTA. Its future is in doubt, undercut in public by American tariffs imposed in the name of national security—notably on Canadian aluminium, cars and energy—and in private by Trump aides warning that America may seek separate trade deals with Canada and Mexico, reviewed each year. “Congressmen from both sides of the aisle told us, we’re sorry, we love Canada and USMCA is a good deal,” reports the boss. The same members of Congress then

muttered that Canada should woo Mr Trump, who takes all big decisions. “They are not willing to stand up to him,” he sighs.

Washington politicians are not alone in putting self-preservation before valour. Behind closed doors, Canadian corporate and political leaders report signs that Mr Trump’s aggression is being rewarded. The USMCA still covers most Canadian exports, so that Canada currently enjoys some of America’s lowest average tariff levels in the world. For all that, companies are hedging. An executive guesses that 30% of Canadian firms, especially those with factories on both sides of the border, have begun shifting production and investments to America, or may do so soon.

A manufacturer of outdoor goods confirms that he is planning to move more production to America, where most of his customers live. He is also considering buying an American rival. Though his exports to America remain tariff-free for now, the uncertainty is too much to bear. The American market is irreplaceable, he says. Canada can ill afford to provoke Mr Trump.

A divide can be detected between businesses. One camp, composed of traditional industries and producers of such commodities as aluminium or timber, depends hugely on America, which absorbs three-quarters of Canadian merchandise exports. Often, sales rest on cost advantages, such as the cheap hydro-electricity that powers aluminium smelters in Quebec. Many in this camp treat America as a second home market, as if Canada really is a “51st state”, to adapt an insult with which Mr Trump loved to torment Mr Carney’s predecessor, Justin Trudeau.

In the telling of a Canadian politician, that defiant Reagan-quoting advertisement of Mr Ford’s reflects fear, deep down. Mr Trump says that he wants Canadian car factories to move to America, and some foreign carmakers have announced that some new models will be made south of the border. “Ontario is going to have to reinvent itself,” says the politician.

Mr Trump’s willingness to impose and endure pain to advance his agenda is startling, the politician says. America produces 16% of the aluminium that it uses, making it dependent on imports, mostly from Quebec, for years to come. A 50% tariff on Canadian aluminium is thus an act of self-harm, as well as a serious blow to Canada. “We didn’t vote for it, but Canada is living through North America’s own version of Brexit,” sorrows the politician.

America teaches partners not to trust it

A second camp involves advanced industries of the future, with global supply chains and customers. This camp has more options. Too many Canadian businesses have been “lazy”, relying on the vast, familiar American market for decades, says the boss of one such firm. Global Canadian-owned companies concede that Trumpian trade policies are hurting them, pointing to a detectable slump in investment in Canada, as corporate boards postpone big decisions. But they are not waiting for salvation via a deal with Mr Trump. It is not possible to rely on any future trade pact involving annual reviews, says a boss: America’s greater clout means that each revision will make the terms worse. As for shifting production wholesale to America, Mr Trump’s homeland “does not have the people it needs” to staff advanced factories, grumbles another chief executive. Finding new markets in Europe or Asia would be a “ten-year project” but also an unavoidable one.

Mr Trump’s hold over industries of today is vast. As a result, governments fear him—in Canada and beyond. That same aggression, though, makes America’s grasp on the future less sure. ■

Business



Rearmament

Bangs for euros

Europe's defence firms are flying. Now comes the hard part

AN "ERA OF rearmament" is under way in Europe, declared Armin Papperger, the boss of Rheinmetall, earlier this year. Investors in Germany's defence champion certainly seem to think so. Since the start of the year its market value has rocketed from €27bn (\$31bn) to €80bn, equivalent to 90 times its annual net profit and within shooting distance of Lockheed Martin, an American defence colossus. The values of other large European defence contractors, including Britain's BAE Systems, France's Thales and Italy's Leonardo, have also soared (see chart 1 on next page).

European leaders were already nervous owing to the war in Ukraine, but the return of President Donald Trump has further convinced them of the need to ratchet up defence spending in order to reduce the continent's dependence on American security guarantees. This year Europe will

spend some \$180bn on military kit, more than double its outlays in 2021 and greater even than the amount spent by America (see chart 2). That figure is set to rise further still, after NATO members agreed in June to increase defence spending from a current target of 2% of GDP to 3.5% in a decade's time, with another 1.5% for adjacent spending on things like infrastructure.

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In the process, European leaders envisage revitalising the continent's arms industry, which has suffered from decades of underinvestment. Europe relies on American military gear; between February 2022 and September 2024 American weapons accounted for a third of European procurement spending, according to the International Institute for Strategic Studies, a British think-tank. The wisdom of that approach has now come into question. In a scenario where Europe needed to replace weapons at the same time that its long-time ally is drawn into conflict in, say, the South China Sea, America's defence industry would undoubtedly prioritise resupplying the country's own arsenals.

Can Europe's defence industry rise to the challenge? "Readiness 2030", a white paper published by the European Commission in March, concluded that the continent's companies are "not able to produce defence systems and equipment in the quantities and speed that member states need", and called for a "massive ramp-up of European defence industrial production". "Preserving Peace", a follow-up plan published on October 16th, laid out the bloc's defence priorities for the next five years. But scaling up to meet these will be a struggle for an industry held back by ►►

fragmentation, glacial procurement processes and too few innovative newcomers. If it stumbles, far more than investors' money will be at risk.

Start with fragmentation. Europe's defence companies lag far behind their American counterparts in scale owing in part to the propensity of the continent's governments to favour equipment from their domestic defence champions. Rheinmetall generated revenue of just €10bn last year, a sixth as much as Lockheed Martin.

This lack of scale has made it particularly difficult to match the might of American contractors when it comes to high-end equipment. Investment in military research and development in Europe was a meagre €13bn in 2024, well behind the \$148bn spent in America, according to the Kiel Institute, another think-tank. The continent's local suppliers are close to meeting its demand for artillery shells and howitzers, and have expanded production of tanks and other fighting vehicles, but the development and production of advanced kit such as rocket artillery, long-range missiles and air defences is "limited at best and absent at worst", according to the Kiel Institute. In February Guillaume Faury, the boss of Airbus, a European aerospace giant with a large defence business, stressed the need for "more co-operation and more consolidation".

Efforts at consolidation are under way. In September Rheinmetall announced that it would acquire Naval Vessels Lürssen, a maker of warships. The value of European defence deals hit \$2.3bn in the first half of this year, up by more than a third from the same period in 2024. But with governments reluctant to cede control of firms deemed vital to national security, mergers among the biggest companies are unlikely.

Greater co-operation on major defence programmes offers another possible solution to fragmentation. Joint programmes, however, have had mixed results. Although the Eurofighter Typhoon jet, a collaboration between Britain, Germany, Italy and Spain, has been a success, the Future Com-

bat Air System, an effort to develop a new European fighter jet that will be supported by a swarm of drones, is threatened by bickering between France and Germany.

Lengthy procurement processes pose a further problem for Europe's defence industry, which is wary of investing based on loose commitments to future spending. Bureaucratic inertia is endemic in Europe. Without firm orders for large amounts of equipment, defence contractors struggle to insist on increases in capacity further down the supply chain. "No one is building on a promise," says John Schmidt of Accenture, a consultancy. When it comes to the most advanced military equipment, long development cycles mean American kit may remain cheaper and faster to get hold of for many years to come.

Then there is the question of whether Europe can compete in the development of the technologies transforming warfare. The conflict in Ukraine has shown the importance of drones on the battlefield and satellites in space. If Europe is not to be dependent on outsiders, it must be able to produce such systems at scale.

To do that, Europe needs the types of upstart defence contractors that have been gaining sway in America, including Anduril, a maker of drones, and SpaceX, which is behind the Starlink satellite network. Yet Europe's capital markets are not as deep and liquid as America's, making it hard for newcomers to "raise funds, innovate and compete", according to the Goldman Sachs Global Institute, an arm of the investment bank.

The sky is the limit

Europe has shown signs of promise, argues Ben Prade of Bullhound Capital, a tech investor. It has spawned three defence unicorns (startups valued at over \$1bn)—Germany's Helsing and Quantum Systems and Portugal's Tekever, all of which make drones. Mr Prade adds, however, that while early-stage funding is available, capital to help companies scale up is still lacking.

Here investors' newfound enthusiasm

for defence companies may help. Whereas the industry was once seen as a pariah, it is now almost glamorous. Karl Rosander, boss of Nordic Air Defence, a startup developing drone interceptors, says that banks which were previously reluctant to provide finance are "banging on the door". The company's business model is similar to that of Anduril: rather than waiting for governments to specify weapons and ask for tenders in a procurement process that can last years, it is anticipating what it thinks will be required in the hope that orders will follow.

Europe will need many more such entrepreneurs willing to take big risks if it is to reinvigorate its defence industry and reduce its reliance on American arms. Without them, it will struggle to protect itself in an increasingly hostile world. ■

Pharmaceuticals

A shrinking divide

BANGALORE

Weight-loss drugs are spreading to the global south

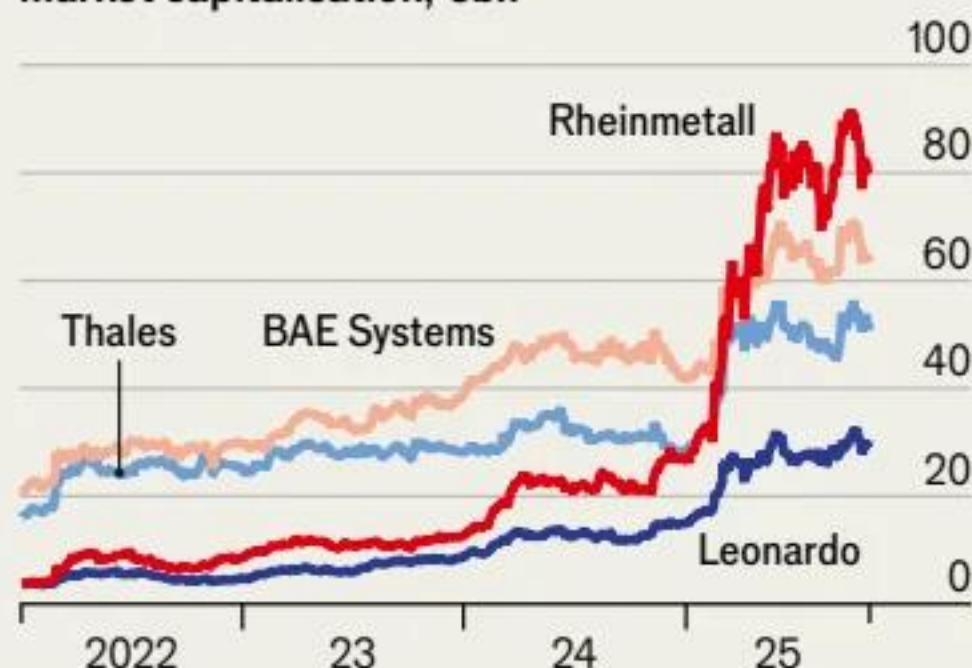
A NEW KIND of instant gratification is catching on in India. Urban consumers, who have grown accustomed to groceries and gadgets arriving within minutes, can now order slimmer waistlines almost as quickly. Online pharmacies promise same-day delivery of weight-loss injections, and demand is booming. In March Eli Lilly, an American drugmaker, began selling Mounjaro, its obesity treatment, in India. A month's supply costs about \$180—a quarter of the price in America, though still steep for most Indians. Even so, by September it was the country's second-best-selling branded medicine.

Until recently, GLP-1s, a powerful new class of weight-loss drugs, were confined mostly to rich countries. Yet the World Obesity Federation, a charity, reckons that two-thirds of the world's 1bn obese adults live in poorer countries. Excess weight is not merely cosmetic: it raises the risk of diabetes, heart disease and cancer. And GLP-1s may also treat sleep apnoea, kidney disease and Alzheimer's. For poorer countries, wider access to these medicines could transform the treatment of chronic illnesses. That may happen as early as next year, with the launch of cheaper generics alongside pill-based versions.

Demand for GLP-1s has been ravenous. Citeline, a research firm, reckons global sales of the drugs will exceed \$26bn this year—double the figure in 2024. The market belongs to two firms: Eli Lilly and Novo Nordisk, the Danish maker of Wegovy. ►►

Boom times

Selected European defence companies, market capitalisation, €bn



Sources: Bloomberg; Aviation Week Intelligence Network

Defence procurement spending, \$bn



*Excludes China

► Mounjaro and Wegovy were approved by Chinese regulators in 2024, but with supplies tight, the two firms focused first on rich markets, particularly America, which accounts for four-fifths of sales of GLP-1s. Only now are the pair turning to large but poorer markets such as China and India.

Their duopoly may not last in these places. Patents in most rich countries will protect both drugs until the end of the decade. But in early 2026 those on semaglutide—the active ingredient in Wegovy—will expire in several emerging markets, including Brazil, China, India and Turkey. Indeed, at least a quarter of the world's obese people live in countries where semaglutide will lose protection next year.

India's drugmakers, already the source of a fifth of the world's generic medicines, are moving fast. At least ten Indian versions of semaglutide are in late-stage trials. Analysts expect the generics to be sold first at about a third of the original price, with further decreases over time as competition intensifies. JPMorgan Chase, a bank, expects India's GLP-1 market to grow from \$179m in 2025 to \$1.5bn by 2030. An even bigger prize for India's drugmakers will be exports to countries where semaglutide's patents have lapsed. Dr Reddy's, a local giant, plans to sell a generic Wegovy in 87 countries. Subsidies from the Indian government for local manufacturers of GLP-1 drugs will also help.

China, home to more obese adults than anywhere else, will be another giant market. Its state-backed insurance scheme, which covers more than half of all drug spending, excludes weight-loss treatments—making price decisive for patients. Around 20 semaglutide-based drugs are racing for approval. Unlike in India, China's firms are not merely replicating existing drugs; they are also innovating. In June regulators approved mazdutide, developed by Innovent, a local biotech firm, in partnership with Eli Lilly. In clinical trials it proved about as effective as Eli Lilly's own version. Western companies are also turning to China for new candidates: in March Novo Nordisk earmarked \$2bn to license a promising experimental weight-loss drug developed in the country, and in June Regeneron, an American biotech firm, struck a \$2bn licensing deal with Hansoh Pharmaceuticals, another Chinese company.

Weight-loss pills will also arrive in the global south soon. Currently patients must inject the drugs weekly. But Eli Lilly and Novo Nordisk have developed pill-based alternatives. Although analysts reckon the pills, once approved, will be priced similarly to the injections, they will be especially useful in poorer countries, where the cold supply chains required for injections are often unreliable. One of modern medicine's most transformative inventions will soon be in reach for much of the world. ■

Succession

The House of Wallenberg

STOCKHOLM

Sweden's leading business dynasty is readying for a generational shift

YOU COULD easily miss the brass plate on the door of Arsenalsgatan 8C in central Stockholm. It reads "Investor AB"—the name of the holding company that is controlled, through various foundations, by Sweden's Wallenberg family. The discreet sign fits the family motto: *Esse, non videri* (to be, not to be seen). When you control 35% of the value of the national stock exchange, as the Wallenbergs do, invisibility is hard to achieve.

Few other families, at least in the West, hold comparable sway in their home countries. Although the Wallenberg foundations own just 23% of Investor AB, which is publicly listed, they control a little over half its voting rights. The holding company in turn owns sizeable stakes in many of Sweden's largest businesses, including Atlas Copco (manufacturing), Saab (defence), Electrolux (home appliances) and Ericsson (telecoms). The family also controls SEB, Sweden's biggest bank, which was established by André Oscar Wallenberg, the dynasty's founder, in 1856. Moreover, the Wallenberg's foundations are among Europe's most beneficent. Last year they gave away \$300m for research and education, making them the biggest donor to the continent's universities after Britain's Wellcome Trust.

The Wallenberg family is currently led by three members of its fifth generation: Jacob, the chairman of Investor AB; Peter,

his brother; and Marcus, his cousin, who chairs SEB. With all three in their mid-to-late 60s, the transition to a new generation is now under way. It is being closely watched across Europe.

"A lot in our early history happened by circumstance rather than design," says Jacob (pictured). The Wallenbergs' position at the apex of Swedish business came about largely because of an economic crisis in 1877. Several big Swedish companies had borrowed from SEB, which took equity rather than see them go under. In 1916 Investor AB was founded in response to a new law that made it difficult for banks to hold shares in other companies.

The Knut and Alice Wallenberg Foundation (KAW), the first and largest of the 16 foundations established by the family, was set up in 1917 by Knut, a son of André Oscar, and his wife Alice, who had no children. Over the generations these foundations helped shield the family's wealth from inheritance duties. "The establishment of KAW was a masterstroke," argues Gunnar Wetterberg, the author of a book about the family. Although Sweden scrapped its inheritance duties in the early 2000s, the foundations continue to enjoy tax benefits.

The family may have had plenty of good fortune, but past successions have not always gone to plan. Marcus, the grandfather of the trio now in charge, wanted his son Marc to be the next leader. Alas, Marc took his own life; it is said that he succumbed to the pressure of being the anointed heir. "This tragedy has given the cousins insights in managing succession," says Mr Wetterberg.

Whereas past generations did what they were told, the sixth has been encouraged to choose for itself. It helps that there are 30 of them (all children or stepchildren of the trio and their sisters). Their ascension began in earnest this spring when six joined the *Wallenbergssfären*, or "Wallenberg sphere", as Swedes call the network of foundations and companies controlled by the family.

"We were surprised by how positive the reaction was to this first step," says Jacob, who had expected grumbles. Institutional investors seemed to welcome the chance to get to know the next generation. The six include Jacob junior, Jacob's son (who joined the board of EQT, a private-equity fund co-founded by Investor AB), and Marcus's son Fred (on the board of Investor AB). For the first time, women are also part of the succession process. Among them is Stéphanie Gandet, who has joined the board of KAW. More are expected to join the first sextet in the upper ranks.

Seven years ago the family introduced a charter laying out its values and goals. They stay in close touch, meeting once a year in May at a villa on one of Stockholm's ►►



Family man

▶ many islands. Every six weeks the trio meets three of the 30 members of the sixth generation, in rotation.

"The Wallenbergs are a role model for family succession," says Morten Bennesen of the University of Copenhagen, co-author of a book on family businesses. He thinks that big European family enterprises are generally well prepared for handovers. But the continent's many mid-sized family firms find it more difficult (particularly those in provincial backwaters that wealthy heirs would rather leave). A survey by the Ifo Institute for Economic Research, based in Munich, found that 42% of firms in Germany's *Mittelstand* do not have a family member lined up to take the reins. With 30 potential contenders, the Wallenbergs may find themselves faced with the opposite problem. ■

Porsche

Fast, in the wrong direction

Warning lights are flashing for the German maker of sports cars

PORSCHE IS SYNONYMOUS with high performance. And for many years the financial performance of the German maker of sports cars was as pleasantly exhilarating as a ride in one of its vehicles. That makes its declining roadworthiness all the more shocking. It has issued three profit warnings so far this year, and on October 24th unveiled an operating loss in the third quarter of almost €1bn (\$1.1bn), a week after announcing the sudden departure of its boss of ten years.

Oliver Blume, who ran both Porsche and Volkswagen (VW) after the former was spun out from the latter in 2022, has at last given in to investors' unease over his ability to run two struggling carmakers. The appointment of Michael Leiters, formerly the

chief executive of McLaren, a British super-car firm, provided an immediate boost to Porsche's share price.

Although Porsche is small, it once made an outsized contribution to VW, which still owns 75% of the company. In 2022, the last year their results were combined, Porsche sold 314,000 cars out of a total of 8.5m, but accounted for well over a quarter of the group's operating profit. Over the past decade or so, Porsche's operating margins, typically between 15% and 18%, have been stellar by industry standards. But it reckons they will clock in at between zero and 2% this year. Sales fell in 2024 and have continued to decline in the first nine months of the year. Porsche's market value, at a little over €40bn, is down by half since its listing three years ago (see chart).

When Mr Leiters takes the wheel at the company on January 1st, he will face three daunting challenges. The first is to put right the pace of Porsche's electric-vehicle (EV) roll-out. Customers are more reluctant to embrace battery-powered sports cars than Porsche had expected. An aim for 80% of sales to come from EVs by 2030 has been abandoned. Yet it will take time and money to steer the firm back to petrol power. From next year the Macan, a hugely successful small SUV, will be available only as an EV. A replacement petrol model will not be ready until 2028. Changing course on a new range-topping SUV, which will now be offered not as a pure electric but as a hybrid or petrol vehicle, will add costs and delay the car by several years.

Mr Leiters' second challenge will be to rethink Porsche's strategy in China. The country was once the carmaker's biggest market, but it may sell only 40,000 or so vehicles there this year, down from 93,000 in 2022. A lacklustre market for luxury EVs combined with local competition from the likes of Xiaomi's SU7, which resembles Porsche's Taycan EV in all but price, and a belated realisation that infotainment systems developed in Europe fall well below the expectations of Chinese buyers has prompted soul-searching. Earlier this year Mr Blume questioned whether Porsche could continue as an EV brand in the country. Mr Leiters must decide whether to go all out to keep Chinese consumers happy, or shrink the company's presence.

The last challenge for Mr Leiters will be to navigate the new tariffs imposed on the European Union by America, which has overtaken China as Porsche's largest market. Last year the country accounted for a quarter of sales, but Porsche has no factories there to mitigate the impact of import levies. President Donald Trump's imposition of a 15% tariff on cars from Europe could wipe €700m from profits this year; price rises to offset the damage would hit sales. Mr Leiters will face a difficult task putting the oomph back into Porsche. ■

Commodities

Black mood

NEW YORK

Oil-and-gas companies are missing out on the AI energy bonanza

WHAT MORE could oilmen ask for? In the Oval Office they have a president who champions petroleum. Governments around the world are wavering in their commitment to phasing out dirty fuels. Demand for energy is rising thanks to a frenzy of investment in power-hungry data centres. More good news came on October 22nd with the unveiling of fresh American sanctions on Russian energy companies, which lifted global oil prices.

Yet times are surprisingly tough for the industry. Since the start of last year the S&P 500 index of American firms has produced a total return, including dividends, of 48%. But American pedlars of oil and gas—including Chevron and ExxonMobil, which were due to publish their latest quarterly results after we went to press—have returned just 14%. Their European counterparts have also underperformed.

Not long ago the oil-and-gas business was roaring, owing to the surge in prices that followed Russia's invasion of Ukraine in 2022. Since then prices—although volatile—have fallen, leaving the industry in a funk. Investors should be ready for a phase of sluggish growth.

Oil demand has been soft owing to modest global economic growth and the rapid spread of Chinese electric vehicles. Meanwhile, supply continues to expand robustly. According to the International Energy Agency, an official forecaster, the world produced a surplus of 1.9m barrels a day (b/d) on average from January to September. The IEA reckons that figure may rise to 4m b/d next year.

The new sanctions on Russian oil are unlikely to provide much of a boost to profits. Although spot prices rose sharply in response to the news, those for futures contracts did not. Russia has already built up an enormous "dark fleet" of tankers to evade sanctions, and will probably still manage to find buyers for its oil, albeit at a discount. Moreover, other suppliers are prepared to fill any gaps. The day after the new measures were announced Kuwait's oil minister declared that the Organisation of the Petroleum Exporting Countries stood ready to expand output to avoid disruption to global markets.

Rising demand for natural gas is not helping much either. True, Western tech giants are turning to the fuel to power their data centres, despite their vocal support for decarbonisation. But in America, where ▶▶

A speedy descent

Porsche, market capitalisation, €bn



Source: LSEG Workspace

▶ most of the construction of data centres is taking place, prices for gas have yet to rise significantly as domestic supply has expanded to meet growing demand. The tech giants' hunger for energy has benefited the utilities that supply electricity, whose shares have surged, far more than it has the sellers of natural gas. Making matters worse, gas prices in Europe and elsewhere are likely to fall in the years ahead as the global supply of liquefied natural gas increases thanks to big investments in liq-

uefaction facilities in America and Qatar.

In a sure sign that oilmen are feeling downcast about their industry's growth prospects, they are handing cash back to shareholders through dividends and buybacks rather than investing it in expanding production. According to Rystad, a consultancy, Chevron, Exxon and their four big European counterparts (BP, Eni, Shell and TotalEnergies) paid out a record \$120bn to shareholders last year, representing 56% of their combined operating cashflow—well

above the 30-40% seen in the previous decade. On October 30th Shell announced it would buy back \$3.5bn of its shares over the next three months.

To free up cash, the oil giants have been cutting costs. Exxon recently announced it would reduce its workforce by 3-4%. Chevron is in the midst of a restructuring that could reduce its headcount by a fifth. Conoco, another American oil giant, is also retrenching, as are BP and Shell. Facing a gloomy future, big oil is slimming down. ■

BARTLEBY

LinkedIn and the art of self-promotion

Everyone does it. It's still appalling. #HornTooted

BRYAN FOLLICLE, Thought Leader, Serial Founder, Dad, Husband, Son:

Don't let anyone tell you that your dreams are unattainable. By the time I was 14 I was a millionaire several times over. By the time I was 21, I was bankrupt. By the time I was 28, I was a billionaire. I'm now 34, and slightly nervous. Life is a journey. Travel well.

Vincent Vincenti, Global CEO, CFO, CTO, CMO and CHRO: Thank you, Bryan. This is so true.

Dale Commerce, 12 Exits, No BS: If you are reading this, you are a total loser. Put down your phone and get off social media. Start coding the app that will make you rich. Learn the skill that will propel your next business. Every hour you spend not working towards your goal takes an hour off your life. If you want to read my 12-page guide to success, just write WINNER in the comments. #Boss #Mindset #Winner
Vincent Vincenti, Global CEO, CFO, CTO, CMO and CHRO: WINNER

Sarah Green-Brown, International Thought Leader, QXIG Top 1,000 40 Under 40 List Two Years Running:

Resilience is a superpower. I have spent the past year trying to find my next role, and never got an interview. Yesterday I got cold-called by a headhunter and was offered my dream job. I stayed in the fight. The fight stayed in me.

Ajay Bloom, Bestselling Author, Courage Advocate: Love your grit. If you want to know more about surviving adversity, check out my new book "Bounceback!"

Garry Morrisson, Accounting Leader, Ultramarathoner: I am thrilled to announce that I have got to the next level in Duolingo Portuguese. Obrigado!

Raleigh Mundesley, Senior Business Development Leader: Congratulations, Garry. If you are interested in translating

your podcast into Portuguese, DM me and we can chat about opportunities.

Frederick Salamon, Legal Influencer, Delta SkyMiles Premium Member: A massive shout-out to my team for the successful launch of our new AI-powered due-diligence tool.

• Weekends sacrificed!

• Deadlines hit!

• Clients satisfied!

Have never been prouder to work for @FrederickSalamonPartners!

Vincent Vincenti, Global CEO, CFO, CTO, CMO and CHRO: Congratulations, Frederick. Sounds like a real team effort!

Herman Flange, Product Leader, 28,000 LinkedIn followers and counting: I have hired hundreds of job candidates during my career. The best applicants follow one simple rule that they don't teach you in business school: don't blink. I don't mean this metaphorically. Blinking signals uncertainty and fear. Blinking suggests lack of interest in the opportunity. Stay focused on your questioner. Make eye contact and maintain it relentlessly. Don't blink. Never blink.



Shruti Shetty, Bestselling Author, TEDx Audience Member: Love this advice. If you want to know more about how to land the perfect job, check out "Career!", a book I wrote on the subject.

Anne Smalls, Careerpreneur, 950 Achievements on Strava: Hire for Potential. Hone for Performance. #HipHop
Kees van Dries, C-Level Coach, Early AI Adopter: Don't forget "Coach for Excellence!" #HipHopCoe

Harriet Phyllis-Crowbar, Author and Thought Entrepreneur, No Longer Accepting LinkedIn Connection Requests Because I Have Reached Maximum Allowable Number: Everyone should check out this video of Steve Jobs when he returned to Apple. The way he handles this audience question is a lesson to everyone. #Grace
Fabien Glace, Innopreneur: Thanks for sharing, Harriet. He inspires my consulting work for Fortune 500 clients every day. #InsanelyGreat

Rob Snow, Board-Level and C-Suite Executive, 10x At Everything I Do: I'm honoured to have been self-nominated for the annual Global Thoughtpreneurship Awards in all 21 categories. You can vote for me as many times as you want by clicking on this link.
Rohan Singh, Business Operations, Business Strategy, Business: Congratulations, Rob. I have also been self-nominated in every category but am going to vote for you. #Co-operationNotSilos

Henry Smith, Consultant: I am not a natural self-promoter but I know that if you don't ask, you don't get. I am open to work and grateful for any help you can offer as I embark on my next adventure.
Raleigh Mundesley, Senior Business Development Leader: Congratulations, Henry. If you need help scaling your podcast audience, DM me.

SCHUMPETER

Vertical take-off

Google, Microsoft and the battle of AI business models



THE ERA of artificial intelligence featured an unlikely early leader. Until ChatGPT came along in November 2022, Microsoft was better known for business software that was ubiquitous, worthy and dull. Suddenly, owing to an exclusive cloud partnership with the chatbot's creator, OpenAI, the 47-year-old technology titan became the hottest thing in big tech. Since then it has created over \$2trn in shareholder value. That is ho-hum by the standards of Nvidia—which has furnished the AI revolution with chips and been furnished in turn with a market capitalisation of \$5trn—but astonishing by any other measure.

Microsoft has pulled this off while relaxing its grip on OpenAI by, for instance, letting it use alternative sources of computing power so long as it asks first. On October 28th Microsoft loosened the setup once again, allowing OpenAI to be boundlessly promiscuous in its choice of cloud partners, no permission required. The new agreement also assigned Microsoft a 27% stake in OpenAI and entitled the tech giant to 20% of the startup's revenue and, until 2032, all its technology—including, should it materialise, superintelligence. In addition, OpenAI will spend \$250bn on Microsoft's cloud computing over the next few years.

This partnership approach to the AI "stack" has set the tone for the industry, much of which has also opted for a division of labour. Chipmakers like Nvidia and AMD design the graphics-processing units (GPUs). AI labs like OpenAI and Anthropic devise the cutting-edge models. Cloud "hyperscalers" like Microsoft and Amazon host the labs' models on GPUs purchased from the chip firms. All co-operate where they can and compete where they must.

All except Google, that is. The search giant is the only one of tech's big names to go all in on vertical integration. Google Cloud installs "tensor-processing units" (TPUs) designed in-house to train frontier models built by its lab, Google DeepMind. The models, in turn, power its own products, from search to YouTube.

The trouble with a do-it-all-yourself approach is that it is less nimble than Microsoft's and OpenAI's mix-and-match strategy—a flaw when dealing with rapidly changing technology. Google has been branded an AI laggard. The shares of its corporate parent, Alphabet, have traded at two-thirds the price of Microsoft's, rela-

tive to earnings, on average since the ChatGPT moment. That is despite the fact that its net profit is growing at a faster clip—as was on display when both tech giants reported their quarterly results on October 29th.

Lately, though, the cold shoulder from investors has been turning into a warm embrace. In the past four months Alphabet has gained \$1trn in market value, more than in the previous two and a half years. It has narrowed its valuation gap with Microsoft. And its vertically integrated approach is winning over not just markets but also rivals—including, deliciously, Microsoft and OpenAI.

Google's earlier underperformance smarted all the more because it sees an AI windfall as a birthright. In contrast to Microsoft it has been a machine-learning company since its founders came up with their clever search algorithm in the late 1990s. A year ago Demis Hassabis, the head of Google DeepMind, shared the Nobel prize in chemistry for his work on AI that predicts how proteins fold. Most galling of all, it was Google researchers who in 2017 published the seminal academic paper that led directly to ChatGPT. Alphabet was sitting on a chatbot when OpenAI made a splash in late 2022, but released it only in February 2023.

The reason for the initial flatfootedness was bureaucratic inertia. As Alphabet has grown into a sprawling and stratified global organisation, decisions have become harder to make—especially when they involve all the different parts of the internal tech stack and, worse, could hurt its core search business.

It needn't have worried. So far there is little sign that chatbots are eating search. On the contrary, AI Overviews, which began appearing above the signature blue links in May 2024, seem to be boosting it by keeping users engaged and searching for more. Google's search-advertising revenue has grown by a healthy 10% or so in the past few quarters, year on year—a feat for a business that already generates around \$50bn in quarterly sales.

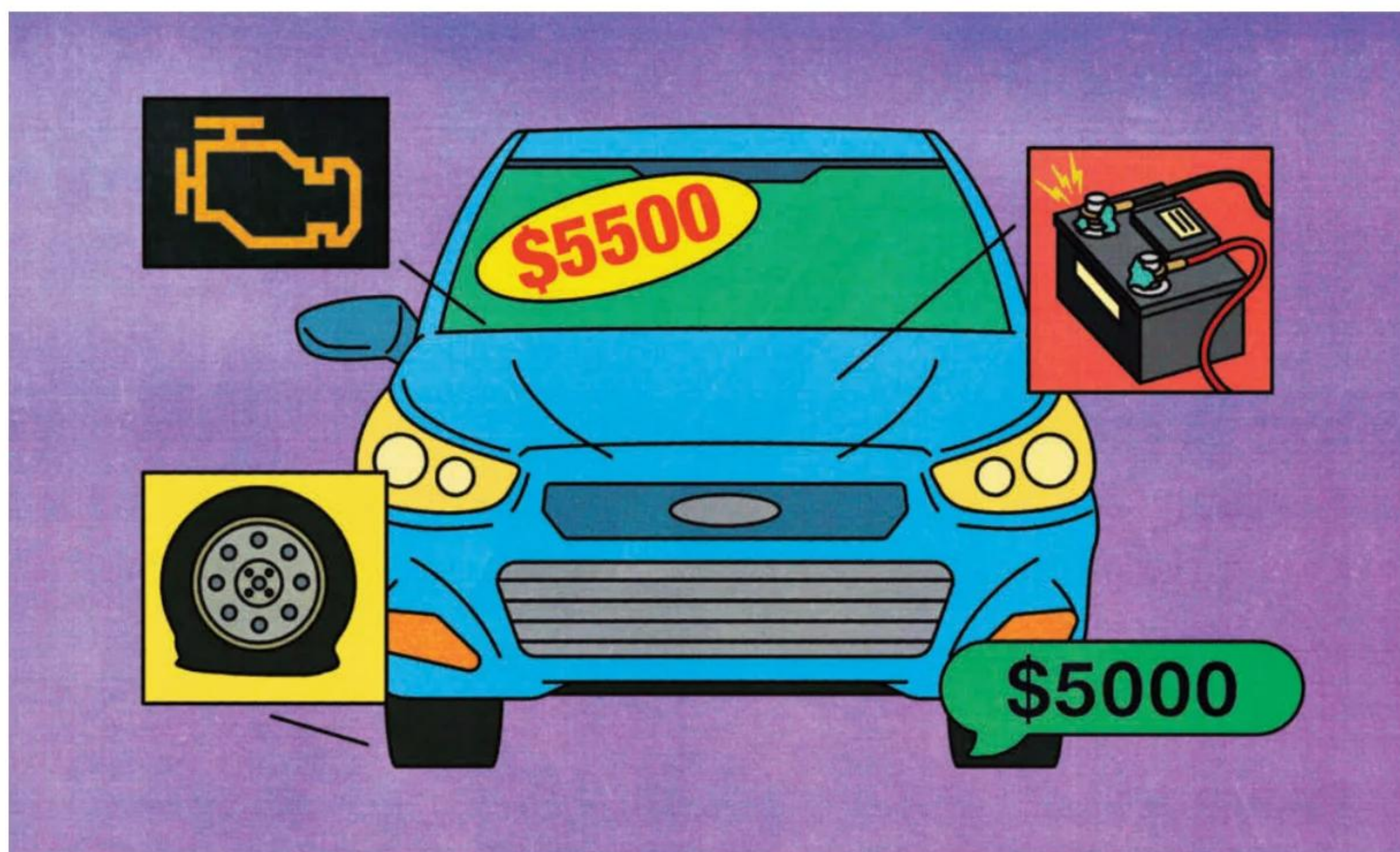
AI has also boosted Google's non-ad revenue. Google Cloud sales are growing at an annual rate of 30%. The unit accounts for nearly a tenth of Alphabet's operating profit, having been a drag as recently as late 2022. It is a favourite with AI firms. They prize TPUs' higher energy efficiency compared with Nvidia's GPUs, which Google Cloud also makes available, notes Ahmed Khan of Morningstar, a research firm. On October 23rd Anthropic said that it would buy an additional gigawatt of computing power from Google Cloud, worth perhaps \$8bn-10bn a year, insisting on access to as many as 1m TPUs.

The TPUs' power frugality is a direct consequence of Google's vertical approach. Since 2015 its processors have been tailor-made to work with the rest of its hardware and software—now including Gemini, its flagship AI model—which in turn are tailored for its processors. The result is that Google's cost per AI query is not five times that of traditional search, as early estimates suggested, but twice. Mr Khan calculates that AI dilutes the gross margin for Google's search business only from 90% to 86%.

Stack overflow

Such economics explain why OpenAI, eager to stanch multi-billion-dollar losses, wants to develop custom silicon. And why Microsoft is looking Googley: it unveiled an in-house chip-design studio in 2023 and an AI lab in 2024. However, its second-generation Maia chip has been delayed and its model-building is inchoate; it will be years before either becomes truly competitive. In the meantime, Google's inertia is turning into momentum. ■

Finance & economics



Consumer power

The end of the rip-off economy

SAN FRANCISCO

From used cars to medicine, AI is radically improving market efficiency

IF YOU KNOW how to use artificial intelligence, it can save you a lot of time and money. Leasing a new car? Be sure to upload a photograph of the contract to ChatGPT first. Need help with a leaky tap? AI often understands the issue—and at a lower cost than a handyman. Parents with a fussy baby can now use chatbots to answer questions in seconds, rather than waiting for a doctor's appointment. Giving Claude a PDF of a wine list is a great way to find the best-value bottles.

These examples add up to something bigger. As AI goes mainstream, it will remove one of the most enduring distortions in modern capitalism: the information advantages that sellers, service providers and intermediaries enjoy over consumers. When everyone has a genius in their pocket, they will be less vulnerable to mis-selling—benefiting them and improving overall economic efficiency. The “rip-off economy”, in which firms profit from opacity,

confusion or inertia, is meeting its match.

Information advantages have existed for as long as markets themselves. In medieval England grocers used fake scales to dupe customers; pub landlords put salt in beer to make patrons thirstier. Such squalid practices are not just annoying. In a paper published in 1970, George Akerlof, a Nobel-prizewinning economist, discussed the market for used cars. It is hard for a buyer to know if such a car works properly

or is a “lemon” with hidden problems. Buyers thus assume the worst. As a result, honest brokers, worried about being suspected of exploitative behaviour, stay away. The quality of service declines. Fewer consumers fulfil their needs.

The internet has made it harder to screw over customers. With Carfax and other providers of vehicle data, customers can check the history of a vehicle, overcoming some of the problems identified by Mr Akerlof. Taxi drivers now struggle to take people on circuitous but profitable routes, since apps such as Lyft and Uber tell them exactly where to go. Tripadvisor, a reviews website, sends tourists to restaurants that will provide a decent meal. In the early 2000s there were more than 20 branches of Angus and Aberdeen Steak Houses, a notorious tourist trap, in London. Today there are four, and the ones that remain are better than before.

Such developments led pundits to proclaim the end of rip-off markets. “Information perfection is on the rise,” pronounced Jeff Bezos, the founder of Amazon, in 2007. “A lot of economic theories about asymmetric information, while logically correct, have been rendered empirically obsolete,” argued Tyler Cowen and Alex Tabarrok, both of George Mason University, in 2015. We estimate that 25% or so of American consumer spending goes on goods and ser- ►►

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vices with severe informational asymmetries, from health care to home renovations, down from 30% at the turn of the millennium (see chart 1).

But that means plenty of rip-off industries remain. The building trade is a classic example. Homeowners rarely know the first thing about, say, HVAC or paint, which puts them at the mercy of bad actors. Estate agents lease properties with defects that become apparent only once the tenant has moved in. Lawyers provide bad advice, but clients do not find out until too late. Doctors offer the more expensive treatment option. Bureaucrats make all sorts of decisions—from tax penalties to rejecting a planning application—that are difficult to comprehend if you are not an expert.

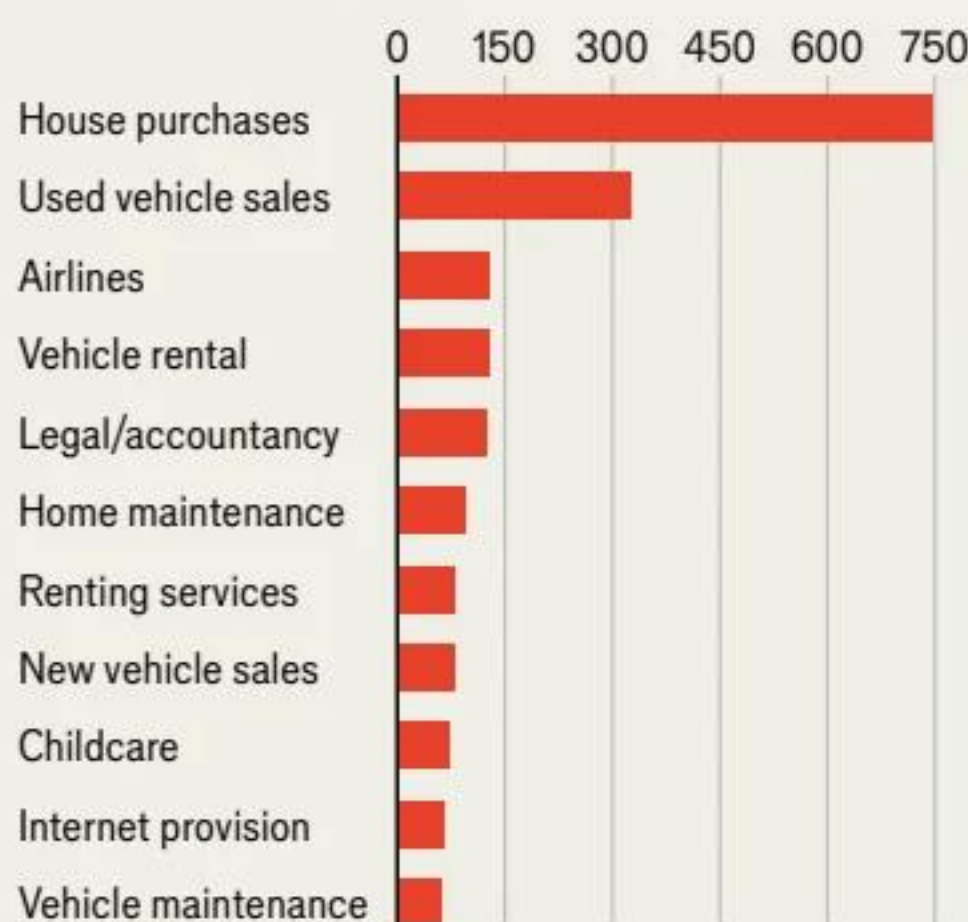
Economists have tended to focus on the costs of informational asymmetries on a case-by-case basis. In 2012 Susan Woodward of Sand Hill Econometrics, a consultancy, and Robert Hall of Stanford University found that mortgage borrowers typically missed out on at least \$1,000 by not shopping around enough brokers. Others lost thousands by failing to refinance their mortgage promptly when interest rates declined. A paper published in 2019 by the *Journal of the American Medical Association* found that the country's health-care system wasted up to \$100bn a year on "overtreatment and low-value care".

Add up such estimates, and in America it is likely that rip-off markets impose an effective consumer tax of hundreds of billions of dollars a year. A government-commissioned study in Britain in 2024 estimated that citizens lost the equivalent of 2.5% of GDP a year as a result of buying goods and services that were of unacceptably poor quality or had other defects. This encompassed everything from needing to rebuy a different version of the same product to the time wasted on complaints. Despite the improvements since Mr Akerlof was writing on lemons, the market for second-hand cars is still a tough one (see chart 2).

Startups may provide a glimpse of the future. CarEdge uses an AI negotiator to

Suck a lemon

Britain, monetised net detriment*, April 2023-May 2024, £



*Median cost of problems from consumer purchases
Source: National Centre for Social Research

haggle with dealerships on vehicle prices and terms; Pruvo monitors your refundable hotel booking, rebooking when the rate drops. And generalist LLMs are already helpful. A survey by Clio, a software firm, finds that over half of consumers have used or would use AI to answer a legal question. "The new stereotype is that Gen Z won't buy a car without running the contract through ChatGPT first," notes Financial Dystopia, a popular account on X.

When things go wrong, consumers use chatbots to get compensation. A recent paper by Weixin Liang of Stanford University, and others, found that by late 2024 roughly 18% of financial consumer complaints involved LLM-assisted writing. AI "will help people who didn't have the privilege of great advice to get...pretty great advice," argues Bret Taylor, the chairman of OpenAI, creator of ChatGPT.

Evidence on the impact of AI-empowered consumers is limited but suggestive. One paper, by Ryan Shea and his colleagues at Columbia University, reports on an experiment involving used cars and apartment rentals. They find that users who interact with an AI model "improved their negotiation performance significantly". New research by Minkyu Shin of City University of Hong Kong, and colleagues, analysed over 1m complaints to America's Consumer Financial Protection Bureau, finding that 49% of AI-assisted complaints received relief compared with 40% of human-written ones.

The extent to which AI truly eliminates rip-off markets depends on two things. First, consumers need to know how to use AI properly. Mindlessly repeating advice from ChatGPT is less effective than using

the bot as a learning tool that allows a consumer to negotiate more credibly. In this regard, the results of a trial by Jan Biermann, then of the University of Hamburg, John Horton of the Massachusetts Institute of Technology and Johannes Walter of the ZEW-Leibniz Centre for European Economic Research, are encouraging. It involved people estimating how many dots were on an image, with different sorts of AI assistance on offer. The researchers found that people could "assess algorithmic evidence thoughtfully, adjusting their adherence depending on the quality of algorithmic recommendations".

Second, providers and retailers are likely to fight back with their own AI tools. Amazon listings are already swamped with AI-generated product descriptions. Use ChatGPT with your plumber today, and you may be able to convince him to cut his price. Use ChatGPT with him in a year, and he may have his own model telling him to charge you even more. Companies are working on "generative engine optimisation", which could result in chatbots putting out information favourable to their product or service. In time, many markets may require AI arbitrators, where both parties agree to abide by the ruling of an impartial third-party bot. What seems clear is that the days of the know-nothing consumer are well and truly over. ■

Hoarding commodities

Stash of the titan

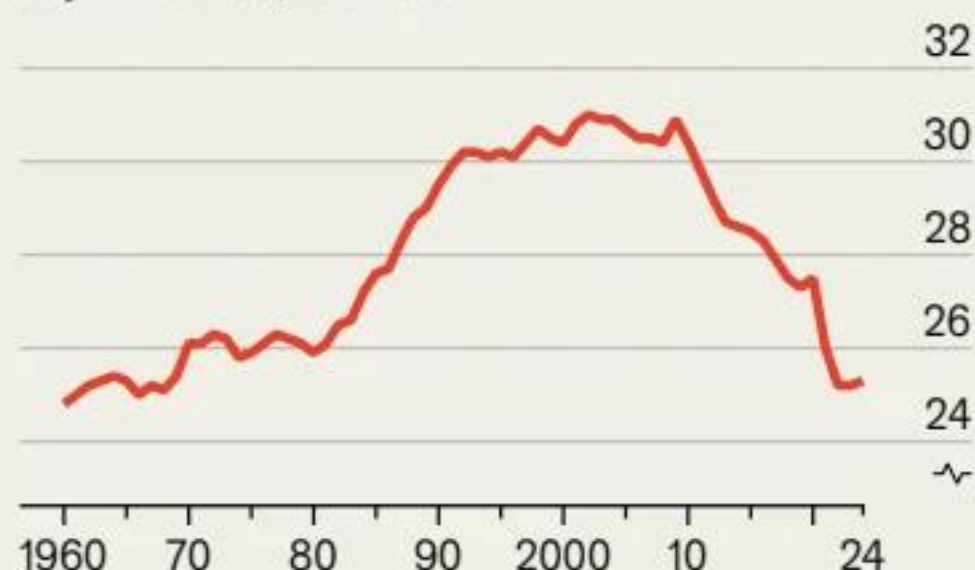
China's secret stockpiles have been a great success—so far

SEEN FROM the skies, China's Dongjiakou oil storage looks like a tray of god-sized cake tins. As fuel fills up the tanks, their floating roofs rise, turning the containers into panettone-shaped domes. And lately the bakers have been busy. Some 10m barrels of crude have been added since early December, taking the total to 24m. The state-owned facility—the largest of its kind on the Chinese coast—is barely two years old. It is already 56% full.

China's craze for crude is part of a grander plan. Since early 2024, when it became clear that Donald Trump might return to the White House, officials have stockpiled fuel, food and metals to limit exposure to sanctions and tariffs. Those measures accelerated and broadened after Mr Trump slapped high duties on Chinese goods in the spring. By strengthening China's hand, they may have helped secure more favourable terms in the trade-war truce announced by Mr Trump on October 30th. ►►

Over the hump

United States, share of consumer spending on goods and services with severe information asymmetries*, % of total



*Where buyers have limited knowledge of the quality of goods or services provided, including health insurance and dwelling rentals
Sources: BEA; The Economist

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Fill 'em up

► Some see China's scramble as a symptom of paranoia; perhaps even preparation for an invasion of Taiwan. Whatever the motive, the campaign is making China harder to bully. Yet there are drawbacks, too. As the world's largest importer of commodities transforms global markets, it is wasting money, creating dependencies and exposing itself to new risks.

China has good reason to fret about its energy supply. Despite booming electric-vehicle sales, it will need 16m or so oil barrels a day (b/d) for years—three-quarters of which it must import. Its purchases of natural gas have tripled over the past ten years as urban heating and fertiliser plants demand more. And it imports 500m tonnes a year of coal, which fuels 60% of its power.

Although China is one of the world's mineral-refining centres, it imports 88% of the iron it bakes into steel; it is short of bauxite, the underlying ore for aluminium; and its smelters ship in 88% of their raw copper. It needs cobalt, nickel and lithium to make batteries. And as incomes have risen and diets have changed, its food imports have soared, too. It buys four-fifths of the 120m-140m tonnes of soyabeans it feeds to its 430m pigs and 70% of the edible oil it blends into processed food. No other country imports so many cows.

Chinese officials are discreetly pulling three levers to reduce these vulnerabilities: to boost domestic production, build stockpiles and diversify imports. The domestic-production campaign began in 2019 when Xi Jinping, China's supreme leader, launched a seven-year scheme to develop domestic oil and gas resources. This scrapped taxes and spurred investment. Defying predictions of decline, China's oil output has risen from 3.8m b/d in 2019 to 4.4m b/d. Its gas production is up by half.

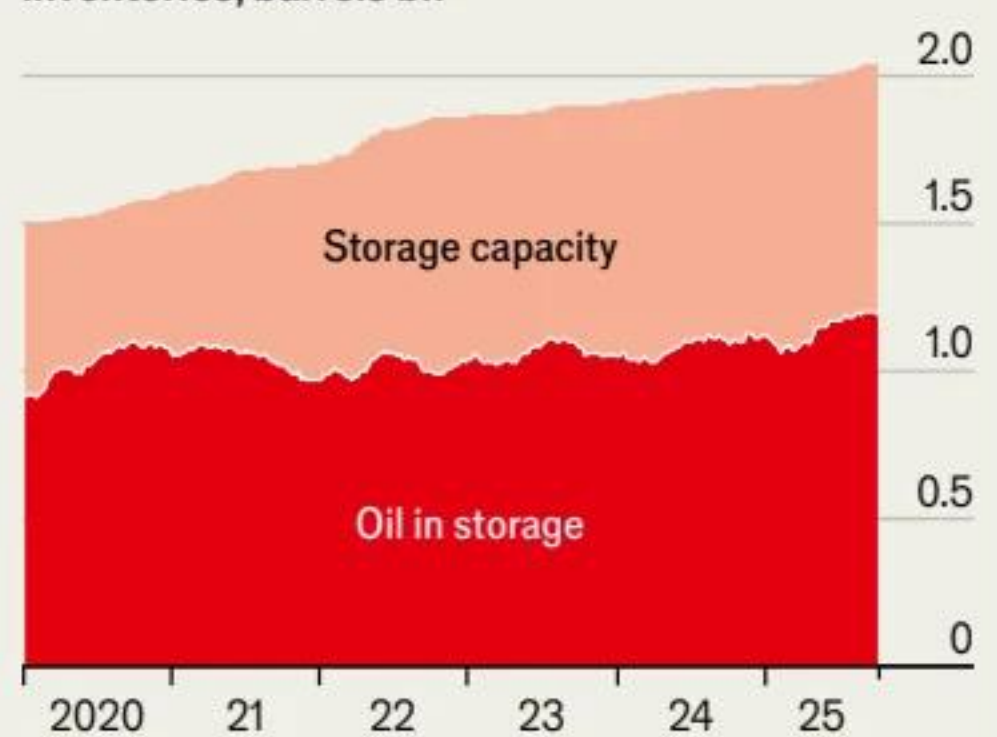
This year, with oil prices low, Chinese

energy firms have trimmed spending abroad. But not at home, where they are doubling down on ambitious projects. Gas production is expected to rise by 3%-6% this year and next. Oil output will remain near record highs. Even filthy coal is back in fashion. In May China's energy-planning body called for a batch of new mines. And in September eight government bodies released a two-year plan calling for exploration to find new supplies of ten metals, including cobalt, copper and lithium.

New projects can take years to complete. In parallel, therefore, China is building bigger reserves—its second lever. This is clearest in oil. Since early February China's observable stocks grew by 110m barrels, to a record 1.2bn, reckons Kayrros, a data firm—triple the size of America's reserves. A law passed in January requires all energy firms to hold strategic stocks. China has been a keen buyer from Iran, Russia and Venezuela, all subject to American sanctions; exports from the trio to Qingdao, Shandong's largest port, hit 590,000 b/d in September, a record. Although on

Flush with cache

China, above-ground crude-oil inventories, barrels bn



Source: Kayrros

October 23rd Mr Trump threatened sanctions on countries buying crude from Russia's biggest oil firms, the impact remains uncertain: many Chinese refiners do not rely on the dollar system.

There is scope to keep buying. China's storage capacity of 2bn barrels is only 58% full, and more will be built next year. Should the country stockpile at today's rate, as traders expect, it could have 1.5bn barrels by next year, enough to cover 140-150 days of imports. China also wants to stash more gas. It has just 30bn-40bn cubic metres (bcm) in reserve—less than 10% of its annual demand—partly because of limited space. In July its largest storage facility, buried kilometres underground, added a 700m-cubic-metre reservoir. At the same time, it is building super-sized tanks to house liquefied natural gas (LNG).

Within China, talking about the country's metal reserves can land you in jail. But analysts detect change there, too. Tom Price of Panmure Liberum, a bank, notes that imports have soared even though China's metal-hungry industries have slumped. He estimates that stocks built in the past 20 months are sufficient to cover 20%, 50% and 108% of its annual demand for copper, zinc and nickel, respectively.

Yet some resources are too scarce, perishable or voluminous to be stored at scale. Hence China's efforts to diversify supply—its third lever. Since 2022 Russia has been trying to get China to buy more gas. And on October 23rd China received its 11th shipment from Russia's Arctic LNG 2 project, once frozen by sanctions. It will take a record 38bcm of gas in 2025 via a pipeline from Russia; it could receive another 50bcm if and when Power of Siberia 2, a mega-pipeline Russia says China agreed to in September, is completed. China is also buying more from Malaysia and Qatar.

Meanwhile, China is increasing investment in foreign mines and infrastructure. In May it began building a railway to move more coal from Mongolia. Its copper firms have gobbled up nine foreign rivals since 2024; the three deals this year are bigger than the previous six combined, according to CRU, a consultancy. A Chinese company is in talks to buy much of the grid in Chile, which holds the world's largest reserves of copper and lithium. China's nickel miners are expanding in Indonesia even though the metal's price is at rock bottom.

Most striking is the effort to ditch American soyabeans. They accounted for a quarter of China's imports last year but have been subject to a 20% tariff since April. Before the trade truce China had purchased only one cargo from America's recent harvest. Instead, it is buying record amounts from Brazil and lots from Argentina. On October 30th Mr Trump said China had agreed to import "tremendous" amounts of American soyabeans. China

► has not provided details.

Regardless of the latest trade-war developments, China's commodity campaign is transforming not just Chinese markets but global ones. It is becoming the world's swing supplier of gas, reselling LNG cargoes when prices are high and reducing the clout of big exporters. Its vast, opaque stocks make prices even less predictable. And its covert purchases of Russian oil and now gas allow a clandestine shipping and financing industry to thrive.

These changes are largely to China's benefit. But its scramble for supply has drawbacks. For one, it is expensive. China is loading up on oil ahead of an expected glut. Since many analysts expect a barrel of crude to be \$10-20 cheaper next year, China may be wasting billions of yuan a month. Its refiners are also securing copper at an enormous loss. The "treatment" fee they usually charge miners to process ores has turned deeply negative—a feat enabled, traders suspect, by cheap state

loans. Brazil has been selling soybeans to China at a hefty premium.

And in concentrated markets China is swapping one dependency for another. According to a NATO expert, its pool of food suppliers is less diverse today than a decade ago. It is vulnerable to poor weather, political storms or economic turmoil in Brazil, now its chief source of meat, oil-seeds and sugar. The stockpiling strategy may have been successful so far, but that does not make it any less of a gamble. ■

BUTTONWOOD *America LLC the beautiful*

A letter to investors from the White House Opportunities Fund

DEAR INVESTORS and patriots, It has been nine months since the new leadership team took charge of America LLC on January 20th. As we head towards the holidays, we are pleased to update you on the strong performance of the flagship White House Opportunities Fund (WHOF), established by our new CEO.

Critics in the investment industry and financial press complain that our new approach to investment is distorting capital markets and "picking winners". To that we say: it beats being haters and picking losers. Our approach is a unique blend of corporate activism and state capitalism at home, supplemented by carefully chosen special investments abroad. It is already paying dividends. Our early bets in semiconductors and mining have produced beautiful returns. Several of our core investments have almost doubled in value, far outstripping the 15% rise in the S&P 500 since the fund's inception.

Our holding in Intel, bought in August, remains the cornerstone of the portfolio. From our official purchase price of \$20.47 per share, the value of our stake in the semiconductor manufacturer has risen by 102%. A strategic dialogue with Lip Bu-Tan, who took over as CEO in March, allows us to confirm that he is not conflicted by his investments in Chinese technology firms, as we may have suggested in August. We are excited about his leadership.

Investments in metals and mining firms, via our sub-funds, Pentagon Ventures I and the Department of Energy Alpha Fund, have also struck gold. The share price of MP Materials has risen by 114% since we invested in July, and that of Lithium Americas is up by 87% since our plans to take a stake in it went public

in September. Our investment in Canada's Trilogy Metals has more than doubled since it was made in early October. We are interested in further, similar investments. In particular, Greenland remains a potential target for hostile takeover.

We remain excited about opportunities in Argentina. Recent purchases of Argentine pesos by Scott Bessent, our experienced head of foreign-exchange portfolio management, yielded quick profits after President Javier Milei's party, Liberty Advances, won midterm elections on October 26th. We have supported this trade with a \$20bn currency-swap arrangement with the Argentine government, and are keen to expand it through partnerships with other investors.

Some of you may be concerned about our exposure to Argentina, given the losses suffered by many foreign investors there over the past century or so. But we believe the recent performance is an endorsement of the WHOF's strategy. Rather than hiding from political risk, as many portfolio managers do, we consider ourselves participants in the democratic

process, at home and abroad. We are political price-makers, not price-takers.

Our portfolio managers are still on the lookout for openings in the digital-asset universe. The creation of the Strategic Bitcoin Reserve in March represented a clear break with the over-cautious, even sleepy, approach to cryptocurrency of America's former CEO. Today, we are committed to more actively realising the value of the digital assets on our balance-sheet. The value of the roughly 325,000 bitcoin we hold has risen by 12% since the establishment of the reserve. (Disclaimer: the WHOF takes no responsibility for the personal investments of the current CEO, nor for any coins associated with his name. But since you ask, they're doing brilliantly.)

Critics of America LLC claim there are risks to the outlook, notably in the macroeconomy. They argue that signs of stress in American corporate borrowing and weaknesses among lower-income households pose a threat to the fund's performance. Frankly, they're making it up. And in any case, management is in the process of forming a closer relationship with the Federal Reserve, which we expect to be strengthened by a change of personnel there. A full takeover is possible. We are especially keen to acquire the Fed's money-printing machine.

The fund faces idiosyncratic threats. America LLC's unique corporate structure requires that the executive team be rotated out every four years. We feel that this unduly constrains our long-term approach, and that an extension to the CEO's term may be necessary. He has indicated that he sees no need to amend America LLC's founding documents. But we will update you in due course. Sincerely,
Your board



Catastrophe bonds

Small consolation

Investors will help Jamaica recover from a devastating storm

CATASTROPHE BONDS, debt instruments that pay out when a natural disaster befalls a country, are intended to spread the pain. Some places face a concentrated risk from earthquakes, floods or hurricanes—the sort that would normally register as just another headline from a far-flung land to many investors. Sharing the cost between these places and such investors, for a price, can benefit both. That looks likely to be the case for Jamaica, where Hurricane Melissa, the worst storm ever to hit the Caribbean island, made landfall on October 28th. To help with relief efforts, the country will get a \$150m payout from a bond issued in 2024.

Intensifying disasters, linked to global warming, and a reduction in aid spending by many rich countries, including America, have led vulnerable countries to search for alternatives to the insurance market—and global bond markets are much deeper. Cat bonds, as they are known, are an increasingly popular asset class among investors, too. A record \$17bn of the instruments were issued during the first half of 2025, according to Swiss Re, a reinsurer.

Investor demand follows attractive returns: that of Swiss Re's cat-bond index has so far this year exceeded 10%, against just 7% on Bloomberg's index of American Treasuries. Cat bonds yield more to compensate investors for the risk of having to pay for a disaster. But their recent perfor-

mance came despite wildfires in Los Angeles that were among the most expensive catastrophes ever, with estimates of the damage running to \$200bn and more.

For a small, poor country like Jamaica natural disasters can be devastating. Research by the IMF suggests (perhaps not surprisingly) that hurricane-prone countries grow more slowly and are more indebted. Repeated storms push up government debt, as politicians face both the cost of rebuilding and loss of income from tourism, as well as the cost of servicing their debts. Their lenders, after all, know that places vulnerable to storms are riskier.

Preparing in advance, whether through fiscal buffers or Jamaica's "multilayered suite" of instruments, including credit facilities and insurance as well as cat bonds, can reduce the damage. The country has done both: it successfully reduced its debt from over 140% of GDP in 2013 to 62% in 2024, following an unusually popular IMF programme. Cat bonds pay out if a certain threshold is triggered. For Jamaica, that meant the "central atmospheric pressure" had to drop below a given threshold in at least one box in a grid of 19 layered over the island. Even as the storm was still passing over the country, armchair observers could check if the trigger was met.

The payout marks a change from 2024, when a previous cat bond with worse terms failed to trigger after Hurricane Beryl ticked one such box. This drew criticism from Caribbean finance ministers and environmental activists, who said that the terms should be revised in the name of fairness. Investors pointed out that retroactive changes to what was agreed would only result in higher costs next time. This time, at least, Jamaicans can reassure themselves that the bond's terms, if not the path of the storm, went in the right direction. ■



India's stockmarket

Firm foundations

MUMBAI

A flurry of initial public offerings is putting savers' money to good use

MUMBAI WAS built on the proceeds of a stockmarket boom. During the American civil war, money rushed into the city, then known as Bombay, as merchants sought alternative sources of cotton to the blockaded southern states. The boom spread from textiles to railways, to link cotton-growing districts with the coast, and to land-reclamation companies, to fill the gaps between the city's seven islands. New land provided newly flush brokers with space for new houses. The frenzy ended, but many of the companies endured.

Can India's stockmarket again provide a foundation for growth? Initial public offerings (IPOs) are surging. So far this year 298 deals have been completed, more than in the whole of 2023, according to Dealogic, a data provider. The rush is likely to last into 2026, when firms including Jio, a telecoms behemoth backed by Mukesh Ambani, Asia's richest man, are expected to list.

Companies are attracted by decent valuations. Indian stocks have mostly recovered from a wobble late last year, and are less than 1% below their peak in September 2024. The Nifty 50 index trades at a price-to-earnings multiple of 24, above its 20-year average. That is partly due to an influx of ordinary Indians' savings. Households now direct 5%-odd of their savings into shares and mutual funds, up from 2.5% in 2020. Retail participation in IPOs has surged, too. It used to mean filling 50 pages of forms, points out Pranav Haldea, of



The misery of Melissa

► Prime Database, a data provider. Now, thanks in part to deregulation and digital payments, it takes three clicks.

Capital raising offers a chance to boost capital spending. Private investment has been stagnant at about 10% of GDP—disappointing given the government’s ambition that India be a developed country by 2047. Corporate-tax cuts in 2019 have failed to spur a revival. A planned deregulatory push may give firms more reason to spend.

There are some signs that equity markets are helping to fuel investment. Power companies, especially in renewables, have been among the biggest to list. Waaree Energies, a utility, was one of the first, in October 2024. It was followed by NTPC Green Energy, at a valuation of \$12bn. Avaada Electro, which makes solar panels, has filed for an IPO to increase capacity. This year India has been a leading global investor in new renewable power.

Other listers include fast-growing startups that need finance to keep growing, points out Venugopal Garre of Bernstein, a research firm. Swiggy, a delivery app, listed in late 2024 with a valuation of \$12.7bn. It has yet to make a profit, so needs capital to keep operating, as well as to set up in more cities. Ather Energy, an electric-scooter maker that listed in March, plans to use its IPO to fund a factory. Although some growth companies may turn out to be overvalued, suggests Mr Garre, such exuberance is not a risk for India as a whole. It mostly concerns single stocks and leverage does not appear excessive.

About two-thirds of IPOs have been a means for owners to sell out rather than deepen their companies’ capital base. This year 63% of shares sold have been classified as “offers for sale”, rather than “fresh issues”, according to Prime Database. Yet such IPOs can still help the economy. Venture-capital and private-equity funds can use the market to exit positions and invest in the next generation of startups. “It is an incredible gift for the tech ecosystem,” says Shailendra Singh of Peak XV, a venture-capital firm. A robust IPO market gives investors the confidence to bet on early-stage tech companies that may take over a decade to pay off.

Some foreign manufacturers are using high valuations to cash in stakes built over decades, paring their bets on India’s growth. LG Electronics, a consumer-goods firm, and Hyundai, a carmaker, both from South Korea, listed their Indian arms as “offers for sale”. Portfolio investors are selling up, too. Foreign institutional investors have sold around \$18bn of equities this year. Yet the selling ceased at the end of October amid chatter about a potential trade deal with America. India’s first stock-market boom depended on an American trade embargo. Its latest could be fuelled by an American trade deal. ■

Tobacconomics

Smoke and mirrors

SAN FRANCISCO

How cigarette manufacturers profit from quitters

ONE HUNDRED dollars invested in the tech-heavy NASDAQ index in January 2024 would now be worth \$160. If you had bought American tobacco companies, you would now have even more: some \$165. The share-price boom in part reflects a strange economic phenomenon. In recent years, the operating margin on a cigarette sold in America has grown from about 50% to about 60%. This year cigarette- and cigar-makers are expected to make \$22bn of operating profit in the world’s largest economy.

Not bad for a dying industry. In the past decade the number of American adult smokers has fallen by 20m or so. The number of cigarettes sold in the country has fallen by more than a third. And industry insiders expect the decline over the next decade to be even steeper (few Gen-Zers smoke cigarettes). Normally, when customers vanish, an industry suffers: just look at video-rental stores or local newspapers. So how is the tobacco industry thriving? It is, in part, because cigarette manufacturers have read their economics textbooks. They understand price elasticities.

When lots of people smoked, there were many “price-elastic” consumers. In plain English, they were sensitive to increases in the cost of a cigarette. As more people have quit, however, only the

most committed smokers are still puffing. These people are price-inelastic. Companies have responded to the changing composition of their customers by raising prices at an ever-quicker pace. Over time, our analysis of official data shows, tobacco-price inflation in America has steadily increased relative to overall inflation. In 2017 the price of a packet of Marlboros rose by only a little more than overall prices (2.9% versus 2.1%). Last year overall consumer-price inflation was 3%. But the price of Marlboros rose by more than 7%.

The companies know exactly what they are doing. “[W]e can continue to take pricing to offset volume declines,” boasts Imperial Brands, which produces everything from Davidoff cigarettes to Rizla rolling papers. Philip Morris International, maker of Marlboro and Benson & Hedges cigarettes, talks of “the resilience of our combustible model”. In recent results British American Tobacco, of Lucky Strike fame, said that in America “price/mix more than offset volume decline.” Manufacturers cannot perform this trick indefinitely: at some point even the most determined smokers will die, quit or switch to black-market cigs. For now, though, the industry’s prospects are as rich as a cloud of Davidoff smoke.



Adding puff to profits

FREE EXCHANGE

The new globalisation paradox

In the age of Donald Trump, national autonomy requires deeper integration. Brazil shows why



BRAZIL'S PRESIDENTIAL palace was designed to project calm power. Oscar Niemeyer, the country's great modernist architect, gave it marble columns that curve like Brazil's rivers and seem to float on a still reflecting pool—a poised emblem of national sovereignty. But the calm can be deceptive. In 2023 a mob inspired by Jair Bolsonaro, a hard-right former president, stormed its gates. Pressure can come from abroad, too: in July President Donald Trump imposed tariffs of 50% on Brazilian goods out of pique at the prosecution of Mr Bolsonaro. Although Mr Trump and Brazil's president, Luiz Inácio Lula da Silva (known as Lula), had warm words for each other after a meeting in Malaysia this week, the episode shows how easily the superpower can reach into Brazil's politics. It also provides a lesson about how to conduct trade policy in Mr Trump's world.

Outwardly, at least, Brazilian officials have remained serene. They had sent American policymakers evidence of judicial independence, trusting that facts—and Brazil's stature—would shield them. Yet behind the poise lies a shift in strategy. The multilateral bodies Brazil once counted on have lost clout. So the country has sought protection in the only way it can: by binding itself more tightly to others. As global guardrails weaken, countries are learning that autonomy now comes from integration.

Economists have long treated globalisation as a trade-off between openness and national autonomy. In 1933 John Maynard Keynes, disillusioned by the failures of economic internationalism, argued in a lecture entitled "National Self-Sufficiency" that openness had gone too far. Every country wished "to be our own masters, and to be as free as we can make ourselves from the interferences of the outside world". That tension still shapes the global order. In the early 2000s Dani Rodrik of Harvard University recast it as the "political trilemma of the global economy". Countries could not simultaneously have economic integration, democratic politics and full national autonomy. The deeper global rules became, the less freedom governments had to set their own policies. Integration and sovereignty pulled in opposite directions.

Yet openness can also protect. Albert Hirschman, a liberal economist who fled from Nazi Germany, saw that rules could

shield as well as constrain. Having watched the Third Reich use trade to subdue its neighbours in eastern Europe, he warned that the power to interrupt trade relations becomes a powerful instrument of political pressure. His answer was not to turn inward but to spread risk. True independence, he argued, came from diversification—broad commerce with many partners, so that no single one could choke off a vital flow. In a world where a hegemon is willing to coerce, integration is what preserves sovereignty.

That idea is being tested again. Mr Trump has flouted the trading system's most basic rule—non-discrimination—using tariffs as political weapons. India has been punished for buying Russian oil; Canada for its digital-tax plans and enlisting Ronald Reagan for a critical TV ad; the European Union for its food-safety standards; and Brazil for prosecuting Mr Bolsonaro. For Mr Trump's targets, isolation now looks more dangerous than entanglement.

Brazil shows how this plays out. When Mr Trump announced his 50% tariff, officials reached instinctively for the rulebook. The South American giant is one of the World Trade Organisation's most litigious members—filing the fourth-most complaints, after America, the EU and Canada. But with the WTO enfeebled, Brazil is looking to deepen ties with others. Celso Amorim, Lula's chief adviser, calls it "a vaccine against arbitrary moves from any one power". In a world ruled by bullies, the best defence against infection by one country is exposure to many.

Lula, once sceptical of free trade, has become an unlikely evangelist for openness. In his first presidency, in the 2000s, he raised tariffs on industrial machinery and textiles, enforced local-content rules in oil and gas, and lavished subsidised credit on national champions such as Embraer, an aircraft-maker. Now he is racing to tie Brazil more tightly to the global economy. Brazil has concluded a free-trade deal with the European Free Trade Association, is finalising one with the United Arab Emirates and is in talks with Canada, India, Japan and Mexico. Most consequentially, after 25 years of delay, Mercosur, a South American bloc led by Brazil, is close to ratifying a pact with the EU.

These deals do more than open markets. They lock in domestic reform, promising greater transparency and steadier regulation. The EU-Mercosur pact, for instance, will open Brazil's public contracts to foreign bidders, phase out export taxes on key goods and bring its environmental and labour rules closer to EU standards. Binding yourself to predictable rules and broad partnerships may feel like a constraint. It is also insurance. The more rules you share, the harder it is for any one country to bend you.

Unintended consequences

Such moves may prove the most durable legacy of Mr Trump's tariffs. Trade pacts have a habit of enforcing institutional liberalisation. When Spain joined the EU's forebear in 1986, it was forced to scrap protection of its industries and adopt European competition law, anchoring its young democracy to a rules-based order. For post-communist Poland, accession meant rewriting thousands of laws; its murky state-contracting system was turned into one of the bloc's most transparent.

Around the world, governments are reaching the same conclusion. Middle powers like India, Indonesia and Mexico are pursuing autonomy through openness. Mr Trump's tariffs are pushing others to tie themselves more securely to trade rules. Economic integration was once considered a threat to sovereignty. Today it has become its shield. ■

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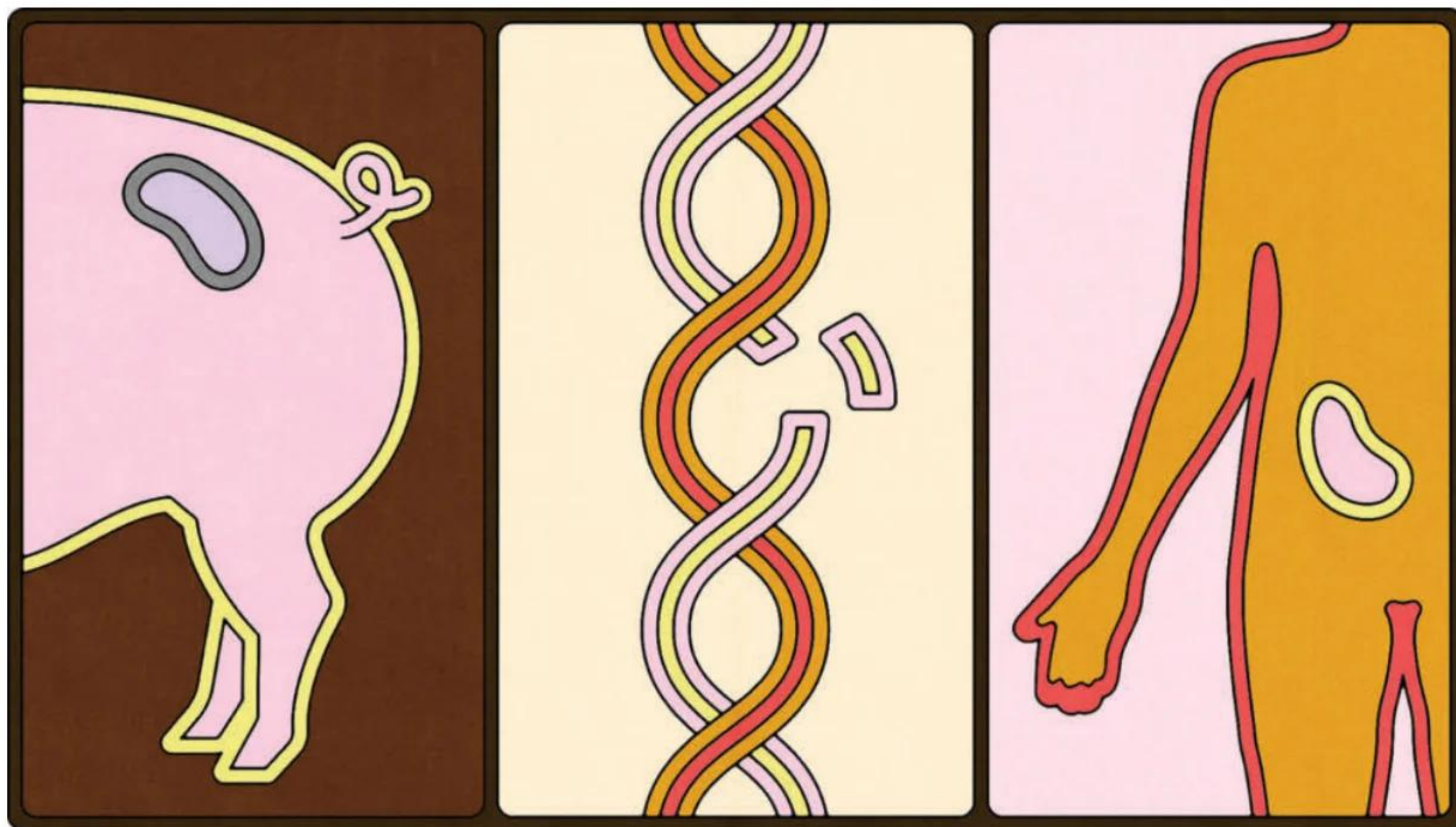
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Transplant medicine

A new lease of life

BOSTON

After a man survives nine months with a pig's kidney, "xenotransplants" are at last moving to clinical trials

FOR YEARS Tim Andrews, a pensioner from New Hampshire, suffered with failing kidneys. Dialysis could not stop a steady decline in his health. "Most likely I was going to pass away before I got to the point where I would be able to get a human transplant," Mr Andrews says. Then he read about Richard Slayman, who in 2024 had received a "xenotransplant": an organ taken from another species.

Mr Andrews contacted the medical team at Massachusetts General Hospital (MGH) that had carried out the operation. On January 25th surgeons at MGH gave him a kidney taken from a genetically modified pig. His new organ lasted 271 days—a record.

Xenotransplantation is the fusion energy of medicine. As the well-worn joke goes, it is the future—and always will be. Now, though, that punchline is starting to sound out of touch. Both Mr Andrews and Mr Slayman, being very ill, received their organs on exceptional compassionate grounds (Mr Slayman later died, for rea-

sons unrelated to his new organ). But in September the Food and Drug Administration, an American medical regulator, gave eGenesis, the company that provided Mr Andrews's kidney, permission to start full-scale clinical trials of pig kidneys—an early step on the road to wider medical use. United Therapeutics, which produces pig organs through its subsidiary Revivacor, was given permission to do the same in February. It expects to start trial transplants imminently; eGenesis plans to begin early next year.

The technology offers great promise. The Global Observatory on Donation and Transplantation, run by the World Health Organisation and the Spanish Transplant

Organisation, reckons that less than 10% of those around the world who need a transplant get one. Even in rich countries demand exceeds supply: in America around 13 people a day die while on waiting lists. Scarcity fuels a black market, in which patients pay tens of thousands of dollars for organs of dubious provenance.

Pigs could ease that shortage. They are easy to breed and have organs of roughly the right size. Being mammals, they are physiologically somewhat similar to humans—while being distant enough cousins to ease the ethical worries that might derail attempts to use apes or monkeys. But things have moved slowly. Jeffrey Platt, a now-retired surgeon at the University of Michigan, published the first experiment on transplanting genetically modified pig organs into monkeys in 1995. Excitement then turned out to be premature. But "This, I think, is different," says Dr Platt.

Much of the recent progress is due to a new gene-editing technology called CRISPR, whose pioneers won a Nobel prize in 2020. CRISPR allows scientists to more easily edit the pig genome to make porcine organs more tolerable to humans. One big problem with transplants of any kind is rejection, in which the recipient's immune system recognises the new organ as foreign and attacks it. Keeping a lid on rejection with human-to-human transplants often requires the lifelong use of immunosuppressant drugs, which leaves recipients

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► vulnerable to infections. Rejection is an even bigger problem when the organ comes from an entirely different species.

Revivacor and eGenesis—as well as ClonOrgan, a Chinese firm that has produced organs for transplant into a couple of human patients—all make their gene-edited donor pigs in much the same way. Scientists take skin cells from adult pigs and disable three or four genes that cause violent immune reactions in humans. They then insert six or seven human genes, which also help to prevent rejection, as well as problems related to blood clotting and inflammation.

Next, edited cells are used to create cloned pigs by removing the cells' nuclei, which contain their DNA, and putting them into porcine egg cells. Once these eggs have been nudged into forming embryos and implanted into sows, the result is gene-edited piglets. Although the companies sometimes add further edits to set themselves apart, the ten-edit pig has become the basic organ-donor formula.

The resulting organs work well when transplanted into monkeys. Results in people, however, have been less uniformly positive. Mr Andrews had been managing rejection issues reasonably well with drugs. But the function of his new kidney was falling over time, and on October 23rd it had to be removed. Mr Andrews is now back on dialysis, and on a waiting list for a human transplant. He is the second recipient whose new kidney has failed. Towana Looney, who received her kidney from Revivacor in November 2024, had hers removed after her body rejected it—a consequence of doctors lowering her dose of immunosuppressant drugs to help her fight off an unrelated infection.

Mike Curtis, eGenesis's boss, thinks the coming trials will teach the field a lot. Improvements may be possible in both gene editing and post-transplant care. He has high hopes for a collaboration with EleDon, a firm testing a new anti-rejection drug called tegoprubart, which it hopes will have fewer side-effects than existing drugs. United Therapeutics is testing a drug called ravulizumab that is already prescribed for autoimmune disorders.

That'll do, pig

Scientists are looking at other organs, too. United Therapeutics has done two pig-heart transplants, and has permission to test its "UThymoKidney", which combines a pig kidney with porcine thymus tissue. The thymus is a gland that helps train the immune system to spot threats while leaving the body's own cells alone. The firm's scientists hope that a combination transplant will encourage the recipient's immune system to tolerate the new kidney.

Meanwhile, eGenesis has approval for a trial of a pig-liver perfusion system. Unlike

a full transplant, this keeps the organ outside the patient's body, although hooked up to his circulatory system. With help from an organ-preserving device developed by OrganOx, a spin-out from the University of Oxford, the hope is that the pig liver can keep the patient alive until a human organ is ready. In March and August Chinese research teams linked to ClonOrgan said that they had transplanted a pig liver and lung into two brain-dead people, as well as a kidney into a living patient. Another Chinese group put a porcine liver into a living patient earlier this month.

Now that Mr Andrews's kidney has been removed, the only person living with a pig kidney in America is Bill Stewart, an athletics coach who received his in June. But Mr Stewart will not be alone for long: MGH is scheduled to perform a third transplant later this year. ■

Satellite navigation

Jamming the jammers

America's obsolete GPS system is getting a much-needed upgrade

THE TROUBLE with first-mover advantage is that it devalues quickly. Once the hard work of inventing a technology has been done, others are free to copy and improve it. Take the Global Positioning System (GPS). Designed for America's armed forces in the 1970s, made available to civilians during the 1980s and declared fully operational in 1993, GPS was revolutionary: anyone with a receiver and a clear view of the sky could work out exactly where on Earth they were standing.

But these days GPS is showing its age. Other systems such as Galileo, a European satellite constellation, or BeiDou, a Chinese one, offer better accuracy—and, says William Shelton, a former general who led what is now the US Space Force, which runs GPS, are more robust against foul play.

America is therefore planning an upgrade. Testing recently began on Navigation Technology Satellite-3 (NTS-3). Launched in August, this is the first GPS test satellite to be sent into space since 1977. The results will inform the design of the next generation of GPS satellites, known as GPS IIIF, which are due to begin going up in 2027.

The idea behind GPS is simple. Thirty-two satellites orbit 20,200km above Earth. Each carries radio transmitters (with roughly the power of the light-bulb in a fridge) that between them cover the planet in signals. These electromagnetic murmurs can be sensed by receivers. Add a bit

of mathematics, and anyone carrying such a device can work out their position to within a handful of metres (for something like a smartphone) or a few centimetres (for military or professional equipment).

The technology has rapidly become vital. Soldiers use GPS to work out where they are. Receivers are built into everything from cruise missiles to artillery shells to help them hit what they have been aimed at. Civilians rely on GPS, and its rival systems, for everything from satnav apps and self-driving farm equipment to mapping, wildlife tracking and managing logistics. To work properly, GPS relies on ultra-accurate timing signals generated by atomic clocks aboard the satellites. Electricity grids, mobile-phone networks and financial systems use those signals, which are available anywhere on the planet, to synchronise their own operations.

One of the Space Force's goals is to make sure GPS can be relied upon in wartime. Because the signals are so weak by the time they reach the ground, opponents can drown them out by broadcasting more powerful ones. Such jamming has become a constant feature of the fierce electronic warfare on the front lines in Ukraine. Mr Shelton says that Pentagon types now fear that GPS, in its current form, "is unreliable". NTS-3 is thus equipped with a new transmitter designed to concentrate the system's military signals, known as M-code, into a relatively narrow "spot beam".

Focusing transmitting power into a smaller area means the signals will be harder to jam. Joanna Hinks, an NTS-3 engineer at the Air Force Research Laboratory in Albuquerque, New Mexico, says one such spot beam would cover an area a bit smaller than Texas. Lockheed Martin, the American firm making the GPS IIIF satellites, says the new signals will be able to ►►



Space Force: The next generation

► cut through roughly 60 times more jamming power than today's can manage.

Another problem is "spoofing". Here the idea is not to drown out the signal, but to replace it with a new, misleading one that will cause false readings. Pilots and ship captains regularly report spoofing, especially in the Middle East and near Russia. The clumsiest attacks, says Victoria Samson of Secure World Foundation, a think-tank, are given away by their absurdities, like ships appearing to be on land, or clocks seeming to run backwards.

Part of the problem is that GPS still uses radio signals designed in the 1970s. These are "tremendously obsolete" and utterly insecure, says Logan Scott, an engineer who has worked for a variety of GPS contractors and is a consultant to NTS-3. Details of how the signals work are public knowledge, which makes it easy to copy or alter them using cheap, protean software-defined radios. With BeiDou and Galileo, signals can be tweaked by software updates beamed from the ground, which makes spoofing harder. Another of NTS-3's jobs is to test a similar capability for GPS.

Fool me once...

The satellite will also test another anti-spoofing system called CHIMERA. The idea is to insert secret features, known as watermarks, into the GPS signals at certain intervals. Receivers set these signals aside until the arrival, a moment later, of a follow-on signal. The second signal reveals the times at which the watermarks in the original signal were transmitted. This allows the receiver to check the times at which the watermarks in the original signal actually arrived—and, crucially, determine if enough time has passed for the watermarks to have travelled from a distant orbit, rather than a nearby spoofer.

Atomic clocks aboard GPS satellites do occasionally conk out, and even minuscule "drifting" over time can produce errors. The current generation of satellites therefore sport two back-up clocks each. Before a back-up can be used, though, it has to be warmed up, a process that can take a satellite offline for days. NTS-3 is testing an alternative approach by running two clocks at the same time.

But timing has caused other sorts of problems with the new satellites. The software designed to run the upgraded system, known as OCX and developed by RTX (formerly known as Raytheon), has been plagued with delays—to the point that one retired senior official now regrets not forcing a handoff to another company. It was eventually delivered to the Space Force in July, but the \$3.7bn cost could more than double by the time testing is complete, perhaps next year. However advanced the technology becomes it seems some things in military procurement never change. ■

Well informed

Can you eat your way to low cholesterol?

Veggies, nuts, soya and seeds are all a good idea

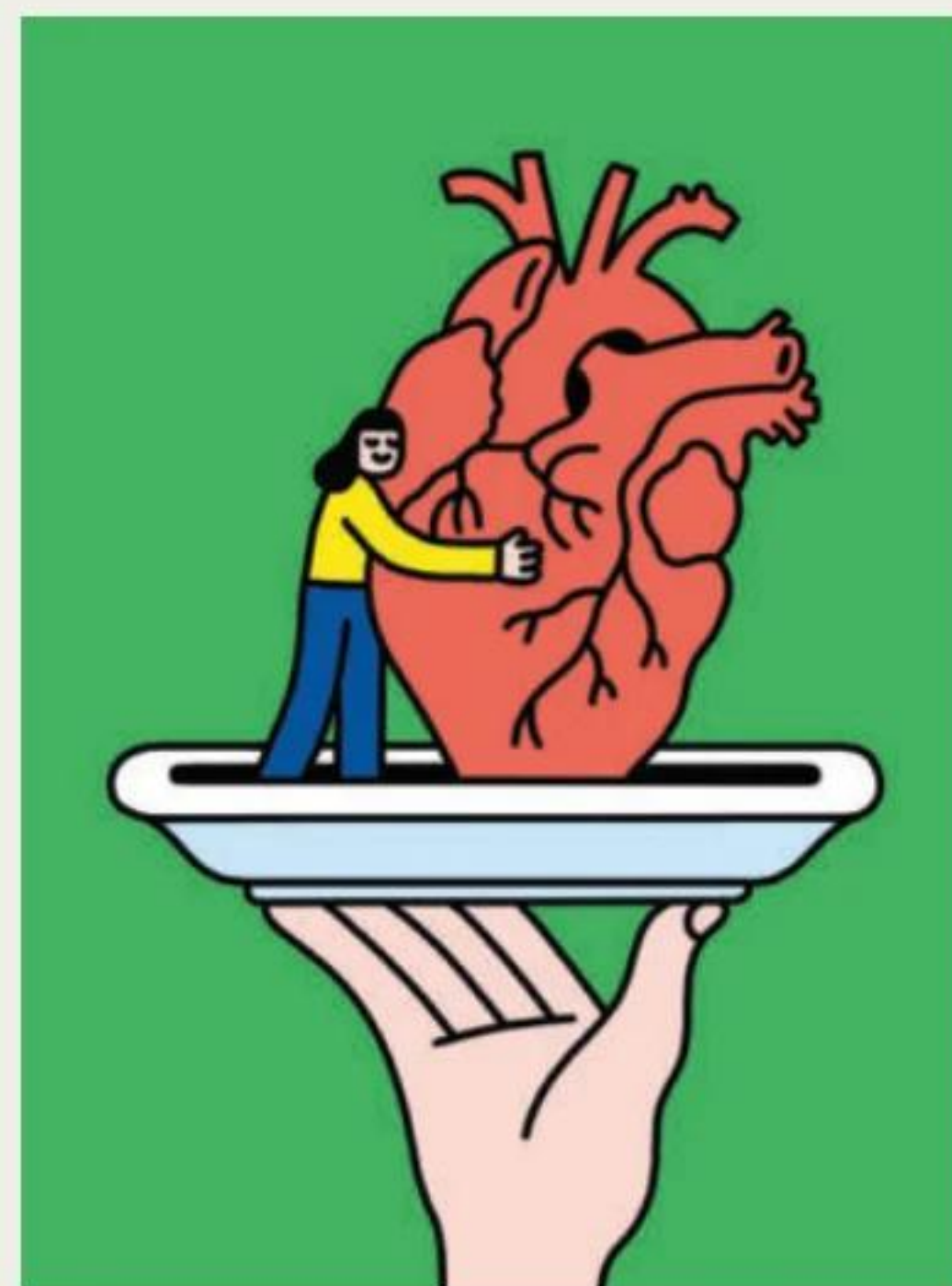
THERE COMES a time—usually in middle age—when your doctor will look at you over her half-moon glasses and inform you solemnly that the levels of cholesterol in your blood are too high. She is most likely to be worried about your LDL, or low-density lipoprotein, reading. That is the one most associated with clogged arteries, reduced blood flow and a greater risk of having either a heart attack or a stroke.

Next, she will probably tell you that drugs are not required—at least not yet. Changing your diet can be as effective as cholesterol-lowering pills. But what exactly should you eat?

To understand which foods to aim for, consider cholesterol's life cycle. Not all cholesterol is bad: cells need it for their membranes, and it serves as the chemical base from which all sorts of vital hormones, including testosterone and oestrogen, are synthesised. Some cholesterol comes from the diet. But most is built up from chemical precursors in the liver. Cholesterol does not travel well through the blood by itself. Instead, the liver packages it inside carrier molecules such as LDL.

One reason for high blood cholesterol is having too few LDL receptors in the liver. These work as docking stations at which depleted LDL, having done its job, can be recycled, with any remaining cholesterol sent to the gut to be cleared from the body. A diet high in saturated fats, which are abundant in things like butter, cheese, coconut oil and fatty meats, can lower the number of LDL receptors, which slows the rate of clearance. Conversely, clinical studies suggest that eating less saturated fat boosts receptor numbers and lowers circulating levels of LDL cholesterol.

The problem with the liver's strategy of dumping excess cholesterol into the gut is that some of it ends up re-absorbed back into the body. Some foods can slow down that process, particularly those rich in viscous fibre (think apples, barley and oats, among others) and a class of chemicals called phytosterols. These are similar enough to cholesterol that they can clog up the chemical pathways by which it is usually taken up in the gut. Seeds and nuts are rich sources, and manufacturers sometimes add them



to things like yoghurts and spreads.

Combining several types of cholesterol-lowering foods can have a big effect. That is the idea behind the Portfolio Diet, which was developed by David Jenkins, a nutritionist at the University of Toronto, in 2002. Fad diets are a dime a dozen, but this is a diet that seems to work. In a randomised-controlled trial, the clinical gold standard, Dr Jenkins and his colleagues added four groups of foods to the diets of people with high cholesterol: 50g of soya protein (such as tofu and soya milk), 30g of almonds, 20g of viscous fibre from foods rich in the stuff and 2g of plant phytosterols from enriched margarine (about the same as ten handfuls of mixed nuts). After four weeks, the participants' LDL cholesterol fell by nearly 30%, similar to what can be achieved by cholesterol-busting drugs such as statins.

The Portfolio Diet's name comes from the idea that, rather than sticking rigorously to a meal plan, followers can choose food that suits their tastes: different sorts of nuts, say, or other kinds of plant protein. Some seeds and spices can be used to jazz up meals. Turmeric, flaxseeds, sumac and garlic powder, for instance, have all been shown to lower cholesterol. After all, as your doctor will also tell you, if a diet is not enjoyable, you are unlikely to stick to it.

Herpetology

The snake-bite panacea

A new type of antivenom works against many different species of snake

PEOPLE BITTEN by a black mamba, a venomous snake that lives in central and southern Africa, have just hours to live. The snake's venom disrupts nerves and muscles, and eventually paralyses the lungs and heart. It is far from the only species of snake dangerous to humans. Of the more than 300,000 people bitten by snakes each year in sub-Saharan Africa, over 7,000 die. A further 10,000 need the bitten limb amputated. And those are just the numbers reported to the authorities. The real figures are probably quite a bit higher.

Medicine is not helpless. Snake bites can be neutralised with antivenom, but that is often not to hand in the remote parts of the continent. Even if it is, getting the right anti-venom relies on the victim knowing which species of snake delivered the bite—something that is not always easy to notice in the chaos of the moment.

Now a paper published in *Nature* offers a possible solution. A group led by Andreas Laustsen at the Technical University of Denmark has come up with a broad-spectrum antivenom that works against the bites of many different snakes.

Creating standard antivenoms is a laborious job. First, snakes must be milked—their venom forced out by specially trained handlers. It is then injected into a large animal, like a horse, that can withstand the

biochemical attack. The animal's immune system produces antibodies—protean chemicals that can be tailored to neutralise a particular substance, including snake venom. These antibodies, collected via blood samples and concentrated in the lab, are what give antivenoms their power.

Instead of injecting horses, Dr Laustsen and his colleagues used an alpaca and a llama. And instead of just one sort of venom, the animals were injected with those of 18 deadly African snakes, including the black mamba, the cape cobra, the Nubian spitting cobra and others.

Snake venom is complicated stuff, containing many damaging proteins whose overall molecular structure differs between species. Nevertheless, the business ends of those proteins—the bits that actually bind to the victim's cells and cause the damage—tend not to vary much, since most mutations would make them less effective.

By injecting their test animals with many venoms at once, the researchers hoped to provoke their immune systems into coming up with antibodies that would target these evolutionarily conserved areas specifically, and thus be effective against venom from many different snakes. To that end, the camelids were given a low initial dose of each venom and then a booster once a fortnight, with the doses rising

gradually over the course of 60 weeks.

Dr Laustsen chose an alpaca and a llama rather than a horse because the camelid immune system is unique. As with other mammals, llama and alpaca antibodies are relatively big molecules. But they sport much smaller structures known as “nanobodies” that possess all the chemical-targeting ability of a full-blown antibody. In recent years scientists have worked out that it is possible to cut these nanobodies off and mass-produce them as individual neutralising units.

Nanobodies have several advantages. One is that they are very stable. Unlike ordinary antibodies they readily survive freeze-drying—useful for a medicine most needed in places where electricity supplies can be unreliable and refrigeration a challenge. And their small size means they can penetrate deep into dense tissues, more readily cross the blood-brain barrier, and generally get to parts of the body that bigger antibodies struggle to reach reliably.

After the 60 weeks were over Dr Laustsen and his team screened the nanobodies that their animals had produced, and created a shortlist of eight which were effective against almost all the toxins produced by the snakes. These were combined into a single antivenom and tested on mice.

The nanobody cocktail worked—mostly. The mice survived doses of venom that would otherwise have been lethal from 17 of the 18 snakes. Only the eastern green mamba remained deadly, though Dr Laustsen suspects an extra nanobody or two ought to fix the problem. The antivenom also almost always prevented tissue death at the injection site, the process that leads so many human victims to have limbs amputated. That is something current antivenoms struggle to stop.

The black mamba, and the other snakes whose venom the team tested, are all members of the elapid family. But elapids are not the only dangerous snakes. Vipers, a group that includes the eastern diamond-back rattlesnake (found in America) and saw-scaled vipers (which range from Africa to Pakistan), kill plenty of people, too. The fer-de-lance viper kills more people in South America than any other snake.

Whereas elapid venom is mostly neurotoxic, viper venom tends to go after the blood vessels instead. This leads to severe internal bleeding, which can be just as lethal as paralysis of the heart and lungs. Dr Laustsen and his colleagues are now collecting viper venom in the hope of repeating their trick with a second group of snakes. It may even be possible to combine antivenoms against both groups into a single broad-spectrum medicine. If so, that would make the problem of working out exactly which sort of snake did the biting a thing of the past—and save an awful lot of lives in the process. ■



A bit less dangerous than it used to be

Culture



Scary stories

Mission creepy

Frightfully good stuff: why this is a golden age of horror films

IF SOMEONE POINTED to a closed door and told you that behind it was something that might make you faint, vomit, miscarry or have a heart attack, would that make you want to open it? For most, the answer would be “absolutely not”. Many, however, would be intrigued enough to take a peek. In 1974 newspapers reported that distressed viewers were having such reactions to “The Exorcist”, yet filmgoers were undeterred. “The Exorcist” was the second-highest grossing film that year and the only horror film in the top 20.

Half a century on, people enjoy filmic frights more than ever. Horror movies make up one-fifth of the 20 highest-grossing titles worldwide. As of early October, horror films have made more than \$1bn in America and accounted for around 17% of box-office receipts, up from 4% just a decade ago. The pattern is similar, if less steep, globally (see chart on next page).

As well as being commercially success-

ful, the genre attracts first-rate talent and critical acclaim. “The Substance” (2024), a body-horror flick, was nominated for Best Picture at the Academy Awards in March; Michael B. Jordan and Amy Madigan are attracting Oscar buzz for their performances in “Sinners” and “Weapons”, respectively. This is a golden age for horror films. Why and how did it come about?

Clark Collis addresses the second question in “Screaming and Conjuring”, a deeply reported account of the genre’s reanima-

tion. Spooky movies are as old as the motion picture itself: Bela Lugosi played Dracula in 1931, nine years after Max Schreck played the title character in “Nosferatu”. Over time the genre proved exceptionally flexible. In the 1950s, as the space race accelerated and fears of nuclear weapons abounded, horror films featuring interplanetary threats (“The Blob”) and radiation (“Godzilla”) proliferated.

Horror turned nastier and less camp in the ensuing decades, as deranged killers such as Norman Bates in “Psycho” (1960) and Leatherface in “The Texas Chainsaw Massacre” (1974) stalked across screens. The 1980s saw the rise and fall of the slasher franchise. Jason Voorhees, Freddy Krueger and Michael Myers gleefully hacked up winsome teens in the “Friday the 13th”, “A Nightmare on Elm Street” and “Halloween” films, but by the early 1990s audiences had tired of them. Francis Ford Coppola’s “Bram Stoker’s Dracula” (1992) and Neil Jordan’s “Interview with the Vampire” (1994) were both big-budget hits, but neither was especially frightening.

Mr Collis credits “Scream” (1996) with horror’s revitalisation. The script was arch and clever. Its opening scene had the killer asking his first victim about her favourite horror fare; another character discusses the “rules” of survival in horror films. It frightened and amused audiences. Five se- ▶▶

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► quels and a TV series followed; the franchise grossed more than \$740m (\$1.2bn in today's money). George Romero, who directed "Night of the Living Dead" (1968), a landmark zombie film, said: "The genre was dying and 'Scream' saved it."

Then, in 1997, two first-time directors put out a call for young actors willing to endure "the most demanding and unpleasant project of your career". The result was a faux-documentary shot on a shoestring in rural Maryland. It had a minimal script, no special effects and no on-screen monster. "The Blair Witch Project" proved genuinely and imaginatively terrifying, relying on suggestion and the psychological unravelling of its three stars. It has earned more than \$480m in today's money.

"Found-footage" films boomed in the wake of "Blair Witch". Studios realised that horror films could be cheap and effective: they did not need stars or elaborate visual effects. Blumhouse, founded in 2000, championed this bare-bones approach, providing film-makers with tight budgets, creative freedom and attractive back-end terms should the film prove a hit. They struck gold in 2007 with "Paranormal Activity", which made \$290m and spawned six sequels, and followed it up with an array of popular franchises, including "The Purge" and "Insidious", as well as critical darlings such as "Get Out".

Horror also benefits from two paradoxes. The first relates to age. As Stephen Follows, a film-data analyst, notes, "People who loved horror in the 1980s and 1990s but were told it wasn't acceptable—they're now running the industry, and have no shame or regret about their love of horror." Yesterday's fright-loving teens have become today's greenlighting executives.

And yet no genre has a larger share of fans aged between 19 and 24, meaning the audience is perpetually self-renewing. Franchises such as "Star Wars" and "Indiana Jones" retain their ageing fan bases, and thus get hemmed in by continuity concerns, but horror rewards novelty. Screenwriters address current topics: the "M3GAN" franchise, for instance, taps into fears about artificial intelligence, just as films from the 1950s played on worries about the nuclear age, and titles such as "Rosemary's Baby" emphasised the devil's immanence to a rapidly secularising world.

Stories and characters can easily be rebooted, too. James Whale, Kenneth Branagh and now Guillermo del Toro have all made films inspired by Mary Shelley's "Frankenstein", yet they are strikingly different in tone, structure and feel. Studios get the benefit of familiarity—and, in the case of classic monsters, free intellectual property—without the burden of having to fit stories into an existing narrative.

The second paradox relates to cinemas and distribution. A generation ago, a film-

maker with an idea had to go through the studio and mainstream distribution system. Today, equipment is cheap: everyone carries a movie camera around in their pocket all the time. (Much of "28 Years Later", a post-apocalyptic horror released this year, was shot on iPhones.) And distribution has never been easier. If studios and producers pass on a project, film-makers can crowdfund it instead and post the finished product to YouTube.

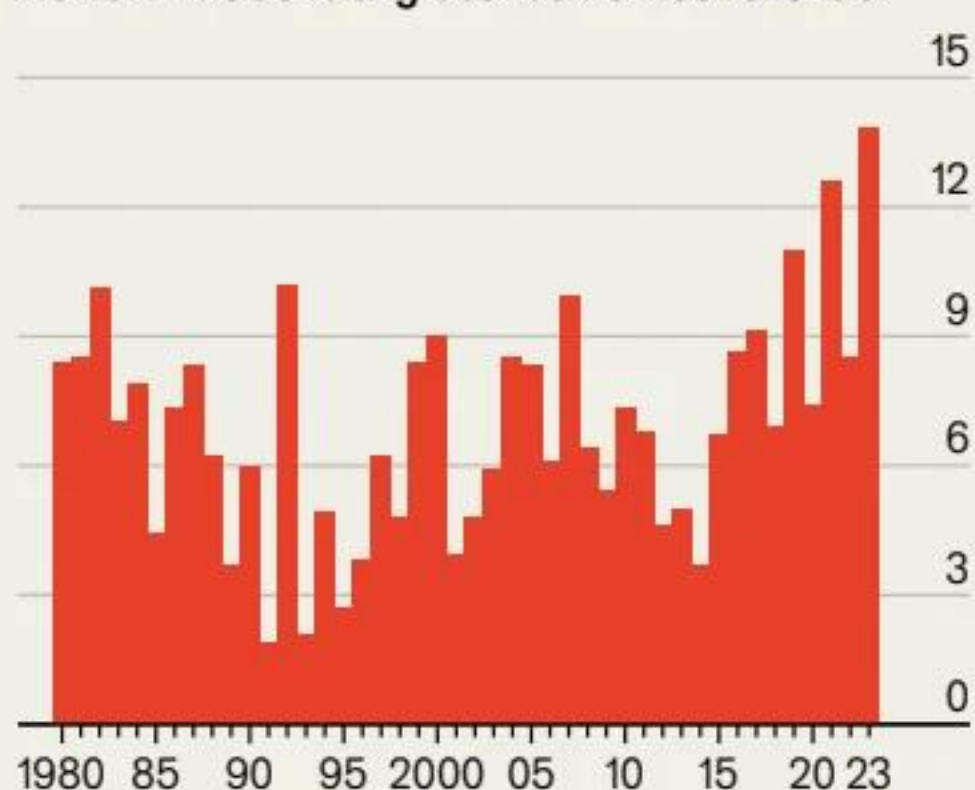
Yet even as horror becomes easier to stream, people still like seeing it on the big screen. There is something about sitting among strangers in a cinema and being frightened together that heightens the experience. "Scary stories in the dark is an elemental thing," says Abhijay Prakash, Blumhouse's president.

Still, none of these factors explains the fundamental reasons why so many people choose to frighten and disgust themselves with horror films. One reason might be that the experience is cathartic. In recent years the mood has darkened and the world seems less safe than it once did. A study by the Reuters Institute for the Study of Journalism at Oxford University found that 40% of people avoid the news, up from 29% in 2017, chiefly because they find it upsetting. Horror films let viewers direct their daily dread and anxiety onto someone on the screen rather than letting it seethe away inside.

Coltan Scrivner, a behavioural scientist and horror enthusiast, provides an intuitive explanation in "Morbidly Curious", another new book. He argues that people watch horror films, visit haunted houses and engage in other fright-inducing experiences to better understand the dangers that surround them, or that they think might surround them. That is why women are drawn to stories of serial killers and why interest in "Contagion" (2011), Steven Soderbergh's film about a global pandemic, surged in March 2020. People with nervous dispositions seek out scary fare. "If zebras could watch movies about lions stalking their prey," he writes, "they probably would." ■

Day of the dead

Horror films as % of global box-office revenue



Source: Stephen Follows

Politics and technology

Disruptors-in-chief

Gilded Rage: Elon Musk and the Radicalisation of Silicon Valley. By Jacob Silverman. Bloomsbury Continuum; 336 pages; \$30 and £20

The Hour of the Predator: Encounters with the Autocrats and Tech Billionaires Taking Over the World. By Giuliano da Empoli. Translated by Sam Taylor. Pushkin Press; 160 pages; \$16.95 and £12.99

RECENTLY A GROUP of American tech billionaires stood in single file like eager schoolchildren to have their photos taken at the Resolute desk with Donald Trump. The president gave them a pen and a coin. He entertained them with classic rock from his iPad. Then he hosted them at a dinner at the White House, where they boasted of the giant sums their firms planned to invest in America.

If only Giuliano da Empoli had been a fly on the wall. The Italian-Swiss writer was an adviser to Matteo Renzi during his stint as Italy's prime minister in 2014-16. He has spent years in the corridors of power observing what he sees as the emergence of a new cadre of strongmen, who feed off each other and share a love of disruption. He skewers them with sardonic humour.

In politics, they are led by rule-breakers such as Mr Trump, Saudi Arabia's Muhammad bin Salman (MBS) and El Salvador's Nayib Bukele. In tech, they include the likes of Elon Musk, the world's richest man; Mark Zuckerberg, boss of Meta; and Sam Altman, CEO of OpenAI, maker of ChatGPT. As the author sees it, these men share a common aim: to smash the old order. Mr da Empoli says that the cohort's first law of strategy is action, however reckless. He likens their attitude to the Borgias of medieval Italy, whose scheming and tolerance for bloodshed put two family members on the papal throne.

The target of today's strongmen is technocratic administration—what the author calls the "Davos consensus"—which is supposedly blind to the way the winds of politics have moved against it. Their weapon is artificial intelligence (AI), which does not care about rules or procedures: the only thing that matters is the result. The political leaders are in thrall to the technologists: Mr Trump, for instance, is averse to AI regulation. The tech elite, meanwhile, believes in a future of AI-driven decision-making—even if governments cannot understand how AI reaches its conclusions.

This may sound like overwrought AI ►►

► doomerism, albeit with an Old World literary flair. As well as Machiavelli's "The Prince", Mr da Empoli enlists Kafka's "The Trial" and "The Castle" to underscore what he sees as the menace of "authoritarian intelligence". If political life used to resemble "Veep", Armando Iannucci's comedy-of-errors TV series, the author reckons it is now reminiscent of the cruel worlds of "The Godfather" and "Squid Game".

Yet there is plenty that is irresistible about "The Hour of the Predator". Mr da Empoli's experiences at the United Nations in New York, the Ritz-Carlton in Riyadh and on stage with Mr Altman provide vignettes of the Borgian power grab that he relates with exquisite detachment. MBS has a "disarmingly sweet" smile for someone who once turned the Ritz-Carlton into an interrogation chamber for rival princes and billionaires. Mr Bukele conducts mass incarcerations of gang members that are "part 'Hunger Games' and part gay-porn movie". Mr Altman's wide-open eyes give him "the startled look of a woodland creature". That expression belies "the will to limitless power that seeps through every phrase he utters".

In "Gilded Rage" Jacob Silverman, a journalist, dwells on a similar cast of characters. As well as Mr Musk, his book describes the ascent in America of Vivek Ramaswamy, a tech mogul who, at one point, was tipped for a role in Mr Trump's administration; David Sacks, the White House's AI czar; and other right-wing venture capitalists, such as Peter Thiel.

It has the same premise, too: since the election in 2024, the tech elite's bias for "moving fast and breaking things" is echoed by Mr Trump's utter disregard for norms (tearing down the White House's East Wing is Zuckerbergian in chutzpah, as is having tech giants pay for the new ballroom). Both groups are animated by a bizarre strain of personal resentment: "These titans of industry might be fabulously wealthy, but they can come across as deeply unhappy," the author writes.

Yet "Gilded Rage" describes its subjects with nothing like Mr da Empoli's deft touch, nor does it match his ability to explain the "why" as well as the "who". Instead, the book is as two-dimensional as its title. Its descriptions of its subjects' sense of entitlement will be familiar to anyone who reads the newspapers. The book's anger renders it impotent.

Unlike "The Hour of the Predator", it fails to grapple with the ways in which the technocratic elite—with their lawyerly attention to detail and disregard for the political zeitgeist—may have sealed their own fate. It also overlooks how AI may play to the strengths of the rule-breakers. Read Mr da Empoli's book, if only to understand how fundamentally the balance of power in the world may be changing. ■

World in a dish

Send noodles

Young people are hot for ramyeon, South Korea's spicy instant noodles

EVERY POP star has a pre-show ritual. Beyoncé sits in a massage chair. Selena Gomez swallows a teaspoon of olive oil. And Rumi, Mira and Zoey, the members of HUNTR/X, a K-pop group with a side hustle battling supernatural evil, eat ramyeon. In "KPop Demon Hunters"—an animated film which has become Netflix's most popular movie ever—the fictional musicians ravenously slurp down the spicy instant noodles. (Netflix collaborated with Nongshim, a food company, to release a ramyeon range featuring the characters.)

As the name suggests, ramyeon is derived from ramen, a Japanese noodle soup. But whereas ramen is often made fresh—and noodles are served in a broth that may have been simmering for hours—ramyeon is about immediate gratification. The dish was developed in the 1960s and promoted by the South Korean government as an easy, affordable and hearty meal. It was supposedly Park Chung-hee, the military dictator at the time, who suggested adding chilli powder to appeal to Korean palates.

Ramyeon is hot stuff. Last year South Korea exported \$1.2bn-worth of it, an increase of 31% on 2023. Samyang Foods—which makes Buldak, a popular variety—says that exports generate three-quarters of its revenue. In America, Samyang's sales more than doubled between 2023 and 2024, and its products are now stocked in Target and Walmart. According to Numerator, a market-research firm, in America

Samyang is Gen Alpha's favourite brand.

There are three reasons why the hunger for ramyeon is intensifying. One is that youngsters love to try new foods and post reviews online. Spicy dishes lend themselves to viral content as, the fiercer the sensation, the more entertaining the reaction. Videos of the "fire-noodle challenge"—in which people wince, cough and cry as they try to swallow a packet of Samyang's most explosive offering—get millions of views on social media. As a result, "Ramyeon isn't just a food," says Kim Taeyeon, the founder of the Kimchi Institute, a food-diplomacy organisation. "It's something that [people] can experience."

The second reason is the "Korean Wave" and booming interest in the country's culture. As "KPop Demon Hunters" shows, people may watch a hit Korean film or TV series and become curious about the dishes the characters eat—especially when the endorsement is as enthusiastic as Rumi's, Mira's and Zoey's. "Parasite" (2019), an Oscar-winning film, similarly brought the world's attention to Jjapaguri, which combines two types of instant noodles.

The third reason for ramyeon's trendiness is convenience. In 2024 a survey by YouGov found that 48% of Americans prefer to spend less than 30 minutes cooking dinner and 12% prefer not to cook at all. After adding hot water, a cup of ramyeon is ready in a mere three minutes. Why wait to spice up your life? ■



Architecture

Palace intrigue

History offers warnings to leaders who renovate official buildings

IT HAS NINE arched windows on its west side. It has 11. It has a portico with six columns or eight. It has a staircase that leads nowhere. It will hold somewhere between 650 and 1,350 people. It will cost \$200m. No, scratch that: \$300m.

Donald Trump's proposed new White House ballroom—represented in a maquette as well as a diagram brandished during an audience with the press in the Oval Office—has, like many of his utterances, the radical indeterminacy of a proposition from Jacques Derrida. In August the president signed an executive order prescribing “classical architecture” as the official state aesthetic. Whatever eventually rises from the pile of rubble beside the south lawn, it will be a pastiche of pastiche: “Caesar's Palace meets the Palace of Versailles,” predicted CNN.

When political leaders summon the architects and interior designers, they also invite pomposity over the threshold. In the 1660s Louis XIV decided to give a glow-up to a hunting lodge outside Paris, for which his subjects received a bill for 100m *livres tournois* (probably around \$2.6bn in today's money) and an immense, glittering metaphor for inequality (see picture). The conclusion to this story—involving a basket, the head of his great-great-grandson, and a lot of cheering—has not managed to deter more recent leaders.

In the 1980s Nicolae Ceausescu sank 30% of Romania's national budget into the construction of the “People's Palace” (the irony of which was not lost on those whose homes were bulldozed in the process). The architect, Anca Petrescu, acquired an aircraft hangar and built full-scale plaster models of the palace interiors inside. A vast dummy cupola was lowered onto the roof by helicopter, to help the dictator decide whether he wanted to order the same in pink-and-white Transylvanian marble. Five years after construction began, Romanians made clear what they thought of Ceausescu's palace and his policies. A bullet was his reward.

When Jacob Zuma was elected president of South Africa in 2009, he decided that his family farm in Nkandla required a security upgrade in the form of a gigantic swimming pool and lavish new accommodation for his livestock. His justification for public funding was strangely brilliant: a wandering cow, he argued, might easily trigger an alarm and a “fire-pool” was



Corridors of power

therefore necessary should one of the thatched roofs catch fire. “If it is established that I am corrupt, show me the door,” he said. “I have a home back in Nkandla. I will go and stay there.” They showed it to him and ordered him to pay for it, too. In 2016 a court in Pretoria ordered him to cough up almost 8m rand (more than \$500,000 at the time).

These stories are testimony to the power of the inventory, which can condemn the offender. A luggage lift in the Lodge, the official residence of the Australian prime minister, caused discontent in 2016 after it was revealed to have cost A\$83,500 (\$62,000) to install. Wallpaper reportedly priced at £840 (\$1,155) a roll played a part in the downfall of Boris Johnson, Britain's prime minister in 2019-22, who hung it in his flat in Downing Street to make it less like “a crack den”. (His successor, Liz Truss, was in power for only 45 days, but found time to paint over it.)

The most egregious list, however, was racked up by Viktor Yanukovich, Ukraine's former president. He improved Mezhyhirya, his residence, with stuffed lions, suits of armour, a white Steinway piano and an artificial lake containing a replica galleon hung with \$97,000 chandeliers. After his departure the house was opened to the public as a museum of corruption.

The wrecking balls have cleared space to test Mr Trump's ability to turn his plans into something material. The president says the extension will not require public funding, but even if donors bear the cost, they will not prevent the shadows of history from gathering. Critics are still making comparisons to Versailles. However many windows on the west side, the ballroom may end up both a lasting monument to the current president—and 90,000 square feet of hubris. ■

Beauty

A cuticle above the rest

Does nail art have art nailed?

YOU HAVE to hand it to them: the contestants at Nailympia, the world's leading nail-art competition, take talons very seriously. Some paint their keratin canvases under time pressure. Others show off designs they have been crafting for months. Fingers are festooned with portraits and acrylic sculptures, such as a dinky cup filled with real red wine. Polished would be an understatement.

Nail art is enjoying triple-digit growth. The number of nail salons in America has doubled since 2012, to around 35,000, according to the most recent census data. In Britain nails are the second-most popular beauty treatment, after hair styling. According to Jonathan Millet, chief executive of Townhouse, a luxury chain, the nail-salon market is worth around \$10bn in America and £2bn (\$2.7bn) in Britain.

Ever more elaborate designs are at people's fingertips. You can embellish your nails with tiny 3D orchids or hand-painted portraits of Shakespeare or Snow White. Jacqueline McClement, a Canadian nail artist, recently filmed herself painting Vermeer's “Girl with a Pearl Earring” in polish. If you have \$800 to spare, you can buy fake talons carved from real crystals. Styles spread online. The hashtag #nailart has more than 120bn views on TikTok.

The desire to decorate nails is not new. In Babylon men dyed their nails with kohl before going to war to seem fearsome. In ▶▶



Killer claws

▶ ancient Egypt people stained theirs with henna as a mark of social status. The earliest example of nail polish, in China in around 3000BC, was made from egg whites, gelatin and beeswax. Today nails are not embellished for battle, but they are still used to communicate a message. Nick Knight, a British fashion photographer, sees nails as a form of self-expression, “the last note in a melody”.

Some nail artists go further, arguing that they produce the modern equivalent

of portrait miniatures, which were coveted by 18th-century European nobility. Like miniaturists, nail artists hold their breath and paint in between heartbeats. “One brushstroke out of line and it will throw the whole thing off,” says Anouska Scarlet Anastasia, who specialises in miniature sculptures. Her models—which include a tiny, hyperreal bottle of Heinz ketchup and one of Baileys Irish Cream—take two or three painstaking weeks to craft.

“This should be in a museum not on a

finger,” reads one comment on Ms Anastasia’s Instagram. And curators, it seems, have come to agree. The Museum of Modern Art in New York has a set of dollar-bill-inspired artificial nails, which were designed for Lil’ Kim, a rapper, in the 1990s. The first museum dedicated to nail art will open next year in Shanghai; contestants at Naillympia have been invited to donate their creations. Plenty will thumb their nose at all this. But manicurists aver that few art forms are as tough as nails. ■

BACK STORY

The art of protest

There are serious reasons for wearing silly costumes on marches

BRING PLENTY of flowers and musical instruments, such as bongos and tambourines. Don’t forget the sweets and paper halos to give to the police. In the event of trouble, start dancing or intoning “Mary Had a Little Lamb”. If a fight breaks out, send in trained seducers to charm the enemy mid-battle.

That last bit was a joke by Allen Ginsberg. But the other ideas were among the poet’s suggestions for turning a protest—in this case an anti-war march in Berkeley in 1965—into a spectacle. The event should embody an alternative psychology, Ginsberg argued, and be “an example of peaceable health”. He was onto something. At its best, protest is a kind of art, framing its messages in street theatre and visual tableaux. This art form has its own motifs and canonical images—and it is flourishing, as the frogs of Portland, Oregon, show.

Earlier this year a shrewd protester there donned an inflatable frog costume for a demo at an Immigration and Customs Enforcement building. Others in the city followed suit. Before long the frog spawned the menagerie of inflatable animals, from unicorns to axolotls, who paraded at the recent “No Kings” marches held across America.

The frog-marcher is an image with a rich impact and lineage. It is a species of what is sometimes referred to as “laugh-tivism”, which infuses protest with photogenic mockery, and of what Srdja Popovic, a Serbian activist, calls “dilemma actions”. These give the authorities lose-lose problems. Collaring an inflatable animal—or pepper-spraying the costume’s air-vent, as a cop did in Portland—seems heavy-handed. But restraint can look like a concession. Russians who held blank placards at anti-war protests posed a similar conundrum.



These absurdist sketches cast the enforcers as stooges in the protesters’ joke. Just as important, people in inflatable outfits are ostentatiously harmless—cuddly rebuffs to claims that today’s demonstrators are maniacs and terrorists, whose rampages justify the use of troops and emergency powers. The quirky pictures from Portland and elsewhere are thus part of another iconography of protest: scenes in which the peaceful face down the mighty, often alone.

For the most influential images of protest are not of vast crowds in, say, Tahrir Square in Cairo in 2011 or at the March on Washington of 1963. They are of a solo high-school student being mauled by a police dog in Alabama, or a man putting a flower in a rifle’s barrel pointed at his head. More recent classics include snaps of a young woman in Tbilisi, Georgia, using the reflection in a riot shield to apply her lipstick, and a lady in a red dress being sprayed with tear-gas in Istanbul. The greatest may be the shot of a lone figure blocking a column of tanks in Beijing, armed only with his shopping bags.

Rationally, you might expect pictures of such lopsided stand-offs to nurture obedience to the overlords, rather than solidarity with dissident underdogs. Besides the threat of grievous harm, the teenager kneeling before a phalanx of riot police, and the inflatable amphibian dicing with armoured feds, risk seeming foolhardy and doomed.

Yet such images evoke primitive instincts that hijack the viewer’s sympathy. One is a natural fellow-feeling with those in adversity. “By changing places in fancy with the sufferer”, Adam Smith wrote in “The Theory of Moral Sentiments”, observers perforce “enter as it were into his body and become in some measure him”, and so “tremble and shudder at the thought of what he feels”. Then there is an ingrained respect for physical bravery and a belief in fair play that seems to be hard-wired (witness the fact that a child’s first sentences typically include “It’s not fair!”).

Crafting such meme-worthy scenes requires ingenuity. It takes imagination to be funny on the streets; when the skull-crackers muster, it takes discipline to remain “hip, calm and tranquil”, as Ginsberg enjoined. Even so, mastering the art of protest can boost the assets on which all movements for change depend: numbers, momentum and morale.

Artful protest transmutes the state’s might into a liability, its power into bullying paranoia, fear of it into ridicule. It converts the vulnerability of a peaceful crowd into courage and charisma. And it simplifies the moral choices of onlookers. Do they back the serene woman in a summer frock or the visored robocops who are arresting her? When it comes down to it, whose side are they really on: the guy dancing in a carnival costume or the one wielding a truncheon?

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Economic & financial indicators

| | Gross domestic product | | | | Consumer prices | | | Unemployment rate | | | Current-account balance | | Budget balance | | Interest rates | | Currency units | |
|----------------|------------------------|----------|-------------------|-----|----------------------|-------------------|------|-------------------|--------------------|--|-----------------------------|--|-----------------------------|--|-------------------|------------------------|----------------|----------------------|
| | % change on year ago | | | | % change on year ago | | | % | | | % of GDP, 2025 [†] | | % of GDP, 2025 [†] | | 10-yr gov't bonds | | per \$ | |
| | latest | quarter* | 2025 [†] | | latest | 2025 [†] | | % | | | % of GDP, 2025 [†] | | % of GDP, 2025 [†] | | latest, % | change on year ago, bp | Oct 29th | % change on year ago |
| United States | 2.1 | Q2 | 3.8 | 1.7 | 3.0 | Sep | 3.0 | 4.3 | Aug | | -4.0 | | -5.9 | | 4.1 | -20.0 | - | |
| China | 4.8 | Q3 | 4.5 | 4.9 | -0.3 | Sep | -0.1 | 5.2 | Sep* [§] | | 2.0 | | -5.6 | | 1.6 | \$\$ | 7.10 | 0.4 |
| Japan | 1.7 | Q2 | 2.2 | 0.9 | 2.8 | Sep | 3.2 | 2.6 | Aug | | 4.3 | | -3.4 | | 1.7 | | 152 | 0.8 |
| Britain | 1.4 | Q2 | 1.1 | 1.3 | 3.8 | Sep | 3.7 | 4.8 | Jul ^{††} | | -3.0 | | -4.9 | | 4.4 | | 0.75 | 2.6 |
| Canada | 1.2 | Q2 | -1.6 | 0.9 | 2.4 | Sep | 1.9 | 7.1 | Sep | | -2.0 | | -2.2 | | 3.0 | | 1.39 | -0.7 |
| Euro area | 1.5 | Q2 | 0.5 | 1.2 | 2.2 | Sep | 2.1 | 6.3 | Aug | | 3.3 | | -3.2 | | 2.6 | | 0.86 | 8.2 |
| Austria | 0.3 | Q2 | -0.5 [†] | 0.3 | 3.9 | Sep | 3.4 | 5.8 | Aug | | 2.1 | | -4.5 | | 3.0 | | 0.86 | 8.2 |
| Belgium | 1.1 | Q3 | 1.2 | 1.0 | 2.7 | Sep | 3.0 | 5.8 | Aug | | -0.6 | | -5.1 | | 3.2 | | 0.86 | 8.2 |
| France | 0.8 | Q2 | 1.3 | 0.7 | 1.1 | Sep | 1.0 | 7.5 | Aug | | -0.3 | | -5.7 | | 3.4 | | 0.86 | 8.2 |
| Germany | 0.2 | Q2 | -1.1 | 0.2 | 2.4 | Sep | 2.2 | 3.7 | Aug | | 5.4 | | -2.7 | | 2.6 | | 0.86 | 8.2 |
| Greece | 1.7 | Q2 | 2.3 | 2.2 | 1.8 | Sep | 2.8 | 8.1 | Aug | | -5.8 | | 0.6 | | 3.3 | | 0.86 | 8.2 |
| Italy | 0.4 | Q2 | -0.2 | 0.5 | 1.8 | Sep | 1.8 | 6.0 | Aug | | 1.2 | | -3.1 | | 3.4 | | 0.86 | 8.2 |
| Netherlands | 1.7 | Q2 | 0.8 | 1.1 | 3.0 | Sep | 3.0 | 4.0 | Sep | | 7.8 | | -2.4 | | 2.8 | | 0.86 | 8.2 |
| Spain | 2.8 | Q3 | 2.6 | 2.8 | 3.0 | Sep | 2.4 | 10.3 | Aug | | 2.7 | | -2.8 | | 3.1 | | 0.86 | 8.2 |
| Czech Republic | 2.3 | Q2 | 1.8 | 2.2 | 2.3 | Sep | 2.3 | 2.8 | Q2 [†] | | 0.5 | | -2.1 | | 4.4 | | 20.9 | 12.4 |
| Denmark | 0.9 | Q2 | 4.2 | 2.5 | 2.3 | Sep | 1.8 | 2.9 | Aug | | 12.2 | | 2.1 | | 2.5 | | 6.41 | 7.6 |
| Norway | -2.1 | Q2 | 3.4 | 1.1 | 3.6 | Sep | 2.8 | 4.7 | Aug ^{††} | | 13.6 | | 9.5 | | 4.0 | | 9.98 | 10.2 |
| Poland | 3.3 | Q2 | 3.2 | 3.3 | 2.9 | Sep | 3.9 | 5.6 | Sep [§] | | -0.6 | | -6.9 | | 5.4 | | 3.63 | 10.7 |
| Russia | 1.1 | Q2 | 1.5 | 0.9 | 8.0 | Sep | 8.8 | 2.2 | Sep [§] | | 1.8 | | -2.7 | | 14.9 | | 79.8 | 21.8 |
| Sweden | 1.8 | Q3 | 4.5 | 1.5 | 0.9 | Sep | 2.3 | 8.3 | Sep [§] | | 6.5 | | -1.3 | | 2.5 | | 9.37 | 13.7 |
| Switzerland | 1.3 | Q2 | 0.6 | 1.2 | 0.2 | Sep | 0.1 | 3.0 | Sep | | 7.4 | | 0.5 | | 0.2 | | 0.79 | 8.8 |
| Turkey | 4.8 | Q2 | 6.6 | 3.2 | 33.3 | Sep | 34.5 | 8.6 | Sep [§] | | -1.2 | | -3.6 | | 29.4 | | 42.0 | -18.2 |
| Australia | 1.8 | Q2 | 2.4 | 1.9 | 3.2 | Q3 | 2.5 | 4.5 | Sep | | -2.1 | | -1.8 | | 4.1 | | 1.52 | nil |
| Hong Kong | 3.1 | Q2 | 1.8 | 2.7 | 1.1 | Sep | 1.7 | 3.9 | Sep ^{††} | | 11.1 | | -4.9 | | 2.9 | | 7.77 | nil |
| India | 7.8 | Q2 | 7.4 | 6.5 | 1.5 | Sep | 3.2 | 6.4 | Sep | | -1.0 | | -4.4 | | 6.5 | | 88.2 | -4.7 |
| Indonesia | 5.1 | Q2 | 5.9 | 4.7 | 2.7 | Sep | 1.8 | 4.8 | Feb [§] | | -1.1 | | -3.1 | | 6.0 | | 16,588 | -5.2 |
| Malaysia | 5.2 | Q3 | 9.3 | 4.1 | 1.5 | Sep | 1.4 | 3.0 | Aug [§] | | 0.8 | | -4.0 | | 3.5 | | 4.20 | 3.8 |
| Pakistan | 3.7 | 2025** | na | 3.7 | 5.6 | Sep | 3.5 | 6.3 | 2021 | | -1.5 | | -5.5 | | 11.9 | +++ | 281 | -1.0 |
| Philippines | 5.5 | Q2 | 6.1 | 5.5 | 1.7 | Sep | 1.7 | 5.3 | Q3 [§] | | -3.6 | | -5.4 | | 5.9 | | 59.1 | -1.5 |
| Singapore | 2.9 | Q3 | 5.4 | 3.5 | 0.7 | Sep | 0.8 | 2.0 | Q2 | | 14.6 | | 0.2 | | 2.0 | | 1.29 | 2.3 |
| South Korea | 1.7 | Q3 | 4.7 | 1.0 | 2.1 | Sep | 2.0 | 2.1 | Sep [§] | | 5.5 | | -2.4 | | 3.0 | | 1,432 | -3.4 |
| Taiwan | 8.0 | Q2 | 12.8 | 5.1 | 1.3 | Sep | 1.8 | 3.4 | Sep | | 15.3 | | 0.6 | | 1.3 | | 30.6 | 5.1 |
| Thailand | 2.8 | Q2 | 2.4 | 1.8 | -0.7 | Sep | -0.1 | 0.8 | Sep [§] | | 2.0 | | -5.8 | | 2.1 | | 32.3 | 4.5 |
| Argentina | 6.3 | Q2 | -0.2 | 3.8 | 31.8 | Sep | 41.2 | 7.6 | Q2 [§] | | -2.3 | | -0.2 | | na | na | 1,473 | -33.0 |
| Brazil | 2.2 | Q2 | 1.5 | 2.1 | 5.2 | Sep | 5.1 | 5.6 | Aug ^{§††} | | -3.2 | | -8.1 | | 13.7 | | 5.36 | 6.5 |
| Chile | 3.1 | Q2 | 1.4 | 2.4 | 4.4 | Sep | 4.3 | 8.5 | Sep ^{§††} | | -2.6 | | -1.7 | | 5.5 | | 943 | 0.5 |
| Colombia | 2.5 | Q2 | 2.0 | 2.5 | 5.2 | Sep | 4.9 | 8.6 | Aug [§] | | -2.5 | | -7.5 | | 11.6 | | 3,875 | 12.1 |
| Mexico | nil | Q2 | 2.6 | 0.7 | 3.8 | Sep | 3.8 | 2.7 | Sep | | -0.4 | | -3.8 | | 8.8 | | 18.4 | 8.7 |
| Peru | 2.8 | Q2 | 1.8 | 3.1 | 1.4 | Sep | 1.8 | 6.9 | Sep [§] | | 2.0 | | -2.5 | | 5.8 | | 3.39 | 11.2 |
| Egypt | 5.0 | Q2 | 13.7 | 4.1 | 11.7 | Sep | 14.1 | 6.1 | Q2 [§] | | -2.6 | | -7.7 | | na | na | 47.4 | 2.8 |
| Israel | 2.3 | Q2 | -3.9 | 2.7 | 2.5 | Sep | 3.0 | 3.0 | Sep | | 2.4 | | -4.6 | | 3.9 | | 3.26 | 14.7 |
| Saudi Arabia | 2.0 | 2024 | na | 4.4 | 2.2 | Sep | 2.1 | 3.2 | Q2 | | -2.0 | | -5.5 | | na | na | 3.75 | 0.3 |
| South Africa | 0.6 | Q2 | 3.4 | 1.2 | 3.4 | Sep | 3.0 | 33.2 | Q2 [§] | | -0.8 | | -4.7 | | 8.8 | | 17.2 | 3.3 |

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted †New series **Year ending June ††Latest 3 months ††3-month moving average
\$5-year yield †††Dollar-denominated bonds Note: Euro-area consumer prices are harmonised

Markets

| In local currency | Index | % change on: | |
|-------------------------|-----------|--------------|---------------|
| | | one week | Dec 31st 2024 |
| United States S&P 500 | 6,890.6 | 2.9 | 17.2 |
| United States NAS Comp | 23,958.5 | 5.4 | 24.1 |
| China Shanghai Comp | 4,016.3 | 2.6 | 19.8 |
| China Shenzhen Comp | 2,550.3 | 4.0 | 30.3 |
| Japan Nikkei 225 | 51,307.7 | 4.1 | 28.6 |
| Japan Topix | 3,278.2 | 0.4 | 17.7 |
| Britain FTSE 100 | 9,756.1 | 2.5 | 19.4 |
| Canada S&P TSX | 30,144.8 | 0.5 | 21.9 |
| Euro area EURO STOXX 50 | 5,705.8 | 1.2 | 16.5 |
| France CAC 40 | 8,200.9 | -0.1 | 11.1 |
| Germany DAX* | 24,124.2 | -0.1 | 21.2 |
| Italy FTSE/MIB | 43,242.5 | 2.4 | 26.5 |
| Netherlands AEX | 975.4 | 1.0 | 11.0 |
| Spain IBEX 35 | 16,150.1 | 2.3 | 39.3 |
| Poland WIG | 113,294.5 | 2.1 | 42.4 |
| Russia RTS, \$ terms | 1,000.2 | -2.3 | 12.0 |
| Switzerland SMI | 12,314.1 | -2.4 | 6.1 |
| Turkey BIST | 10,871.1 | 3.0 | 10.6 |
| Australia All Ord. | 9,218.8 | -1.1 | 9.5 |
| Hong Kong Hang Seng | 26,346.1 | 2.2 | 31.3 |
| India BSE | 84,997.1 | 0.7 | 8.8 |
| Indonesia IDX | 8,166.2 | 0.2 | 15.3 |
| Malaysia KLSE | 1,611.5 | 0.6 | -1.9 |

| | Index | % change on: | |
|-----------------------|-------------|--------------|---------------|
| | | one week | Dec 31st 2024 |
| Pakistan KSE | 158,465.1 | -4.9 | 37.6 |
| Singapore STI | 4,440.2 | 1.1 | 17.2 |
| South Korea KOSPI | 4,081.2 | 5.1 | 70.1 |
| Taiwan TWI | 28,294.7 | 2.3 | 22.8 |
| Thailand SET | 1,315.6 | 1.0 | -6.0 |
| Argentina MERV | 2,801,880.4 | 38.8 | 10.6 |
| Brazil BVSP* | 148,632.9 | 2.6 | 23.6 |
| Mexico IPC | 63,352.9 | 3.3 | 28.0 |
| Egypt EGX 30 | 38,229.5 | 1.7 | 28.5 |
| Israel TA-125 | 3,329.9 | 2.3 | 37.2 |
| Saudi Arabia Tadawul | 11,752.1 | 1.4 | -2.4 |
| South Africa JSE AS | 110,371.3 | 1.4 | 31.2 |
| World, dev'd MSCI | 4,426.1 | 2.4 | 19.4 |
| Emerging markets MSCI | 1,402.7 | 1.6 | 30.4 |

| US corporate bonds, spread over Treasuries | | |
|--|--------|---------------|
| | latest | Dec 31st 2024 |
| Basis points | | |
| Investment grade | 91 | 95 |
| High-yield | 352 | 324 |

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

| The Economist commodity-price index 2020=100 | | | | % change on year |
|--|----------|-----------|-------|------------------|
| | Oct 21st | Oct 28th* | month | |
| Dollar Index | | | | |
| All items | 137.0 | 138.1 | 1.5 | 5.6 |
| Food | 143.8 | 144.2 | -0.4 | 4.7 |
| Industrials | | | | |
| All | 131.4 | 133.0 | 3.2 | 6.6 |
| Non-food agriculturals | 126.9 | 126.0 | -0.3 | -5.5 |
| Metals | 132.6 | 134.8 | 4.1 | 9.9 |
| Sterling Index | | | | |
| All items | 131.7 | 133.6 | 2.9 | 3.5 |
| Euro Index | | | | |
| All items | 134.9 | 135.3 | 2.3 | -2.1 |
| Gold | | | | |
| \$ per oz | 4,142.5 | 3,963.9 | 3.4 | 43.2 |
| Brent | | | | |
| \$ per barrel | 61.4 | 64.2 | -4.2 | -9.5 |

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ *Provisional

For historical indicators data, visit [economist.com/economic-and-financial-indicators](https://www.economist.com/economic-and-financial-indicators)

OBITUARY

Peter Gurney

The bomb-disposal mastermind died on September 19th, aged 93



MINUTE BY MINUTE, Peter Gurney's backside was getting hotter. Even his fire-resistant trousers couldn't cope. In the end, with a yell of pain, he jumped off the unexploded mortar he was sitting astride, ran to a convenient small snowdrift (it was February 1991, and snow was also falling), unzipped his trousers and shoved in handfuls. If that meant frostbite, so be it. No one had told him that sitting on this particular peaceful-looking mortar, when it was still cooking off its explosive, as it was, was bound to be a warm experience. But he hadn't had much choice. He was trying to keep the bomb still to ease out the fuse, and all he had to steady that fuse was a twig from a shattered tree where the bomb had crashed. Gripping it between his knees was much better; but it meant that he might never sing again, except soprano.

All this was provoking enough. But it was also taking place in the garden of No 10 Downing Street, towards which three mortars had been fired from a white van now burning in Whitehall. John Major's cabinet, summoned to discuss the Gulf war, could potentially watch him (though they had been ordered, of course, to stay well away from the windows). He wondered what on earth they would have thought of him, hopping regularly on and off a live mortar. He had rarely met a bomb as exhausting as that one.

Yet he had tackled thousands in his 40-year career, in the army to 1973 and then in the Metropolitan Police. In postwar Berlin, working for the British army of occupation, he had cleared or detonated unexploded munitions all across the city. In Egypt and Libya he had made safe the live ammunition strewn across the desert. At Abu Sultan, near Suez, in 1955 he had laboured to check that the fuses in hundreds of thousands of mines were not in the armed position. Much of his work was forensic, such as searching after army accidents for tiny components that might explain the malfunction. As for the London bombs set by Palestinian and Irish terrorists in the 1970s and 1980s, he had long lost count of how often he had raced to a site, at first with no protective clothing, ducked under the police cordons and then begun the longest, loneliest walk in the world. As he walked, he became remote. He focused on distance, then on survivability. But once he could see the bomb, it was just the bomb and him. Kill, or be killed.

Terrorist bombs were by far the hardest. The grenades and mortars he cleared abroad had been mass-produced; he knew them well, and how they would behave. The IRA bombs, by contrast, were homemade, often just wires going to a battery and a clock for a timer, but filled with increasingly sophisticated explosive. He would walk towards them knowing nothing for sure about them: neither their wiring nor their power. His working kit was principally medical scalpels, a ball of string, fish-hooks and garden secateurs. Later he acquired a portable X-ray machine. That was invaluable, as was "Wheelbarrow", a primitive robot that could trundle out to engage with cars stuffed with explosive. From the car in the photo (in 1973) he took out 120lb of it.

A six-month tour in Belfast in 1972, dealing with 123 bombings, prepared him well for London. Many "bombs" were hoaxes, though none was as irritating as the one that saw him balanced 300 feet above the River Severn, on the then-new bridge, discovering that a package left by Welsh nationalists was just a few candles in a box. In Belfast he had been stoned and splashed with battery acid, as well as being concussed (lucky not to be killed) by a string of sausages in a wrecked snack bar that was resting, unknown to him, on a ruptured 440-volt cable. And even to cut a single wire was hazardous. If the cut end fell against the casing, it could short out, blowing him to kingdom come. Conventional munitions were seldom designed to kill or maim anyone handling them later. These bombs were.

Yet he loved his work. As an army brat, growing up in a camp in Wiltshire, he was fascinated by discarded explosives, from the spent .303 cartridges and cordite he hoarded to the rare illuminating mortars, some with their parachutes and flares still intact. He got wonderful revenge with one of those on a farmer who shot at him for stealing apples, sending the farmer's bicycle soaring on a home-made rocket with great gouts of flame, until it fell apart. The London Blitz was unbearably exciting, and propellant burns in Sinai were so beautiful that he almost forgot to move away.

Many people wondered how the dickens he kept his cool. But he had learned to suppress his emotions—all except fear. That was absolutely necessary. Any bomb-disposal officer who said he was not afraid was a bloody fool and was going to die. For the rest, he just got on with the job. The hardest test of that came when, after a bombing in Oxford Street in October 1981, he went down to the dark, ruined, stinking basement and found the mutilated body of his closest friend and colleague, Ken Howorth, who had got there first. He recognised him from a scrap of the dreadful old cardigan Ken had always worn around the office. Clinically, he appraised his massive injuries for forensic clues; but there was another bomb in Debenhams's department store down the street, so he raced away there. For the first and only time, he was filled with anger and desire for revenge. But every time he defused a device he found unmatched satisfaction in frustrating the bastards.

His actions in Oxford Street won him a second George Medal, to add to the one he had earned in Belfast. They also gave him recurring nightmares in which people were walking towards a concealed bomb that was about to explode, and he could not stop them. Oddly, talking about these dreams and about his work made them go away. The Downing Street defusing was the tale he most enjoyed telling. He later presented Sir John Major with the firing pin from the fuse of that red-hot mortar. But Margaret Thatcher's comment, when she first met him, was "Oh yes; that was when the poor cherry tree was destroyed." ■

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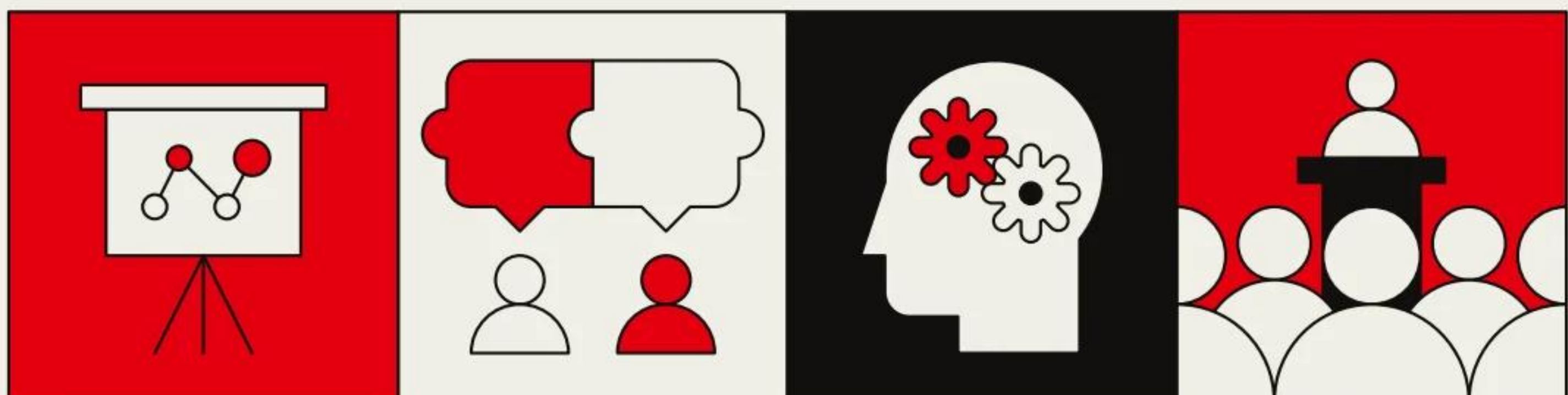
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FINE JEWELRY