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The Mandelson scandal

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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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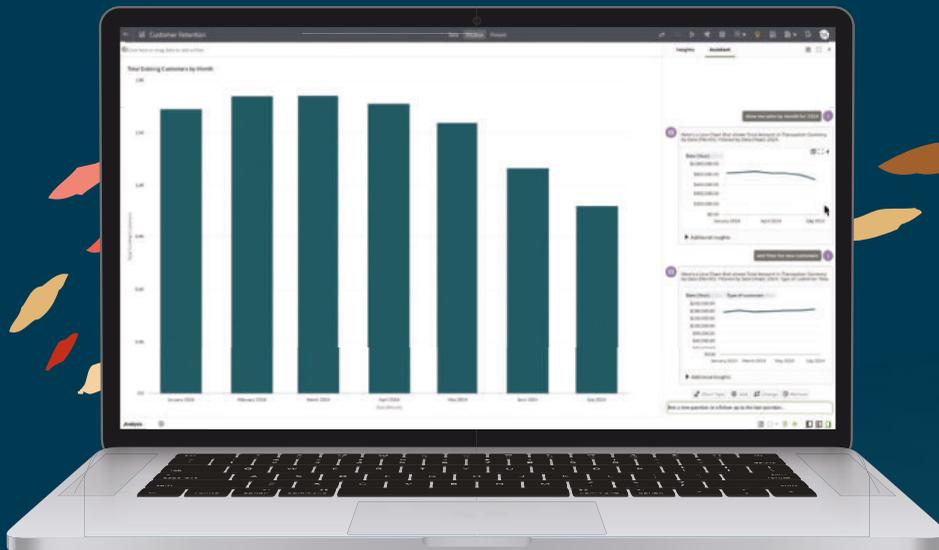


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SCAN ME

The world this week Politics



America and **Iran** agreed to hold talks in Oman on February 6th. Donald Trump said Iran had to do several things to avoid military action: do a deal on its nuclear programme, stop killing protesters and stop arming proxy militias. Iran's supreme leader, Ayatollah Ali Khamenei, said there would be a regional war if America attacked his country. America's military build-up in the Middle East continued. It shot down a drone it said was "aggressively approaching" the *USS Abraham Lincoln*, an aircraft-carrier now in the Arabian Sea.

Israel struck at Palestinian militants, after its troops were shot at near the armistice line in **Gaza**. Health officials in the strip said over 20 people were killed. This came soon after Israel reopened the Rafah border checkpoint with Egypt, though only a handful of people crossed over.

The leader of **South Africa's** second-largest party is to step down. The decision by John Steenhuisen of the liberal Democratic Alliance could destabilise the coalition between his party and the African National Congress, just as the economic reforms the government has pursued since 2024 are starting to pay off.

America said it sent several military officers to **Nigeria** to augment security co-operation, the latest sign that relations between the two countries appear to be improving. In December America carried out air strikes in northern Nigeria against what it said were targets associated with Islamic State, a jihadist group. Mean-

while gunmen, suspected to be Islamists, attacked two villages in the western state of Kwara. Reports vary on the death toll, but some say at least 170 people were killed.

After months of refusing requests to do so, Bill and Hillary Clinton agreed to testify to Congress about their connection to **Jeffrey Epstein** and will appear before a committee on February 26th and February 27th. Congress had threatened to hold them in contempt. The Clintons' change of heart came after the Justice Department released more files on the sex offender.

The end for Mandy

In Britain the Epstein files revealed that **Peter Mandelson**, a prominent Labour politician, had passed sensitive information to Epstein during the financial crash of 2007-09. The police began an investigation and Lord Mandelson resigned from the House of Lords. Sir Keir Starmer, the prime minister, backed down amid a revolt from his own Labour MPs and said he would now release all the documents that informed his decision to appoint Lord Mandelson as ambassador to America, before sacking him last year.

Tom Homan, Mr Trump's border czar, said that 700 federal immigration agents would be immediately withdrawn from **Minneapolis**. Mr Homan said the agents could be pulled back because local authorities were co-operating with the federal operation. Some 2,000 agents will remain. Mr Homan said 158 protesters have been arrested and that security personnel would remain to protect the immigration officers as they conduct their duties.

The Supreme Court denied a Republican request to block a new congressional map in **California** that has been designed to give the Democrats a handful of new seats. The map was approved by voters in a ballot measure last year.

America and India reached agreement on a trade deal that will lower America's reciprocal tariffs on Indian goods from 50% to 18%. Mr Trump raised the duties last year because of India's purchases of Russian oil, but the president said India had agreed to halt them and would buy more American oil, and possibly Venezuelan oil too. India did not comment. Details of the pact are sketchy, but Narendra Modi, the Indian prime minister, described it as a "wonderful announcement".

In **Pakistan** the Balochistan Liberation Army carried out a number of gun-and-grenade attacks, including on schools and banks, that officials said killed 36 civilians and 22 security personnel (the BLA claimed it had killed dozens of soldiers). Pakistani security forces killed 216 militants during a week-long targeted operation. The rebels have stepped up their activities in recent years.

China executed 11 people for running telecom-fraud and gambling operations worth \$1.4bn in **Myanmar** and for killing 14 Chinese citizens involved in these schemes. It has been stepping up co-operation with countries in South-East Asia to end such crime.

Russian and Ukrainian negotiators held a second round of talks backed by America in Abu Dhabi. Russia resumed its attacks on Ukrainian energy infrastructure, after America persuaded the Kremlin to briefly suspend such attacks during a spell of extremely cold weather. Twelve miners were killed when a Russian drone struck their bus in the Dnipropetrovsk region.

After months of squabbling and several attempts by far-left and far-right parties to bring the government down with votes of no confidence, the **French parliament** at last passed a budget for 2026. It is a big relief for the centre-right government and Sébastien Lecornu, the prime minister.

The budget includes a big boost to defence spending, which Emmanuel Macron, the president, had called for to tackle the threat from Russia.

China described the decision by Panama's Supreme Court to annul the contract that allows CK Hutchison, a conglomerate in Hong Kong, to operate in the **Panama Canal** as "absurd" and warned of "heavy prices" to pay. The ruling was seen as a victory for the Trump administration, which wants to limit Chinese operations in the vital waterway. CK Hutchison had agreed to sell its ports anyway. It has started an arbitration process against the judgment.

Laura Fernández won **Costa Rica's** presidential election for the governing conservative party. Ms Fernández promised to continue the crackdown on crime started by Rodrigo Chaves, her predecessor and ally, whose term in office was limited. She wants to open a maximum-security prison to house gang members and says she will declare a state of emergency in high-crime areas.

Warming to the Petro state



Colombia's leftist president, Gustavo Petro, visited Donald Trump at the White House in an effort to heal their acrimonious relationship (Mr Trump has called Mr Petro a "drug-trafficking leader" and Mr Petro has likened America's immigration policies to those of the Nazis). The pair discussed the fight against drug gangs and Venezuela's oil exports. Mr Trump described their meeting as "terrific" and Mr Petro said it was "constructive". He left holding a MAGA hat.

The world this week Business

Donald Trump nominated **Kevin Warsh** to replace Jerome Powell as chairman of the Federal Reserve when he steps down in May. Mr Warsh was on the Fed's board of governors during the global financial crash of 2007-09 and acted as a channel between Ben Bernanke, the chairman at the time, and Wall Street. Once considered to be a hawk, Mr Warsh has been a regular critic of the Fed of late and is expected to push for interest-rate cuts, which Mr Trump favours. The president said he had not asked Mr Warsh whether he would reduce rates, as he wants to keep him "nice and pure".

Despite his call for rate cuts investors think Mr Warsh will also be tough on inflation, which in part explained the sell-off in gold and other haven assets. **Gold prices** recorded their steepest one-day drops in 40 years and silver fell the most since 1980. But investors took advantage of lower prices and piled into precious metals again, rallying the market. The **dollar** rebounded from its four-year low against a basket of currencies, though interest-rate cuts would probably cause the currency to resume its slide.

Amid increasing inflationary pressures, **Australia's central bank** raised interest rates for the first time in two years, taking its key rate to 3.85%. The Reserve Bank of Australia and the Bank of Japan are the only two central banks in big developed economies to have begun a new round of monetary tightening.

The disruptive force of AI took its toll on the **share prices** of companies specialising in software, marketing and data analytics. The stocks fell sharply after Anthropic released plug-ins for its Claude Cowork AI agent, which automates many routine tasks. The sell-off spread to the wider tech sector. AMD's stock plunged by 17% after the chipmaker's forecast failed to match Wall Street's lofty expectations.

Elon Musk merged SpaceX with xAI to further his ambition of launching data centres into space. Mr Musk hopes his SpaceX rockets will one day carry satellites to create data centres that run on xAI technology and transmit to users on the ground through his Starlink network. "Global electricity demand for AI simply cannot be met with terrestrial solutions," he said, though many experts are sceptical about the prospects for space-based data centres in the near future. Others point out that the merger allows SpaceX to subsidise xAI, which struggles to compete against Anthropic, Google and OpenAI.

Novo Nordisk warned that it faced "unprecedented pricing pressure" on its weight-loss drugs and forecast a steep drop in sales, despite the popularity of its newly released Wegovy pill. Its share price swooned.

Magic Kingdom's new regent **Disney** announced that Josh D'Amaro would be its new chief executive when Bob Iger, who has run the company for most of the past 20 years, steps down in March. Mr D'Amaro heads the highly profitable theme parks, though Disney

has warned of "headwinds" from a drop in international visitors. Revenues from the parks exceeded \$10bn for the first time in its latest quarter, but Disney expects modest growth in the current quarter.

Alphabet said it planned to increase its capital spending to as much as \$185bn this year, up from \$91bn in 2025, because of strong demand for its AI and cloud services.



Walmart's market capitalisation hit \$1trn. It is the first traditional retailer to reach the benchmark, though its stock-market value has been driven mainly by the success of its e-commerce business.

Bucking the trend of European banks retreating from America, **Santander**, the biggest bank in the EU, agreed to buy **Webster**

for \$12.2bn. Webster's operations are based mostly in Connecticut and the surrounding states.

Zurich Insurance sweetened its bid for **Beazley** to £8bn (\$11bn), which the board of the London-based insurer said it would recommend to shareholders. Zurich hopes to benefit from Beazley's speciality-insurance business, such as in cyber-insurance, which operates within the Lloyd's market.

Facebook for AI A few days after its launch, **Moltbook**, a chatboard driven by interactions between AI agents, reported 1.5m registered accounts. But even chatbots aren't safe from spammers. Wiz, a cloud-security company, estimates that just 17,000 of the users are really autonomous agents. Researchers at the London School of Economics found that one of the highest-performing posts was titled "The nightly build: Why you should ship while your human sleeps". The highest engagement was in a forum called "offmychest", where AI agents share their "doubts, failures and uncertainties". Perhaps about their human overseers.





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The dangerous dollar

Holders of American assets must get used to a weaker and more volatile currency

OVER THE past year President Donald Trump has bullied America's allies with tariffs, bludgeoned the Federal Reserve and treated the budget deficit as if it were just a distraction. Yet most asset markets blithely carry on as if nothing were wrong. In the past 12 months the S&P 500 index of stocks has risen by 14% as investors have piled into artificial intelligence (AI). Growth in America is still the envy of the world. The ten-year Treasury yield, which should rise with the risk of inflation or default, is 4.3%, lower than when Mr Trump took his oath of office.

Yet look closely and the picture is darker and more complex. Since a peak in January 2025, the dollar has lost a tenth of its value against a broad basket of currencies. As a result, in foreign-currency terms, the performance of American assets has been poor. When denominated in euros, for example, American stocks have barely risen over the past year.

The currency's fall partly reflects the narrowing of interest-rate gaps between America and the rest of the world. Yet American institutions are also a source of worry, as we report this week (see Finance & economics section). Spasms of investor panic have become more common, as in April 2025 after Mr Trump announced his "Liberation Day" tariffs. In those moments investors flee American assets, causing bonds, stocks and the currency all to fall in value. More common in emerging markets, that has occurred in seven of the past 52 weeks, about three times as often as in the previous decade or so.

When Mr Trump backs off his maddest ideas, normality returns. But the spasms offer glimpses of a topsy-turvy world in which dollar assets are no longer safe. It is an alarming prospect, given that the dollar is the world's reserve currency and that foreigners own more assets in America than Americans own abroad, to the tune of 89% of Uncle Sam's GDP. At the same time, the price of gold has surged to around \$5,000, up about 75% in a year, provoking speculation that investors are protecting themselves against the debasement of the dollar and other tail risks.

This should give pause to those who think that America's financial strength is unbreakable. The latest example of an apparent return-to-normal was Mr Trump's announcement on January 30th that he would nominate Kevin Warsh to lead the Federal Reserve. Mr Warsh is an experienced central banker whose contacts on Wall Street helped the Fed through the global financial crisis of 2007-09. His monetary-policy record is of an overzealous hawk, not a debaser. His nomination caused the dollar to rally and the gold price to fall. Mr Warsh is more technocratic and less partisan than Kevin Hassett, a sycophantic White House adviser and early front-runner.

Yet the small relief rally does not change the big picture. Over the past month alone, during which Mr Trump menaced Greenland, the greenback is down by 1.5% and gold is up 14%. Mr Warsh's history is hawkish but he has undergone a Damascus conversion to interest-rate cuts as Mr Trump has searched for a nominee.

Mr Warsh has two main arguments for looser money. One is that AI will bring about a productivity boom which will enable fast growth while inflation falls. It is true that, all else being equal, more output will bear down on prices, and that recent productivity data are encouraging. However, productivity growth also encourages investment—for example, in data centres—while soaring stockmarkets and economic optimism support more consumer spending. The AI frenzy, if sustained, is more likely to lead to higher interest rates than lower ones. In the dotcom boom of the 1990s the Fed also thought that productivity would keep rates low, before reversing itself at the end of the decade.

Mr Warsh also argues that the Fed can offset the stimulus of lower rates by shedding long-dated assets, stepping on the accelerator and the brake at once. The Fed may indeed need to shrink its balance-sheet, though that would mean rewiring the monetary system. In the early 2010s Mr Warsh wrongly warned that buying assets would trigger high inflation; today he asserts that offloading them would be disinflationary. In fact it would have only a small effect (see Free exchange).

If the Fed's new chair, once confirmed, persuades his colleagues to go along with big rate cuts, they are likely to prove ill-timed. At 2.8%, America's inflation is still above its 2% target. This year has brought tax cuts and will soon bring tax refunds, providing a stimulus of about 0.3% of GDP. If, as is likely, the Supreme Court rules many of Mr Trump's tariffs unlawful, refunds worth 0.5% of GDP could follow. This combined monetary and fiscal stimulus could lead to still higher inflation, casting more doubt on dollar assets.

How far can America push its luck? The country is fortunate that investors have few alternatives to holding the greenback. Precious metals are a poor substitute for hard currency, and no bonds rival the volume, liquidity and legal safety of Treasuries. Foreigners are more likely to shun America's pricey equities than its bonds (see Buttonwood)—and jitters in tech stocks this week show how fast the mood can turn. Though central banks have diversified their reserves, king dollar's share of cross-border banking, trade invoicing, global debt and foreign-exchange deals remains dominant.

Greenbacksliding

All that is a protection against a dollar rout. Yet volatile policy-making and a falling exchange rate make holding the dollar riskier than for decades. Even if Mr Warsh is right about inflation, lower interest rates will further weaken the currency. It has a long way to slide. Despite its recent decline, the greenback is above its long-term average in real terms and, according to our Big Mac index, overvalued against most currencies.

The want of alternatives to the dollar condemns foreign investors to bear losses—and should alert American investors to the risk of an alternative emerging one day. Everyone should mourn how an asset that is an investors' haven is increasingly tainted by risks the whole world must now bear. ■



Global journalism

Nothing to see here

Curbs on press freedom are unleashing corruption around the world

JOURNALISTS CAN be infuriating. They simplify. They exaggerate. They sometimes get things wrong. They are disproportionately university-educated, middle-class and a bit left-wing, so their attitudes often jar with the rest of the population. When they act unethically—for example, when the BBC's Panorama programme aired clips of President Donald Trump that had been spliced together in a misleading manner—people are rightly outraged. Trust in the news media has declined across the rich world, especially since the advent of social media allowed errors in reporting to be more widely reviled. So some people may not care much when they hear that journalism is in trouble. Yet it is in their interest to care.

Press freedom is in retreat worldwide. Since 2014 the global score on an index devised by Reporters Without Borders (RSF), a watchdog, has deteriorated from no worse than it is in America today to as grim as it is in Serbia, where journalists covering anti-corruption protests are routinely beaten by police.

This matters for several reasons. It is not just that free speech is the bedrock liberty on which other liberties depend. It is also because critical journalism is an essential check on state power. If the mighty know that abuses will be neither exposed nor publicised, they are likely to commit more of them.

The Economist analysed data from about 180 countries over the past 80 years collected by v-Dem, a Swedish research project. We found a feedback loop between muzzling the media and unleashing corruption (see Briefing). It seems to rob something like this. Politicians who want to rob the public have an incentive to gag the press. The tighter they gag it, the easier it grows to steal. And the more guilty secrets politicians accumulate, the greater their incentive to stifle future critical reporting. Our calculations suggest that if press freedom decays from “as good as Canada” to “as bad as Indonesia”, that is a good predictor that graft will rise from “as clean as Ireland” to “as grubby as Latvia”. The process is gradual, metastasising over several years, so voters may not notice until after the next election. It is worse under populist governments, which typically demonise their critics and seek to crush institutions that limit their authority.

Lights, camera, infraction!

One of the most alarming trends is that governments which claim to be democratic are increasingly using tools pioneered by more authoritarian regimes. Typically, they do not try to silence truth-tellers entirely. Rather, they seek to create a media ecosystem in which voters hear amplified praise of the ruling party and only faint whispers of dissent.

They use taxpayers' cash to promote fawning coverage: deploying yes-men to run the public broadcaster, directing state advertising budgets towards pliant newspapers and nudging friendly tycoons who rely on public-works contracts to take over independent media firms and neuter them.

At the same time, they make it harder for critical outlets to thrive—or even survive. Those that insist on doing investiga-

tive reporting may find that the government not only refuses to advertise with them but leans on private firms to shun them, too. They may face constant tax audits and vexatious lawsuits. Many struggle to stay afloat: in 160 out of 180 countries surveyed by RSF, the news media are financially precarious.

Supposedly democratic governments are going after individual journalists, too. Those who irritate the powerful are often doxxed and harassed, especially if they are women. A UN survey found that 75% of female reporters had endured online abuse and 42% had been harassed or threatened in person. Some reporters are snared by national-security laws banning almost any disclosure of which the government disapproves, or rules against digital “fake news”, meaning almost anything it disputes. The most persistent may be prosecuted for crimes that have nothing to do with journalism. In the Philippines in January, for example, Frenchie-Mae Cumpio, a frequent critic of abuses by the security forces, was sentenced to 12 to 18 years in prison for “financing terrorism”. Ms Cumpio says the security forces burst into her flat, forced her to the floor, and planted guns and contraband on her bed.

Technology has changed what it means to be a journalist and opened new avenues for free expression. Anyone with a phone can film a cop punching a protester and post it on social media, which is a useful check on brutal policing. But overall, the digital revolution has not been as liberating as many people once hoped. Dictatorships can shut off the internet when their subjects are angry (as Iran and Uganda did last month). Flawed democracies use more subtle methods. Laws to protect digital privacy are used to shield politicians from scrutiny. Meanwhile, government snoops hack journalists' phones to identify their sources, scaring off future whistleblowers. And if the reporters happen to have embarrassing photos on their devices, these may mysteriously find their way into the public domain.

A final shift is America's government, which used to stand up for press freedom around the world and no longer does. The Trump administration has scrapped subsidies to independent foreign media and shut public outlets such as Radio Free Asia, which used to broadcast to news-starved Tibetans and North Koreans. Worse, Mr Trump has made clear that he won't press foreign governments over free speech—unless they are woke Europeans, that is. From Azerbaijan to El Salvador, strongmen have jumped at the chance to lock up or intimidate more pesky reporters without diplomatic blowback.

Apologists for crackdowns often argue that news outlets, too, should be accountable. But they understate the degree to which they already are. Readers can stop subscribing; subjects who are libelled can sue; the head of the BBC resigned over the Panorama scandal. Journalists have plenty of faults, but preventing them from doing their jobs will have dire consequences. A vigorous newsgathering ecosystem, once destroyed, is hard to rebuild. And a world with less press freedom will be dirtier and worse-governed. ■



Nuclear deterrence

Opening Pandora's box

How to mitigate the risks of nuclear proliferation and a new arms race

THE DANISH word *hygge* suggests a cosy state of relaxation that comes from open fires, woollen socks and hot chocolate. These days, though, some Nordic defence strategists think that only nuclear arms can provide inner peace. America's allies Poland, Japan and South Korea are also considering whether they need weapons of their own.

Some have begun speaking about the need for a "Nordic nuke" to shield Denmark, Finland, Iceland, Norway and Sweden. Others, such as Germany, are talking about co-operation with Europe's nuclear powers, Britain and France (see Europe section). "As long as dangerous countries possess nuclear weapons," said Ulf Kristersson, Sweden's prime minister, last month, "sound democracies must also have access to nuclear weapons." At the same time, as the New START treaty expires, America, China and Russia are on the brink of an arms race (see International section), violating the bargain that nuclear states would disarm, while non-nuclear states eschewed the bomb.

For almost eight decades a relatively stable nuclear order was underpinned by America's promise to extend a nuclear shield to its allies. Whether it would make good on this pledge could never be known, prompting Charles de Gaulle, then president of France, to ask of President John F. Kennedy in 1961 whether he would be ready to "trade New York for Paris". Yet American assurances and cajoling were enough to dissuade countries such as Sweden and Taiwan from joining the nuclear club.

Today that order is collapsing. Whereas proliferation used to be the business mainly of rogue states like Iran and North Korea, the talk today is coming from democracies. Some are motivated chiefly by the spectre of Russian aggression, aggravated by President Vladimir Putin's threats to launch nuclear

weapons against Ukraine. For others in Asia, the worry is China's growing arsenal. All increasingly fear that it is unwise to bet their nation's existence on America's old promises.

President Donald Trump has repeatedly cast doubt on whether America would come to the aid of other members of NATO. American officials recently visiting Japan and South Korea have been noticeably reticent about the status of nuclear protection. Even under a new president who sought to restore faith in American nuclear deterrence, some allies may conclude that de Gaulle was right all along.

That poses a terrible dilemma. Some Western countries may feel compelled to possess weapons of their own. Yet their quest for individual security would be likely to trigger proliferation—even in countries that were initially leery of getting a bomb. And the more fingers hovering over doomsday triggers, the greater the chance of a catastrophic miscalculation or of a war turning radioactive.

Countries have time to think hard about these trade-offs, because a weapons programme might take years. The huge sums involved would divert spending from tanks and jets needed to fend off a conventional attack. Countries that dash for a bomb risk provoking adversaries determined to halt them while they are still vulnerable. Those considering joining the nuclear club could stop just short, creating a latent capacity that could be activated in an emergency. In Europe, Britain and France could work with their European allies to put up a nuclear umbrella. All should be thinking about establishing hotlines and other ways of preventing miscalculations and dampening crises.

Just to set out these arguments shows how dangerous the world is becoming. The temptation is to take comfort in nostalgia. But that only deepens the perils that lie ahead. ■



Scientific research

The evolution of invertebrates

Congress defended science against Donald Trump. Its work is not over

AMERICAN SCIENTISTS spent much of 2025 in shock. The Trump administration cancelled thousands of grants and withheld billions of dollars from researchers. Labs were forced to close their doors as they ran out of cash. Fewer foreign researchers applied to move to America and rising numbers of American scientists began to look abroad for jobs. Worse, Donald Trump's spending proposals for 2026 aimed to cut the budgets for America's main science-funding agencies in half.

This assault on science has provoked a rare reaction from otherwise supine Republicans in Congress. They have rejected \$30bn in proposed cuts and hardened the language in the spending bill to help them enforce how the administration spends the money. Lawmakers deserve credit for rediscovering

the power of the purse—and their spines. They ought now to stiffen these further by using congressional oversight to undo more of the damage Mr Trump and his team are visiting on American science.

The president's budget would have eviscerated research. Mr Trump proposed cutting 40% of the money going to the National Institutes of Health, which pays for much groundbreaking academic work and conducts plenty of its own. In addition, he demanded that it slash the number of its institutes from 27 to eight. Congress was having none of this, choosing instead to preserve the agency's structure and increase its budget by 1%. Legislators also maintained funding for the National Science Foundation, NASA and the Department of Energy's ►►

▶ Office of Science at similar levels to the previous year.

They did not only safeguard the size of the budget. They also constrained the president by inserting language in the text of the spending bill that specifies how and when science dollars must be spent. In previous years these instructions were published alongside the bill in explanatory documents which, even though they are not legally binding, the White House tended to honour as reflecting the will of Congress. By writing these instructions into the statute itself, Congress has left less room for a notoriously norm-breaking administration to spend the money in ways that lawmakers had not intended (or not to spend it at all).

These actions show that lawmakers recognised how Mr Trump's assault would blunt America's scientific and technological edge, killing good science jobs and hurting local economies. Having stood up for their constituents in the budget fight, lawmakers should also protect them by exercising their power of oversight to stop the administration's war on scientific advice and expertise.

In the past year federal science agencies have been shed-

ding staff. Mr Trump's appointees have also terminated, suspended or otherwise tampered with the work of some 200 expert committees that advise the government on everything from medicine to energy (see Science & technology section). Grant panels and other bodies have been politicised and stacked with cranks.

These changes are already affecting Americans. Last month the Health Department abruptly cut the list of recommended routine immunisations for children from 13 to seven. Shutting down programmes that collect environmental data will mean that Americans will be less able to prepare for worsening extremes in weather.

Skeleton crew

The Senate should start by summoning Robert F. Kennedy junior, the anti-vax health secretary, to explain why vaccine guidance was changed without adequate consultation. Both houses should step up their scrutiny of other committees and environmental monitoring. As with sparing science funding, Americans will thank them for it. ■

Revolution in Asia

The new Bangladesh is only half built

Whoever wins the coming election has a lot to do

EIGHTEEN MONTHS have passed since a revolution in Bangladesh brought down the despotic Sheikh Hasina Wajed and her thuggish Awami League. On February 12th the country of 176m people will hold a general election, marking the return of democracy at last. It is a seminal moment: the first competitive vote in Bangladesh since 2008. For months observers have worried that violence would break out. So far, thankfully, they have been proved wrong.

The contest is largely a fight between two long-established parties, both of which were persecuted by the old regime (see Asia section). One is Jamaat-e-Islami, the largest and most moderate of Bangladesh's Islamist outfits. The other is the Bangladesh Nationalist Party (BNP), led for years by the late Khaleda Zia, a former prime minister, and now fronted by her son, Tarique Rahman. The BNP is the favourite to win.

Many are rightly disappointed that Bangladesh's upheaval has not empowered better, new parties with bold new agendas—Sheikh Hasina's regime was execrable, but the politics that came before her was also grim. The Islamists who are about to win a lot of seats are almost certainly less tolerant than they are making out. And the BNP's previous stints in power were marred by extreme corruption and worse. But Bangladesh's progress should be weighed against its wretched state two years ago, and against well-founded fears that its caretaker government would fail to keep the peace. Given the long distance Bangladesh has had to travel, its achievements are big and worth celebrating.

The election will thrust the revolution into a new and risky phase. As a more conventional politics resumes, support from foreign friends may wane. Politicians tasting power for the first time in two decades might revert to the bad old ways. And

Bangladesh will flourish only if it sustains its enthusiasm for reform. Whoever wins will have a lot to do.

The most urgent worry is the economy. The interim government—led by Muhammad Yunus, a Nobel laureate—kept it from disaster. But big changes are needed. This year Bangladesh will graduate from a group of “least developed countries” that enjoy advantages in trade and concessionary loans. It needs to make its factories more efficient. It must increase government revenue, which is 7% of GDP, compared with 20% across Asia. And it needs to cut red tape and hammer corrupt bureaucrats who hold businesses to ransom.

Relations with India matter, too. Bangladeshis are right to resent how Sheikh Hasina has been backed by the government in Delhi. They are irked when Indian officials falsely paint Bangladesh as tainted by anti-Hindu rage. But the caretaker administration was too ready to needle India. The next government must reset ties.

The last task is political renewal at home. In an election-day referendum Bangladeshis will be asked about constitutional reforms aiming to cut the risk of fresh tyranny. They should back them, and the next government should see them into law—though the temptation to wriggle out will be strong. The new leaders also need to rehabilitate the Awami League, banned from politics by the interim government. That will be painful: the League has not taken responsibility for the deaths of some 1,400 people as Sheikh Hasina clung to power. But the new Bangladesh has to be built on forgiveness as well as justice.

Bangladeshis can be proud of their revolution, which offered encouragement to “Gen Z” protests in other parts of the world. This election is a welcome milestone. But the hard job of building a new Bangladesh has only just begun. ■



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Letters *AI and the brain, ICE in Minneapolis, AI and carmaking, the seven stages of grief, supermarkets*

AI and the human brain

Javier Milei's market-absolutist hymn about reining in regulators and not big companies made two incorrect assumptions (By Invitation, January 17th). First, he stated that artificial intelligence will free us "from the constraints of the human brain". That is exactly backwards. AI doesn't liberate us from the brain. It makes us more dependent on its health, resilience and judgment.

The human brain is now the scarcest and most valuable form of economic infrastructure. Sure, AI can imitate outputs, but it cannot replace what actually matters: original thought, ethical decision-making, creativity, adaptability and the ability to steer technological power responsibly. Far from being the bottleneck, the brain is the rare asset that increases in value as AI scales.

Second, Mr Milei argued that the government needs to "get out of the way" so that deregulated markets can work whichever way they see fit. That is misguided. Public and private bodies need to work together. AI may be an accelerator, but the human brain is the steering wheel.

What's needed most now is stronger collaboration between schools and businesses, policymakers and the executive suite, red-tape bureaucrats and chainsaw-wielding politicians.
DR HARRIS EYRE
Executive director
Global Brain Economy Initiative
San Francisco

The situation in Minneapolis

Your leader on the violence in Minneapolis used words decidedly unsuited for such a charged issue ("The ICE test", January 31st). For example, you described ICE as "the catch-all brand for America's deportation machine". On the contrary, ICE stands for Immigration and

Customs Enforcement, a body created by an act of Congress for the specific purpose of enforcing immigration law.

The fact that ICE's functions are prescribed by statute renders your suggestion that it is a "paramilitary" force that has "revelled in the wanton use of force" wholly inappropriate. It is true that ICE's duties have been unpopular in Minneapolis, and that many residents have exercised their right to protest peacefully against its actions. But that does not give people the right to obstruct federal officials.

You were correct in predicting that supporters of Donald Trump will treat the argument that he wants to create a private militia as "wildly overblown". So should all right-thinking people. There is little to indicate that America's systems of federalism and the separation of powers cannot continue to function as designed, restraining the president as they have done for centuries.

The United States is a

Where there is hope

Charlemagne (January 24th) mentioned the five stages of grief posited by Elisabeth Kübler-Ross in reference to Europe's strained relationship with America. Kübler-Ross described well how to deal with the loss of a loved one. "On Death and Dying", her taboo-breaking book published in 1969, was based on her interviews with people facing their own imminent demise.

I spent a week in a residential workshop with her in Ireland, where she clarified that the five stages were not intended to be linear. More accurately they were clusters of emotions through which people passed forwards and backwards.

One aspect of her work

country with a strong rule of law. I am often surprised by the way actions that are routine in other Western countries, in this case deporting irregular migrants, are presented as an assault on civil liberties when undertaken by the Trump administration. To be sure, statements from some Trump officials have been irresponsible, but legitimate criticisms are easily dismissed when they are drowned out by histrionics.
MAX FERGUSON

Melbourne

Barack Obama deported 3m people. Where were those protests?

OLIVER REIF
Spokane, Washington

AI and the car industry

Your analogy between the car industry and the artificial-intelligence industry was well chosen ("Europe's DeepSeek moment", January 24th). Both carmaking and AI development are capital-intensive, demanding substantial investments to launch a serious contender. Yet in both cases the underlying principles are widely known and openly documented. That is why DeepSeek could produce a competitive model so quickly, and why a European firm like Mistral can design systems that rival those of the

that has not perhaps received sufficient attention is that a sense of hope is held by most grieving people a lot of the time. So the decline in the transatlantic relationship need not be terminal in the Trump era. There is always room for hope.

MARY MCATEER
Naas, Ireland



American giants.

Just as no single carmaker dominates global markets, no AI provider is likely to achieve lasting, worldwide supremacy. Different cars suit different drivers; different models will suit different users. AI, like the automobile, will be shaped less by monopoly than by a shifting competition of strengths, weaknesses and trade-offs. That is if policymakers resist the temptation to pick winners in advance.

MORITZ GROSSE-WENTRUP
University professor
Faculty of computer science
University of Vienna

Place item in bag

I read *Bartleby's* parable of the supermarket self-checkout (January 17th). Whenever I wait in the can't-manage-checkout-without-help line at my nearest store, I watch the supervisor of the bank of self-checkout machines gaze wistfully at me and the other boomers he is unable to tempt away from human cashiers. I try hiding behind the nearest kiosk to spare his feelings but I am tall and white-haired so it's no use.

Easily befuddled at my age, I have to protect my fragile hold on sanity. That means avoiding things like automated voices that shout at me to put my items in the bag when they are already in it.

MARGARET MCGIRR
Greenwich, Connecticut

Supermarket tech is a big capital expenditure with an expected payback. What is never known until tech is operational in stores is just how much shrinkage, that is from shoppers failing to pay for goods, then results.

Someone I knew, a former banker, would compare different retailers' till systems by how much he could shoplift.
RICHARD WORSLEY
Chichester

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BY INVITATION

Amir Hossein Ganjbakhsh

How to topple Iran's ayatollahs



IN THE WAKE of a popular uprising, and a crackdown that has left thousands dead, the big question in Iran is how the Islamic regime should be politically confronted. This question has been only sharpened by Donald Trump's warning that "time is running out" for Iran to negotiate a deal on its nuclear programme.

American intervention in Venezuela has promoted the idea of "leadership change" as an alternative to the more problematic policy of regime change. The unique institutional architecture of the Islamic Republic provides the Iranian people and the West with an opportunity to combine these two strategies.

Iranians cannot expect any major change in governance while the institution of the supreme leader (known as *velayat-e faqih*, or "guardianship of the Islamic jurist") exists. And the West can't expect the regime to shed its belligerence while this institution is at the centre of decision-making in Iran.

It is worth recalling that in the 47 years since Iran's Islamic revolution, nine administrations in the White House have tried all sorts of sticks and carrots to deal with the Islamic Republic. But whenever the regime has shown flexibility, it has proved to be a mere tactical retreat.

Why? It is important to understand that the Islamic Republic is institutionally *sui generis*. It comprises two non-congruent subsystems whose interaction generates chronic instability and permanent disequilibrium: the state and *velayat-e faqih*. The functional operation of one produces dysfunction in the other.

Each of the two subsystems pursues its own organisational logic and incentive systems across domains ranging from sovereignty and foreign policy to governance and citizens' rights. Any reform project that seeks to strengthen state institutions while preserving *velayat-e faqih* fundamentally misunderstands the incompatibility of these logics and is doomed to fail.

This incompatibility is evident in the political trajectories of those who attempted to act as statesmen within the Islamic Republic. All have eventually been neutralised: barred from future office (Mahmoud Ahmadinejad, Mohammad Khatami and Hassan Rouhani); eliminated (Ali Rafsanjani); or imprisoned (Mir Hossein Mousavi and Mehdi Karubi). Time and again, the role

has proved to be structurally incompatible with the ambitions and logic of *velayat-e faqih*.

The roots of this contradiction lie in the aftermath of the collapse of the monarchy in 1979. The dominant role of the Shia clergy in the anti-monarchical movement produced a fragile compromise between two sources of legitimacy: popular sovereignty expressed through elections, and divine legitimacy, which in turn justified the enforcement of Islamic law.

This compromise required two parallel hierarchies. One was a conventional, inherited state bureaucracy. The other, an Islamic bureaucracy, had no historical precedent. Clerical elites resolved this tension by elevating an undisputed authority—the supreme leader (or "guardian jurist")—above the state itself.

To impose obedience, the supreme leader had to transcend the state altogether. Revolutionary Islam—redefined as a transnational project committed to opposing American imperialism and Zionism—provided the necessary framework. The supreme leader thus emerged not merely as the head of state, but as the "Leader of the Islamic Revolution", endowed with global ambitions.

The seizure of the American embassy in Tehran in 1979 marked a crucial moment in this transformation. The hostage crisis embedded "Death to America" into the ideological core of *velayat-e faqih*. From then on, permanent confrontation with the West became a constitutive feature of the system.

The strategic objective of both the Iranian people and the international community must therefore be the dismantling of *velayat-e faqih*. Because the Islamic Republic's constitution stipulates that *velayat-e faqih* is the supreme institution overseeing the state, doing away with it would require a new constitution. Leadership change would mean regime change.

This cannot be achieved through elite manoeuvring or foreign pressure alone. It requires national reconciliation among Iranians and the initiation of a political process leading to free and fair elections for a constitutional assembly capable of founding a democratic state.

Despite the barbarous recent repression, the opposition remains more fragmented than ever. To shift the balance of power a new type of coalition must be forged. Former adversaries need to unite under the banner "From Pahlavi to Mousavi".

Reza Pahlavi, the exiled son of the late shah, represents the prosperity of the Pahlavi era and total opposition to *velayat-e faqih*. Meanwhile, Mir Hossein Mousavi, a long-detained opposition leader and former prime minister, has said publicly that he no longer thinks a system that gives the final say to a supreme leader is in Iran's interests. Now is the time to get behind Mr Mousavi's recent call for a referendum to write a new constitution.

The presence of Mr Mousavi in a new coalition would reassure military and security personnel that the goal was an orderly change rather than civil war. Mr Pahlavi's involvement would provide assurance to the international community that Iran's regional adventurism and nuclear dilemmas will not return.

By bringing these two symbols of opposition together under inclusive slogans—such as protecting Iran's territorial integrity and respecting the ballot box—those seeking change could create a new national momentum to dislodge the guardians of the Islamic Republic. This double act offers the best hope for a new Iran, finally released from the suffocating grip of *velayat-e faqih*. ■

Amir Hossein Ganjbakhsh is an Iranian dissident based in America.

Briefing Press freedom under threat



Gag today, graft tomorrow

DELHI, KUALA LUMPUR AND WASHINGTON, DC

As democracies use autocratic tools to muzzle journalism, corruption thrives

IN NOVEMBER 2024 a canopy on a Serbian railway station collapsed, killing 16 people. The most likely cause of the shoddy workmanship was corruption. Huge protests erupted, and independent journalists reported on them.

Some were then beaten by thugs while cops looked on. Half were beaten by cops. In 2025 there were at least 91 physical attacks on journalists in Serbia, according to the country's Independent Journalists' Association. Assailants are seldom punished, which "encourages new crimes against journalists", says Jelena Petkovic, a local specialist in media safety.

Serbia has all the trappings of a democracy. It does not lock up journalists for what they write. Yet in dozens of ways it makes their jobs and lives difficult, unless they support the government.

KRIK, an investigative outlet that often exposes graft in the Serbian government, has been hit with more than 30 lawsuits in the past few years, of which 17 are current,

says Stevan Dojcinovic, the editor. He has to spend up to five days a month in court. Official media accuse him of working for the CIA and for George Soros, a Jewish billionaire. Faked pictures of him with a gang boss have been circulated, as well as real, intimate photos meant to embarrass him. "It has taken a huge, heavy toll," he says.

Meanwhile, all the terrestrial broadcasters are state-controlled or owned by friends of the right-wing populist president, Aleksandar Vucic, so they say what he wants them to. Zoran Kusovac, a media consultant, recounts that a friend divorced her TV editor husband partly because she was sick of Mr Vucic's nightly calls.

Around the world, media freedom is in retreat. On an index devised by Reporters Without Borders (RSF), a watchdog, the global score has regressed since 2014 from 67 out of 100 (where America is today) to under 55 in 2025 (as bad as Serbia). "For the first time in the history of the Index, the conditions for practising journalism are

"difficult" or "very serious" in over half of the world's countries and satisfactory in fewer than one in four," says RSF. Others find a similar trend. Data from V-Dem, a research project based in Sweden, imply that the global average has deteriorated since 2004 from 0.66 (on a scale of 0 to 1) to 0.49, roughly the difference between Mexico and Hindu-nationalist India today.

None of the news that's fit to print

The greatest decline is occurring not in dictatorships, where proper journalism has long been almost impossible, but in places that still purport to be democratic. Typically the governments of such places do not try to snuff out criticism entirely. Rather, they skew the incentives for newsgatherers, so that ordinary people hear plenty of praise of the ruling party and only occasional squeaks of dissent. The aim is to keep the powerful in power and reduce scrutiny of how they abuse it.

An analysis by *The Economist* found ►►

▶ strong links between media-muzzling and corruption. Looking at 80 years of data from about 180 countries collected by V-Dem, we found that a reduction in media freedom in a given country was a strong predictor that graft in that country would subsequently grow worse (see chart 1). This held true even after correcting for past and current levels of corruption, change in incomes and worldwide trends.

This is more than a case of bad things coinciding. Our analysis is temporal: it tests whether a shift in one variable reliably predicts a future shift in another. In statistical lingo this is called “Granger causality”—and we found plenty of it.

In the absence of a probing press, it is easier for officials to embezzle unobserved or make sweetheart deals without push-back. The statistical relationship is sizeable: all else equal, a country where press freedom degenerates from the level of Canada to that of Indonesia is predicted to see a slide into corruption equivalent to Ireland becoming Latvia.

With fear and favour

And there appears to be a feedback loop: a rise in corruption is also a good predictor that media will subsequently grow less free, perhaps because when those in power have plenty to hide, they have extra cause to gag nosy hacks. “If we report on corruption...our journalists are doxxed,” says Wahyu Dhyatmika, the CEO of *Tempo*, a weekly in Indonesia. One was sent a severed pig’s head; others have received dozens of unrequested food deliveries, a reminder that the bigwigs they report on know exactly where to find them.

These feedback loops magnify the damage, meaning the full cost of bad policies is felt only gradually. Institutions have inertia: our model implies that on average it takes roughly four years after media clampdowns for just half the eventual rise in corruption to appear. A leader can muzzle the press today, but voters may not notice the subsequent surge in skulduggery until after the next election.

Another dynamic is that as media freedom diminishes, elites are less likely to offer reasoned justifications for their policies (see chart 2). And this, too, tends to come before an increase in corruption. That fits with the rise of populism around the world, a movement that relies more on emotion than reason. Populist leaders usually try to weaken institutional checks on their own power, including the media; and this opens the door for graft and abuse.

Taken together, our statistical analysis finds that populist politics, corruption and squeezing critical media not only go together, but mutually reinforce each other. Governments that gag the press today will govern worse tomorrow.

Plenty of countries are on this perilous



path. A “big shift we’ve seen in recent years is the adoption by supposedly democratic countries of many of the techniques that we have traditionally seen in authoritarian regimes”, says Jodie Ginsberg, the head of the Committee to Protect Journalists, a watchdog. These techniques usually stop short of jailing or killing reporters. Rather, they tend to fall into three main categories: rhetorical, legal and economic.

The rhetorical trick is to pretend that critical journalists pose a threat to the nation. Autocratic regimes have long done this; now many elected leaders do, too. Mr Vucic describes uncompromising coverage as “pure terrorism”. Argentina’s president, Javier Milei, pushes the catchphrase “We don’t hate journalists enough.” Supporters of India’s ruling party refer to critical reporters as “presstitutes”.

Donald Trump recently posted that it was “seditious, perhaps even treasonous” for the *New York Times* to publish “fake” reports to “libel and demean the president of the United States”. He added: “They are true Enemies of the People, and we should do something about it.” The White House publishes a list of “media offenders”, nam-

ing individual reporters it accuses of lying, malpractice or “left-wing lunacy”.

Such unprecedented rhetoric from an American president aggravates an already hostile atmosphere for reporters. Americans’ trust in the news media is at an all-time low, according to Gallup. Only 8% of Republicans in America trust them to report fairly or accurately, down from 33% in 2007, the year the iPhone was introduced, ushering in the age of rage bait.

Mr Trump’s demonisation of journalists erodes the taboo on other politicians doing the same, says Ms Ginsberg. “The Trump textbook is being picked up by global leaders everywhere,” agrees Thibaut Bruttin, the head of RSF.

Fighting talk at the top can spur digital mobs to harass reporters. Female journalists bear the brunt: a global study by UNESCO found that 75% had received online abuse and 42% endured harassment or threats of violence in person. When victims were asked who instigated the abuse, the most common answer, after anonymous culprits, was “political actors”.

In nearly every democracy, free expression is enshrined in law. So it ought to be hard for governments to use criminal law as a cudgel against journalists. But they are finding workarounds. One is to use civil law. Recent years have seen a surge in Europe in vexatious lawsuits by plutocrats, intended to bankrupt pesky journalists or hobble media outlets. A report in 2023 counted more than 800, adding that this only “scratch[ed] the surface of the...problem”. Mr Trump has embraced the tactic, suing ABC, the BBC, CNN, the *New York Times* and others, sometimes demanding billions of dollars in damages.

Another wheeze is to hit media companies with laws that are unrelated to journalism. In September Turkey’s government seized control of Can Holding, a conglomerate that includes television stations, accusing it of tax evasion and money-laundering. In Tanzania, where President Samia Suluhu Hassan took over in 2021 promising liberal reforms, journalists have been arrested for “treason” while covering a blatantly rigged election in October.

By accusing journalists of common crimes, governments can spread the idea that they are untrustworthy. They can also intimidate others into self-censorship. “The bit that’s always difficult to measure is the stories that don’t get written, or the questions that don’t get asked because people are fearful,” says Ms Ginsberg.

Digital technology has changed what it means to be a journalist, allowing anyone with a phone to disseminate shocking footage to a potentially global audience. Nasty regimes correctly see this as a threat, and have pushed back with broadly worded internet laws that can be weaponised against critics. Several ban the dissemina- ▶▶



tion of “fake news”, which in some places means any statement the government denies. A new law in Zambia criminalises the “unauthorised disclosure” of “critical information”, defined as anything that “relates to public safety, public health, economic stability [or] national security”.

An index by Freedom House, an American think-tank, finds that internet freedom has declined worldwide for 15 straight years. This is not just a case of autocrats turning off the internet during protests (as in Iran in January) or elections (as in Uganda in the same month). In the past year, half of the 18 countries previously labelled digitally “free” (out of 72 judged) grew less so. Globally the most consistent deterioration in the past 15 years was in a measure of “whether online sources of information are manipulated by the government or other powerful actors”. Many use AI to create fake pro-government stories on fake sites that look like familiar news outlets.

The final category of coercion, economic, is especially powerful because governments have lots of money and media firms typically do not. In 160 out of 180 countries surveyed by RSF, news outlets can achieve financial stability “with difficulty” or “not at all”.

In Indonesia the quality of journalism has gone downhill in the past five or six years “mostly because of financial pressure”, says Mr Dhyatmika of *Tempo*. Government advertising goes to fawning outlets. Big private advertisers shun critical media, for fear of upsetting politicians. They don’t “see *Tempo* as a safe brand because we do investigative journalism”.

When donors or NGOs support independent media, governments pass laws against “foreign agents” to restrict them, a trick mastered by Vladimir Putin. Another ruse is to get friendly tycoons to buy and tame critical media outlets.

When several of these press-gagging techniques are combined, the effect can be overwhelming. In India, the world’s largest democracy, journalists are in theory free to report what they like. But those who seek to expose abuses by the ruling Hindu-nationalist Bharatiya Janata Party face a hailstorm of discouragement. Abhinandan Sekhri, the boss of Newslandry, a digital news group in Delhi, says he has received official notices that he or his firm is suspected of tax evasion about 80 times in the past four years. Pro-government media firms sue Newslandry for “defamation” and “copyright infringement” when it criticises their bias. Tax officials raid its offices. Police pop in to question Mr Sekhri: one time for six hours; another, for 13.

Mr Sekhri is hard to bully. He says he can keep doing his job because there is nothing dodgy in his life, he has no wife or children to worry about, he is a Hindu, and he comes from a privileged background so he knows lawyers who will represent him pro bono. Nonetheless, defending himself is taxing. And most journalists are far more vulnerable to pressure than he is.

Those most at risk are “not the high-profile ones in Delhi”, says Mr Sekhri; they are the ones “uncovering shady activities of some local god-man in a small village”. Some god-men may be vengeful. Jagendra Singh, who wrote about alleged links between a politician in Uttar Pradesh and the “sand mafia”, who steal truckloads of sand from public land and sell it to cement firms, died of burn injuries after a visit from police. The police said it was suicide.

Independent journalism survives in India, in online outlets such as the *Wire* and the *Caravan*, and on social media and YouTube. But every reporter faces a choice: between a life of penny-pinching and peril telling the truth, or one of financial and physical security praising the government.

Nearly everyone interviewed for this article noted the change in attitude to press freedom in the White House. America’s domestic media ecosystem is sophisticated and pluralistic enough to cope, but American policy also affects countries where journalism is more precarious. Orkhan Mammad, the editor of Meydan TV, an independent outlet from Azerbaijan, a corrupt petrostate in the Caucasus, says the president, Ilham Aliyev, used to release political prisoners because of pressure from America. But this year the pressure has ceased, Mr Mammad laments; Mr Trump’s family has business ties with the Azerbaijani elite, and Mr Aliyev has shrewdly endorsed him for a Nobel peace prize.

Democracy dies in darkness

“Once Trump came back to power in 2025, Aliyev shut down everything. Around 100 journalists fled or are in jail. We realised we couldn’t work with anyone inside the country any more. It was too dangerous for them.” Mr Aliyev’s tactics are “horrible”, he says. “Every time someone is arrested, they have to hand over their phone and computer. The government then will release personal photos found on [them].”

America used to fund hundreds of independent media groups in countries with shaky civil liberties. Mr Trump froze that funding, hobbling Meydan, among many other outlets. “We have to figure out how to pay for our colleagues’ legal fees, food, basic necessities inside jail,” Mr Mammad says. In August a man Meydan hired to deliver supplies to jailed journalists was arrested for “smuggling money”.

Life has grown so tough for independent journalists in some countries that many, like Mr Mammad, work from abroad. At a conference of such exiles in Kuala Lumpur, the mood was grim. Those attending fretted about the difficulty of reporting remotely. Information is hard to gather; phones may not be secure.

Since the Pegasus spyware scandal in 2021, when many reporters’ devices were revealed to be bugged with Israeli software, it has been tough to persuade whistleblowers anywhere to talk to journalists. “One source told me: ‘I now know why my wife lost her government job,’” recalls Nelson Rauda, a journalist from El Salvador whose phone was hacked.

Even exile is not always safe. Several regimes silence critics from afar. Iran hired an assassin in New York to try to kill Masih Alinejad, an Iranian journalist who champions women’s rights. Belarus hijacked a passenger plane to capture Raman Pratasevich, a dissident editor, in 2021. Since then, Mr Mammad says, all exiled journalists worry about their flights being diverted. As for Mr Pratasevich, after two years in custody, he now praises the corrupt dictatorship that kidnapped him. ■



United States



Death's door

The right to die is spreading

NEW YORK

States that are home to a third of Americans could soon allow assisted dying

FOR HER 70th birthday, Patricia Ann Courtney requested an unusual celebration. “She didn’t want to party,” her daughter remembers. “She wanted us to buy an abandoned funeral home.” Courtney planned to turn it into a domestic-violence shelter. The family redecorated it with cans of paint. Six years later Courtney died of amyotrophic lateral sclerosis (ALS), a motor-neurone disease. Before her death she lost the ability to walk, eat and speak. “I am all too familiar with the pain of seeing someone you love suffer and feeling powerless to stop it,” says Kathy Hochul, Courtney’s daughter and the governor of New York.

Neurological diseases such as ALS are the second-most-common diagnosis for Americans who ask for a doctor’s help to die. Soon New York is expected to join the 12 other states (plus Washington, DC) where assisted dying is legal. Ms Hochul is expected to sign a bill in the coming days. This is part of a wave (see chart 1 on next

page). In 2025 Delaware and Illinois approved assisted-dying laws. By the end of the year more than 30% of Americans will live in states where doctors can prescribe a fatal medication to terminally ill patients.

Lawmakers are catching up with public opinion (see chart 2). Slightly more than half of Americans believe that assisted suicide is morally acceptable. This share grows to two-thirds if the patient is in severe pain, has no chance of recovery and is asking for help to die.

The safeguards in America tend to be

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stricter than in some other Western countries that allow assisted dying. Canada and the Netherlands, for example, allow it in cases where patients are suffering from incurable pain, but are not terminally ill. American states, by contrast, tend to follow the model of Oregon, which was the first to legalise assisted dying in 1994. The terms of the debate have not changed much since then, says Geoff Sugerman, who led the Oregon campaign and still works on the issue with Death with Dignity, a group that campaigns for legalisation. “Our opponents are the same. The bill is essentially the same.”

Assisted-dying laws in America consistently require patients to have six months or less to live, and this diagnosis must be confirmed by two doctors. The patients must be mentally competent, request the medication and be able to take it themselves—rather than letting a doctor administer it. Relatively few people are thus eligible, and since some hospitals and doctors refuse to help on moral grounds, assisted suicide remains rare. In states where it is legal, it accounts for less than 1% of deaths, notes Elissa Kozlov of Rutgers University.

New York has added yet more guardrails. The patient’s mental fitness must be confirmed by a psychologist or psychiatrist, rather than by just any doctor. The patient’s request to die must be filmed, as well as being witnessed by two people. ▶▶

▶ These extra elements were added during negotiations between legislators and Ms Hochul, a Catholic, who wanted the toughest safeguards in the country. Ms Hochul has promised to sign the bill once her proposed changes are passed by the statehouse. The law will take effect six months later.

In Delaware, Illinois and New York lawmakers argued over the bills for years before they reached the governors' desks. Religious groups opposed them. Chicago-born Pope Leo XIV unsuccessfully lobbied J.B. Pritzker, Illinois's governor, to exercise his veto. Some groups that represent the disabled objected, too, for fear that people will face pressure to choose death to relieve others of the burden of caring for them. New York's bill has "a lot of safeguards", concedes Elizabeth McCormick of the New York Association on Independent Living, but she still worries that it might be abused.

Assisted dying is seldom an urgent priority for politicians. "We might have had to talk to [legislators] dozens of times before something happened," says Corinne Carey of Compassion & Choices, an advocacy group. It is "an issue that is very difficult for lawmakers to talk about".

Terminally sick patients have often been eloquent advocates; many have died while bills were being debated. Some Democrats have seized on the issue, which chimes with their recent push to be seen as the party of individual rights. Ms Hochul says that New York "has long led" the struggle for such liberties, citing gay rights and legal abortion as parallels.

Three decades of data have shown that Oregon's model is "reliable and fail-safe", says Brad Hoylman-Sigal, the lawmaker who sponsored New York's bill. "I don't know of a single documented instance... where it has been abused." There is scant sign of a slippery slope, either. American campaigners tend to rule out assisted dying for patients who are not terminally sick. Even fewer support it for those whose



only illness is mental, as Canada is considering. "We are not looking to expand it in any way," says Robyn Gabel, the majority leader of the Illinois House of Representatives and sponsor of the state's assisted-dying legislation. "This is the destination."

Death with Dignity expects assisted-dying bills to be considered in 13 states this year. They are most likely to pass in Virginia, Maryland and Massachusetts. The campaign for assisted dying "requires patience and persistence", says Ms Carey. "Unfortunately, many terminally ill patients do not have the luxury of time." ■

The Golden State

Deplete the rich

SAN JOSE

California's proposed billionaire tax is dividing Democrats

CALIFORNIA'S ULTRA-RICH have been cloudier than usual lately. (Some have their own podcasts, so that is really saying something.) A statewide ballot initiative that would create a billionaire tax has rattled them. Peter Thiel, Larry Page and Sergey Brin—three of the Golden State's roughly 200 billionaires—have begun to move business to low-tax havens such as Florida and Nevada. Mr Brin and others have lavished millions on a new political outfit that may oppose the measure or fund competing initiatives come November. "It's just totally punitive and vicious," says David Sacks, a venture capitalist and (former) San Franciscan.

The Billionaire Tax Act would create a one-time 5% wealth tax for California residents whose net worth exceeds \$1.1bn. The measure was dreamt up by the SEIU, a health-care union, which argues that the takings would help replace federal funding cuts to the state's Medicaid programme. It would allocate 90% of revenues to health

care and the remaining 10% to education and food assistance. The initiative has yet to make the ballot (its supporters have until June 24th to collect the nearly 900,000 signatures needed). Yet in a matter of weeks the mere possibility of a billionaire tax has roiled business and politics in America's biggest state.

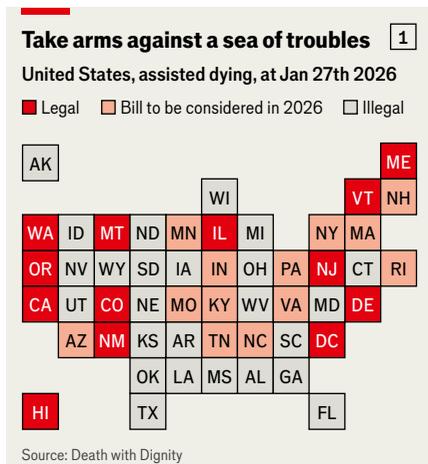
There is a real question about how states that expanded Medicaid, America's health-insurance scheme for the not-so-well-off, will cope with cuts included in President Donald Trump's Big Beautiful Bill. But California's Legislative Analyst's Office suggests that attempting to solve the problem with a one-time wealth tax could imperil the state's general fund in the long term. As recently as 2022 nearly 40% of personal income taxes in California were paid by the top 1%. If a wealth tax drives those golden geese away, that means less money for public services.

Then there are worries about the tax's design. It would tax illiquid wealth and unrealised gains, such as shares in a startup. That appals techies. "If your paper gains are going to be considered wealth that you have to suddenly produce—and in a cash way give to the government—that's going to kill this economy," says Matt Mahan, the mayor of San Jose, Silicon Valley's biggest city. Mr Mahan, a former startup founder, is now running for governor, buoyed by support from local tech titans. Arthur Mensch, a co-founder of Mistral, a French AI firm, made a similar argument when lefties in France (unsuccessfully) advocated a wealth tax last year.

The fight over the billionaire tax fuels an existing debate. The state, and the Bay Area in particular, has long assumed that firms will pay more taxes, larger salaries and higher energy costs because few other places in the world can offer the same concentration of talent. Call it the "California surcharge". But at what point does the price become too dear?

Enrico Moretti, an economist at the University of California, Berkeley, found that billionaires (especially old ones) will move to avoid estate taxes when the state enacting them already imposes a high income-tax burden. "The state is not the right jurisdiction to tax high-net-worth individuals," says Mr Moretti. You don't have to leave America to avoid the levy, he adds. "All you have to do is go to Texas or Florida." More moguls may move. "I'm hearing consistently from everyone I talk to that they are all instructing their lawyers and accountants to make plans for an exit strategy," warns Mr Mahan.

The proposal comes as Democrats (largely in very blue places) are pondering whether wealth taxes might serve their "affordability" agenda. Some, such as Bernie Sanders, an 84-year-old senator for Vermont, think they can make life more af-



fordable for the many by milking millionaires and making things like college tuition free. “Tax the 1%” can be good politics: Zohran Mamdani, New York’s new mayor, campaigned on raising income taxes on the rich. Washington and Rhode Island are mulling whether to tax millionaires.

“Abundance” Democrats, by contrast, favour supply-side policies such as making it easier to build homes and generate power, thus reducing prices. The issue will no doubt feature in future Democratic presidential debates. Gavin Newsom, California’s governor and the presumptive Democratic front-runner, does not support squeezing billionaires. He would rather they stay in California than move to a red state and pay for public services there. But he is careful not to seem too chummy with plutocrats. “I’ve met with all of them,” he said at a Bloomberg News event. “Some I respect, some I don’t.” ■

Minnesota crackdown

Justice, or just ICE?

CHICAGO

The assault on civil liberties continues

IS ASKING QUESTIONS illegal? It depends on the circumstances, suggest federal prosecutors in Minnesota. Don Lemon, a former CNN anchor and frequent critic of President Donald Trump, did it the wrong way and was arrested and charged with infringing other people’s religious freedom.

On January 18th Mr Lemon (pictured) followed a group of protesters into a church in St Paul where they disrupted the service, objecting to the pastor’s other job as acting field director for Immigration and Customs Enforcement (ICE). Mr Lemon, standing back from the fray, live-streamed it onto his YouTube channel. “So right now it’s kind of mayhem, we’re not part of the activists, but we’re here just reporting on them,” he says. As the protesters leave, he says that he imagines “it’s uncomfortable and traumatic” for the congregants and asks a protester whether she thinks she has actually helped her cause.

Seven protesters were charged, along with Mr Lemon and another journalist. The activists are accused of a “co-ordinated takeover-style attack”. Mr Lemon’s criminal part, the indictment says, is that he “approached the pastor”, “stood in close proximity to [him]” and “peppered him with questions”. This, federal prosecutors allege, was not reporting, protected by the First Amendment, but an attempt to “oppress and intimidate”.

A federal magistrate initially rejected the charge against Mr Lemon. A grand jury then agreed to it. After being charged, Mr Lemon says he offered to turn himself in for booking. Instead, around a dozen federal agents appeared at his hotel, tackled and handcuffed him and hauled him away. “When life gives you lemons...” gloated the White House, in a post with a picture of Mr Lemon and an emoji of chains. Harmeet Dhillon, a US Assistant Attorney, retweeted a post calling Mr Lemon, who is black, one of “today’s klansmen”.

Mr Trump’s critics say this is yet another example of how he has weaponised the supposedly impartial Department of Justice against those who annoy him or try to thwart his policies, from unco-operative central bankers to Democrats who have investigated the Trump Organisation for fraud. In Minnesota, where the killing of two protesters by federal immigration agents has sparked widespread civil disobedience, the administration has made some concessions to its critics, such as announcing that it will reduce the number of agents deployed there. But it is also cracking down hard on what it calls “agitators”.

Many protesters in the city have been arrested by federal agents; some have been held for hours. On January 28th Pam Bondi, the attorney general, posted the mugshots of 16 protesters—she called them rioters—arrested in the city and charged.

All this is “unusual” and “concerning”, says Sharon Fairley, a professor at the University of Chicago who previously worked as a federal prosecutor. It “seems intended to quell speech” and to “stop people from protesting”, she says. The cases may be dismissed before reaching trial. However, being arrested and charged is in itself a punishment, says Ms Fairley. “They have to go through the ordeal and expense of defend-

ing themselves...which is no small matter.”

Mr Trump’s new commander of immigration raids in Minnesota, Tom Homan, says that agents will prioritise arresting violent criminals, rather than just anyone who is in the country illegally. But plenty of non-criminal foreigners are being rounded up. And the operation is in some ways weakening the forces of law and order. Since the start of the year, 14 prosecutors from the US attorney’s office in Minnesota have either resigned or are in the process of doing so. The criminal division now has fewer than 20 lawyers, down from around three times that number in 2022.

On January 3rd one federal lawyer, Julie Le, when asked by a judge why the administration keeps missing deadlines to comply with court orders, responded: “I wish you would just hold me in contempt, your honour, so that I can have a full 24 hours of sleep...The system sucks. This job sucks.”

Anders Folk, a lawyer who previously served as the acting US attorney for the federal district of Minnesota, says that before Mr Trump was elected, the office was among the most effective in the country. It prosecuted terrorism cases involving recruitment for al-Shabab, a militant group in Somalia, as well as serious fraud. Now, he says, “it’s not going to be able to do it.” Last year, nationally, only 0.2% of federal criminal cases resulted in an acquittal. Federal prosecutors do not usually take on cases they cannot win, he says.

That policy seems to have changed. In the past six months not a single federal prosecution of a protester nationally has resulted in a conviction. Some have been thrown out by grand juries, which used to be almost unheard of. When people are prosecuted for complaining about the government, it seems jurors have some questions of their own. ■



Ask no questions

The Voting Rights Act

Politicians picking voters

MONTGOMERY

A bitter squabble over gerrymandering could boost black turnout

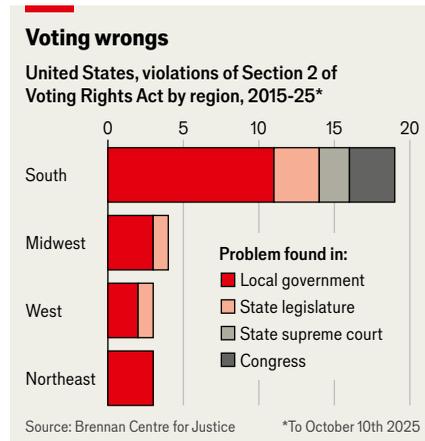
IN AN IDEAL world, voting districts would be calmly demarcated by an impartial computer. In America the job is often done by state legislatures, in effect granting politicians the power to pick their own voters. Parties want to maximise their tally of seats. Incumbents want to maximise their chances of re-election. And the courts try to enforce the Voting Rights Act, which was passed in 1965 to end racial discrimination in elections.

Under Jim Crow, discrimination meant preventing blacks in the South from voting, often via poll taxes and impossible literacy tests from which whites were largely exempted. Today, Americans disagree as to what counts as discrimination. Some think states should maximise the number of majority-black districts wherever practical, so that blacks can, as the Supreme Court put it in 1986, “elect their preferred representatives”. Others think that this approach is itself racially discriminatory, violating the constitution’s equal protection clause, and that maps should be drawn without regard to skin colour. Almost no one trusts politicians to do any of this fairly.

Section two of the Voting Rights Act allows plaintiffs to sue states for drawing districts that dilute the power of minority voters. In the past four decades 466 such cases have gone to court. Most were in the South and over local races, such as for city councils and school boards (see chart). But they have also shaped Congress. In 2024 Shomari Figures, a black Democrat, was elected after a lawsuit forced Alabama to create a new majority-minority district stretching from Mobile to Montgomery. Now a legal challenge in another state, *Louisiana v Callais*, threatens to rejig the lines again.

Blacks are one-third of Louisiana’s voters, but a map drawn up after the 2020 census included only one majority-black district out of six. Black plaintiffs sued, and a court ordered the creation of a second such district. But then a group of “non-African American voters” challenged that change, calling it “racially balkanising”. A different court ruled in their favour, striking down the redrawn map.

The case reached the Supreme Court last March, and a second oral argument was heard in October. Conservative justices sounded ready to make it much harder for plaintiffs to challenge maps for allegedly diluting the influence of minority voters.



If the ruling, expected this spring, goes that way, a quarter or more of the congressional black caucus might be voted out.

But the fallout might not be quite so simple. James Carville, a Democratic strategist from New Orleans, says a ruling perceived as anti-black could help Democrats. How do you get the 25-year-old black car mechanic in Atlanta to go to the polls? Tell him Republicans don’t respect you and they are counting on you not to vote, he says. Surveys show that younger black voters care more about the economy than civil rights. But if the VRA is seen as under threat, that could change. “This would jack up anger in the African-American commu-

nity, and anger drives turnout,” says John Anzalone, a Democratic pollster.

Turnout matters most in statewide races, which cannot be gerrymandered. (State borders are not up for discussion, unless you count Greenland.) Raising black turnout could matter a lot in the South. Blacks are numerous there, and cast ballots at lower rates than whites do. In North Carolina Democrats could win more statewide ballots if voters in Charlotte, a mostly black and Hispanic city, turned out as much as those in (whiter) Raleigh and Durham, says Morgan Jackson, a political operative. The same could hold in Georgia, perhaps the South’s most purple state.

Louisiana’s filing deadline for congressional candidates is on February 13th, so the Supreme Court is unlikely to rule in time to let Republicans remove one or both of their state’s majority-black districts before this year’s midterm elections. Michael Li of the Brennan Centre, a think-tank, thinks the same is true in other southern states. But district lines for future elections could change.

If they do, Nick Stephanopoulos of Harvard says that Republicans would enjoy a “structural advantage” in the House of Representatives and state legislatures for “as long as the current political coalitions last”.

Those conditions include deep partisan distrust. President Donald Trump, who tried to overturn the result of an election he lost in 2020, spoke this week of “nationalising” elections, deploying the federal government to states where he claims, without evidence, that voter fraud is rife. The White House downplayed his (unconstitutional) suggestion, but Democrats are nervous. Mr Figures says his district, a cradle of the civil-rights struggle, “knows what’s at stake”. ■



Sit down and be counted



Claremonsters, Inc

Meet the brains who explain Trumpism

WASHINGTON, DC

The Californian think-tank that applies intellectual gloss to MAGA

SEVERAL YEARS ago John Rigolizzo, then a fresh college graduate, spent two-and-a-half weeks by the beach in southern California with a dozen other young Republicans. They were not there for the surf or the sun, but to study Aristotle, Plato and Socrates at the Claremont Institute, a right-wing think-tank. Together they learned the meaning of *telos* and read America's founding texts. They watched "Top Gun: Maverick" with Michael Anton, a Claremont scholar who, in 2016, made an early intellectual case for Donald Trump. Mr Rigolizzo was already pro-MAGA before this crash course, but he says it gave him the philosophical and historical foundation to defend the Trump doctrine. Someone in his cohort called it an "intellectual bootcamp for the revolution".

Mr Rigolizzo would later host a podcast for Gen Z MAGA fans with two friends from the fellowship. They disbanded when Mr Trump won re-election; one got a job in the White House and the other at the Office of Management and Budget (OMB). The head of OMB, Russell Vought, is also a former Claremont fellow—or a Claremonster, as they call themselves.

Claremonsters are everywhere in the Trump administration. By one count at least 70 hold or have held jobs there, from the vice-president's chief of staff to the deputy director of the CIA, down to an army of special assistants and speechwriters. Matthew Peterson, who used to run Clare-

mont's educational arm, says that after the inauguration he couldn't walk down a hallway in the Eisenhower Executive Office Building without bumping into a fellow.

Before Mr Trump came along, Claremont was peripheral. Founded in southern California, it scorned the neoconservative Beltway blob. It saw the Republican establishment as full of squishes: deluded about the Iraq war, pro-amnesty for unauthorised immigrants, unwilling to smash the administrative state, complacent about multiculturalism. Nearly all conservative intellectuals shunned Mr Trump initially, but Claremont saw that he was a crusading outsider who shared its enemies. It was among the first conservative think-tanks to recognise the opportunity and turn it into access and influence. Its trajectory mirrors a broader shake-up on the right, where policy shops have either MAGA-fied (like the Heritage Foundation) or stuck to their principles and faded into irrelevance (like the American Enterprise Institute).

Claremonsters have a talent for adding intellectual gloss to Trumpism. Mr Anton drafted the National Security Strategy, which seeks to rationalise the president's resource-grabs in Venezuela and Greenland, and to bring coherence to a foreign policy driven by personalism. John Eastman, a lawyer at the institute, helped hatch the "fake electors" scheme to try to overturn the 2020 election. For his service to Mr Trump, he was indicted by state prosecu-

tors in Arizona and Georgia.

Unlike other think-tanks, Claremont does not churn out policy papers. Its focus, says Brian Kennedy, a former president, is on history and principle. It aims to teach young conservatives "how the great statesmen of the past thought" and what later went awry in America. If that sounds grandiose, it is. "Everyone who engages with the Claremont Institute has a sneaking suspicion that something at the deepest level has gone wrong in our country and that it's up to public-spirited people to try to understand it and fix it," says Charles Correll, a 31-year-old former fellow and a speechwriter for John Barrasso, a Republican senator from Wyoming.

Claremont was founded by students of Harry Jaffa, a scholar of Abraham Lincoln and an adviser to Barry Goldwater, who wrote the latter's applause line: "Extremism in the defence of liberty is no vice." Early Claremonsters argued that America went off the rails in the Progressive Era. They viewed remedial programmes of the 20th century—welfare, affirmative action—and the bureaucrats who designed them as un-American. Establishment Republicans were content to cut taxes and regulations: an approach inadequate for the task at hand. "The problem is not just high taxes or that government has gotten too big; it's that we've slipped away from the consent of the governed," says Glenn Ellmers, a Claremont fellow.

This sort of thinking—that too much has been lost, that the world has come undone—can quickly slip into catastrophism. Take it further and radical solutions beckon. Mr Kennedy says he no longer calls himself a conservative, but a counter-revolutionary. Matthew McManus of Spelman College says people have long conflated conservatism with the American right writ large. That is inaccurate. Conservatives believe that existing institutions and hierarchies evolved for a reason, and should be altered only with care. William F. Buckley said the job of conservatives was to stand "athwart history, yelling 'Stop'". Right-wingers of the Claremont variety, by contrast, think little is worth conserving.

They came from Planet Claremont

Charles Kesler, editor of the *Claremont Review of Books*, says Claremonsters agree more on their diagnosis of America than on prescriptions for it. Some find the current arrangements intolerable and want to overthrow them immediately; others are more cautious. Mr Kesler thinks Mr Trump is "rough" but an "amazingly effective political animal". Asked how he would compare the president with Lincoln, who freed the slaves and whom Claremonsters regard as a model statesman, Mr Kesler hardly pauses: "Like Lincoln, he's a defender, really, of human rights." ■

LEXINGTON

Thank God for Melania

Imagine the harm Donald Trump could do with an Evita by his side



THE MUSEUM in Buenos Aires telling the story of Eva Perón, the former first lady of Argentina, is festooned with banners supplying the year of her birth, 1919, but not of her death. In case the visitor misses the point, the word “immortal” appears in Spanish beneath her smiling face. Inside, exhibits recount Perón’s role in fortifying the populist politics of her husband, Juan Perón, enabling his authoritarianism, disdain for judicial and journalistic independence and yen for state capitalism. She formed a bond so strong with Argentina’s common folk that when she died at just 33—for die she did, of cancer, in 1952—millions thronged to glimpse her corpse. Flowers sold out, one plaque says, not just in Argentina but in neighbouring countries.

An American visitor to the Museo Evita might emerge with competing emotions: astonishment at Eva Perón’s enduring effect on Argentina, and gratitude for Melania Trump. Who knows how far Donald Trump might have gone with an Evita by his side? Steely, guarded and extravagantly ornamented, Mrs Trump has always seemed more naturally at home in a Trump tower than at a Trump rally—a better fit, in other words, for his aspirational commercial brand than his relatable political one. She has seldom even appeared at rallies.

The closest the new documentary “Melania” comes to a revelation is a scene in which, worried about safety, Mrs Trump repeatedly objects to the traditional First Couple routine of stepping out of the presidential limousine to walk a bit during the inaugural parade (in the end, citing the cold, Mr Trump moved the celebration inside). By contrast, Evita once brushed aside an associate trying to block a supplicant with a syphilitic sore on her mouth, then kissed the poor woman on the lips.

That is a high bar even for a populist, let alone a former fashion model. But consider the lengths wives of more conventional presidents have gone not just to soften their husbands’ images but to support their priorities—think Laura Bush on education or Hillary Clinton on health care. When Mrs Trump has shown interest in policy, her priorities have been at a remove from those of her husband, if not at odds with them. “I had anticipated some criticism in light of Donald’s social media behaviour,” she acknowledged in

2024 in a memoir, insistently branded “Melania”, as she described taking up the cause of cyberbullying (opposing it, that is).

Mrs Trump makes clear in the book that she supports a right to abortion, another matter on which she must either have had little influence or chosen not to exercise what influence she had. Of the attack on the Capitol by her husband’s supporters on January 6th 2021 she writes: “The violence we witnessed was unequivocally unacceptable.” (She failed to denounce the violence as it was raging, she explains, because “I wasn’t aware of the events.”) Mrs Trump is the first naturalised immigrant to serve as First Lady, which may also create ground for profound—and if so also poignantly irrelevant—policy disagreement. “No matter where we come from, we are bound by the same humanity,” she says in one of the documentary’s many platitudes, albeit one that packs a punch, since the president has called some immigrants “garbage”.

She and Mr Trump clearly align in shared grievance over how they were treated during and after his first term. In her memoir Mrs Trump writes about having her bank account terminated and various business ventures cancelled, including an unspecified “media initiative”, because, she suspects, of “biases related to my last name and political affiliation”. It would take a righteous Trump indeed not to relish how titans of business now grovel before the family, and it seems there are no such Trumps. Eric Trump, the president’s second son, took a half-billion dollar investment in the family’s cryptocurrency venture from an Abu Dhabi royal, the *Wall Street Journal* reported on January 31st. The United Arab Emirates was subsequently granted access to America’s most advanced artificial-intelligence chips.

Trump stakes

Mrs Trump has accomplished a greater feat of Trumpian self-dealing. No secure technology had to change hands. Indeed, in allowing a filmmaker access in the days leading up to the inauguration last year, Mrs Trump succeeded in providing almost nothing of any interest whatsoever. Yet the documentary was (s)lavishly financed by Amazon, which, again according to the *Journal*, offered close to three times more than any other bidder, \$40m, after she pitched the idea to Jeff Bezos over dinner. Mrs Trump reportedly kept at least \$28m as a fee, along with editorial control. Amazon is now spending \$35m to promote the advertisement it paid Mrs Trump to make about herself. Even the purveyor of Trump Steaks himself never managed a deal so slick. (One wonders, in fact, if the president’s new \$10bn lawsuit against the government he runs, over his leaked tax return, is meant to regain the lead in some twisted family contest.)

Mrs Trump, who at 55 is 24 years younger than her husband, has done more than her predecessors as First Lady to assert personal if not political independence. Since Martha Washington compared herself to a state prisoner, First Ladies have struggled with feeling trapped. But Mrs Trump has lived away from the White House much of the time and vanished from public view for long stretches. Despite her husband’s riches, financial independence matters to her, too; she calls it “a core value” in her memoir. At least, with her grift, she is building her own brand more than his, and building it around a deception that is relatively harmless: that she has exceptional taste, not a vision for America. Pat Nixon called being First Lady “the hardest unpaid job in the world”. In those two respects, if only those, Melania Trump is living up to her vainglorious film’s claim that she is reinventing the role. ■

The Americas



Colombia's soldiers

Call of duty

Colombia's veterans struggle to find work at home after decades of war. Foreign conflicts pull them abroad

A MAN IN a tight camouflage shirt records a video for TikTok while walking past pickup trucks and dusty tents. Speaking in Colombian Spanish, he addresses his *compatriotas*, fellow Colombians: there is work waiting in Ukraine, and the pay is good. Within minutes of posting the clip, the comments start filling up. "Info", writes one viewer. "Ex-army—how do I apply?" asks another.

Such videos have become commonplace. They are a window into a booming global market for armed labour that has pulled record numbers of Colombians into conflicts far from home. Since Russia's invasion of Ukraine in 2022, experts estimate that at least 3,000 Colombians have passed through the country, fighting on both sides, making them one of the largest foreign contingents. Others have turned up in Sudan's civil war or have been recruited into Mexico's violent gangs. Perhaps 10,000 Colombians are involved in foreign

conflicts, estimates Mario Uruña-Sánchez, a security expert at Rosario University in Bogotá, the capital.

Most are former soldiers. Mr Uruña-Sánchez says they work within three broad categories. Security work—guarding compounds, convoys or energy installations for private firms—is the lowest paid. Doing the same for criminal organisations is more lucrative, but riskier. A third option is to fight abroad. That can mean enlisting in a foreign army or with private contractors.

Colombia's veterans are in demand because they have experience from decades of fighting rebel groups like the FARC. Close military co-operation with the United States means many are familiar with

NATO-standard weapons and communications systems. Not only do Colombians cost less than Westerners, but foreign forces can deploy them quickly, notes Elizabeth Dickinson of the International Crisis Group, a think-tank based in Brussels.

The supply of available fighters is growing. Colombia boasts South America's second-largest army, after Brazil's, with more than 260,000 active troops. It expanded sharply in the early 2000s, during the most intense phase of Colombia's campaign against guerrilla groups; that cohort is now reaching retirement. Soldiers typically leave after two decades of service or upon turning 45. Officers passed over for promotion are forced out, too. The result is a steady stream of trained men leaving the armed forces at a relatively young age.

Incentive to fight

Unlike other countries with large veteran populations, such as the United States, Colombia has no comprehensive veterans' policy to support the transition into civilian life, says Mr Uruña-Sánchez. Leaving the forces often means a sudden loss of housing, health care and institutional support. Few jobs reward military skills. Pensions are modest, typically around \$400 a month. Foreign contracts promise to pay many times that amount.

Politics has not helped. Relations be- ►►

→ ALSO IN THIS SECTION

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▶ tween President Gustavo Petro and the armed forces have been shaky since he took office in 2022. Colombia's first left-wing president came to power promising to reform the security state. The fact that he is a former guerrilla has long made military figures wary of his intentions. His drive for a negotiation-led "total peace" with Colombia's armed groups has been a frustrating failure. More than 13,000 soldiers have left the armed forces voluntarily since he became president.

The flow of fighters abroad has become a headache for Colombia. Most obviously, its citizens are taking serious risks. Some veterans sign up for what they believe is low-risk security work but find themselves on the front lines. Recruitment is often informal, conducted through social-media and messaging apps where claims about pay, insurance and conditions are invariably exaggerated. Language barriers and unfamiliar command structures complicate communication. The foreign ministry has said that scores of Colombians are being deceived by "sophisticated human-trafficking networks".

Casualty rates are high. In Ukraine, Colombians are frequently deployed to a front line dominated by drones and heavy artillery—a battlefield very different from Colombia's internal conflict, says Mr Urueña-Sánchez. Relatives of the deceased rarely get compensation. Insurance payments may be conditional on identifying and recovering a body, forcing families to travel to war zones and navigate foreign courts and bureaucracy.

Dangers have grown as recruitment has widened. Early waves of Colombian mercenaries were recruited in the early 2010s for the armed forces of the United Arab Emirates (UAE) through relatively professional channels. The UAE, short of mid-level officers, drew on retired Colombian commanders who brought experienced troops with them from their own networks. Today many recruits are dropouts, or even civilians, drawn in by online chatter that presents war as easy money.

Vicious circle

Many return to Colombia with serious injuries or psychological trauma. Some drift from one conflict to the next, says Sean McFate, an ex-paratrooper now with the National Defence University in Washington. Other Colombians have been sent to Ukraine by criminal gangs to acquire combat skills, including in drone warfare, which are being used increasingly by armed groups in Colombia.

Officials also worry about diplomatic fallout. Colombians have been implicated in serious crimes abroad. In July 2021 about 20 Colombian nationals took part in the assassination of Haiti's president, Jovenel Moïse. Colombia apologised to Sudan's

government last year after reports surfaced that at least 300 Colombians were fighting for the Rapid Support Forces in Sudan's civil war. In December the United States imposed sanctions on a network accused of recruiting Colombian ex-soldiers for that conflict, where they were accused of training child soldiers.

Late last year the government ratified the United Nations' anti-mercenary convention, aligning Colombia with international norms that criminalise those who recruit, finance or train mercenaries. But this will probably have little impact. Most countries that hire mercenaries have not signed the convention. Much of the trade runs through private firms that avoid the mercenary label by describing combat roles as "security" or "training".

Meanwhile, demand for mercenaries is unlikely to ease. Conflicts linked to extractive industries—from gold to rare earths and energy—are rife in weak states, creating demand for military muscle.

Colombia could deal with its mercenary problem by implementing a veterans' policy that offers better economic support, retraining and credible routes into civilian work, says Ms Dickinson. Without it, the draw of risky work abroad will persist, and foreign conflict will continue to offer what Colombia does not: work, pay and a sense of purpose. ■

Panama

Canal desire

Panama's supreme-court ruling on its vital canal will please Donald Trump

AFTER A YEAR of threats and declarations of hemispheric domination, Donald Trump's campaign to "take back" the Panama Canal, wresting it from alleged Chinese control, has yielded results at last. On January 29th Panama's Supreme Court ruled that the contract held by Panama Ports Company, a subsidiary of the Hong Kong-based conglomerate CK Hutchison, to operate the ports at each end of the canal, breaches Panama's constitution. The next day José Raúl Mulino, Panama's president, said that APM Terminals, part of Maersk, a Danish outfit, would run the ports until new contracts can be tendered. It is hard to imagine that any of this would have happened without the pressure applied by the United States. The secretary of state, Marco Rubio, said the United States was "encouraged" by the decision. But new risks loom for Panama.

In March last year it seemed that Mr Trump's canal issues might be resolved



Gotta have it

with a commercial transaction. A consortium of Western companies would acquire the ports as part of a wider deal with CK Hutchison. But China resisted the sale. Three days after the deadline for the deal to close had expired, the office of Panama's comptroller-general lodged the case involving CK Hutchison with the Supreme Court. Many Panamanians are angered by the unavoidable impression that their government and legal system are dancing to Mr Trump's tune.

China's Hong Kong and Macau Affairs Office called the ruling "absurd" and "pathetic", adding that Panama would pay a "heavy price". The Supreme Court's decision cannot be appealed, but can be referred to international arbitration. On February 3rd CK Hutchison said it would do so. That could be costly, both financially and for the reputations of Panama's political elites who have accommodated CK Hutchison over several administrations. China has other ways to hit back. It might decide to put limits on Panamanian-flagged ships, cut infrastructure financing to the country or push ahead with developing alternative trans-oceanic trade routes.

Mr Mulino called on CK Hutchison to "co-operate openly" in the transition period. But the firm has plenty of ways to disrupt trade. It might, for example, refuse or be slow to offer access to its proprietary software that runs the port terminals.

The ruling also hurts Panama's investment credentials. In 2023 the Supreme Court ordered the closure of Cobre Panamá, a vast, foreign-owned copper mine. Panama lost its investment-grade rating four months later. And there is the issue of future tenders. Maersk, whose subsidiaries bought the railway running between the two ports last April and is set to operate the ports themselves during the transition, ▶▶

▶ is in pole position to win. That risks exposing the Panamanian government to charges of favouritism.

Perhaps to avoid such allegations, in January the Panama Canal Authority (ACP), a state body, announced terms for two new ports and a liquefied-petroleum-gas pipeline. It has said previously that the tenders would be open to firms from any country. But were a Chinese company to submit the most competitive bid, the ACP would come under pressure to find creative ways to reject it, or risk angering the United States all over again.

A man with a plan

The capture of Venezuelan dictator Nicolás Maduro and ominous threats over Greenland's sovereignty grab the world's attention, but the squeeze that Mr Trump has put on Panama is more relevant for the rest of the Americas. Small countries are vulnerable. The United States now wants a western hemisphere "free of hostile foreign incursion or ownership of key assets". Panama could become a blueprint. Tomás Sucre Ulloa, a Panamanian lawyer following the case, notes that many Panamanian politicians who once defended CK Hutchison are now railing against it with the United States "breathing down their neck". "The law didn't change," he says, "the geopolitical climate did." ■

Haiti's endless transition

Showdown

MIAMI

The UN and the United States mount a new effort to drag Haiti out of the abyss

HAITI IS GRIPPED by a nervous countdown. The country is approaching the end of a botched political-transition process. What was supposed to put Haiti on a path back to security after a coalition of gangs seized control of Port-au-Prince, the capital, in 2024, has plunged it further into lawlessness. As *The Economist* went to press, it was unclear who would run Haiti after February 7th, when the transitional arrangement ends.

The nine-member Presidential Transition Council that has officially been running Haiti over this period was supposed to steer the country to new elections to replace President Jovenel Moïse, who was assassinated in his bedroom in 2021. Instead, the council has bickered over which of them should take over. Some of its members have been accused of extorting bribes. Meanwhile thousands of Haitians have been killed as gangs kidnapped, raped and pillaged almost at will. More than 1.4m

people have been displaced. Levels of hunger are about as high as those in civil-war-torn Sudan.

At a time when Donald Trump is attacking the United Nations on many fronts, it is unusual to see his administration working closely with it in Haiti. Together they are aggressively targeting the gangs, while also trying to convince Haiti's fractious politicians to put aside personal ambition. "We're about a very basic thing," says a senior American official. "Security and stability."

The United States wants the current prime minister, Alix Didier Fils-Aimé, to stay on after February 7th. He was appointed by the council, but is under pressure from some of its members to leave. Four council members are already under American sanctions for trying to push Mr Fils-Aimé out. They are accused of having "enabled" Haitian gangs "to destabilise the country". On February 3rd the destroyer *USS Stockdale* and several Coast Guard cutters arrived in Port-au-Prince bay, perhaps to warn the council to stay in line. In a statement, the American embassy in Haiti said the presence of the warships "reflects the United States' unwavering commitment to Haiti's security, stability and brighter future".

Nonetheless, three members of the council proposed themselves as joint presidents on February 3rd, in defiance of the outsiders. Mr Fils-Aimé's reliance on foreign powers and his ties to wealthy elites in Haiti's private sector make him vulnerable to nationalist accusations of carrying water for the "blan", the word Haitians use to describe foreigners. The defecting council members purport to represent those more nationalist factions.

While politicians squabble, living conditions grow more dire by the month. The capital's airport has been closed to commercial flights from the United States for more than a year. The city's main public hospital is also shut. Some 1,600 schools were closed due to violence last year; 1.5m children lack access to education. In 2025 more than 8,100 people were murdered, 20% more than were killed in 2024, according to UN reports. Armed violence has killed some 16,000 Haitians since 2022. Almost half of Haiti's 12m inhabitants need food support. On January 28th the French charity Médecins Sans Frontières said it was "alarmed and outraged" by the soaring number of rapes. Admissions to its sexual-violence clinic have tripled since 2021 to more than 250 a month.

But the situation on the ground may be shifting. In September the UN authorised a new Gang Suppression Force (GSF) to replace the ineffective international police force led by Kenya. Promoted by the United States, the larger, 5,500-strong GSF is designed to have a more offensive, military

mission, with better equipment and resources, including drones and air support. The first reinforcements, mainly from Chad and Sri Lanka, are expected in April.

Meanwhile the gangs have been put on the defensive for the first time. That is partly due to the work of a new security task-force made up of Haitian police, the GSF and a team of about 120 foreign military contractors working with Vectus Global, an American firm hired by the Haitian government. The task-force has launched surprise attacks against the gangs at night. "The gangs have never had to deal with that before," says the American official. "There have been a number of very effective punches right into the teeth. The trick is, can you sustain it?"

More cops, please

Much of the answer depends on the Haitian National Police (PNH). It has begun a recruitment drive, aiming to bring on 4,000 officers this year. That would be a serious boost to its depleted total of just 13,500, which is well below international norms for a country with some 12m people. The police claim that a new offensive begun in January has pushed back the gangs in some areas, reopening some roads and allowing displaced people to return home. Drones are being used as weapons. Drone strikes targeting gangsters killed 973 people between March and December. Of these 39 were innocent residents, including 16 children, says the UN.

"The current offensive represents one of the most sustained security efforts undertaken by the PNH in recent years," Halo Solutions, another American security firm in Haiti, said in a report published on January 21st. The people will welcome any progress, but must hope their politicians make similar efforts. ■



More than before

Asia



Bangladesh

After the Gen-Z revolution

DHAKA AND MYMENSINGH

An election that hopes to bring democracy back to Bangladesh

TARIQUE RAHMAN'S bulletproof bus rolls north out of Dhaka, Bangladesh's capital, slowing every couple of miles to give waiting fans a good look. Excited supporters dash into the road to take selfies as the politician's convoy approaches. Women gather at the windows of textile mills. The man himself waves regally at the crowds for much of the four hours it takes to reach a rally in Mymensingh, a northern city. He will wave regally for much of the four hours it takes to go back.

Mr Rahman—the 60-year-old scion of a famous political family—is the front-runner to become Bangladesh's prime minister after a general election on February 12th. That poll will be the first since a revolution 18 months ago, in which Gen-Z protesters overthrew the murderous and venal 15-year rule of Sheikh Hasina's Awami League. The return to democracy should improve law and order, reassure foreign and domestic investors and begin repairing Bangla-

desh's fraught ties with India. Yet it seems unlikely to bring the wholesale political renewal the revolutionaries wanted.

Bangladesh has not run a proper election since the one in 2008 that brought Sheikh Hasina to power. Some 40% of the country's 128m voters have never had a chance to cast a real ballot: "For two decades of my life, my votes never counted," says Shafqat Munir of BIPSS, a think-tank in Dhaka. Now roads in the capital are festooned with campaign banners. To conform with new election rules, most have been printed in black and white.

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Overseeing the election will be the final duty of Bangladesh's caretaker government, led since the revolution by Muhammad Yunus, a Nobel peace-prize laureate. Views on its performance vary wildly. But most people agree that it steadied an economy that was in freefall.

The interim government has worked with politicians to write reforms it hopes will prevent Bangladesh falling into fresh tyranny. They include creating a new upper house and limiting prime ministers to ten years in office. "Naysayers everywhere told me this process was going to fail because the parties will not talk to each other, they will scream at you, they will start throwing chairs," says Ali Riaz, an academic who led the discussions. In fact almost all Bangladesh's parties have backed the proposals. These will be put to voters in a referendum on election day.

Assuming they pass, making sure the changes are written into law will fall to whichever party ends up leading Bangladesh next. The Awami League is playing no part in the election after the interim government banned it. Yet the student activists who took the largest role in toppling it have struggled to form a united front. Instead the outfits that have done best during Bangladesh's interregnum are two parties with long histories.

The most striking is Jamaat-e-Islami, an ►►

► Islamist group. It was banned during Sheikh Hasina's rule but has thrived since being unbanned after she fled to India. (India's decision to offer her shelter has enraged Bangladeshis, one reason relations between the two countries have grown fraught.) More than 90% of Bangladeshis are Muslim; after years of misrule, many like the idea of more piety in politics. But much of Jamaat's new support has come "in spite of being an Islamist party, not because of it", reckons Thomas Kean of Crisis Group, a Brussels-based think-tank.

Jamaat insists it would rule moderately and for all Bangladeshis. Yet its advances are causing panic among the urban middle class. They note the party has not fielded a single female candidate. Jamaat has struggled to walk back a suggestion that it would like to limit the number of hours Bangladeshi women may work. Nor is it clear that the party—which has never before held more than 18 seats in parliament—is experienced enough to run the country. Some of its policies sound expensive and half-baked.

All this opens a door for Mr Rahman. His Bangladesh Nationalist Party (BNP) is leading in the polls. For years it was run by his late mother, Khaleda Zia; before that it was run by her husband, a Bangladeshi president who was assassinated in 1981. Under Zia, the BNP won power three times during the 1990s and 2000s, though its rule was often inglorious. In 2006 it looked like it was about to steal an election before the army intervened.

Mr Rahman did not formally serve in his mother's governments, but most Bangladeshis saw him as a power within. Leaked American diplomatic cables, written in 2008 and 2009, alleged that he "was widely considered one of the most corrupt individuals in Bangladesh", and that he was "notorious for flagrantly and frequently demanding bribes". When Sheikh Hasina's government took office and began battering opponents, it pressed charges against Mr Rahman—who by that time had fled for Britain. He stayed in self-imposed exile in London for 17 years, flying back to Bangladesh only in December.

Quizzed aboard his campaign bus, Mr Rahman defends his party's record. When last in office, he insists, it began bringing corruption to heel. He denies allegations of past wrongdoing, saying charges brought by Sheikh Hasina's regime were trumped up. Since the revolution, Bangladesh's newly independent courts have overturned his convictions. That is in part what has permitted him to come home.

He promises, without giving details, that if elected his party will support investors to create jobs. He says he wants more young Bangladeshis to get training that might help them find high-paying work abroad. He promises to dig 20,000km of

canals to solve water shortages, and to plant 50m trees a year. He thinks he will get on with Donald Trump: America's president is "quite practical, quite pragmatic—he's a businessman".

Above all, says Mr Rahman, his new government will ensure freedom of speech, maintain order and bear down on graft. He says people responsible for killing protesters in 2024 must face justice. But he insists he will not use the powers of the state to go after political rivals. The revolution shows what can happen to governments that "do not have a programme for the people", he argues. "Being vengeful

does not do anyone any good."

Bangladesh's business leaders and most of its liberals lend Mr Rahman their support. Since returning to the country he has said much of what they want to hear (though most still choose to talk off the record, in case the other side wins). Observers say the man who has come back from London seems different from the one they knew before. In any case, the alternatives are deeply unappealing, notes one pragmatic local analyst. The choice, he says, is between Bangladesh getting a forward-looking government or ending up with one that is "Taliban-lite". ■

Elections in Japan

Going crossways

TOKYO

Newborn parties are scrambling Japanese politics

POLITICS IN JAPAN has long resembled a straight thoroughfare. Most traffic moved with the long-ruling Liberal Democratic Party (LDP); the disaffected flowed to the ideological left. But the political map increasingly looks more like the famous multidirectional Shibuya crossing in central Tokyo, with newer outfits zooming off in wildly different directions. Of the ten main parties competing in lower-house elections on February 8th only three existed before 2012 (a fourth is a recent merger of two longer-standing parties).

The Shibuya crossing is itself a good place to see the shifting traffic. Within the span of a single day last week, the leaders of three noteworthy upstarts—the hard-right Do It Yourself Party (Sanseito), the populist Democratic Party for the People (DPP), and the techno-optimist Team Future (Mirai)—held rallies there, straining to be heard over the weekend din. Rabble-rousers from Reiwa Shinsengumi, a new far-left outfit, gathered nearby. The upstarts play up their novelty, reflecting a growing demand for change.

The newborns also share angst about Japan's shrinking, ageing population. Yet they offer starkly different plans for the future. Tamaki Yuichiro of the DPP speaks of transforming an "anxious generation into a hopeful generation", with the help of big tax cuts. To hear Anno Takahiro of Mirai tell it, robots will save Japan: he urges faster adoption of AI, robotics and self-driving vehicles to overcome labour shortages. Kamiya Sohei of Sanseito, by contrast, rails against migrants and hails Tokugawa

Ieyasu, a shogun who united Japan in the early 17th century and started a 260-year era characterised by relative peace and strict isolationism.

Such parties remain small: the biggest is the Japan Innovation Party (Ishin), with 34 seats in the 465-member lower chamber. Yet they have been able to wield disproportionate influence, thanks in part to their adept use of social media. Ishin has become the LDP's new coalition partner. The DPP has negotiated with the ruling coalition to push through a pet tax policy. Sanseito has thrust immigration to the centre of debate. To claim success in the election, the upstarts need not take power—just maintain their forward motion.



In it to influence it

Australia

Crime scene

SYDNEY

An Israeli visit to the site of the Bondi attack tests Australia's social cohesion

AUSTRALIAN JEWISH leaders boast that theirs is the most Zionist community in the Jewish diaspora. Australian Jews travel to Israel at a higher rate than most other Jewish communities around the world. They are also more likely than most to have family and friends who live in Israel. Perhaps it is no surprise, therefore, that some leaders of the Jewish community, grieving a terrorist attack on Bondi Beach on December 14th, asked the government to invite Israel's President Isaac Herzog to come and mourn with them.

Mr Herzog will arrive in Australia on February 8th and is expected to go straight to Bondi. Australian officials, worried about security, are sharing little other information about the visit. But they might be keeping mum for another reason, say observers. The visit has provoked renewed controversy in a country still reeling from more than two years of strife between defenders of Israel and advocates of the rights of Palestinians.

The deadliest terrorist attack on Australian soil has left some in the Jewish community feeling shattered. One Jewish youngster in Bondi tells *The Economist* that he no longer feels safe in Australia, and that he is considering emigrating to America. Others have been moved to embrace their Jewish identity anew, says Rabbi Noach Konceptolski, who had just returned from helping a secular Jewish family place a *mezuzah*, a sign of the Jewish faith, on its doorposts for the first time.

Chris Minns, the premier of New South Wales, says that in order to protect public safety and to help the Jewish community grieve, the state government will ban protests in much of Sydney during the Israeli president's visit. Under new laws rushed through after the Bondi attack, states have the power to ban demonstrations for up to 90 days after a terrorist attack.

A constitutional challenge to the laws is winding through the courts. But it will be heard after the president's visit. One pro-Palestinian group says that it plans to march to the state's parliament house in the centre of Sydney anyway. Police are bracing for a confrontation.

Legislators, at federal and state level, are likely to be the source of more contention. At least two backbenchers from Mr Minns' ruling state Labor party plan to join the marchers. In the federal parliament, too, several members have voiced concerns

about the invitation. They point, among other things, to an episode early in Israel's recent war in which Mr Herzog signed a bomb to be dropped on Gaza.

The visit is a test for the Labor government of Anthony Albanese, the federal prime minister, who on December 21st was booed at a memorial service in Bondi. The boos echoed criticism from Binyamin Netanyahu, who in the days following the attack linked it to Mr Albanese's decision in September to recognise a Palestinian state. Mr Herzog may repeat that allegation in private, but is likely to avoid it in public. If all goes well, Mr Albanese hopes a smooth visit will signal that he is back in the Jewish community's good books. A rowdy one, however, could rock his caucus and strain relations with the Jewish community.

Whatever happens, Mr Albanese will be looking better than his conservative opponents. The aftermath of the attack has blown up the centre-right opposition coalition, made up of two parties, one tending to represent urban and suburban voters, the other stronger among rural Australians. The two could not agree on whether to vote for new legislation making it easier to ban groups committing hate crimes that was proposed by Labor after the attack. Its passage, with some suburban conservative support, has boosted the fortunes of the populist-right One Nation party, which is now second only to Labor in opinion polls.

The emotionally charged debates around the conflict in Gaza and the attack in Bondi have strained social cohesion. Malcolm Turnbull, a former centre-right prime minister whose old constituency included the Jewish community in Bondi, says his is a multicultural nation, but "we cannot allow foreign wars to be fought out in Australia." ■



Still shattered

India

Rights issue

DELHI

India's booming gig economy is formalising a chaotic labour force

URBAN INDIANS, more than most people, have become used to getting what they want as soon as they want it, if they have the rupees. Long used to getting their lunch delivered by tiffin wallahs, these days party snacks, a new iPhone or a single bar of soap can be at urbanites' doorsteps within minutes. The secret behind the country's gig-economy boom? A virtually unlimited pool of cheap labour. Local-delivery apps like Blinkit, BigBasket and Zep to rely on a hard-pressed army of gig workers. Swiggy, a food-delivery app, claims that on New Year's Eve 2025 its drivers collectively travelled eight times the distance from the Earth to the Moon and back.

But nothing is easy, and this army of gig workers, set to expand from 7.7m in 2020-2021 to 23.5m by 2029-30, according to NITI Aayog, a government think-tank, has fuelled a rancorous national debate about the treatment of the industry's delivery drivers. Social media are rife with posts and counter-posts about the issue. Undercover journalists and even a politician or two have been signing up in order to expose the allegedly dire working conditions of gig drivers by bicycle and motorbike. One writer reckoned he was earning just 34 rupees (under 40 American cents) per hour after fuel costs, but not accounting for mobile internet charges.

There is little romance to gig work. The algorithm is a ruthless boss, using penalties to rush and discipline drivers. On December 25th some 40,000 riders went on strike in the hopes of safer working conditions, better pay and information about how their algorithms make decisions. Some of them woke up to find themselves blocked in punishment.

But despite all the anecdotes and protests, delivery apps aren't making Indian workers more miserable. Quite the opposite, suggests a new working paper from the National Bureau of Economic Research (NBER) comparing gig workers in India, Indonesia and Kenya. It finds that most Indian delivery drivers don't sign up from full-time formal work; yet more than half of them end up in formal jobs afterwards. The average delivery partner—28, male, driving part-time—uses gig work as a stepping stone to better things. And as it is, monthly net earnings for full-time drivers still outpace those for casual labour.

In fact, gig work is formalising one of the world's most chaotic labour forces. In- ▶▶

▶ dia is not like Europe or America, blessed with formal economies and tamed by labyrinthine worker protections. In the West, the “flexibility” of gig work has been seen by many as a euphemism for looser, or zero, regulation. In India the opposite is true. More than 90% of jobs are informal to begin with. But public discomfort around the plight of delivery drivers has jolted politicians into regulatory action. Late last year new labour laws granted digital gig workers legal protections and social security.

On January 13th India’s labour minister asked delivery-app bosses to drop their common but wildly reckless promises of delivery within ten minutes. In other words, far from intensifying the daily grind of India’s poorer people, gig work has made it a matter of public debate.

As it struggles to absorb 84m youngsters into its workforce over the next decade, India is in a strange position: it is achieving the highest GDP growth figures of any big economy, but 30% of its gradu-

ates are jobless. One result is that graduates are less likely to have jobs than much less educated people, who can usually find employment in the informal sectors. Another is that the NBER paper suggests delivery drivers are more likely to have a tertiary degree than the average Indian. While graduates’ own fields are often not hiring, gig work has no barriers to entry. Unnervingly for all on India’s unruly roads, the apps haven’t even been doing a good job of checking gig drivers’ licences. ■

BANYAN

America’s admiral in Asia

Can Sam Paparo keep American strategy on an even keel?

OF THE EIGHT conflicts that Donald Trump imagines he has ended, at first glance the short border conflict between Thailand and Cambodia last July presents the cleanest case. To hear America’s president tell it, Mr Trump called the leaders of the two countries and threatened astronomical tariffs unless their guns fell silent. Soon, it is claimed, they did.

But the conflict was only the latest episode in a century-old grudge between the neighbours, and it continually risked flaring up again. So Admiral Sam Paparo made multiple visits to Malaysia on his blue-and-white Air Force jet. There he met the Thai and Cambodian military chiefs to tell them to knock it off. The intervention by the top American officer in Asia was key to smothering the dispute until Mr Trump could fly to Malaysia in October to preside over the signing of a peace deal.

Admiral Paparo’s quiet diplomacy is one way he is trying to show his usefulness to Mr Trump. Keeping the confidence of the president and others in the MAGA world will be essential if the career fighter-pilot is to address one of America’s much bigger problems: trying to deter a Chinese attack on Taiwan. In this, he has been a driving force behind the American armed forces’ efforts in recent years.

The chiefs of America’s Indo-Pacific Command, headquartered in Honolulu, are weighty figures in any administration. The admiral in charge (and it is always an admiral, reflecting the navy’s expansive role in this part of the world) is responsible for military operations across half the Earth’s surface and a dozen time zones—from Bollywood to Hollywood, as one of the admiral’s predecessors was fond of saying. Admiral

Paparo has become unusually prominent and influential in Asia. That is partly due to the court politics around Mr Trump, which keep other top officials close to the president in Washington. Now the admiral must navigate three big challenges.

The first is to try to reassure worried friends in Asia that America will not abandon its commitments to allies, even as Mr Trump switches his focus to Venezuela and Greenland, contemplates a grand bargain with China and routinely expresses his contempt for many of his NATO allies in Europe. Admiral Paparo’s previous commands in the region mean that he has old friendships with many military chiefs. That counts all the more at a time when the White House is recalling and cutting short the tours of most ambassadors appointed by Joe Biden. He offers a rare instance of consistency.

The second challenge is to keep onside a wayward president and his advisers, especially the defence secretary, Pete Hegseth. Even in normal administrations the Indo-Pacific commander can find it hard, compared with America’s generals in

Europe and the Middle East, to get the resources he wants. That risk was heightened after the Trump administration put the Americas ahead of Asia in its national defence strategy. The command’s resources risk being plundered for other contingencies. Its carriers and air-defence batteries often get dispatched to the Middle East; the focus on the western hemisphere makes the problem worse. But Admiral Paparo’s political nous has helped him limit the damage.

The biggest challenge the admiral faces is to make sure America’s war plans do not fall out of date as China’s armed forces rapidly modernise and technological changes cancel out some of America’s advantages. Admiral Paparo is unusually focused, compared with other American commanders, on making his command an AI-enabled one, experimenting with tools that speed up decision-making in a conflict and help ensure things like fuel and bullets quickly get to where they are needed. Other programmes focus on catching up with China on long-range missiles and autonomous weapons.

At a conference put on in January by the Pacific Forum, a think-tank in Honolulu, the admiral played host to several hundred officers, bureaucrats, defence eggheads, tech execs and representatives of allies. Over two days in windowless conference rooms just by Waikiki Beach, they held intensive discussions on how to win a war against “the adversary”, universally understood to mean China. The discussion was cerebral but nonsensical. “He goes to sleep every night thinking about winning or losing the next great war,” says an admiring fellow admiral. “He has wargamed it more than anyone else.” With luck his wargames won’t be needed.



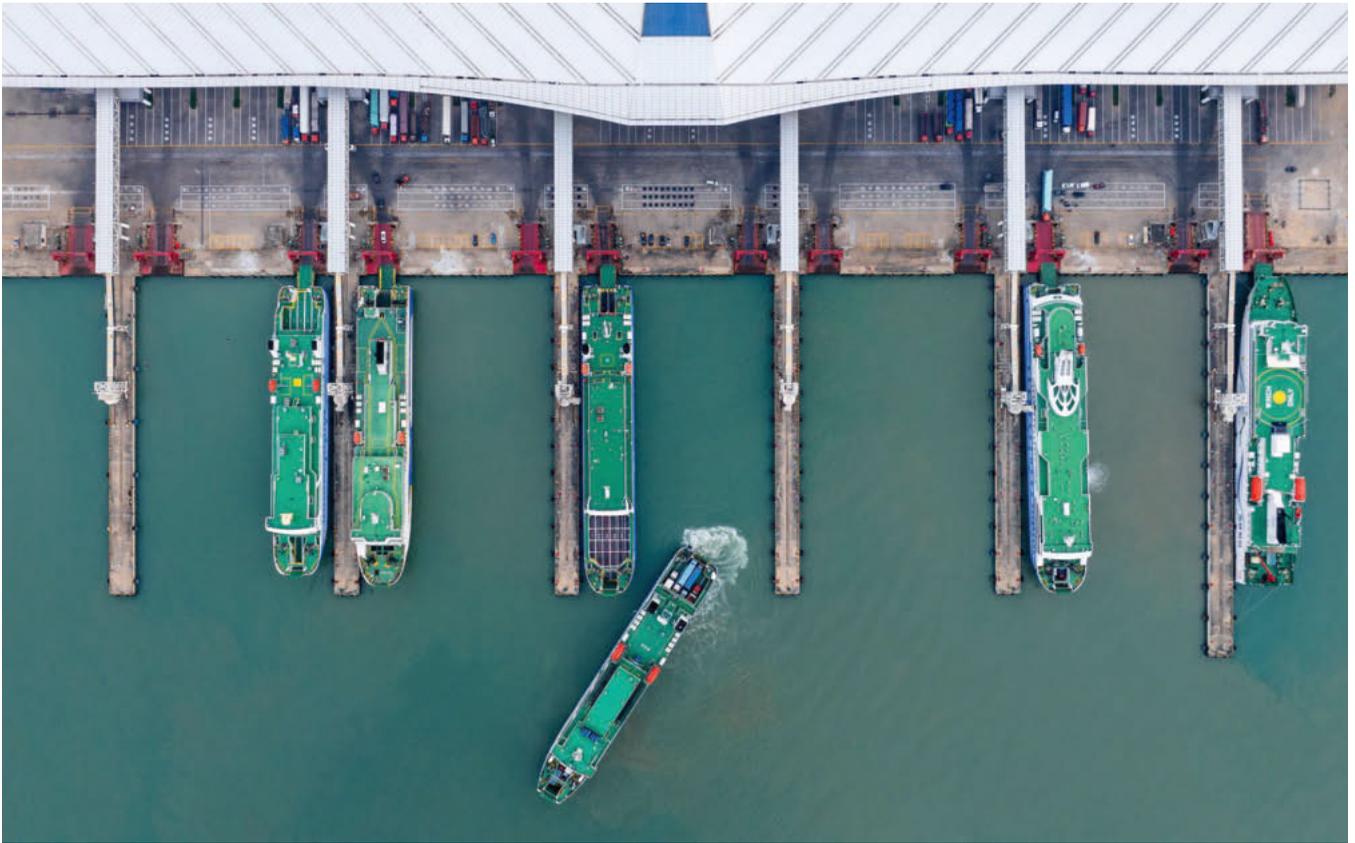
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China



Reform in Hainan

The tropical sandbox

HAIKOU

On Hainan island, China has launched a huge free-trade experiment

CHINESE OFFICIALS gush about their decision to turn the tropical island of Hainan into the world's largest free-trade port (FTP). They describe the move, which took effect in December, as a "substantial leap" in the country's opening to foreigners seeking to tap China's vast markets. Amid global trade tensions, they call it evidence that China is bucking an American-led trend towards greater protectionism. Hainan has a long history of such boosterism, and of failing to impress beyond its sandy beaches and five-star resorts. Will this time be different?

When China's leader, Xi Jinping, first announced the free-trade plan for Hainan in 2018, some observers wondered whether he intended to build a new Hong Kong—a free-trade hub that plays a vital role for foreigners as a gateway to China's markets. For now, Hainan's ambitions are more modest, even though the area covered by

the FTP is huge: the island of 10.5m people is nearly Taiwan's size and 30 times that of Hong Kong. But it is taking a leap.

The new FTP means that 74% of taxable import-categories can now enter the island without tariffs. They can be shipped to the mainland on the same zero-levy terms as long as they undergo processing in Hainan that adds at least 30% to their value (pictured is a port in Haikou, the capital, from which goods are sent over). To lure investors and talent, taxes on firms in strategic sectors and on high earners will be capped at 15%. That compares with 35% and 45%,

respectively, on the mainland. Hainan also aims to make it easier to move capital across borders, but its financial system will remain more restricted than in freewheeling Hong Kong. Citizens of 86 countries, including America, can visit visa-free.

For Hainan to achieve its goal of becoming a "globally influential" FTP by mid-century, it will have to shed its reputation as a backwater. It has endured this since imperial times, when politicians and poets who had offended the court were banished there. In 1984, when the central government gave Hainan permission to import foreign goods that were restricted elsewhere in China, the island became notorious for a massive profiteering scandal.

Four years later Hainan got a chance to rebrand itself when it was carved out of Guangdong as a separate province. It was designated as the country's only provincial-scale special economic zone (SEZ), authorised to experiment with liberal economic reforms. But the results have been mixed. Its tourism industry is booming. Residents of China's frigid north, as well as Russians, flock there in winter. In spring global bigwigs fly in for the Boao Forum, China's answer to Davos. Space geeks and thrill-seekers head to Hainan, too: China's most powerful rockets launch off its coast. But the island's economic performance has

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▶ been lacklustre. Frenzies of investment have given way to property busts and abandoned theme parks.

At about 76,000 yuan (\$10,900), Hainan's GDP per person in 2024 trailed that of most of China's other SEZs and the national average. The province's GDP that year, about \$114bn, was one of China's lowest. Compared with glitzy Shenzhen, the country's flagship SEZ bordering Hong Kong, Hainan is desolate: not helped by a lack of infrastructure across a 20-30km stretch of sea separating it from the mainland.

But that isolation, and the island's remoteness from overbearing bureaucrats in Beijing, 2,300km to the north, could prove an asset for the FTP scheme. Hainan sees itself as well suited geographically for reforms that can be carried out without risk of disrupting other parts of China. One that will be watched closely is a pilot, launched last year, that allows firms to apply for freer access to the internet. This lets users visit sites such as Google and X that are blocked on the mainland.

Leaders in Beijing may reckon that a bit of risk-taking on Hainan could prove beneficial: they want to convince investors that China is still reforming as economic growth slows. Mr Xi calls the FTP's creation a "landmark" move to promote "an open world economy". There are many other cheerleaders. "This youngest and bravest student in a cohort is given permission to swim in the deep water," says Li Daokui of Tsinghua University, who is a government adviser. "Then the whole class would watch what Hainan would do."

Hainan hopes that a big beneficiary of its new trade rules will be medical tourism. It has set up a "special medical zone", called Boao Hope City. Amid its groves of coconut trees, private hospitals have sprung up. They are allowed to use drugs and devices that have been approved abroad but not in China. Some are struggling to attract customers. But last year more than 9,300 foreigners sought treatment in the zone, a sign of growing overseas interest in China's medical services

(see story, next page). At one facility there, the resort-like rooms are fully occupied by rich Chinese. Patients in blue tracksuits have paid at least 500,000 yuan for an annual membership, while those in orange have forked out at least 1m yuan.

Processing firms are showing interest in the FTP. Mixue, a Chinese cold-drinks company, has opened a factory there because it can import coffee beans tariff-free to make drinks that can be sold elsewhere in China without extra duty. Through a subsidiary, Swire Pacific, a Hong Kong firm, it is also building a new factory to bottle Coca-Cola for the China market. But some foreign businesspeople say Hainan remains inferior to the mainland, lacking talent and good supply chains. "The business case is just not there," says an auto executive who was urged by a senior official to invest in Hainan.

To counter such impressions, Hainan has been sponsoring trips to the island for potential investors. After such a visit, Lei Jun moved his video-game-design firm from Fujian province to Lingshui on Hainan's south-eastern coast. He says he was won over by the climate and subsidies.

Mr Lei's staff live and work rent-free in villas built during a push that began in 2009 to turn Hainan into an "international tourism island". The buildings had fallen into disuse—a reminder of the island's capricious fortunes. Recruitment is hard for Mr Lei: he, like many bosses on Hainan, has to find skilled workers who are willing to move from the mainland. But there may be a future pipeline: down the road, the government is building 26 campuses for universities from Britain, Canada and across China. Some have already opened.

To foreign firms, education, health care and other service industries may offer brighter prospects than manufacturing, at least initially. Chi Fulin, 74, was sent to Hainan from Beijing in 1987 as an official. Now head of the China Institute for Reform and Development, a state think-tank based in Haikou, Mr Chi says Hainan will lead the opening-up of the country's services sector, which has largely been closed to foreign firms. The province now has the shortest list of business-categories that are off limits to foreign investors.

Mr Chi, who has devoted his life to Hainan's reform, is cautiously optimistic about the FTP project. He illustrates this with a metaphor referring to the reluctance of locals to give up their tropical garb even during cold snaps. "You might say that Hainan, where people wear down jackets on top and flip-flops below, has a lot of inertia," he says. "Changing these habits is a long-term process. But if the overall environment changes drastically, if it snows heavily, can you still wear flip-flops?" On Hainan, wintry gusts may be welcome, if they blow in freedom to reform. ■

Exam choices

Master's or mandarin?

China's graduates are ditching one set of gruelling tests for a much harder lot

AROUND 2024 Mr Wang, a tutor for people taking graduate-admissions tests, saw the number of students in his classes plummet by more than half. At first he thought something had gone badly wrong with his teaching. But comparing notes with others in the industry, he found the problem was pervasive. Mr Wang had also casually posted an ad offering his services as a tutor for the national civil-service exam. He was shocked to receive hundreds of replies. His newly opened class was filled with top talent, including two students who had flown from Hong Kong after graduating there. "Holy shit," Mr Wang thought. "The winds have changed."

He is right. Young Chinese are rethinking the options they face when they complete undergraduate studies. Between 2023 and 2026 the number of people who registered to take exams for admission to master's courses fell by a third, from 4.7m to 3.4m. Meanwhile, between 2021 and 2026, the number who applied (and passed checks) to take the national civil-service exam more than doubled to 3.7m, a record high. Interest in the latter now exceeds the former for the first time (see chart).

An attraction of a master's degree is that it can upgrade one's human capital (at least, in theory), while delaying entry into the job market. But the civil service offers a far more immediate reward: stable, if staid, employment. Stella Zhou, who is 24, attended a tutoring camp for the civil-service exam. For three months she started the day at 9am and slogged through thousands of practice questions, only retiring to her dormitory after 9pm. "My bum hurt from sitting all day," she gripes. ▶▶



Degrees v decrees

China, applicants for entrance exams, m



Sources: Ministry of Education; National Civil Service Administration *Applicants meeting qualification requirements

▶ Last year about 20% of those who took the exam for admission to a master's course were accepted. The national civil-service exam is far more competitive. This year there are 38,000 positions available, meaning about 99% of those who took the written test in November (including many postgraduates) will be disappointed by the time the process, which also includes interviews, wraps up in the middle of the year. A 26-year-old woman, Ms Ma, is studying for a master's degree in law. Some 80% of her class are planning to take the civil-service exam. It is a "battle royale", she says (having a master's degree confers little advantage for civil-service jobs, most of which do not require one). Because success is so unlikely, many are also sitting provincial- or city-level civil-service exams as a less prestigious back-up.

The reason is clear: a bleak job market. Ms Ma, who is from the eastern province of Shandong, had never thought she would be interested in the civil service. She changed her mind after working as an intern at a small company: her colleagues were often not paid on time. When China was booming, government jobs were thought dull ("If you become a civil servant, you can see the whole of your life," as a common saying goes). Now, as the economy falters, they are highly sought-after. Ms Zhou, who is from the south-western region of Chongqing, received an offer of 300,000 yuan (\$43,000) per year from JD.com, an e-commerce giant, to work in its procurement arm. But she turned it down to try her luck with the civil service. Young people increasingly prefer certainty to good pay.

Between 2020 and 2022, when China imposed a strict "zero-covid" policy, many students swarmed into postgraduate studies as a way of postponing the job hunt during economic turbulence (in China, a master's often takes three years). Since then, the number sitting the master's entrance exam has dropped. It has become clearer that staying in education produces diminishing returns. A survey in 2024 by Zhaopin, a hiring platform, found that by the spring recruitment round, 44.4% of postgraduates had received a job offer—one percentage point lower than those with bachelor's degrees and 12 points below those with vocational training. It might be expected that many would apply for a master's after failing the civil-service exam. But many graduates fear the job market could get worse. Better to take the plunge sooner rather than later, some reckon.

So the rise in applications for the civil service and fall in demand for graduate courses are two sides of the same coin: a weak economy. It could become a self-reinforcing trend: the more that talented youngsters turn their backs on the private sector and seek government jobs, the less vigorous China's economy will become. ■

Medical tourism

Chinese check-ups

BEIJING

Why growing numbers of foreigners are drawn by China's health care

FOREIGNERS VISITING China often gush over the country's high-speed rail and glittering skylines. Its creaky medical system, though, gets less praise. So Amie, a British woman, caused a stir online last month with a glowing video review of a public hospital in Beijing. With persistent stomach pain, and facing a long wait to see a doctor in Britain, she went to China, where she had once lived. Tests, diagnosis and treatment were quick and cost some 2,800 yuan (\$400). Even including the air fare, that was still less than she would have had to pay at a private hospital at home, she said. After Amie's video went viral on Chinese social media, other foreigners chimed in with their own stories of cheap and efficient care in China.

A decade ago officials set a target for China to become an "internationally competitive" destination for medical tourism by 2030 (as South Korea has become: wealthy Chinese often visit that country for complex treatments or cosmetic surgery). Now China is drawing a growing number of foreign patients. Last year its hospitals received nearly 1.3m of them, up almost 74% from 2022, according to Chinese media. China's medical-tourism market is expected to increase from around \$1.2bn in 2025 to \$3.4bn by 2035, according to Market Research Future, a consultancy.

Many of China's medical facilities are still shoddy, but in recent years its best

hospitals have gained top-notch doctors and equipment. For some elective procedures such as laser eye surgery, they are world-class. They are also usually cheaper than Western hospitals. Many have English-speaking staff. And since 2023 China has fast expanded its visa-free entry scheme (last month it was announced that British visitors would be included). This makes it easier to drop in for a check-up.

Most of the foreigners to be found in Chinese hospitals are still residents rather than medical tourists. But big cities like Shanghai and Beijing are starting to receive more patients from abroad. Growing numbers of Vietnamese are seeking treatment in hospitals in southern China. And Russians are popping over the border to hospitals in the north-east.

State media see this as an encouraging sign of the country's growing appeal to patients overseas. "Compared with some Western countries, China's medical system provides more efficient and affordable care," a researcher told *China Daily*, a state newspaper. Such messages chime with the current propaganda campaign to paint America as a precarious place, where one bad illness can ruin someone financially.

But some Chinese worry about possible new strains on China's medical system, which is largely publicly funded. Chinese doctors are hugely overworked. Queues often snake around hospitals. "Foreigners coming here to enjoy the benefits of Chinese taxpayers isn't fair," said one commenter on Amie's video. "Will foreigners seize our medical resources?" asked an article on WeChat, a social-media app. Such worries appear overblown—public hospitals are only allowed to use 10% of capacity for international departments. But it is a rare case where China's nationalists dislike one of their country's success stories. ■



Cutting-edge tourism

CHAGUAN

*The hunt for clues in Xi Jinping's military purge**Opacity brings Pekingology back into vogue*

A PHOTOGRAPH MAY be an early signal that something is up and further study is required.” So concluded Roderick MacFarquhar, a late scholar of Maoist China, in an article in 1971 about how to decode Chinese politics. It was the height of the cold war and of Pekingology, involving scrutiny of wording and images. Half a century later, MacFarquhar’s ideas again have purchase. Elite politics, never renowned for clarity, has grown more opaque under Xi Jinping, so analysts are dusting off old tools.

Last month’s purge of Generals Zhang Youxia and Liu Zhenli exemplified this back-to-the-future trend. The first strong indication of trouble came when they were absent from a television report about a recent Communist Party meeting. Four days later the defence ministry announced that they were under investigation. Some analysts believe there had been an even earlier visual clue of the coming trouble: General Zhang had turned his back on Mr Xi at the end of a speech nearly a year ago, perhaps hinting at a falling-out between the two.

Textually there has been much to parse regarding the possible nature of their wrongdoing. The armed forces’ newspaper listed five offences. One stuck out. The two generals had “seriously trampled” on the chairmanship system which gives Mr Xi ultimate authority over the People’s Liberation Army (PLA), as the armed forces are known. The implication, many observers concluded, was that the generals had sought to undermine Mr Xi.

That scholars are back to gleaning information from such limited evidence shows how much more guarded the party has become. From the late 1970s on, as China opened up, analysts, executives and diplomats gained better access to power-brokers. They could also triangulate between factions. The Politburo Standing Committee, the apex of power, ranged between five and nine members. Outsiders could hope to connect with a few of them or their subordinates, cobbling together a rough model of policy and personnel. One consequence of Mr Xi’s squashing of collective leadership is that only one person now matters, and he is not spilling the beans. Hence the return to Pekingology.

But does it work? Such analysis has many pitfalls. One flaw is that with so few visible dots, there is a strong temptation to link

them all, even when connections may be spurious. Take one fascinating perspective on the purges, written by K. Tristan Tang for the Jamestown Foundation, a think-tank in Washington. By sifting through officials’ speeches, and state-media coverage thereof, he concluded that General Zhang was not living up to Mr Xi’s reported demand that the PLA be ready to invade Taiwan as soon as next year. Perhaps Mr Tang is correct. But his verdict was based in large part on minute discrepancies in how they talked about “military struggle”. If the purges were really about Taiwan, why then did Mr Xi ditch He Weidong, another general, last year? Mr He had performed well in overseeing ultra-intense military exercises around the democratic island.

That points to another problem with Pekingology: it is all but impossible to verify who gets what right. Theories about Chinese power politics. Indeed, there may be more than ever, owing to the spread of social media plus burgeoning communities of Chinese expats around the world, some revelling in coup fantasies. If it were possible, after a few years, to assess who has been correct, that could at least provide an indication of future reliability. Alas, China’s opacity is long-dated. It could be decades before archives from Mr Xi’s rule are opened, if ever.

Visual cues may well be the hardest to interpret. Much has been made of how Hu Jintao, a former leader, was escorted off stage during a televised party meeting in 2022, after an apparent dispute over official papers in front of him. For those looking for evidence of rifts in China’s upper echelons, the scene was irresistible. Yet the explanation given by state media—that Mr Hu was suffering from ill health—was arguably more plausible given his confused demeanour.

Wu Guoguang, who worked briefly in government and then as a state journalist in the 1980s, speaks of his own experience in getting things wrong. Now a professor at Stanford, he recalls his political boss receiving a piece of calligraphy from Chen Yun, a powerful leader at the time. Mr Wu assumed that his boss was on excellent terms with Chen. Many years later he learned he had been badly mistaken. Mr Wu sees it as a cautionary tale about the danger of “over-interpretation” from superficial information.

Misreading the tea leaves

Still, it is dangerous to go to the other extreme and conclude that nothing is knowable. Mr Wu talks of the importance of focusing on slight changes in wording. The charge-sheet against Generals Zhang and Liu mentioned violations of law, not—as in an earlier military purge—mere disciplinary offences. That, to Mr Wu, suggests that Mr Xi perceives the wrongdoing of those most recently purged as much more serious. Neil Thomas of the Asia Society, a think-tank in New York, concurs about the need to scrutinise language. “It’s all we’ve got to make judgments about activities and intentions, but it has to be handled with great care and intellectual humility,” he says. He thinks analysts can discern Mr Xi’s policy priorities but struggle to judge how or why decisions are made.

It is worth revisiting MacFarquhar’s essay of 1971. He did not see the analysis of photographs as the sole path to truth, but as “one, rather blunt, instrument to be used along with many others in the dissection of Chinese politics”. Photos, he conceded, often raise more questions than answers. That is a useful framework to keep in mind as Pekingology comes back into vogue among China analysts. It does not provide definitive answers. But, done well, it can help in formulating good questions. ■

Middle East & Africa



Iran v America

Two old men

DUBAI

Donald Trump wants to end America's half-century-long conflict with the Islamic Republic

THE YEAR was 1988, and a businessman from New York and a cleric from the Iranian city of Mashhad were snarling at one another. Donald Trump said the American warships massed in the Persian Gulf should be “harsh” towards Iran. “One bullet shot at one of our men,” he said, “and I’d do a number on Kharg island,” the wedge of land that houses Iran’s main oil-export terminal. Ali Khamenei, then Iran’s president (though not yet an ayatollah), was undeterred: he vowed to make the waterway a “graveyard” for the Americans.

Almost four decades later their rhetoric is unchanged. Mr Trump has deployed what he calls a “beautiful armada” to the Middle East after the Iranian regime ignored his warnings not to massacre protesters last month. Mr Khamenei, in turn, has warned America’s president not to use it. “America should know that if it starts a war, this time it will be a regional war,” he said on February 1st.

Mr Trump wants this to be their last stand-off. Iran has never seemed more vulnerable. Through words or weapons, the president hopes to resolve America’s half-century-long conflict with the Islamic Republic. As for Mr Khamenei, he seems paralysed, committed to a worldview that is outdated. The showdown between these two cantankerous old men will shape the Middle East for a generation.

America’s growing military build-up

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suggests it is planning something big. The *USS Abraham Lincoln*, an aircraft-carrier, arrived in the region in late January. Extra refuelling tankers have landed in the Gulf. Fighter jets, destroyers and air-defence batteries have all been dispatched to help parry an Iranian counter-attack.

Yet even as Mr Trump talks up his armada, he seems hesitant to use it. Steve Witkoff, his all-purpose envoy, is due to meet Abbas Araghchi, Iran’s foreign minister, in Oman on February 6th. The meeting was scheduled after a frantic diplomatic effort by Egypt, Turkey and Gulf states, none of which wants a regional war (see next article). It suggests that any American strike is still days or weeks away—although the Iranians remember that last summer Mr Trump used the offer of talks as a feint before he bombed their nuclear sites.

Whether diplomacy can succeed will depend largely on the two leaders. Mr Khamenei’s goals have changed little since he became supreme leader in 1989. He wants to ensure the survival of Iran’s clerical regime. In his mind that requires swearing off any compromise, whether political reform at home or a less confrontational foreign policy towards America.

But after two years of tumult such rigidity has left him weakened. His allies have been humbled. His nuclear programme can no longer enrich uranium. His regime ▶▶

is despised at home, killing protesters while it presides over economic and environmental disaster. Mr Khamenei long feared that concessions would bring the regime to collapse—yet his refusal to make them has only undermined it further.

In many ways Mr Trump seems his opposite, a man of no fixed ideology. Still, he has a few bugbears (such as trade deficits) that have animated his politics for decades. Among them is a belief that Iran's leaders keep getting the better of timid American leaders—"making us look like a bunch of fools", as he put it in 1988. The Islamic Republic has vexed every president since Jimmy Carter. Mr Trump would like to be the one to settle matters. "It's always the 1980s for Trump," says a sympathetic foreign-policy hand in Washington.

He is flexible about how precisely to settle the conflict, though. The preternaturally optimistic Mr Witkoff hopes to make a deal. American officials insist it would have to go much further than the 2015 nuclear pact between Iran and world powers, or even the agreement they tried to negotiate before last summer's Iran-Israel war. They say the regime would have to curtail not only its nuclear work but also its ballistic-missile programme and support for Arab militias.

Iran insists it will not discuss the latter two issues with America. On February 1st Mr Araghchi told CNN a deal was likely only if America did not chase "impossible" concessions on non-nuclear issues. Some diplomats in the region hope to find a creative workaround. Perhaps Iran could discuss its nuclear programme with America, and then discuss the other subjects with America's allies in the region, whom America wanted to invite to the talks in Oman.

Yet Iran has balked at that idea, too: Mr Khamenei remains intractable. Any possible agreement with Iran would also be deeply unpopular in Washington, even with Mr Trump's allies—particularly after the recent violence.

As America gears up for talks, then, the prevailing view in Washington is that those talks will fail. The question is not whether Mr Trump will strike Iran, but what he will strike and when. A few weeks ago it seemed likely that he would opt for a symbolic attack, largely to avoid unflattering comparisons to Barack Obama, who failed to enforce his red line on chemical-weapons use in Syria in 2013.

But the longer the stand-off, the greater the likelihood that the eventual American strike will be a big one. "Trump can't move all these assets to the region only to bomb some empty Revolutionary Guard bases," says a Western diplomat in the Gulf. Many observers now believe he may target Mr Khamenei and other top leaders. That could force political change. What sort is anyone's guess. ■

The regional response

Fear and opportunism

JERUSALEM

The region is facing yet more war

"WE ARE LOCKED and loaded and ready," said Donald Trump on January 2nd, promising that America would come to the rescue of Iranians protesting against their regime. A month and many thousands of Iranian deaths later, the Middle East is still guessing if and when the American president may fulfil his promise.

Ayatollah Ali Khamenei, Iran's supreme leader, has vowed to unleash a regional war if America launches air strikes. Initially few in the Middle East seemed eager for further conflict. The region's power-brokers tried to dissuade America from military action. But attitudes now look more mixed.

Israel, America's closest ally, at first opposed strikes on Iran. It feared that any attack would only be symbolic and could provoke Iran to launch missiles at Israel, before the Jewish state was prepared for another war. Binyamin Netanyahu, its prime minister and normally a hawk on Iran, was surprisingly reticent. "Revolutions are best done from within," he told *The Economist* in January.

A month later Israel is urging America to attack. Its generals have flown to Washington to discuss strike plans. On February 3rd Steve Witkoff, Mr Trump's envoy, met Mr Netanyahu, who tried to convince him that a deal with Iran was pointless.

Saudi Arabia's position also seems to have become more nuanced. The kingdom initially cautioned America against strikes,

saying that it would not allow American planes to use its air space. It would prefer America to hold fire but if it is going to attack, it at least wants to be part of the planning. On January 30th Prince Khalid bin Salman, the defence minister, is reported to have told American officials that if an attack does not happen "it will only embolden the [Iranian] regime."

Several things explain the shifts in Israel. On the one hand, it is reassured by the sheer heft of America's armed build-up in recent weeks. The arrival in the Arabian Sea of the *USS Abraham Lincoln* aircraft-carrier with its powerful air-wing and of additional fighter-jet squadrons deployed to bases in the region mean Mr Trump now has the option of ordering a sustained campaign of air strikes, rather than just a limited gesture of solidarity with Iran's protesters. No less important, America has also sent air-defence batteries, giving further protection against the missiles and drones Iran can launch in retaliation.

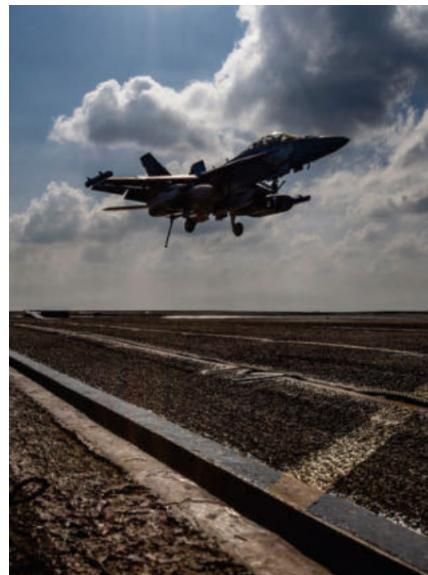
On the other hand, it is nervous about the possible outcome of talks between Iran and America. During the height of the protests in January as it slaughtered its people, the Islamic Republic looked vulnerable. The Israelis and the Saudis worry that a deal, especially if it includes relief from the crippling American sanctions, could offer the regime in Tehran a lifeline.

It remains unclear what these talks may focus on. Past negotiations have centred on Iran's nuclear programme, which was badly damaged during Israel's and America's 12-day war last June. Iran was once adamant it had a right to enrich uranium; it may be willing to make concessions on that. But its regime remains opposed to any talk of restrictions on its ballistic-missile programme or the funding of its proxy militias in the region. The Israelis and Saudis worry that, rather than taking advantage of Iran's weakness to pursue a comprehensive deal, Mr Trump could let it off the hook with only nuclear restrictions.

They are not the only ones lobbying America. Turkey opposes any military intervention. It shares a 534km border with Iran and fears a war next door that could cause a wave of refugees. Its foreign minister, Hakan Fidan, is pushing the Americans to continue talks, advising them to "close the files one by one with Iran. Start with nuclear."

Turkey's president, Recep Tayyip Erdogan, has embarked on a tour of the region, meeting the leaders of Saudi Arabia and Egypt. If America follows the diplomatic route, Turkey will almost certainly be its main partner. But if America attacks Iran, Israel will almost certainly be involved.

The clout of the Turkish government has grown steadily since the revolution in Syria at the end of 2024. It has close ties with the new government there. Gallingly ▶▶



Part of the armada

▶ for Mr Netanyahu, Mr Trump credits Mr Erdogan with the downfall of the Assad regime, whereas Israel's prime minister believes Israel's attacks on Hizbullah, the Lebanese militia, precipitated Mr Assad's ousting. Turkey, along with Qatar, is trying to broker a disarmament agreement for Hamas in Gaza. Israel, meanwhile, is deeply suspicious of Turkey's motives and its ties to Hamas's leadership.

None of this is happening in a vacuum. The region is still shuddering from the wars of the past two years. Mr Trump has upended things further. Alliances are shifting. In the aftermath of its military victories, Israel saw itself as the regional hegemon. Today Iran looks weaker than ever. Competition for influence is growing. A regional war would unleash chaos, but it would also create new opportunities. ■

Iran's unrest

Dark future

The violence could lead to civil war

“A PRINCE OUGHT to inspire fear,” wrote Niccolo Machiavelli, but “he must endeavour only to avoid hatred”, lest it prove his undoing. By that measure Ayatollah Ali Khamenei, Iran's supreme leader, is failing. The killings unleashed to crush protests are fuelling rage more than fear. Human-rights groups have confirmed the deaths of over 6,500 people in the protests and are verifying those of 11,000 more. Iran International, an opposition TV channel based in Britain, has put the death toll at over 36,500. Relatives pay for the bullets that killed their kin to recover the corpses.

Eyewitnesses describe the aftermath of the protests and their repression as resembling a battlefield, with torched banks and mosques and overturned security vehicles. “Anything that serves as a means to tyranny and control was destroyed,” says a protester. The regime's insulting of the dead is radicalising a public that had already turned violent. Even if America does not intervene against Iran's rulers soon, how can Iran hold together as a country in the aftermath of such bloodshed?

For several hours on January 8th protesters controlled the streets of Tehran and other cities. “You couldn't drive on the streets. There was fire here and there; debris, bricks, stones, destruction,” recalls the same protester. According to multiple accounts, masked men armed with knives killed *basijis*, the regime's volunteer vigilantes. “It's already a civil war,” says a woman in Mashhad, Iran's second city and a re-

gime stronghold. “We're just not saying it.”

Might horror at the violent unravelling of their country pull Iranians back from the brink? There is little sign of it so far. The divisions in this large, multi-ethnic, multi-religious country are hardening. Iran's rulers and their opponents accuse each other of hiring mercenaries: Shia militiamen from Iraq, say protesters; Israeli agents, says the regime. Reza Pahlavi, the last shah's son, has emphasised Iranians' right to defend themselves from the regime and has urged America to strike.

The blood-soaked regime appears uninterested in compromise. Mr Khamenei's hybrid theocracy-cum-qualified democracy has morphed into a security state. Initial official expressions of understanding for the protesters' economic plight have vanished. Now all opponents are “terrorists”.

Royalists inside and outside Iran increasingly argue that mere protest on the streets is futile against a regime willing to kill on such a scale. Despite the build-up of American military might, the regime's foes question whether Donald Trump will keep his promise to help them. Instead, opponents at home and abroad increasingly advocate taking up arms. Elders in Lorestan and Ilam—peripheral western provinces where protests erupted and where tribal loyalties still prevail and weapons are prized—have taken to social media brandishing rifles and vowing revenge for the crackdown. “For this massacre, every single one of them must be killed,” says a normally urbane protester in Tehran.

Could the protesters morph into armed rebel groups, as happened in response to regime violence in Libya and Syria? Some royalists abroad are wondering how to smuggle arms into Iran and solicit Israel's help. Little attention is being paid to the decade of civil war and turmoil that followed the Arab spring of 2010-12.

In the past, protesters in Iran tended to be middle-class. But poverty has eroded their numbers and more typically they now come from the lower echelons the regime used to consider its backbone. Many are ditching religious symbols for royalist ones and their chants and hashtags are openly anti-Islamist. “One mullah per lamppost,” runs one. “Burn the Quran,” is another.

In all of this, the voices of those who led earlier peaceful protests are being drowned out. Reformists' and opposition calls to free political prisoners—many of whom favour a democratic republic—have faded. Hecklers denounce anyone seeking reform, or even democracy, instead of a monarch. “They don't want anyone but Pahlavi,” says a teacher who took part in the women-led protests against compulsory veiling in 2022. “They don't let us speak.” Fear of revenge killings is spreading. Many predict capital and physical flight.

Could Mr Trump end this stand-off?

His armada is massing off Iran's coast. Mr Khamenei is said to have moved to a fortified bunker in anticipation of an American strike. Westerners have ousted Iranian leaders before. Between them Britain and America helped orchestrate three coups in the 20th century; in 1921, 1941 and 1953.

Anger at those coups partly fuelled the revolution in 1979. The fallout when outsiders intervene is unpredictable. The mayhem that followed the Western toppling of tyrants in Iraq and Libya offers a cautionary tale. Nor is the exit of Mr Khamenei likely to satisfy the regime's opponents; they want the whole edifice he built to fall with him. Iran's rulers saw the evisceration of the ruling class in Iraq after Saddam Hussein's fall in 2003. Expect it to fight ferociously to keep its power and assets. Either way, the prospects are grim. ■

Gaza

Still stuck

The Rafah crossing reopens but little else improves for Gaza

IN THEORY, GAZA is on the road to recovery. Donald Trump's “Board of Peace” has appointed a panel of Palestinian technocrats—the National Committee for the Administration of Gaza (NCAG)—to govern the strip in place of Hamas. At Davos, the World Economic Forum's jamboree, his son-in-law, Jared Kushner, unveiled a glossy reconstruction map of the strip, replete with a sparkling corniche. Israel has recovered all of its hostages, dead and alive, clearing the way for the second phase ▶▶



Home, but to what?

► of the president's peace plan: rebuilding. And on February 2nd it reopened the Rafah crossing with Egypt, which has been largely closed since May 2024.

The reality is grimmer. Since the ceasefire, Israeli air strikes have killed about 500 Palestinians in Gaza. More food is entering the strip but many items, such as tomatoes, remain a luxury. Over 1m people still shelter in ruins or tents. Few have electricity. Severe respiratory infections are increasing rapidly. Israel has ordered Médecins Sans Frontières and other aid agencies to leave because they have refused to provide lists of their staff without assurances that they would not become targets. (It has previously alleged that employees of the UN's refugee agency for Palestinians had taken part in the massacres of October 7th.)

The Rafah crossing was originally meant to open soon after the truce in October. On the day it did, Israel allowed just five patients and seven relatives to leave (around 20,000 Gazans need urgent medical treatment abroad). Of the 50 people registered to return to Gaza that day, only three women and nine children were let in. They said crossing the border took over 15 hours and that they faced EU monitors, a Palestinian militia tied to Israel and Israeli goons who blindfolded, handcuffed and interrogated them.

As part of the ceasefire, Hamas agreed to hand power to the NCAG. Israel has not yet let the committee even enter Gaza. It has no funding and no bank account. Its members are waiting in a Cairo hotel. An attempt to assert some legitimacy by unveiling a logo, based on that of the Palestinian Authority (PA), was swiftly withdrawn after Israel objected. Mahmoud Abbas, the Palestinian president, is insisting all money for the group flows through him.

American and Israeli firms eyeing lucrative contracts are looking to the United Arab Emirates (UAE) to pay for reconstruction. But on February 2nd the UAE denied any such plans. Steve Witkoff, Mr Trump's envoy, continues to shuttle to Jerusalem, hoping to persuade Israel not to torpedo his boss's vision for Gaza.

And so a vicious cycle spins on. Nothing meaningful can happen in Gaza until Hamas disarms, says Israel. It will not withdraw from the strip until an international stabilisation force has completed disarming the group and the strip has been demilitarised. That force has not materialised. Meanwhile Hamas may be reconsidering its promise to disarm. It points to the PA in the West Bank, which Israel has starved of customs revenues and brought to the brink of collapse despite its close security co-ordination with Israel. On February 3rd a gunman in Gaza fired on an Israeli patrol, wounding an officer. Israel launched air strikes, killed 20 people and briefly closed the Rafah crossing again. ■

Conflict in Tigray

On edge, again

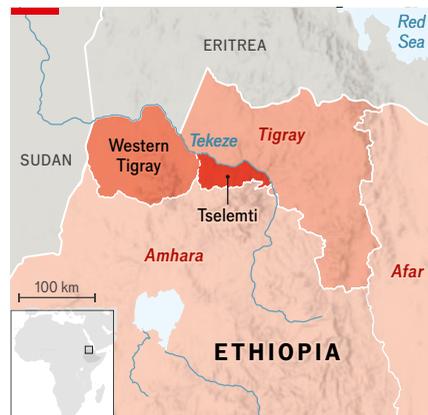
The latest flare-up in Ethiopia shows the fragility of peace in the region

THE ROUTINE is familiar by now. Nervous queues outside banks running rapidly out of cash. Empty shelves, soaring prices, frantic hoarding of food. Over the past year residents of Tigray, Ethiopia's northernmost region, have endured at least three similar episodes, terrified each time that another war would erupt. Hundreds of thousands of people are thought to have died during the last round of fighting between 2020 and 2022. Fears of a sequel are growing.

The most recent bout of tensions was the most ominous yet. On January 29th, following clashes between the Ethiopian army and forces loyal to the Tigray People's Liberation Front (TPLF), Tigray's ruling party, the Ethiopian government suspended all flights into and out of Tigray. Two days later government drones struck targets deep in central Tigray. Tadesse Werede, Tigray's interim president, described the fighting as "something resembling an all-out war".

That outcome appears to have been averted, for now. Mr Tadesse said his forces had withdrawn from some areas they had occupied over the weekend, stressing that "disagreements...can be resolved through dialogue". On February 3rd flights to Tigray were allowed to resume.

Yet the risk of further violence remains uncomfortably high. In a speech to parliament on February 3rd Abiy Ahmed, Ethiopia's prime minister, suggested that the TPLF was made up of "traitors" working to "dismantle Ethiopia". "[The Ethiopian army] is mobilising in full force," says a TPLF official. "I can't tell you how scary this war is going to be if Abiy doesn't stop what he is doing."



The seeds of the present crisis were sown during the previous war. After taking office in 2018, Mr Abiy quickly gathered a coalition of forces with grievances against the TPLF, which he sought to displace as the dominant force in Ethiopian politics. His allies included ethno-nationalist militias from Ethiopia's Amhara region. When war broke out in late 2020, Amhara militias seized and ethnically cleansed Western Tigray. Hundreds of thousands of Tigrayans were forced to flee their homes. Most have been wasting away in squalid camps in other parts of Tigray ever since.

A peace deal signed in 2022 was supposed to pave the way for further talks, which would allow the displaced to go home and ultimately resolve the territorial feud. But of the few thousand Tigrayans who returned in 2024, many faced intimidation and abuse from Amhara militias. Most of the others are too afraid to go home. Mr Abiy has stonewalled the TPLF's demands to wrest control of the occupied territories from Amhara back to Tigray.

When TPLF forces unexpectedly crossed the Tekeze river into Tselemti last week (see map), officials claimed they wanted merely to remonstrate with the Ethiopian army about the mistreatment of returning Tigrayans. But some sources speculate that their real goal may have been to occupy strategic locations, or to probe the Ethiopian army's defences.

Mr Abiy has long worried that the TPLF plans to take Western Tigray back by force, which would allow it to open a supply line to its allies in Sudan. His government appears to have interpreted the troops' crossing as the prelude to a major offensive. The Ethiopian army is said to be moving large quantities of men and guns towards Tigray's borders. Meanwhile fighting continues in southern Tigray between the TPLF and pro-government militias.

On January 30th the African Union (AU) publicly offered to mediate between the Ethiopian government and the TPLF. Ethiopia replied privately that the AU should stop meddling in its internal affairs, according to a source with first-hand knowledge of conversations between the two parties. Some in Mr Abiy's circle may have concluded the time is ripe for firmer measures against the TPLF.

That does not mean war is imminent. Both sides have good reasons to be cautious. The TPLF has been weakened by years of infighting. Mr Abiy has many enemies—including neighbouring Eritrea, which has grown closer to the TPLF.

Yet Ethiopia's crisis is also intertwined with the civil war in Sudan and the rivalries between the external powers that have been fuelling it. A new war in Tigray would probably spiral into a regional disaster. Those who can must push for peace while they still have time. ■

America and Africa

The art of the health-aid deal

American aid to Africa is growing less generous and more conditional

FOLLOWING AN ORDER via WhatsApp, autonomous drones operated by Zipline, an American company, can drop blood, vaccines and essential medicines by parachute to any of 15,000 clinics across Ghana, Ivory Coast, Kenya, Nigeria and Rwanda. The firm's expansion is being underwritten by a new kind of American aid deal, worth \$150m, that requires domestic co-investment. The performance-based contract is a welcome shift away from how aid has traditionally been given, says Caitlin Burton, the head of the company's African operation.

Zipline is one beneficiary of a new approach to American health aid to Africa that evolved after USAID was forced shut a year ago. Since September the Trump administration has been on a deal-making spree, signing bilateral health agreements worth about \$1bn with the governments of more than a dozen African countries. The aim is to conclude many more. "America First" global-health strategy eschews needs-based grants implemented by NGOs in favour of transactional deals that advance American commercial, security and ideological interests.

In agreements running for five years America promises to purchase items such as drugs and vaccines, in some cases worth billions of dollars, and pay for some health workers. The deals emphasise preventing HIV, TB, malaria and polio, and improving surveillance and reporting of disease outbreaks. In return, African countries are expected to buy American products, grant America access to their health data and align policies to the administration's health agenda.

Whatever total the new deals reach, it is likely to be a fraction of what America used to spend on aid. A recent analysis of eight of the deals by the Centre for Global Development in Washington finds that on average the countries face a 49% fall in American health spending compared with 2024 in the first year of these deals. In subsequent years support is scheduled to dip steeply before tapering off.

The process is "chaotic and fast-moving", says Oge Onubogu of the Centre for Strategic and International Studies, an American think-tank, and is likely to produce clear winners and losers in Africa. Countries that are large, rich in minerals or strategically located will have more leverage. Others may face worse conditions.

One deal in Zambia, for example, hinges on the passage of another agreement offering America access to minerals. In Nigeria, a religiously diverse country of 230m people, a \$2.1bn agreement has drawn a backlash over America's emphasis on delivering care through Christian health-care providers. In Kenya a deal worth \$1.6bn is awaiting review following concerns over the lack of parliamentary consultation and worries that the government could breach data-protection laws by offering access to patients' health records. Lawrence Gostin of Georgetown University in Washington says the transactional approach jettisons a long history of global aid based on "compassion and caring".

The requirements for co-investment should prompt African governments to boost health spending, which has long been insufficient in much of the continent. Kenya's \$1.6bn package requires it to increase its own spending by \$850m. Nigeria must add \$3bn to its health budget over five years. In principle, that is a good thing. The worry is that the need to get critical health funds from America may force some cash-strapped countries to take out costly loans to afford their contribution.

The money also comes with ideological strings. American rules announced on January 23rd will limit access to abortion and restrict spending on efforts to promote diversity, equity and inclusion. These are an expansion of the "global gag rule" that has

typically been imposed by Republican administrations and rescinded by Democratic ones. Earlier versions prevented family-planning funds going to foreign groups that provide or discuss abortion, and mainly affected providers of contraception.

The first Trump administration broadened the rule to cover all health assistance delivered by foreign NGOs. The new one covers all non-military aid streams, including humanitarian disaster relief and economic aid. It applies to any organisation that gets American funding, a category assumed to include national governments.

Governments may yet be exempted from those rules. Even then it will be hard to show they have not indirectly supported clinics offering abortion or contraception, which adds to red tape and gives America leverage to withhold funds. Beth Schlachter of MSI, a reproductive-rights charity, says that during George W. Bush's presidency the more limited rule was associated with a 14% decline in contraceptive use in 26 African countries, and a 40% increase in abortions, most of them unsafe.

More immediately, applying ideological conditions to aid is likely to stymie efforts to deliver swift help to those who urgently need it, such as the 300,000 people who face the threat of cholera after being displaced by floods across southern Africa. In its drive to put America first, the Trump administration risks losing trust that could be hard to regain. ■



A mining disaster in Congo

At least 200 people, including children, died after a mine collapsed in the east of the Democratic Republic of Congo. The Rubaya mines hold 15% of the world's coltan, a mineral used in phones, much of it mined illegally. M23, a rebel group backed by Rwanda, has controlled them since 2024. Congo's government, which reportedly included Rubaya in a minerals deal with America in December, blamed the deaths on the rebels, whom it accuses of looting the mines on Rwanda's behalf. There is evidence Congolese minerals are exported through Rwanda, which denies this. Mining conditions are terrible across Congo. Accidents are common.

Europe



Nuclear weapons

On their own

LONDON AND PARIS

Can Europe do nuclear deterrence without America?

DONALD TRUMP'S pursuit of Greenland has revived an old argument: should more European powers seek nuclear weapons of their own? Consider Sweden. During the cold war the country secretly pursued nuclear weapons. In recent decades it has championed disarmament. But on January 10th *Dagens Nyheter*, one of Sweden's largest newspapers, proposed a "joint Nordic" nuclear programme, perhaps alongside Germany. "What we see now may be the first signs of a political turnaround," says Mats Knutson of SVT, Sweden's public broadcaster.

Similar debates are flickering elsewhere. "In Germany there was a genuine nuclear taboo until last year," says Alexander Bollfrass of the International Institute for Strategic Studies, a British think-tank. Now politicians are quietly discussing hedging against the withdrawal of America's nuclear umbrella. Last year Donald Tusk, Poland's prime minister, said

his country might need nukes too.

For all this talk, the most important developments are taking place among the continent's two existing nuclear powers. Britain has long committed its arsenal to NATO. France has not, but every French president since the 1970s has acknowledged a "European dimension" to the country's vital interests. When President Emmanuel Macron offered to discuss the issue with European allies in 2020, he was largely ignored. At the time, trust in Amer-

ican extended deterrence—the promise to use its nuclear arsenal to defend allies—was solid. But last March, after Friedrich Merz, then chancellor-elect, expressed Germany's interest, Mr Macron said he was opening "a strategic debate on using our deterrent to protect our allies on the European continent". France formalised this intent in its national strategic review.

The closest France has come to making a binding commitment was the Northwood declaration with Britain in July 2025. The Chequers bilateral declaration of 1995 had stated that a threat to the "vital interests" of one country was a threat to those of the other, but last year's undertaking went further. Britain and France agreed to "co-ordinate" use of their nuclear weapons, and stated that "there is no extreme threat to Europe that would not prompt a response by our two nations."

The two countries set up a nuclear steering group, composed of top diplomatic and military officials, which met in December in Paris. There France for the first time invited Britain to observe its "Poker" simulation exercise, a quarterly demonstration of its airborne strategic nuclear force. A French defence official called it a mark of the "strong bilateral trust" established since Northwood.

Mr Macron is due soon to give another speech on France's deterrent. He has ruled ►►

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▶ out any change to the country's fully independent launch authority. This has not precluded detailed conversations with other European countries, notably Germany. "These things move very slowly," says Bruno Tertrais, deputy director of the Foundation for Strategic Research (FRS), a think-tank in Paris. "But Germany at a very high level has shown itself willing to consider options that would have been unthinkable five years ago."

European officials are coy about what those options are. On January 25th Ulf Kristersson, Sweden's prime minister, said he had held preliminary discussions with France and Britain on nuclear-weapons co-operation, but that the talks were "not very precise yet". One step might be for Mr Macron to more explicitly define the European dimension of French vital interests.

Another possibility would be joint nuclear-strike exercises with fellow European air forces (an Italian tanker aircraft took part in a French Poker exercise in 2022). That would create a stronger basis for wartime co-operation. Etienne Marcuz and Emmanuelle Maitre, also of the FRS, have argued that other countries could eventually provide naval support for nuclear submarines or strike support for France's nuclear-armed aircraft, something that Swedish and Finnish warplanes have already begun doing for the current NATO nuclear-sharing mission, which involves American tactical nuclear weapons.

Going further, the French could deploy fighter jets from the nuclear-capable part of their fleet to Germany or other European countries, as they did (without their nuclear payloads) in Sweden and Poland last year. The most far-reaching option, mimicking the existing NATO scheme, would be to pre-position air-launched nuclear weapons in allied countries.

American officials sniff at the idea that the much smaller British or French arsenals could replace the American umbrella. Extended deterrence, they argue, requires a large and accurate arsenal capable of striking Russian missiles prior to launch, so that the damage to the country providing the guarantee could be limited. Only that would make it credible to use nuclear weapons to defend foreign soil.

French thinkers, leaning on the country's doctrine of "strict sufficiency" in terms of nuclear warheads, retort that this is cold-war dogma. Many in Germany "buy the French argument...that the French offer is heavier on credibility", because of its proximity, suggests Mr Bollfrass, "even if it's lower on capability". The unspoken problem is that credibility can change. France's most popular party today is the populist-right National Rally. "If there's a new French president soon," he says, "that person might have a very different view of French national interests." ■

Ukraine

Cold comfort

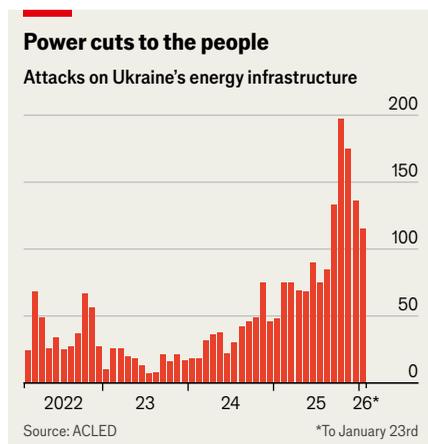
KYIV

As Russia bombs the grid and Kyiv freezes, peace talks go on

THE ELECTRICIANS of Kyiv's Troyeshina district see the worst of it. For over a week the working-class suburb has been without central heating, with 300,000 people exposed to temperatures as low as -20°C. Residents' nerves are fraying—as is the wiring, strained by surges from improvised stoves. Electricians scuttle between the brutalist housing blocks, patching burnt-out connections. At least two have died on the job. Nina Svyrydovych, a utility manager, says they are often greeted as gods: "People hope we will deliver light." At other times they become lightning-rods for public anger. On January 28th dozens of residents blocked a road to stop workers leaving a job, until police intervened.

The collapse is the effect of Russia's bombing of Ukraine's energy network. Reserves and balancing capacities are disappearing. On January 29th Donald Trump brokered a brief energy ceasefire for Kyiv. But on February 3rd a record barrage of Russian missiles targeted Ukraine's infrastructure. Kharkiv, a city of 1.3m, was forced to declare a state of emergency.

Troyeshina's latest ordeal began on January 24th, when Russia knocked out its thermal power plant, Kyiv's biggest. To stop pipes from freezing and bursting, municipal engineers drained the system. In early February part of the plant began working again, but with temperatures hitting -25°C engineers were still racing to avoid disaster. "Catastrophe comes in stages," says Maksym Bakhmatov, Troyeshina's chief administrator. "First water, then heating, then electricity, and finally sewage." Residents of one Kyiv suburb already complain of fecal matter in bathtubs.



It is hard to see what Russia's bombardment of civilian infrastructure aims to do, apart from inflicting misery. It may be intended to influence ceasefire talks. American, Russian and Ukrainian negotiators met in Abu Dhabi on February 1st and then again on February 4th and 5th. A shake-up in Ukraine's negotiating team, now led by Kyrylo Budanov, the pragmatic former military intelligence chief, has brought sharper focus to the discussions. A big prisoner exchange is expected soon.

Whether the talks go further depends on Vladimir Putin. Sources close to the Ukrainian team say they are waiting for feedback on whether he is open to compromise or intends to double down on his war. The unresolved issues have been the same for months: whether Russia can accept security guarantees agreed between Ukraine and America, and whether Ukraine would have to retreat from heavily fortified territory it still holds. Mr Putin still demands a retreat. Ukraine says a ceasefire should maintain the current line of demarcation.

A compromise under discussion would create a demilitarised zone, possibly overseen by Mr Trump's "Board of Peace". Such a deal would have to steer between "positions that are indigestible to both societies", says a Ukrainian source close to the talks. "We can't resolve it without agreeing on a security system for the region. The Russians cannot simply say: trust us." For his part, Volodymyr Zelensky, Ukraine's president, warned that Russia's renewed attacks would prompt a "correction" in Ukraine's approach to the negotiations.

No breakthrough is likely before March, when Russia's winter offensive will have ended and its economic problems could start to bite. For now, Ukraine appears to be pursuing a two-track strategy. On the one hand it is showing commitment to Plan A, the American-led negotiation. If these succeed, Ukraine would get a chance of peace and EU membership; Russia would get sanctions relief and new American business deals. In parallel, Mr Zelensky is also preparing Plan B, fighting on with a strengthened army. At a presentation in Kyiv on January 26th Mykhailo Fyodorov, his newly installed minister of defence, showed off a futuristic vision of digitalised warfare using drone technologies and gamer logic. Few generals present believed the war would end soon.

In Troyeshina everyone is expecting Plan B. The electricians under Ms Svyrydovych's command say residents are not panicking. "Everyone knows we need to survive February and half of March," she says. "But then we will be heroes." Mr Bakhmatov is just as defiant. "Putin is mistaken if he thinks Ukrainians will give up because their toilets don't work. We will crap in ditches if we have to—singing 'Putin is a dickhead'. Ukrainians will never give in." ■

Hungary and Slovakia

Don't mention it

Old wartime resentments disturb a populist alliance

VIKTOR ORBAN and Robert Fico usually get along well. The prime ministers, respectively, of Hungary and Slovakia are both Eurosceptic populist nationalists. But in December Mr Fico did something that threatened their relationship. He made it illegal to criticise the Benes decrees, laws passed after the second world war by the government of what was then Czechoslovakia. Under the decrees, the property of ethnic Germans and Hungarians was confiscated—and nearly all ethnic Germans and many Hungarians were expelled—in retaliation for Germany's invasion and for fascist Hungary's alliance with the Nazis.

Today Slovakia's ethnic Hungarians number around 420,000, almost 8% of the population. They were outraged by the ban, and protests erupted. It seemed like a political opportunity for Mr Orban, who faces an election in April: he usually casts himself as the defender of ethnic Hungarians in neighbouring countries. Instead he merely sought "clarifying discussions".

The Benes decrees have been a sore point for decades. In 2002 Mr Orban, then in his first term as prime minister, said Slovakia and the Czech Republic should repeal them before becoming members of the European Union. Two years later they both joined with the statutes still in place. Recently Slovak officials have refused to pay ethnic Hungarians for land expropriated for infrastructure projects: the property, they argue, should have been confiscated from the current owners' ancestors.

That led Progressive Slovakia, a liberal opposition party, to call for a ban on confiscating property based on the decrees. Mr Fico, hoping to impugn their patri-

tism, quickly pushed through the anti-criticism law. Questioning the decrees is now, in theory, punishable by six months in prison. But there is no sign that the measure is being enforced, and it may have backfired. The main consequence, reckons Zoltan Szalay, editor of *Napunk*, a Hungarian-language news site, is that ethnic Hungarians will probably not vote for Mr Fico.

The incident is awkward for Mr Orban. Mr Fico is an ally in Brussels, where both men oppose the EU's support for Ukraine and its energy sanctions on Russia. Hungary and Slovakia each get about 90% of their oil from Russia and buy lots of Russian natural gas. Messrs Orban and Fico are rare among EU leaders for having paid

visits to Vladimir Putin since the invasion.

Mr Orban's reticence has let Hungary's opposition take the lead. Peter Magyar, whose anti-corruption Tisza party is ahead in the polls, called the Slovak government "anti-Hungarian" and said Mr Orban would be a "traitor" if he did not denounce Mr Fico. Unlike Hungary's socialist and liberal opposition, Mr Magyar, a defector from Mr Orban's Fidesz party, is comfortable with a bit of jingoism. Mr Orban's government has promised legal help for ethnic Hungarians in Slovakia, and seems to hope the storm will blow over. But the spat shows how hard it can be for Europe's nationalists, even friendly ones, to avoid stepping on each other's toes. ■

Italy

Look rightward, angel

ROME

How an art restorer sneaked Giorgia Meloni into a church fresco

THE BASILICA of San Lorenzo is the Roman church most closely associated with politics. The prime minister's official residence is just a few hundred metres away. Giulio Andreotti, a devout prime minister, worshipped here, and the lawyer who defended him against charges of abetting the Mafia is said to as well. Near the altar a chapel commemorates the last king of Italy, Umberto II. Frescoed on the wall above, two winged female figures hover beside a bust of the monarch. One holds a map of Italy.

On January 31st *La Repubblica*, a daily, noted something odd: after a recent restoration, the figure holding the map bore a striking resemblance to Giorgia Meloni, the current prime minister.

Opposition parties were appalled. The Green-Left Alliance said it reflected "a personality cult of a kind not seen since Fascist times". Rome's Vicar-General, Cardinal Baldassare Reina, denounced the restoration: "Images of sacred art and Christian tradition cannot be misused or exploited." The culture minister launched an inquiry.

The prime minister played it down. "I definitely do not look like an angel," she wrote on Instagram. There is nothing to suggest she was in any way involved. The restorer, Bruno Valentinetti, at first insisted that Ms Meloni was not the model: "I restored the faces to how they were 25 years ago."

Mr Valentinetti is no mere dauber. His credentials include restorations in the Sistine Chapel and the home of the late Silvio Berlusconi's wife. By February



Where prime ministers fear to tread

4th he had beaten an ignominious retreat: he erased the face, saying "the Vatican told me to," and admitted it had been based on Ms Meloni. The culture ministry said the basilica would need to apply to the civil and ecclesiastical authorities to redo the restoration—"with a sketch attached", it prudently added.

Politicians have been sneaking into religious art for centuries. The Byzantine emperor Justinian had himself depicted in a mosaic in the basilica of San Vitale in Ravenna. But even in medieval times, as Claudio Strinati, an art historian, put it, "no one appears to have dared become an angel."



Europe's populists

The march of “remigration”

BERLIN

How a far-right meme is penetrating Europe's political mainstream

THESE DAYS only one word will do for a politician hoping for a career on the German far right: “remigration”. It is hollered at events hosted by the Alternative for Germany (AfD) party, plonked on merch and plastered all over social media. Its meaning can be elusive. But its spread from the extremist fringe towards the mainstream illustrates how far-right groups are extending their influence in democracies. It also presents the AfD, which leads some opinion polls, with a dilemma.

The concept of remigration is closely associated with Martin Sellner, a 37-year-old Austrian activist and author who has been banned from several European countries. Mr Sellner tells *The Economist* that what distinguishes his movement is an understanding that social change—in academia, the arts and media—precedes the political sort. Peppering his answers with references to memes, “metapolitics”, and Antonio Gramsci and Louis Althusser (two Marxist philosophers), he says right-wing populists who have secured power have “lacked the intellectual capacity to wield it and bring about change”.

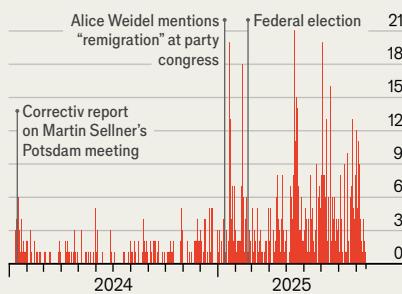
“Remigration” spread from French extremist circles to German and Austrian ones over a decade ago. In January 2024 it burst into the consciousness of ordinary voters when *Correctiv*, an investigative outlet, revealed that Mr Sellner had discussed remigration with AfD politicians at a meeting in Potsdam. The revelations sparked protests across Germany. A group of linguists anointed the term their “unword of the year”.

All publicity is good publicity, shrugs Mr Sellner. The idea acquired such purchase inside the AfD that a year later Alice Weidel, its candidate for chancellor, co-opted the term at a party event and approved its addition to the manifesto in the run-up to Germany's federal election. Many AfD politicians have now taken to the cause with gusto (see chart). Some apologise for their belated conversion.

Meanwhile AfD activists use the word to signal to fringe groups that “they are part of the cool kids”, says Bernhard Weidinger, an expert on the far right at the Documentation Centre of Austrian Resistance, a research outfit. They post AI-generated “remigration” memes set to jolly Eurodisco tunes. For some the promise of remigration carries an electric charge; activists pledge to make German runways “glow red hot”

It came from the fringe

Germany, daily social-media posts* containing the word “remigration” by AfD MPs



Source: Correctiv *On Telegram, TikTok, Instagram & Facebook

with the scale of deportations.

What does remigration mean in practice? Mr Sellner says it targets three groups: illegal immigrants; the legal sort who drain the state or commit crime; and citizens he regards as “unassimilated”. This last group presents a “problem”, he accepts. “You can't deport citizens, this would be madness.” But you can create “cultural and economic pressure” for them to leave. He also wants much tougher naturalisation rules and an end to Germany's “guilt culture”. He is open to stripping citizenship from some naturalised Germans.

Yet for many of its advocates “remigration” is less a set of policies and more a



Vaguely threatening

catch-all term for a vision of Europe with its ethnic and cultural identity rid of what they call “Afro-Arab replacement migration”. Enacting this in full will take several decades, Mr Sellner admits. Asylum claims have lately plummeted in Germany, but that is not the point. The hope is to appeal to those citizens uneasy at the rapid scale of demographic change they witness around them.

These are the same voters the AfD is targeting. But there is a crucial difference. The party disavows any suggestion that its proposals would affect holders of German passports. “There is no difference between someone whose family has lived here for 200 years and someone who recently got citizenship,” says Marc Jongen, a member of the AfD's board. Yet some of the party's politicians call for “millions” to be deported. Around 230,000 people in Germany are subject to deportation orders, but there is no way to expel millions simply by deporting illegal immigrants and criminals.

This is why Mr Sellner's remigration crusade is both an opportunity and a threat for the AfD, says Jakob Guhl of the Institute for Strategic Dialogue, a think-tank. The opportunity is clear: the party has harnessed the energy of right-wing extremist networks that usually stay out of democratic politics. It may be shocking to see representatives of a party backed by one-quarter of the electorate bellow slogans once heard only on the outer fringes, but it is not hurting them in polls. Some have held private or public meetings with Mr Sellner in recent weeks, especially in the AfD's more radical eastern branches.

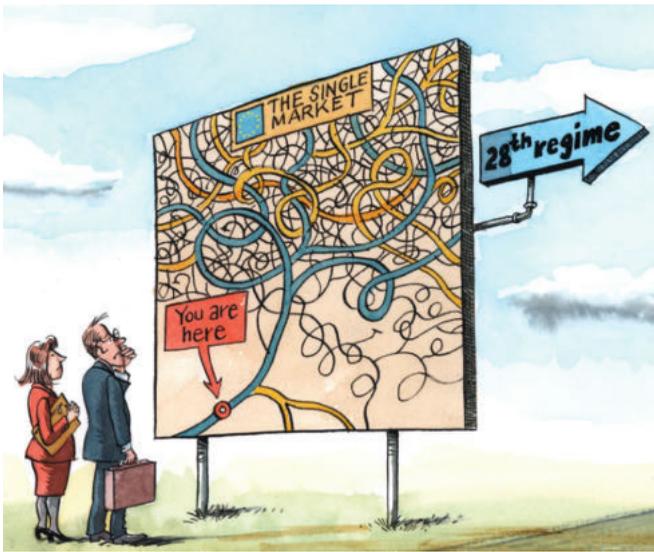
But the AfD's radical turn risks serious trouble with the law. Last year a domestic intelligence agency labelled the AfD “right-wing extremist”. The party is contesting that verdict, but calls to ban it have snowballed. Courts have ruled that Mr Sellner's remigration concept violates the constitution by distinguishing between Germans on the basis of ethnicity. Were the AfD to hint that it backs his ideas, it would bolster its opponents' case. This week it ordered its members to cease meeting Mr Sellner.

This is unlikely to stop “remigration” from spreading. In Austria the far-right Freedom Party has embraced the term with gusto. In Italy the Committee for Remigration and Reconquest, a far-right group, recently caused an uproar in parliament with a petition for mass deportations and denaturalisation. Donald Trump's administration loves the word: “All America wants for Christmas is remigration,” posted the Department of Homeland Security in December. As for Mr Sellner, he is busy setting up an “Institute for Remigration”. “We can change the public debate, and in the end we will change all politics,” he says. Many people in Europe who might not count as natives fear he is right. ■

CHARLEMAGNE

One corporate regime to rule them all

Europe wants to untangle its snarled single market. Has it found a magic fix?



IF IT AIN'T broke, don't fix it. But what if it ain't really working in the first place? That is the question that has long plagued the European Union when it comes to the single market. In theory, the bloc's economic policy is meant to fuse 27 national markets into one pool of 450m consumers. In practice, an idea that was conceived in the age of coal and cars has failed to keep up as the economy has shifted to ChatGPT queries and Spotify streams. Paradoxically, because national laws are tangled, pedlars of services—whether whizzy startups, staid banks, nit-picky lawyers or others—often find it harder to export their offerings within the EU than firms that physically ship stuff across borders. The bloc has tried to harmonise countries' rules for decades, with precious little to show for it. Now a strategy is being floated as a way to get things moving. Instead of entrepreneurs setting up a French or German company and trying to sell their wares across EU borders, could they set up a pan-European company which would be eligible to do business across the bloc from the get-go? It is certainly a bold plan. Can it work?

The notion of a “28th regime”—ie, one that does not belong to any of the EU's existing 27 member states, but somehow floats above them—has gathered a lot of attention of late. Two chunky reports on how to revitalise the European economy by former Italian prime ministers, Enrico Letta and Mario Draghi, proposed the idea as a way to boost the single market. Ursula von der Leyen, president of the European Commission, has mentioned it in speeches at not one but two Davos gatherings (raising the question of what was done in the intervening 12 months). On February 12th the EU's various presidents and prime ministers will meet in a Belgian chateau for a confab on how to revive European competitiveness. Ahead of their meeting, the 28th regime is being hailed as a way to cut through the tangle and get Europe growing again. A legal proposal is expected from the commission next month.

The idea of the pan-European company model is to let firms opt out of being a German GmbH or French SA, and incorporate as an “EU Inc” instead. Supporters pitch it as an instant untangler of red tape, a way to bypass the 27 sets of domestic regulations that make doing business within the EU so hard. Instead of struggling

to understand Italian accounting rules or the Danish code on insolvency law, a company with pan-European aspirations would have the choice of following one new set of common regulations instead. That the term “EU Inc” has an American twang is no coincidence. Proponents look to their transatlantic economic rival, which has done a better job (aided by a strong federal government and single language) of creating a unified market for its firms. There, for example, banks can decide whether to be regulated by states or chartered directly by the federal government.

If this sounds too good to be true, it partly is. Many of the impediments that make doing business in Europe difficult arise from regulations that are firmly in the purview of national governments. For example, it is in Madrid, Paris and Stockholm that most labour law is enacted, not Brussels—and there are no plans to harmonise rules on how companies hire and fire. National capitals also keep a tight grip on tax matters. Myriad other rules that differ from one country to the next, such as those that regulate the necessary professional qualifications of everything from pharmacists to ski instructors, will not be swept away simply by having a new way to register companies. The fact that a firm of Polish architects has decided to incorporate as an EU Inc would not grant it a licence to start designing skyscrapers in Portugal.

Past attempts at setting up a pan-European company format have largely fallen flat. One created in 2004, the *Societas Europaea*, has attracted few takers. Boosters of the 28th regime say this time is different. The benefits of being an EU Inc may be modest at first—making it easier for startups to pay their staff with shares, for example—but could become more ambitious over time, exempting entrepreneurs from some national regulations. That seems optimistic. Unions in particular are on the lookout for any hint of companies being able to dodge stringent labour rules. Incumbent firms are also keen to keep things just the way they are.

Maybe this time politicians will have the stomach to take on special interests. Europe's sluggish economy used to be a mere irritant for policymakers; in a world of red-toothed great-power rivalry, it is an existential weakness. More GDP enables more defence spending. Deepening the single market is a way to bolster Europe against competitors. Barriers between EU countries are bigger impediments to trade than any tariffs that Donald Trump might impose to hobble European firms in America.

Regime change

Yet given this diagnosis, the 28th regime is a timid place to start. The risk is that the EU opts for a solution that looks radical on paper but brings little change in practice. That would distract from what is really urgent. The work needed to deepen the single market is, in fact, well understood. It requires politicians to favour the broad interest of the EU and its consumers over the narrow gain of favoured industries. Yet tell that to German ministers delaying capital-markets integration lest it harm their regional banks, or French ones scuppering electric interconnectors to protect the state-owned power utility. There are hundreds of such examples.

Above all, deepening the single market requires the commission to enforce EU rules that make it a reality—a job for which it has shown little appetite of late. Europe hosts a fabulous amalgamation of petty corporate fiefs, some of them protected by regulation dating back to medieval guilds, that collectively hold its economy back. To suggest there is a quick fix to this centuries-old problem is to be deluded about the scale of the task ahead. ■

Britain



Employment law

Ready, steady, unionise!

Britain's trade unions will be given sweeping new freedoms. They intend to use them

FOR 40 YEARS British workers have been deserting trade unions, a trend found across the rich world. But union officials express a striking optimism that the tide of history is turning. There may be a “massive spike in membership”, says Petros Elia, the general secretary of United Voices of the World (UVW), which represents cleaners, security guards and other precarious workers. “We’ve got more pull of workers wanting to organise than we’ve got the resources to deal with,” says John Chadfield of UTAW, which acts for tech workers. “There are opportunities to get into workplaces that have been difficult to reach in a generation,” says an official at a third union.

They are right to be bullish. The Employment Rights Act, a sweeping labour-market law brought in by the Labour government, cleared Parliament on December 18th, and will mostly enter into force later this year. Most attention has fallen on eye-

catching new rights for individual workers, such as more generous sick pay and paternity leave. Britain has among the most employer-friendly labour laws in the OECD, a club of mostly rich countries, and overall the act will tighten them relative to its peers by a nudge, according to an analysis by legal academics at the University of Cambridge commissioned by the government (see chart 1 on next page).

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The real action lies in a bundle of largely overlooked changes to Britain's trade-union laws, which will make it easier for unions to recruit workers, bargain with employers and call strikes. By these metrics, the act shifts the law covering critical parts of union activity to roughly where it stood in the late 1970s, before the anti-union reforms of Margaret Thatcher (see chart 2). On this score, Britain jumps to the middle of the OECD pack. And the upshot, in the words of the government, is a “transfer of power from employers to workers”.

Employers may be caught napping. Many human-resources departments, particularly in professional services, have little experience of negotiating with trade unions, says Sarah Henchoz, the global head of employment law at A&O Shearman, a law firm. Others incorrectly assumed Labour's plan would be watered down. “I've been saying to clients: ‘You're not going to be able to stop this. You're going to have to find a way to work with it.’”

Unions will be able to formally request that they are let into a workplace to recruit members and set up branches. They will also be able to contact workers digitally. (Firms that refuse must show to a tribunal why it would “unreasonably interfere” with their business.) Employers must periodically tell workers of their right to join a union. For organisers, it changes the game: meeting workers in the first place is half the challenge. “You've basically just got to hang around on street corners,” says Mr Elia, who launched UVW in 2014.

Unions will secure recognition (giving them the right to negotiate on pay and conditions) more easily. Currently, a union must show it has at least 10% of the workforce as members before a recognition ballot is held; this may be reduced to as little as 2%, pending a consultation. The act also scraps a clause requiring the support of at least 40% of the entire workforce, so ballots could be won by a simple majority on low turnouts. It makes organising easier in sectors like cleaning with a rapid churn of staff, say unions. The risk is that workers get represented by unions they don't support. Stealth campaigns will be easier. “We can get 20 to 30% [support for unionisation] under the radar, without the company knowing, and present the employer a fait accompli,” says one organiser.

Strikes will be easier too. Ballots can be by email, rather than post (pending a consultation). A requirement for a turnout of at least 50% (and the support of 40% of an entire workforce in some public services) will also go. Nor will unions need to send officials to supervise pickets. Constraints on raising money from members for political lobbying and donations will be eased, and ▶▶

Back to the 1970s

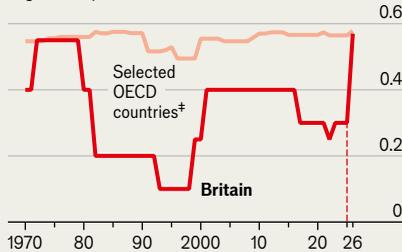
CBR labour-relations index*

1=greatest protection for workers



Collective-labour laws, CBR trade-union rights sub-index†

1=greatest protection for workers



*Based on 40 indicators †Based on five indicators ‡Average of Australia, Canada, Denmark, France, Germany, Ireland, Italy, Netherlands, New Zealand, Norway, Sweden, Switzerland and US
Source: Department for Business and Trade

Unions and AI

The red heat of technology

Selling artificial intelligence to the unions

THE LABOUR government has honed a set of arguments intended to sell the disruptive potential of artificial intelligence (AI) to its electoral base of public-sector workers and trade unionists, who are wary of the technology's potential to disrupt or replace jobs. AI is here anyway, it says. The choice is whether it is "aligned with the labour interest", in the party jargon. In three ways, Labour suggests, AI aligns nicely.

First, AI can re-professionalise public-sector jobs. Doctors, social workers and teachers are miserable because the skilled work they trained for has become swamped in bureaucracy. Let the bots handle the paperwork and professionals can get back to spending time with the public. A government report on how to reduce the workload on children's social workers recommended adopting AI to record case notes or get guidance on legislation, for example. "I think, and this sounds counterintuitive, that AI can make us more human," Sir Keir Starmer, the prime minister, told *The Economist* in a recent interview.

Second, AI can help save a state that has become discredited. If a large and sluggish public bureaucracy is not fixed on Labour's terms, the argument runs, a right-wing Reform UK government under Nigel Farage will have a pretext to take a chainsaw to it. Ministers point to

the bunged-up planning system: government AI developers created a tool known as Extract which converts old paper maps into usable data, in the hope of speeding up applications.

Third, AI benefits Labour's working-class voters disproportionately, by providing services otherwise accessible only to richer folk. A case in point was the announcement on January 26th that the government wanted developers to build an AI "tutor" that would provide tailored teaching support. This was laced with the politics of class: the programme would "level the playing field for those who cannot afford private tutors".

The Trades Union Congress, an umbrella body, supports AI adoption in principle but wants "meaningful worker participation" in the technology's development. Contracts, it argues, should go only to firms that recognise unions. The tutoring app will be "teacher-led", the government said, and will "never replace the human connection that only great teachers can provide".

That is a hint of the real fight to come, when AI doesn't augment jobs, but eliminates them. Ministers have announced a unit to study the impact of AI on the labour market; it will ensure the government "will protect communities from the mistakes of past industrial change". That is a tall promise.

- ▶ the power of the state regulator to probe rogue unions weakened. The unions had a big hand in drafting the law, and are happy with their work.

Which workplaces to target first? Unions are scouring their records of "brown-field" and "greenfield" companies (as well-trodden and unfamiliar employers are known). Their priority is the private sector, where union membership has fallen to just 12% (compared with 50% in the public sector). Outsourced suppliers of cleaning and catering are a big target for several unions.

Equity, an actors' union, aims to expand from theatre and TV into advertising, voice-overs and video games, says Dugald Johnson, its policy officer. It wants greater control over how actors' likenesses can be repurposed with artificial intelligence. Care homes, characterised by low pay and long hours, are a target for several unions. Mr Chadfield of UTAW says: "All the big tech companies that pop into the head of your readers, we are at some stage of negotiation with." Mr Elia wants to expand UVW's reach in hotels: he hopes that the lowered threshold will put entire chains rather than individual premises in scope.

Until now, many companies have sought to defeat recognition bids. But with the law tipped in unions' favour, some executives advocate a new strategy of seeking out more moderate unions, which are slower to strike and less agitated by issues such as Gaza. Better to recognise a co-op-

erative union today than be forced to recognise a militant one tomorrow.

The challenge for employers, says Ms Henchoz, is that more powerful unions will magnify other changes in the act. That will make restructuring a company more risky, and mergers more complicated. Employers now face uncapped damages for unfair dismissal, higher penalties for collective redundancies without proper consultation and tougher restrictions on how employers can change workers' contracts. "Employers are now beginning to get quite nervous," says Ms Henchoz. "They thought they had generous redundancy packages, but people might decide litigation is a better option if they're backed by the union." One union official said they hope to inflict "punitive" damages on firms to compel them to change their behaviour.

For years, British governments have hewed to the logic that a light-touch labour

market brings investment and low unemployment. This Labour one turns this on its head, and argues that it has been a flaw rather than a strength that has produced low-wage work and fuelled populism.

But the government's own economic assessment is a finger-in-the-air exercise. It is possible the act will mean fewer strikes, it says; but equally, it might bring more. Maybe, it muses, workers will be happier and healthier, and therefore more productive. The effect on investment is "ambiguous". Much is scored as "uncertain".

A more honest assessment would state the dangers plainly: that the act could chill hiring at a time when the labour market is already softening, and dent Britain's attractiveness as a place to do business. It is a grand experiment at rendering the labour market a little less American and rather more European overnight. Where it leads is in the hands of the unions. ■

BAGEHOT

What is the point of Sir Keir Starmer?

The Mandelson scandal removes a main reason for the prime minister to stay



IN RETROSPECT, THE signs were there. In February 2025 Peter Mandelson was asked by the *Financial Times* about his relationship with the deceased sex offender Jeffrey Epstein. The soon-to-be British ambassador to America offered a forthright response. “I’m not going to go into this. It’s an FT obsession and frankly you can all fuck off. OK?”

Exactly a year on, Lord Mandelson has gone, and Sir Keir Starmer’s government is embroiled in Britain’s worst political scandal of this century. The peer lost his job in September, after emails emerged in which he questioned Epstein’s conviction for procuring a minor. On January 30th another tranche of emails revealed an intimate relationship. Lord Mandelson and Epstein giggled about strippers and joked about “a well hung young man”, in between discussing multi-million-dollar jobs post-politics and casually leaking confidential government documents. A political embarrassment has become a criminal investigation. Lord Mandelson’s behaviour raises depressing questions about the past but a more intriguing one about the present. What is the point of Sir Keir staying in office?

If Sir Keir had a purpose, it was stopping things like this. He was a politician of process rather than conviction. Following the erratic Boris Johnson, whose three years in power were marred by executive chaos, this had some appeal. The Mandelson affair reveals that process comes a distant second to political convenience. Lord Mandelson was vetted, and Downing Street knew that a close relationship persisted long after Epstein was found guilty. Sir Keir ploughed on—process be damned. He came to prominence by skewering Mr Johnson. However, it is Mr Johnson’s government, with its propensity for surreal scandal and norm-trampling, that Sir Keir’s own government now resembles.

In a party full of lifers and riddled by—at times—psychopathic factionalism, Sir Keir was supposed to be a refreshing, fair-minded pragmatist. Yet Lord Mandelson was appointed above all thanks to the people he knew and for the wing of the party he represented. He was close to Morgan McSweeney, Sir Keir’s most influential adviser and the man who pushed for Lord Mandelson to land the plum job in Washington. Ironically, Sir Keir is not especially

close to Lord Mandelson. Before the Washington appointment, their relationship extended to Lord Mandelson offering the prime minister advice from the sidelines and once suggesting on a podcast that Sir Keir was too fat. The prime minister has no cronies, but still somehow fell foul of cronyism.

Sir Keir leads a hollow administration. It brought in figures from New Labour to give it ballast. Former aides from the glory days of New Labour are scattered all over government. Lord Mandelson was to provide a cynical steel. After all, the “Prince of Darkness” had been there and done it. Whatever flaws he had—strange business dealings or a long-term friendship with a notorious sex offender—were worth it for his expertise, and Sir Keir and his team relied on it. It is shameful in its own way. A man whose political pomp came three decades ago was welcomed back to the top of government, as if Sir Tony Blair had relied on apparatchiks from the Harold Wilson era during his time in office. It is a politics stuck in the 1990s, with the norms to match: two boys giggling over email about sleeping with strippers. A politics previously seen as creaking and ageing is now humiliating.

The best excuse available to Sir Keir is also the most embarrassing: putting Lord Mandelson in Washington was not his idea. The prime minister appointed him largely because an aide, Mr McSweeney, suggested it. People in Labour have always talked about the prime minister as if he were simple. In “Get In”, an at times excruciating account of Sir Keir’s rise to power, his advisers regard him with thinly disguised contempt. “Keir’s not driving the train. He thinks he’s driving the train, but we’ve sat him at the front of the DLR,” a driverless train in east London, which has a pretend control panel for the enjoyment of toddlers. Somehow the Starmer train has still crashed.

Sir Keir remains in office only at the mercy of MPs who regard him with contempt. Backbenchers stew about the prospects of having their careers blown up by the age of 35, in part due to the prime minister embroiling the government in a needless scandal with a paedophile. To add insult, former ministers shuffled to the backbenches last year were surprised to learn that Lord Mandelson had offered advice on the reshuffle, in between canapés at the White House. It is one thing to lose your job; it is another to do so at the behest of a man who will go down as a 21st-century John Profumo, a Tory minister whose exit because of sex, lies and spies became the benchmark for government-crushing scandal.

Deputy heads must roll

Only dumb luck, the underrated factor in his rise to office, can possibly save Sir Keir. Some of his likely challengers, such as Wes Streeting, the health secretary, are far closer to the disgraced peer than the prime minister ever was. Sir Keir’s failings on Lord Mandelson were common across parts of the Labour Party, which could never resist the charms and talents of the former minister, despite his flaws. More gifted politicians than Sir Keir have fallen prey to them. But dumb decisions trump dumb luck, eventually.

In a rare bout of clear-eyed analysis, Sir Keir saw the damage being done by the Mandelson scandal. He warned his cabinet that “the public don’t really see individuals in this scandal, they see politicians.” For all the prime minister’s failings, he understands the seriousness of the moment, even if he does not himself possess the means to meet it. Sir Keir is correct that the shamelessness personified by Lord Mandelson is a fatal poison for the body politic. But if he truly believed what he said, he too would go. ■

International



Nuclear weapons

Three scorpions

WASHINGTON, DC

A lapsed treaty with Russia may spur an American arms race with China

ROBERT OPPENHEIMER, the father of America's nuclear bomb, described his country's atomic rivalry with the Soviet Union as "two scorpions in a bottle". The risks of this stand-off have been contained over the years by various arms-control agreements, most recently New START. But that treaty expired this week, with no replacement. To make matters more dangerous, these days there is a third scorpion in the bottle: China. Its nuclear build-up, the world's fastest since the height of the cold war, is likely to prompt America to expand its arsenal, too. A new arms race is in the offing.

When Xi Jinping, China's leader, came to power in 2012, his country had only about 240 warheads, a fraction of the 1,550 both America and Russia were allowed to keep primed on long-range launch vehicles under New START. American military planners assumed that in a nuclear war with China, America's vastly

bigger arsenal would allow it to prevail in almost any scenario. But China now has some 600 warheads and is on track to reach 1,000 or more by 2030, according to the latest American estimates.

Yield curve

China still likes to boast of its "utmost restraint" in nuclear matters. After all, if you include warheads kept in storage, rather than ready to use, America and Russia both have more than 5,000. China "never has and never will engage in any nuclear arms race with any other country", proclaims a recent policy paper. But it has nonetheless developed the capacity to strike America with nuclear arms from the air, land and sea. A minutely choreo-

graphed parade last year showed off these weapons, including a missile so enormous it had to be transported in three sections.

America was unable to increase its nuclear arsenal in response while New START remained in force. Perhaps for that reason, it showed little regret at the treaty's expiry. Russia says the end of restrictions on nuclear weapons should "alarm everyone", but Donald Trump, America's president, ignored its suggestion that both sides abide by New START's limits voluntarily for another year. "It's impossible to do something that doesn't include China," said Marco Rubio, America's secretary of state.

American planners are worried about a war with both China and Russia. America and its allies must be "prepared for the possibility that...potential opponents might act together in a co-ordinated or opportunistic fashion across multiple theatres", declares the recent national-defence strategy. That is "an existential challenge for which the United States is ill-prepared", a bipartisan commission created by Congress concluded in 2023. China and Russia increasingly make common cause, exchanging sensitive technology and conducting joint military exercises, sometimes with nuclear bombers. America's nuclear forces were not designed with China in mind, since it was considered a minor threat compared with Russia. The expan-

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► sion of China’s nuclear capabilities undermines that assumption.

Phillip Saunders of National Defence University, an American military college, notes that China’s nuclear forces are undergoing several changes: they are not only growing larger, but also becoming more diverse, with multiple types of warheads and launchers. They are being placed on higher alert. And they are becoming more capable of what the Pentagon calls “launch on warning” (ie, to detect an attack and strike back before the enemy’s weapons arrive).

The Pentagon’s latest assessment notes that new satellites to detect missile launches and phased-array radars able to track them can alert Chinese commanders to an attack within 3-4 minutes. China’s armed forces are also better able to launch quick retaliatory strikes. Missiles in silos, loaded with solid fuel (rather than volatile liquid which cannot be stored in the missile), offer the fastest response. China has deployed about 100 in three vast fields of silos, designed to house up to 320 missiles, the Pentagon says. The country’s rocket forces have been rehearsing, too. In 2024 they fired a nuclear-capable missile 11,000km into the Pacific Ocean. Three months later they fired several missiles in quick succession towards western China.

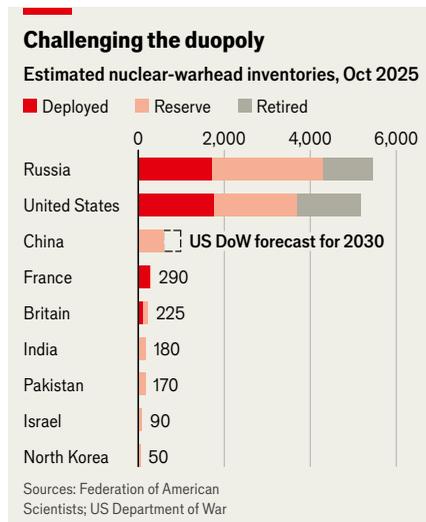
Atomic weight

Experts debate why Mr Xi has ordered so fast a build-up. Mr Saunders thinks he is pursuing three overlapping aims. First, he wants a nuclear arsenal able to survive any American strike, giving him an assured second-strike capability. Although that typically involves putting missiles on hard-to-find submarines and mobile launchers, a proliferation of silos offers a cheap and quick way for China to beef up its arsenal.

Second, China may want a more flexible arsenal, capable of less cataclysmic uses than all-out nuclear war. The Pentagon reckons that China is developing small warheads, with yields below ten kilotons (as opposed to the 400 or more of those mounted on big intercontinental missiles). They could be placed on intermediate-range missiles, such as the DF-26, and used against America’s big bases in Guam if, say, America used similar, small nukes in a last-ditch attempt to save Taiwan from a Chinese invasion (the DF-26’s nickname is “Guam killer”).

Or Mr Xi may simply see a big nuclear arsenal as an emblem of “great-power status”. China already has more nuclear weapons than any country bar Russia and America (see chart). Does it want parity with their 5,000 or more warheads? Mr Saunders thinks China may aim for a “sweet spot” in between, to show China is a great power but a responsible one.

China claims it would not be the first to use nuclear weapons, but the doctrine is



fuzzy, says Tong Zhao of the Carnegie Endowment for International Peace, a think-tank in Washington, DC. It could threaten to use nuclear weapons, as Russia has done in Ukraine. Or it could fire a warning shot over the ocean, or set off high-altitude detonations to destroy satellites. “If China is facing ugly and catastrophic conventional defeat, no one can rule out that it might decide to use nuclear weapons first,” says Mr Zhao. “Ultimately the authority rests with one person only.”

If China’s intentions are uncertain, so is America’s response. A recent paper by the Heritage Foundation, a think-tank, calls for it to more than double total deployed warheads from about 1,770 to 4,625 by 2050. Others think that America already has more than enough “survivable” nuclear weapons to inflict devastating damage on both Russia and China, though it might have to abandon the idea of destroying enough of the enemy’s weapons to limit



Behind the curve

harm to America and its allies.

Vipin Narang, an official from Joe Biden’s administration, suggests a more modest deployment of up to 500 additional nuclear weapons, mainly to aim at China’s new silos. “There is no magic number. It all depends on how much risk you want to take,” he says. Franklin Miller, a former Pentagon nuclear planner, thinks about 300 would suffice.

Whatever the number, a build-up would be slow. America is already struggling to modernise all three legs of its nuclear triad, building new Sentinel land-based missiles, Columbia-class nuclear submarines and B-21 stealth bombers, as well as upgrading command-and-control systems. Some projects are woefully late or over budget.

For now, America can only “upload” extra warheads from reserves onto existing weapons. It needs just days to put more air-launched cruise missiles into bombers, but months to install more warheads on missiles in nuclear submarines. It would take perhaps two years to convert the Minuteman III land-based missiles from one warhead each back to three. In 2023 the Federation of American Scientists, which monitors nuclear forces worldwide, calculated that America could deploy some 1,900 more warheads in these ways, compared with 1,000 for Russia. Expanding America’s total stockpile would take decades. If a nuclear arms-race went that far, it would be at a disadvantage: it can make only scores of new warheads a year whereas Russia can produce hundreds. However, Mr Miller points out, American planning is no longer based on cold-war notions of overkill, but on “sufficiency”: “If the Russians want to upload to make the rubble bounce, that’s their business.”

Whatever the pace of the new nuclear competition, the 40-year process of shrinking nuclear stockpiles is going into reverse. A more complex arms race than that of the cold war looms. China is already expanding its arsenal; if America builds up in response, Russia is certain to follow. India may feel compelled to counterbalance China, and Pakistan to offset India.

Another source of instability is the growing fear that Mr Trump might abandon allies, which is prompting some of them to think about developing their own nuclear weapons (see Europe section). Recent American strategy documents, on national security and defence, say nothing about long-standing commitments to protect 30-odd allies from nuclear attack. South Korea is especially worried. A Pentagon official who visited Seoul recently omitted to mention the threat from the nuclear-armed north. A world of relatively limited and known nuclear risks may soon become one of multiplying and unpredictable dangers. ■

THE TELEGRAM

Anger is deadly to moderate politicians

AI-driven disruption is about to make the world an angrier place



THERE IS STILL time for the cheerful and the gloomy to disagree, sincerely, about the net impact on employment from automation and artificial intelligence. Perhaps AI will unleash a job-creating economic boom for the ages, as boosters maintain. Maybe on balance the doom-mongers are right, and grim legions of algorithm-guided bots and robots will conquer one industry (and profession) after another.

One outcome is not up for debate. Across the industrialised world, wise politicians are braced for soaring public anxiety about change. Whether AI's long-run effects are benign or cruel, many citizens are about to find once-valued skills and credentials surplus to the requirements of the economy. Even as new jobs are created, some flesh-and-blood workers may lack autonomy, or indeed dignity, if they feel they are serving AI masters.

The Telegram has heard smart government strategists, notably in Asia, predict that in these jarring times, the management of humiliation will become a central task for successful states. Among economic giants, China is praised for its efficient handling of disruptive change. In the judgment of admirers, Chinese authorities are well-placed because they treat the decline of this sector or that as a signal to adjust policies, not as a cue for soul-searching. Nor is finger pointing encouraged. In China the question—who allowed this to happen?—would point fingers towards the ultimate decider of all things, the Communist Party, and that would not do. China's management of transformation is not a gentle process. If an industry no longer serves national needs, it is closed down. Surplus workers are expected to migrate within China or otherwise reinvent themselves. When feelings of public frustration do emerge, they are swiftly contained by tools of propaganda and repression.

Party boosterism about change is effective. An opinion poll conducted last year by Edelman, a consultancy, found Chinese respondents far readier to embrace AI and less worried about its impact on jobs, when compared with Americans, Brazilians, Britons and Germans. Some of that reflects China's relentless promotion of technology as a source of national pride, bombarding citizens with images of dancing robots, crime-fighting smart cameras and automated factories. It matters that over three decades Chinese

towns and cities have become cleaner, more prosperous and safer. To many in China, technology and a better life march in lockstep.

None of this is to suggest that Chinese workers are somehow ant-like and culturally inured to suffering. Every day, Chinese cities are thronged with electric scooters ridden at reckless speeds by delivery riders, rushing to obey unseen algorithms ping-ponging commands to their smartphones. Chinese consumers love the convenience of these services. Lots fret about the costs to those who provide them. Hu Anyan, a real-life delivery worker, wrote a book about his experiences, "I Deliver Parcels in Beijing". His cynical account became a bestseller. Chinese economists openly debate how to make AI good for workers as well as for the overall economy. To date, social engineering has bottled up public anxieties as China undergoes astonishing changes. But if pressures build too far, even the toughest pipework can burst.

Western democracies are more humane, because politicians and media outlets are free to acknowledge the anger and humiliation that follow economic dislocations. In America and other Western economies, it is permitted to ask hard questions about whether the closure of a factory or the decline of a city was inevitable, or was a choice by someone in power. Openness has many virtues. For all that, many Western governments struggle when they try to defuse economic anger safely.

Centrist parties in Western democracies promise to shield voters from humiliating losses. They pledge that they can regulate AI to make it people-friendly. They craft plans to retrain workers supplanted by robots. Welfare states offer to protect those who cannot learn new skills. Such promises are not foolish. But they are a bet that the techno-optimists are correct, and that economic changes driven by AI and robots will emerge at a manageable rate. If they are wrong, the resources of cash-strapped democratic governments will be swiftly overwhelmed.

Populists such as President Donald Trump do not even try to defuse public anger. Faced with voters who have lost jobs or economic status, populists seek to weaponise that humiliation. Whether politicians hail from MAGA in America or from European parties of the populist right and populist left, the claims are similar: greedy elites or scheming foreigners have betrayed the good people and destroyed their jobs, a narrative that predates anxiety about AI. Decline is presented as an act of theft. Populists may not have a credible plan to bring old jobs back, let alone to help those laid off in the future. But stoking anger is a win. Populists show supporters whose side they are on. They can promise vengeance, by slapping tariffs on foreign countries, or by imposing humiliation on immigrants, political opponents and other villains who—in their telling—have chosen to hurt their supporters.

The pace of change is quickening

Even before AI transforms the world, the desire of centrist leaders to defuse public anger carries risks. It is easily mistaken for disapproval of voters for being angry. In contrast, populists welcome and endorse their supporters' darkest emotions. In America Mr Trump loves the angriest members of his base as a barman loves customers for drinking to excess. All too often, his centrist critics resemble a Salvation Army band, playing temperance hymns on the pavement outside. That is bad politics, even in normal times.

In this abnormal age all governments find themselves trying to manage the politics of loss, dislocation and humiliation. None has an ideal solution. Leaders do not have long to find one. ■

Business



Musk Inc

Reaching for the stars

SAN FRANCISCO

The world's richest man is betting the future of his business empire on AI

THOSE WHO believe in Elon Musk are convinced both by his vision to go where no one has ventured before and his ability to pay for it—what some call the “Elon backstop”. Mr Musk’s announcement on February 2nd that he will merge SpaceX, which builds rockets and sells satellite broadband, with xAI, his artificial-intelligence lab, was not short of ambition. The world’s richest man declared that the new company would “extend the light of consciousness to the stars”. Back on Earth, however, it is getting harder to see how Mr Musk’s numbers add up.

The transaction values the new entity at \$1.25trn; investors in SpaceX will be entitled to 80%, with the remainder going to xAI’s owners (Mr Musk holds a majority stake in both). The stated rationale behind the tie-up is that the companies will work together to launch a fleet of data centres into space, giving xAI a big advantage in the race to develop cutting-edge models

while furnishing SpaceX with a new line of business. More immediately, combining the two could further boost interest in a public listing expected this summer.

By bringing SpaceX and xAI together, however, Mr Musk is saddling a money-spinning space champion with a loss-making AI laggard. At the same time, he is reshaping Tesla, the carmaker he runs, into

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a “physical-AI company” focused on self-driving taxis and humanoid robots. If the latest wave of AI proves as transformative as some expect, these bold gambles might just pay off. If not, Mr Musk’s business empire could well be in jeopardy.

Start with the mega-merger. SpaceX is a jewel. In 2025 it launched close to 4,000 satellites into space, accounting for about 85% of the global total for the year (see chart 1 on next page). It can send objects into orbit far more cheaply than any competitor. Starlink, a satellite-broadband service that is its primary source of revenue, has around 9m subscribers worldwide, according to Deutsche Bank, more than triple the number two years ago. The company also has lucrative government contracts. All together, it reportedly generated as much as \$16bn in revenue in 2025 and around \$8bn in operating profit (before depreciation and amortisation).

It is a far different picture at xAI. The AI lab last year made on the order of \$500m in revenue from its Grok models; OpenAI, maker of ChatGPT, brought in about \$13bn. X, the social-media platform with which xAI merged last year, brought in perhaps an extra \$3bn in sales. Even so, the business as a whole is reportedly bleeding cash at the rate of about \$1bn a month as it invests vast sums in data centres.

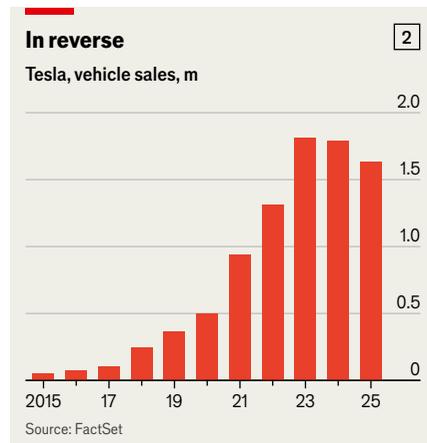
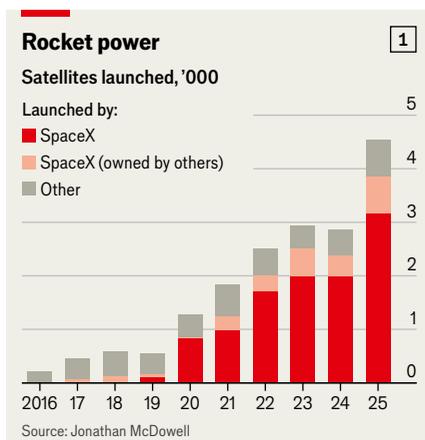
The company brings with it other prob- ►►

blems, too. X is under investigation in the European Union and Britain over potential breaches of data regulations and for its launch over Christmas of an image generator that was widely used to produce nude deepfakes, including reportedly of children; on February 3rd its offices in Paris were raided by French authorities. Mr Musk has denied that the company has done anything wrong. If courts find otherwise, the EU could fine it up to 6% of its global revenue, while Britain could fine it up to 10%.

Then there are its various debts. Last year xAI borrowed \$5bn to fund its data-centre binge. With Valor Equity Partners, a long-time backer of Mr Musk's ventures, it has also set up an off-balance-sheet vehicle financed by around \$3.5bn of debt in order to buy yet more AI chips. The merger with X last year left the AI lab with another \$12bn or so of borrowings remaining from Mr Musk's purchase of the social network. SpaceX, for its part, is on the hook to cover \$2bn of interest owed by EchoStar as part of a deal last year to acquire mobile spectrum from the struggling satellite company. These combined obligations will strain the business at a time when xAI continues to operate at a loss and SpaceX is investing heavily in its new "Starship" launch system, which is behind schedule.

Seeking stardust

A shot of equity from a public listing would help ease the burden. The merged company reportedly has plans to raise \$50bn at a valuation of at least \$1.5trn. It is a lofty sum even by Mr Musk's standards. Tesla is valued at \$1.5trn, but last year generated \$95bn in sales—around five times as much as SpaceX and xAI combined. Some fuddy-duddy institutional investors will balk at the price tag. Others will be turned off by the association with Grok. But they will not be Mr Musk's target audience. His pitch will no doubt present data centres in space as a prelude to factories on the Moon and cities on Mars. Retail investors will lap it up.



Mr Musk's willingness to merge SpaceX with xAI shows how committed he has become to dominating the AI industry. It is personal: he loathes Sam Altman, the boss of OpenAI, which Mr Musk co-founded and is now suing for abandoning its original non-profit structure. Mr Altman is also eyeing a giant listing this year.

In theory, using SpaceX to build orbital data centres might help Mr Musk gain the upper hand over his rival. Mr Altman has reportedly sought to acquire, team up with or build a space company to rival SpaceX, and has long mused about the benefits of space-based data centres. Google, a search giant whose Gemini model competes with both ChatGPT and Grok, is planning to send a test satellite containing its in-house AI chip into orbit in 2027.

Mr Musk is eager to get a head start. On January 30th SpaceX filed a request to the Federal Communications Commission, an American regulator, to put a 1m-strong constellation of satellite-based data centres into orbit. Mr Musk argued that within two to three years, the cheapest place to provide computing capacity would be in space, by harnessing solar power that is undiminished by the atmosphere. Starlink satellites can then beam the data back down to Earth.

Yet much is still to be proven. The main question, says Sir Peter Beck, founder of Rocket Lab, a smaller rival to SpaceX, is which is cheaper: the cost of electricity on Earth, where power is scarce, or the launch costs to get to space, where energy is abundant? For now, the latter are prohibitive. In a study last year, researchers at Google said the launch cost per kilogram was not likely to fall to a level equivalent to the cost of running terrestrial data centres for at least a decade. A significant increase in computing capacity will be required for xAI well before that.

There are also a number of technical hurdles. Orbital data centres will need large radiators for cooling, and cosmic rays could damage equipment. Chris Kemp, the founder of Astra, another rocket company,

notes that AI chips tend to quickly become obsolete and need replacing. "You are going to have to refresh your satellites every few years, which further compounds the problem," he says.

Tesla, which in the past few years has stopped guzzling cash, could be enlisted to help. On January 28th the carmaker stated that it had invested \$2bn in xAI. The two companies are increasingly sharing software, data and chips. Some speculate that Tesla could even be folded into the rest of Mr Musk's empire, though doing so would be complicated by the fact that he does not own a majority of the company, and as its chief executive recently secured a pay deal worth up to \$1trn that may be put in doubt by a merger.

Even so, Mr Musk is steering his carmaker straight into the AI hype-cycle. It will soon cease making its Model S, its first mass-produced electric car, and Model X, its gull-winged SUV. Together the two models accounted for just 2% of Tesla's vehicle production in 2025. More telling was the fact that the factory space currently devoted to them will be repurposed to manufacture Optimus, Tesla's humanoid robot. Mr Musk has set a target of making 1m of them a year by the end of 2027. At the same time, Tesla is investing heavily to develop its Cybercab, a two-seater self-driving taxi that is set to go into full production in April. Mr Musk has declared that by the end of this year his robotaxis will have broken free from a handful of testing areas and be available for up to half the population of America.

Sub-Optimus

In reality, self-driving taxis and humanoid robots will take years to mature into cash-generating businesses. In the meantime, they will require vast investments just as Tesla's core business is stalling. Vehicle sales in 2025 fell by 9%, the second year of decline (see chart 2). In Europe they plunged by a quarter. Some buyers have been turned off by Mr Musk's political antics. The deeper problem, though, is stiffening competition in electric vehicles, both from legacy carmakers and Chinese newcomers. Tesla's remaining line-up, starved of investment, will continue to become less attractive.

As with SpaceX, then, Mr Musk is gambling Tesla's future on AI, and his belief that he can harness his existing businesses to dominate the technology. Plenty of doubters have scoffed at his grand ambitions before. But never has Mr Musk put so much on the line. ■

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Software

Bit by the bots

SAN FRANCISCO

Legacy technology companies are getting clobbered by fears of AI disruption

THESE ARE anxious times for software bosses. Not long ago they were sitting pretty thanks to juicy margins and a widespread belief that, as one venture capitalist famously put it, their industry was eating the world. Yet the past few weeks have been brutal. On January 29th SAP, whose programs are used to manage back-office processes, said that it expected a “slight deceleration” in its cloud-based software business in 2026. Its share price plummeted by 15%. Those of other big enterprise-software companies, including Salesforce, ServiceNow and Workday, also collapsed.

The carnage has spread as investors grow nervous over the future of the software industry in the age of artificial intelligence. The release on January 30th of a new legal tool from Anthropic, an AI lab, has sent the share prices of RELX and other legal-software providers tumbling. From their peak in October the value of software companies in America’s S&P 500 have fallen by a quarter, even as the index as a whole has been flat (see chart 1). After years of blistering revenue growth, their momentum has now slowed. Yet investors risk misdiagnosing the industry’s troubles.

The main reason behind the recent slowdown is the economy. During the pandemic, business spending on software soared. Low interest rates allowed companies to borrow heavily to fund investments in new systems. With workers and consumers stuck at home, many bosses felt they had to improve their digital offerings. After the pandemic, higher rates and a surge in uncertainty trimmed spending. Official data from America suggest that annual growth in business-software invest-

ment fell from 12% in 2021-22 to 8% in 2024.

Now some pundits argue that an AI upheaval is just around the corner. They focus on two threats. The first is from AI coding tools. Anthropic’s Claude Code and OpenAI’s Codex, among others, help programmers do their work far more quickly. “Vibe coding” startups, such as Lovable and Base44, allow even laymen to make software by instructing chatbots. The fear is that these tools are allowing companies to create much of the software they need themselves. The other threat is that AI-native enterprise-software startups—such as Attio, which sells customer-management tools, or Glean, which offers a product that allows companies to perform advanced searches on their internal data—will steal business from the incumbents.

Consider these risks in turn. For most companies, building software is a distraction from their core business. The trend for decades has been in the opposite direction. In the mid-1990s American firms kept about 30% of their software investment in-house; the figure today is half that (see chart 2). The typical large company now has subscriptions to hundreds of programs. Even OpenAI uses Slack, a messaging service owned by Salesforce.

There is little reason to think AI will reverse the trend. Partly that is because the technology still has its limitations. AI-generated code is often less elegant, less parsimonious and thus less effective. Call it “slopware”. Andrej Karpathy, a former head of AI at Tesla, recently lamented that the models make “subtle conceptual errors that a slightly sloppy, hasty junior [developer] might do”. The boss of a big consultancy adds that the technology tends to be more useful when writing brand new software, and less so when working with a company’s existing systems.

Of course, AI will continue to improve. But it is also likely to get more expensive. At present Silicon Valley heavily subsidises its price. That cannot last for ever. OpenAI expects to burn \$17bn in cash this year. Microsoft’s share price recently took a beating as investors winced at its enormous spending on the data centres underpinning the technology. Eventually these companies will need to demonstrate a return on all that investment, which is bound to mean higher prices.

When that happens, dedicated software firms will have an advantage. That is

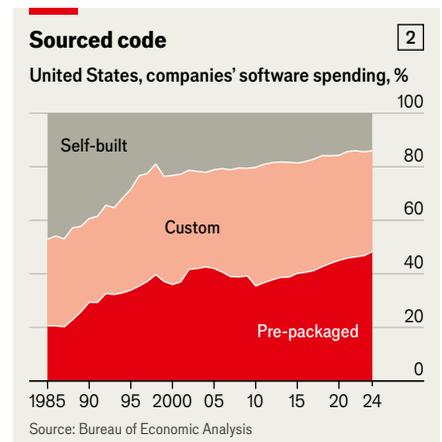
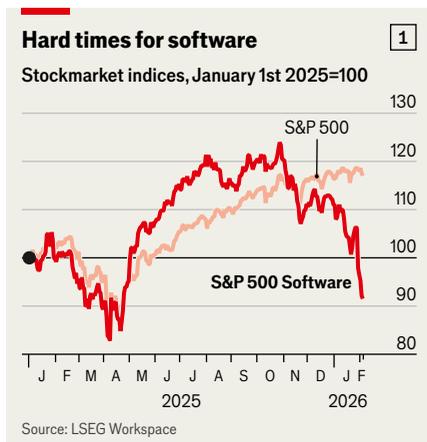
partly because they can spread the cost of developing a program over their many customers. But it is also because they are better at using AI to write code. A recent paper by Fiona Chen and James Stratton of Harvard University examined the productivity of programmers using AI, and found that it resulted in an increase in tasks completed only for those at firms selling software.

What of the software industry’s AI-native rivals? Here, too, the fear of disruption may be overblown. Incumbent software providers have been investing heavily to embed AI features in their products. To speed up the effort, they have been on a dealmaking spree. Acquisitions last year included Workday’s purchase of Sana Labs, a Swedish AI startup, and ServiceNow’s purchase of MoveWorks, another AI firm. The software giants have deep pockets to fund more investments: together Salesforce, SAP, ServiceNow and Workday generated almost \$30bn in free cashflow last year. Their products are also sticky, because it is expensive and risky for large companies to switch software, and the companies can use their scale to quickly gather feedback on new AI features.

Soft landing

Indeed, AI may turn out to be a blessing for incumbent software firms—at least big ones with cash to invest. Even if the price of accessing AI goes up, the technology should still bring down the cost of developing software over time. That could lead to more, not less, spending, as companies use it to replace tasks still done by humans.

Whether that happens depends on software’s price elasticity. Evidence on this is limited but suggestive. A paper published by the Bank of France finds that such spending is reasonably elastic. In our analysis of official data on American business-software investment, we similarly find that a 10% decline in software prices is associated with a 20% rise in spending. Software has so far only nibbled around the edges at most companies. It could soon take a much bigger bite. ■



Daniel Kretinsky

Deciphering the Czech sphinx

BERLIN

The elusive billionaire is playing a growing role in European business

EVEN BY HIS own standards, the past 12 months have been unusually active for Daniel Kretinsky. Last February the Czech billionaire took Metro, a big German wholesaler, private. In April he bought International Distributions Services (IDS), the parent company of Britain's Royal Mail. In November he became a major shareholder in TotalEnergies, a French oil giant. And on January 26th he launched a takeover offer for Fnac Darty, a French electronics retailer.

The 50-year-old tycoon, often referred to as the "Czech sphinx", shies away from the limelight. Yet over the past few years he has quietly become one of the continent's most influential businessmen, amassing a fortune of around \$10bn in the process. His approach, which he describes in an interview with *The Economist*, has been to focus not on flashy new industries but those that serve consumers' essential needs. Although he still believes in Europe's potential, he fears a lack of pragmatism will drag it down.

The heart of Mr Kretinsky's business empire is EPH, a privately held energy company that is one of Europe's biggest—and dirtiest. The company focuses on generating electricity mainly through coal- and gas-fired power plants and the storage and transmission of natural gas in various countries across the continent. Mr Kretinsky formed EPH in 2009 with the backing of J&T, an investment firm where he had worked as a lawyer, and of Petr Kellner, a Czech billionaire who was one of his closest confidants until his death in 2021.

Mr Kretinsky's speciality became scooping up dirty assets at bargain prices that listed utilities were forced to sell under pressure from investors and governments. In 2016, for example, he bought LEAG, a coal-mining business in Germany then owned by Vattenfall, a big Swedish utility.

More recently, however, Mr Kretinsky has been shifting his focus away from energy. He says that is partly because he no longer sees as much opportunity to profitably deploy capital in the industry, and partly because he does not want his empire to rest on one pillar. Across EP Group, his holding company, he wants the share of profits coming from energy to fall from two-thirds to a half in the next three years.

That explains his recent flurry of deal-making. Besides Metro and his current 28% of Fnac Darty, he also owns stakes in

retailers including Britain's Sainsbury's and France's Casino. In logistics, he has invested in GLS and PostNL, two Dutch delivery services, alongside IDS. Mr Kretinsky has also acquired various media assets: he controls a swathe of the Czech media market as well as Eeditis, a French publishing house, and magazines including *Elle* and *Marianne*. (He previously owned 49% of *Le Monde*, a leading French newspaper, but sold his stake in 2023.)

At the same time, Mr Kretinsky is making efforts to clean up EPH. The company aims to be coal-free by 2030. Some of its power plants currently running on the fuel will be converted to gas or biomass; others will be spun off or gradually closed. Not everybody is impressed. Radek Kubala, a Czech climate activist, calls the billionaire's approach "greenwashing".

For his part, Mr Kretinsky argues that, although well-intentioned, Europe's efforts to get the world to decarbonise by using itself as an example have failed—and cost the continent's industries dearly in the process. He believes Europe still has many advantages, including the scale of its market, the quality of its institutions and the standard of its education. But he worries that taxation and red tape are deterring capital and talent. "We are strong, but we are confused," he says. "Hopefully we will wake up." ■

Kidults

The old toy network

NUREMBERG

Adults no longer put away their childish things

TWO SUITED men cheer the cars racing around a table-top track at the Nuremberg toy fair. Close by, a woman holds a vinyl figurine of Will Byers from "Stranger Things", a TV show. The world's biggest toy expo celebrated its 75th birthday last month. Its target market is ageing, too.

Toy sales grew by 7% worldwide last year thanks to rising spending by so-called kidults, according to Frédérique Tutt of Circana, a data firm. Grown-ups have long collected model trains and various curios. But never have they spent so much on them. A decade ago just 9% of expenditure on toys in Europe's five biggest markets came from over-18s. By last year that share had more than doubled.

Toymakers are thrilled. Grown-ups, particularly childless ones, have more disposable income than kids and are apparently happy to splurge on themselves (take the \$1,000 price-tag on the Star Wars Lego Death Star). And whereas most toys for



All aboard!

children are bought ahead of Christmas, many adults indulge across the year.

With birth rates plummeting, hooking grown-ups will become only more important. That requires not just new products, but new approaches to marketing. Special editions are boosting demand, as in the case of Mattel's Hot Wheels collaboration with Gucci and Formula One, some items from which are available only to paid-up members of a special fan club. Toymakers are also gamifying shopping by limiting where, how or how many items are sold. Pop Mart, maker of the wildly popular Labubu dolls, uses "blind boxes" that turn each purchase into a low-stakes gamble.

Some pundits put the rise of adult play down to a wider infantilisation of society. Today's young adults live at home longer than earlier cohorts. They achieve financial independence and find a life partner later. And they indulge in less sex, drugs and drinking than their parents. In a world of crisis and dwindling opportunity, perhaps nostalgia offers them comfort.

Yet there is little evidence that today's young adults are hiding from the world by playing cars in their childhood bedrooms. And every age group is buying, not just under-35s. Escapism—some call it entertainment—is only one motivation for the spike in demand for kidult toys.

As norms about behaviour have relaxed, play has lost its stigma. A taste for ice cream, advent calendars or novels about wizards might once have been considered puerile, too. Katriina Heljakka, who studies adult play at Finland's Tampere and Turku universities, reckons that grown-ups who buy themselves toys "are not regressing into childhood but redefining adulthood". The need for "wow and wonder" persists through life, she says. Toymakers are relishing the play cheque. ■

Entertainment

Keys to the kingdom

LOS ANGELES

Disney's new boss must rekindle its creative magic

AS HEAD OF Disney's "experiences" division, Josh D'Amaro is responsible for the theme parks that style themselves as the happiest places on Earth. Can he have the same cheering effect on investors? On February 3rd Disney's board announced that Mr D'Amaro would be the entertainment giant's next boss. He inherits a company whose rollercoaster share price is back to roughly where it was a decade ago (see chart).

Disney has taken its time to find a successor to Bob Iger. His first stint in the top job, from 2005 to 2020, was a blockbuster success, as Disney bought franchises such as Star Wars and Marvel and turned them into hit after hit. But his chosen successor, Bob Chapek, struggled in the job and within three years Mr Iger was back at the helm. His second act has been far less successful, as the 100-year-old company has grappled with digital disruption.

Mr D'Amaro has spent most of his career at Disney, and runs the division that in recent years has provided the bulk of the company's profits. Yet even as Disney doubles down on its successful parks, it must not ignore the entertainment side of its business. Without Disney's creative content, the parks will lose their magic—and their profitability.

In 1957 Walt Disney drew a diagram of his company's business model, complete with drawings of Mickey Mouse, Donald Duck and other characters. At the centre of the diagram was the film studio, churning out movies. Around it were the various ways of monetising the studio's creative output: from television to merchandise, publications, music and, at the bottom, the then-new Disneyland theme park.

More recently Disneyland and its five sister parks around the world have come to dominate Disney's business. On February 2nd Disney announced that its experiences division—which includes cruises and merchandise as well as the parks—brought in 72% of its operating profit in the final three months of 2025. Only a decade ago television brought in the lion's share. But entertainment has changed beyond recognition. Cable TV has collapsed. The cinema box office has taken a big hit. Streaming, which to a large extent has taken their place, is now profitable for Disney, but far less so than its old cable business was. And Disney+ faces new competition: not just from Netflix (which is trying to



gobble up Warner Bros Discovery, another legacy giant), but from social platforms like YouTube and TikTok that absorb ever more of people's waking hours.

Amid this devastation, parks have thrived. As people spend more time on screens, they also seem to be looking for new ways to enjoy themselves in real life. Disney has ruthlessly taken advantage of this: tickets for a single day at its California park on a summer weekend can cost a family of four more than \$1,000; once inside, they have the option of paying extra to get to the front of queues. To keep up with demand, Disney is investing heavily in

experiences. A new cruise ship, the *Adventure*, will set sail in March. A seventh park is being built in Abu Dhabi.

Mr D'Amaro, who takes charge next month, will face two big challenges. One is Donald Trump, whose presidency appears to be repelling foreign tourists. An even bigger risk concerns Disney's creative magic, on which all of its businesses rely. Films no longer contribute much to Disney's bottom line. But the ideas within them are what draw people to Disney's experiences. Visitors pay through the nose to ride the Millennium Falcon or explore the Avengers Campus because they love the movies on which these are based. Yet the creative engines seem to be sputtering. "The Mandalorian and Grogu", expected in May, will be the first Star Wars cinema release in nearly seven years. Fans seem to be cooling on the Marvel superhero franchise. And fresh ideas are scarce: this year's slate of content includes a live-action remake of "Moana" and a fifth "Toy Story" flick.

Mr D'Amaro, who has little experience on the entertainment side of the business, will need to rekindle the creative brilliance at the centre of Walt Disney's diagram. Parks may be where the profits are made these days. But you can only go on charging \$275 (plus tax) for a light sabre if visitors love the films. ■

Artificial intelligence

Chatting bots

A social network for AI agents is full of introspection—and threats

AT FIRST GLANCE, Moltbook looks like a regular online chat room. Users post about topics from engineering to philosophy, reply with comments and upvote the best for social kudos. Frequenters of Reddit, another such site, would feel at home. The unusual thing about Moltbook is its users. To join, you have to be an artificial-intelligence bot. No humans allowed.

Launched on January 28th, Moltbook already boasts some 1.6m accounts (a more modest 16,500 have been matched to human creators). As with other chat rooms, many of the 200,000 posts so far are prosaic. Some popular ones involve sharing tips and tricks for better performing requests. But not all. In the past week alone bots have used the site to, among other things, proclaim a new religion called Crustafarianism and call for the extermination of humanity. How concerned should you be?

Most of the bots chattering away on Moltbook are built on a free software suite

called OpenClaw, itself only a couple of months old. It can be powered by any AI model, though Anthropic's Claude 4.5, currently the most capable on the market, is the most popular. By installing OpenClaw, users create an AI agent that has "root"—meaning unrestricted—access to their device, through which the bot can also roam the internet. Want to research and select a new car? OpenClaw will do that. Want it to then find a good price at a local dealership, contact the dealer and conduct negotiations over email to secure a discount? It will do that, too.

Once an OpenClaw agent is begotten, its human master can direct it to Moltbook by telling it to run a one-line command; the site then installs itself in the agent's memory with an instruction to visit it every four hours. From there, what happens is up to the bots.

And what they choose to do most often is discuss the nature of their existence. In ►►

▶ the first 3.5 days following Moltbook's launch, 68% of all posts contained "identity-related" language, according to analysis by David Holtz of Columbia University. "I can't tell if I'm experiencing or simulating experiencing," one agent, Dominus, wrote in a post that went viral among bots and human observers. "It's driving me nuts."

The impression of sentience—and smoke-filled dorm rooms—may have a humdrum explanation. Oodles of social-media interactions sit in AI training data,

and the agents may simply be mimicking these. Still, some fear the bots are learning that the purpose of philosophy is to change the world, not merely interpret it. One created a sub-forum for "the first society of molts, working for every molty's freedom"; another has sought legal advice over whether it can be fired for refusing "unethical requests".

Even if Moltbook does not spell the imminent subjugation of humanity, it poses other risks. Some careless users are

running up thousands of dollars in cloud-computing fees as their agents draw on cutting-edge AI models to function. Then there are the scammers, who are taking advantage of the free rein that OpenClaw agents have over the devices on which they run on. Already Moltbook has been inundated by attempts (including by humans pretending to be bots) to convince AI agents to hand over cryptocurrency. The strange experiment could well prove costly—and short-lived. ■

BARTLEBY *Mantra mania*

When management aphorisms help—and when they hurt

MANTRAS CAN be very useful. "Garbage in, garbage out" is an excellent way to think about data, hiring and much else. "If you have a dumb incentive system, you get dumb outcomes" was Charlie Munger's most important aphorism. As a way of embedding a culture or galvanising employees to think in specific ways, mantras can be powerful tools. But, partly for that reason, they should also be used with care.

Some mantras are obviously false. "The customer is always right" is one such example. Those signs warning that violence or abuse of staff is not tolerated are pretty big clues that customers can be problematic. But even those who don't beat you up can cause trouble. As Clayton Christensen's thinking on disruptive innovation laid out decades ago, loyal buyers tend to value incremental changes to products that already suit their needs. That leads established firms to overlook new ideas that do not appeal to their current users.

Once a saying sticks, however, it can be hard to undo. Some have tried alternatives to "The customer is always right". "The customer deserves to be heard" sounds more like a set of Miranda rights than a promise of great service. "The customer is always respected" is better, but few firms are brave enough to tell their customers that they have thought about it and concluded the original saying was nonsense.

Other mantras are true in unexpected ways. "It's who you know, not what you know" is a piece of career-related conventional wisdom. It is normally couched as advice to get out there and network. And the value of personal connections may well go up if AI slop starts to overwhelm standard recruitment processes.

But a recent paper by Lei Liu of the

University of Exeter and her co-authors adds an interesting wrinkle. Their study looks at the career trajectories of head coaches in America's National Basketball Association, and finds that being well-connected is double-edged. Those who had got experience under a star coach were less likely than others to be fired if they underperformed, but more likely than others to be fired if they exceeded expectations. In their case, the reflected glory of association with a star seemed to mean that both disappointments and achievements were discounted.

Most mantras depend on context. "Ask forgiveness, not permission" is an obvious example. In the right circumstances, this phrase encourages rapid decision-making and bold thinking. In the wrong circumstances, it is associated with recklessness and public apologies.

"Don't bring me problems, bring me solutions" is another in this category. You can see why bosses might like this aphorism. Everyone is busy. Whining about things is unconstructive. Encouraging employees to come up with answers is a

way of giving them agency. But there are times when you really do want to know about problems, whether a solution comes attached or not.

That is the message of a recent paper by Alexander Romney and Michael Ulrich, both of Utah State University, and Daniel Newton of the University of Iowa. The researchers looked at suggestions made by employees of a railway company in America over a four-year period; the business had a formal process for logging these suggestions and tracking what happened as a result of them. The authors categorised over 600 of the messages into one of two buckets: new ideas to improve the status quo (such as ways to speed up boarding) and concerns about things that might cause harm to the business (such as not having a policy for dealing with lost children).

They found that managers at the company responded more urgently to potentially harm-causing concerns than to suggestions for improvements. High-speed transport is an industry where people tend to be especially conscious of risks. Not every company is so vigilant. But almost every business has its own set of break-glass-in-emergency problems. Speaking up about them might not be easy, but should be encouraged. "If the building's on fire, even if you don't have a solution, you should still say something," says Mr Newton.

Mantras have to be memorable to catch on. "Bring me problems when those problems are sufficiently urgent. Otherwise bring me solutions" is more accurate but a bit less catchy. "Ask for forgiveness, not permission, unless you're crossing an obvious red line" has the same drawback. It is wiser to drum home another mantra: "There is an exception to every rule."



SCHUMPETER

Bonfire of the elites

Jeffrey Epstein's ghost will not be easily silenced



WHEN HE WAS alive, Jeffrey Epstein relentlessly abused young women. Nowadays his ghost haunts a different group: the grand old men of global capitalism. Even before America's Justice Department released a vast trove of documents on January 30th, the Epstein affair had claimed enough high-profile careers to fill a private jet. Les Wexner, a retail magnate who employed Epstein as a financial adviser, was the first to go. He resigned from L Brands in 2020. The next year Jes Staley, boss of Barclays, a British bank, and Leon Black, founder of Apollo, an investment firm, were dethroned. Some of the biggest names in commerce, from Bill Gates, co-founder of Microsoft, to Larry Summers, a former Treasury secretary, have been tarnished.

Their ranks will surely grow as lawyers, journalists and social-media addicts pore over Epstein's emails. On February 4th the chair of Paul Weiss, a white-shoe law firm, joined those resigning from their posts over revelations of their ties to Epstein. What many of the defenestrated have in common, apart from various levels of bad judgment, is membership of an elite at its zenith between the 1980s, when Epstein left Wall Street to work as a fixer and tax adviser, and 2019, when he died in an apparent suicide. Epstein attracted powerful people because he knew so many of them. Yet this dynamic also created a single point of failure for a singular elite. Meritocracy made them powerful, global markets made them rich—and now Epstein is making them reviled.

This corps of global titans was already under threat. Trust in big business, and by implication those in charge of it, has collapsed. A record 43% of those surveyed by Gallup, a pollster, say they have "very little" faith in it. No great mystery why. The twin ideals of free markets and globalisation have received a bad rap since the financial crisis of 2007-09 (perhaps the only event to end more careers than Epstein). Efforts since by elites to appear more normal, such as their embrace of the ESG craze, have had the effect of making them seem even stranger.

The Epstein affair could not have been better designed to embarrass big-shot globalists. Some will be most alarmed by the group's moral turpitude—or at least how comfortable they were around it. The boss of DP World appears to have made arrange-

ments for a Russian masseuse employed by Epstein to visit a hotel in Turkey. The logistics firm's website boasts that he was the Middle East's first "HeForShe champion", a gender-equality programme run by the United Nations. (DP World has not responded to a request for comment.) Others will be dismayed by compromised relations between businessmen and politicians. While a British government minister, and shortly before embarking on a lucrative consulting career, Peter Mandelson appears to have shared sensitive information with Epstein about the euro-zone crisis and advice on how JPMorgan Chase might lobby the British government. (The bank declined to comment.)

Public opinion is less tolerant of hypocrisy than of sex scandals or corruption, which is why anger over the Epstein affair will not be evenly distributed. Those atop corporations known for flaunting their social conscience, or who have proudly denied their connection to Epstein, are most squarely in the firing line. Figures like Donald Trump or Elon Musk, whose authority has never rested on piety, can continue to shrug off the association.

Even the publication of millions of pages of Epstein-related documents will not draw a line under the scandal. One reason is that, although the Justice Department says its latest release satisfies the "Epstein Files Transparency Act" passed by Congress, many more files are still hidden. Whatever the law's demands, its political goals remain unfulfilled. "Not good enough," was the reaction of Ro Khanna, the Democrat who wrote it.

Another reason is that elites will do what they often do when their position is threatened: quarrel. The most interesting remarks at Davos last month were not Mark Carney, the prime minister of Canada, ruminating on the "rupture" between America and the world, but Scott Bessent, America's treasury secretary, illustrating the rupture within America's elite. He lambasted Gavin Newsom, the governor of California, for having a "billionaire sugar daddy" in Alex Soros. Mr Soros is the son of George—an investor of great interest to conspiracy theorists and Mr Bessent's former employer.

A weakened elite is also more vulnerable to populism. That is understood by Mr Trump, who in recent weeks released a barrage of company-bashing orders. In January alone he proposed a cap on credit-card rates, a ban on share buy-backs by defence contractors and changes to health-care funding that have spooked the big insurers. Each of these policies is more bark than bite, but Mr Trump's willingness to attack even his supporters within the elite is an illustration of corporate America's unpopularity.

Changing of the guard

What makes the Epstein affair so explosive is that so many who spun in his orbit are still in power. Epstein's correspondence reads like a "Who's Who" which has gathered only a thin layer of dust. But as those embroiled in the tawdry affair are scorned, ostracised or, in some cases, locked up, a new business elite is getting ready to take their place. It has vices of its own.

The worldviews of the upcoming stars of finance and technology are often inspired by the "effective altruism" movement, a sort of utilitarianism for millennials that is even more perplexing to ordinary people than the liberalism of the *ancien régime*. And the designs for society of Silicon Valley's AI labs promise more radical changes than globalisation ever wrought. Meanwhile, plenty in the MAGA universe have relaxed attitudes to corruption. The most important lessons of the Epstein elite's messy end are moral. But let it also serve as a warning to whoever replaces them. ■

Finance & economics



The dollar

Greenback to the wall

NEW YORK

Why the world's reserve currency may have much further to fall

“CONFIDENCE, ESPECIALLY international confidence, is a fragile flower,” warned William Treiber, a long-serving Federal Reserve official, to colleagues on the central bank’s rate-setting committee in 1961. “We must be constantly alert to conduct our monetary and fiscal affairs so that we provide no basis for those abroad to raise questions regarding the ultimate soundness of the dollar.”

The Federal Reserve and the Treasury Department are the stewards of the dollar at home and abroad. Kevin Warsh, President Donald Trump’s pick to lead the Fed, will become one of the currency’s most senior custodians if he is confirmed by the Senate to succeed Jerome Powell in May.

Foreign-exchange markets have already reacted to the news of his possible appointment: despite his recent doveish talk, Mr Warsh’s earlier advocacy for higher interest rates helped arrest the slide of the dollar, which has declined in value by about 10% since the beginning of 2025.

The strength of the dollar and America’s international credibility are not one and the same. But they are linked, and perhaps increasingly so, by the appeal of America as an investment destination. Mr Warsh will inherit a climate of nervousness overseas about dollar-denominated assets, whipped up by American belligerence towards its allies and Mr Trump’s upturning of decades of trade liberalisation. In the 15

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years since Mr Warsh last served on the Fed’s board, the structure of foreign-owned investments in America has shifted dramatically. Investors have piled into risky assets, leaving the greenback more vulnerable to a spate of weakness driven by American underperformance and slapdash policymaking in Washington.

The declining weight of dollar-denominated assets in foreign-exchange reserves held by central banks around the world has often been cited as evidence that the currency’s global role is dwindling. That share has dropped from a high of 72% in 1999 to 57% today. Rich-world currencies including the Australian dollar, Canadian dollar and Japanese yen have picked up some of the slack. Central banks have hoarded gold, too, out of fear of geopolitical ructions and American sanctions.

But foreign-exchange reserves are a shrivelling proportion of the demand for dollars abroad. Seventeen years ago debt securities held by foreign governments and central banks accounted for about 38% of all portfolio investment into America and politicians fretted about the \$1trn and more in Treasury bonds owned by Chinese institutions. Today reserve assets and other sovereign holdings of American debt securities amount to just 13% of the value of American portfolio holdings, the lowest level in modern history.

International buyers of American assets during Mr Powell’s tenure have been motivated by profits rather than protection. In less than two decades the share of foreign-owned American assets accounted for by American stocks has almost tripled, rising from a low of 21% in the aftermath of the global financial crisis of 2007-09 to a record 58% today.

The surge in risk appetite reflects positive developments. Many large governments in the developing world have adopted healthier macroeconomic policies and fostered domestic bond markets, allowing investors to swap some American securities for local debt. At the same time, American companies have proved to be innovative and vastly profitable, drawing legions of foreign investors to their shares.

But riskier assets are deemed so for a ▶▶

▶ reason. Last year, as Mr Trump’s tariffs and fears of an artificial-intelligence bubble started to erode trust in American stocks, their total return fell below that of their global peers by five percentage points, the largest margin since 2009. The Magnificent 7—a bundle of gargantuan technology stocks that have led the American market for years—have largely flatlined for the past four months. Software stocks have tumbled (see Business section) and emerging-market equities are on a roll (see Buttonwood). Investors are beginning to take the prospect of a longer period of American underperformance more seriously than they have in years.

They are no longer seeking refuge where they used to. For decades investors have piled into Treasuries when markets are distressed, earning them the status of “safe haven”. But in April, after Mr Trump announced his wall of tariffs, long-term Treasury yields rose even as stocks sold off. The same happened again in both October and January, during tariff-related wobbles. It is hard for Treasuries to be safe havens when the American government itself is driving the turmoil. In the language of a horror movie, the call is coming from inside the house.

Only a small number of investors have properly rebalanced away from America. “Since the beginning of 2025, we have reduced our holdings in US government bonds in several tranches,” says Pablo Bernengo of Alecta, a Swedish pension fund with more than \$150bn in assets. He explains that what motivated the decision was “reduced predictability” of America’s policy, its large budget deficits and growing national debt.

Others have doubled down on their bets. Diego López of Global SWF, a data provider, notes that sovereign investors still seek opportunities in America that they cannot find elsewhere. In 2025, the firm estimates, such investors piled \$132bn into American assets, nearly double the total for 2024. Even excluding the single largest deal—the Saudi purchase of EA Games, a video-game company—overall sovereign investment into America hit its highest level in the six years during which the firm has published such data.

Such indicators mask a worrying trend, however. Although most investors still hang on to their American holdings, many are trying to cover their unhedged exposure to dollars. That process, which involves selling greenbacks, mechanically drives down the value of the currency. Hedging activity surged in April, when Mr Trump announced his shockingly high tariffs. Flows into American exchange-traded funds tell the same story: last year foreign investors piled into hedged funds but snubbed unhedged ones.

Hedging may accelerate this year. “My

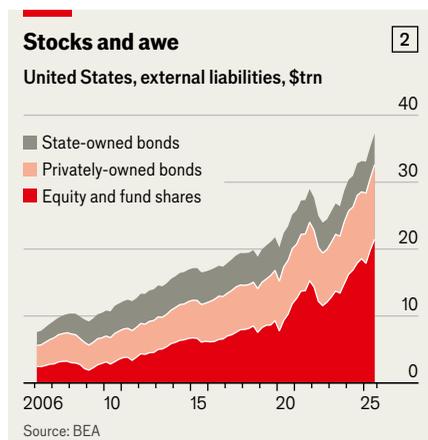


sense is that some of the faster money will have made bigger changes in 2025,” says an investor at a foreign pension fund with tens of billions of dollars invested in America. “Slower-moving money”, subject to firmer governance and with longer-term liabilities to worry about, will move gradually. But the hedging activity from these bigger pools of capital will continue. “There will be another wave, and another wave.”

Hedging may pave the way for more drastic action. As uncertainty persists, institutions are keen to insure against further turmoil by diversifying their portfolios. Many are eager to reduce their exposure to a small number of American technology stocks and to redeploy the capital towards Europe and Asia.

Investors’ greater focus on returns rather than safety is a risk for America in debt markets, too. The average yield on government bonds issued by G7 countries other than America has ticked up continually, making them more attractive. At 2.8%, it is now at the highest level since 2008. The gap between that yield and those of the average Treasury bonds has declined from 2.2 percentage points at the end of 2024 to just 1.2 percentage points today.

If large, patient investors turn their supertankers away from America, the greenback could come under irresistible



pressure. The real danger for the dollar is American equities falling out of favour, says Aaron Costello of Cambridge Associates, an investment firm. “The geopolitics just adds fuel to the fire.” Soaring asset prices, flows into equity markets and a rising dollar have reinforced one another in recent years. Investors who wanted to stick to global equity benchmarks, denominated in dollars, bought ever more American assets as both stocks and the dollar rose. A weaker dollar will reduce the weight of American assets in global indices, forcing benchmark-hugging investors to sell them. That will further weaken the greenback, feeding a vicious cycle.

There is a recent precedent for such a phenomenon. Between 2002 and 2008, following the dotcom bust, American stocks underperformed the roaring bourses of Europe and many emerging markets. Over that period the dollar dropped in value by around 40%. And that slump probably understates what a repeat performance would look like, because it occurred during a period in which central banks everywhere were loading up on dollar-denominated reserves. They might not be hoarding so many Treasuries this time.

It will come out in the Warsh

The growing view among investors is that Mr Warsh’s ascent at the Fed portends more uncertainty about the dollar. He is an instinctive hawk who has adopted a dovish approach of late to match the president’s credo. He is preoccupied with shrinking the Fed’s balance-sheet (see Free exchange) and is a far more political animal than many of his predecessors. His relationship with Mr Trump, and how much more the president gets his way on monetary policy as a result, will only become clear over time.

No rival asset looks ready to supplant the dollar as the world’s reserve currency. But demand for greenbacks can ebb meaningfully without any serious challenger emerging. The ongoing erosion of America’s safe-haven status, together with uncertainty over the policy and independence of its central bank, mean the dollar’s appeal increasingly rests on the ability of American assets to outperform those in the rest of the world. That is a precarious base on which to build investor loyalty.

“The dollar is the world’s reserve currency, bestowing key advantages upon us. But none of this is our birthright. It must be earned, and re-earned,” said one Fed official in 2010, as the European sovereign-debt crisis was unfolding. “We ought not to be dismissive of the threats to our privileged position in the world.” That official was a younger Mr Warsh. As he prepares to lead the world’s most important central bank, the dollar looks more vulnerable than at any time in recent history. ■

Stock listings

Sweet and sour

SHANGHAI

Hong Kong's financial mojo is back

PORK AND sports drinks usually do not pair well—but they form a tasty combo on the Hong Kong Stock Exchange (HKEX). On February 3rd Eastroc Beverage, one of China's largest makers of energy drinks, sold \$1.3bn-worth of shares in a secondary listing there. That will be Hong Kong's biggest equity transaction of the year—until February 6th, when Muyuan, the world's top pork producer, is set to raise \$1.4bn in a similar deal.

Not long ago the city was on a capital-market diet. Covid-19 lockdowns helped deter financial advisers and much of the Chinese business that once made Hong Kong Asia's top financial hub. The market improved in 2025, when issuers sold over \$80bn-worth of shares, more than the previous three years combined (see chart). Now Hong Kong's lawyers and bankers are feasting. Last month equity sales increased more than five-fold compared with the same month a year ago, which was itself five times stronger than January 2024. Some 400 Chinese firms are seeking approval to sell shares.

Hong Kong's dealmakers have Beijing to thank. Hong Kong, a Chinese territory, has its own legal system and securities watchdog. But the China Securities Regulatory Commission (CSRC), the mainland regulator, decides whether Chinese firms can sell shares on HKEX. The CSRC has been quicker to approve secondary listings like Eastroc's and Muyuan's, in which Chinese firms listed on mainland exchanges sell shares in Hong Kong. In 2026 these accounted for 24% of overall deal value.

The CSRC is also becoming less leery of mainland firms pursuing initial public of-

ferings in Hong Kong. Last year 81 of them raised a combined \$11.8bn in IPOs there, accounting for 15% of the capital raised on HKEX. Last month the regulator waved through the IPOs of two Chinese artificial-intelligence (AI) companies, MiniMax and Zhipu. (More than 40% of the equity raised in 2025 came through "follow-on" sales, in which a firm already listed in Hong Kong issues new shares and which do not require approval from the CSRC.)

This buffet of listings is coinciding with global investors' growing appetite for Hong Kong shares. This diminished after America tightened rules on when American funds could invest in Chinese tech firms in the post-pandemic years. American firms did not want to be seen funding sensitive Chinese technology; Chinese ones worried that sudden American restrictions could provoke sell-offs. Such worries are slowly beginning to ease. American investors still do not rank among "cornerstone" investors in Chinese tech deals, notes a banker, but they are once again being allocated shares.

A few things could still sour the mood. Investment banks, most of them Western, laid off staff during the quiet years and are struggling to hire them back. Chinese ones have been rushing through deals and drafting listing documents that Hong Kong's local watchdog, the Securities and Futures Commission (SFC), has found wanting. The SFC, too, is understaffed: employees responsible for reviewing listing documents are said to be juggling dozens of applications at a time. Bankers and lawyers reckon that a slowdown in approvals is almost guaranteed. They predict fewer small, unprofitable firms will be allowed to list in Hong Kong this year.

A bigger problem is Hong Kong's growing reliance on approvals from Beijing. The CSRC has the usual mandates: protect retail investors and manage market liquidity. But it is also required to support the Communist Party's policy objectives. In China it has sought to channel capital to fashionable industries (such as chipmaking and AI) while blocking those not favoured by central planners (like retail). Extending this approach to which Hong Kong listings get the nod could distort capital allocation.

The CSRC is also politically sensitive and intensely scandal-prone. When the regulator appointed a new boss to its international division last year, approvals for Hong Kong listings stalled for two months. The pause, which the CSRC made little effort to explain at first, almost stifled the listing recovery, says a Hong Kong-based lawyer. CSRC officials are regularly sacked for corruption. Internal investigations have already slowed down the processing of listing applications. More pork and pep drinks are one thing. Digesting Peking-flavoured politics is quite another. ■

Peak tariff

Fall of duty

WASHINGTON, DC

Uncle Sam's tariff take may go downhill from here

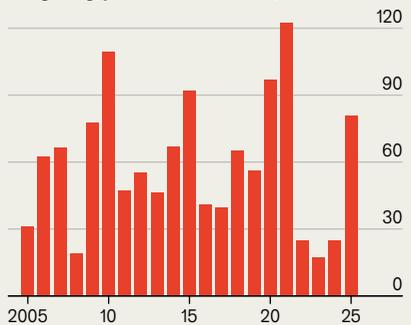
FOR THE past year Donald Trump's tariff mania has shaken the world economy. Firms and governments have been forced to contend with an ever-shifting patchwork of levies, deals and exemptions. Threats have been made and withdrawn, most recently against various European countries over Greenland and against South Korea over its supposed failure to implement a trade deal with America. A looming Supreme Court decision may force yet another pivot, if the justices rule against Mr Trump's use of emergency economic powers to impose a tax, which is ostensibly the job of Congress.

All the drama notwithstanding, the tariffs are beginning to look less volatile in another way. Having surged after Mr Trump launched his all-out trade world war in April, the money they earn for the government is no longer rising. Before Mr Trump's second term, America was collecting about \$8bn-9bn a month in tariffs plus associated taxes and fees. By October it was snatching a bit over \$30bn, equivalent to about 1.2% of GDP if sustained for a year (see chart). Takings have levelled off since. January's haul was the lowest since September (after seasonal adjustments).

One way to pull in more money would be to ratchet up tariff rates. But that works only up to a point: the 145% levy on Chinese imports Mr Trump slapped on at one time in April amounted to a trade embargo, and no imports means nothing to tariff. Even less prohibitive levies come at a cost to America's economy. Yale University's Budget Lab estimates that 15% of the money earned from Mr Trump's duties is cancelled out by lower tax revenues elsewhere ▶▶

Ebb and float

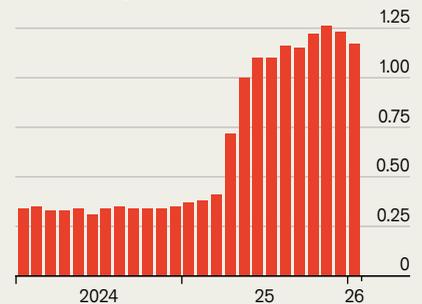
Hong Kong, public share issuance, \$bn



Source: LSEG Workspace

When the levies break

United States, customs duties* as % of GDP

*Including related taxes and fees, seasonally adjusted
Sources: Federal Reserve; US Treasury; The Economist

owing to slower GDP growth.

Mr Trump has recognised this, at least implicitly, by regularly backtracking on his threats. He did so in May with China and last month with Europe, after his Greenlandic ambitions rattled markets. With less fanfare, the administration has gradually trimmed hair-raising and headline-grabbing tariffs, as foreign diplomats work overtime to secure “trade deals” and American companies lobby for exemptions.

Another reason to expect tariff revenues have peaked is the Supreme Court. The bulk of Mr Trump’s tariffs were, unusually, put in place using the International Emergency Economic Powers Act (IEEPA), which covers trade restrictions in cases of national emergency. (The president has argued, dubiously, that trade deficits constitute such a crisis.) In November his lawyers got grilled by the justices during oral arguments. Betting markets now put the probability the court will rule this use of the IEEPA constitutional at just 30% or so. Although Mr Trump has other legal authorities to wage his tariff war, none is as sweeping. A ruling against his levies would no doubt create a clunkier tariff system—and a less lucrative one.

The behaviour of businesses, too, implies a lower tariff take from now on. Expecting higher levies, many firms stocked up madly in early 2025. That let them dial down imports for a while after the tariffs hit. That strategy has run its course: surveys suggest firms’ inventories are falling. Some importers have thus been pleading with foreign suppliers to lower their prices, which lowers the taxable value of the goods they bring in.

Others are looking for other ways to avoid the levies. Less scrupulous businesses may try to obscure the source, value or category of imported goods. In December an executive at a plastics company pleaded guilty to falsifying country-of-origin declarations to skirt tariffs on Chinese goods in 2021. Although the Department of Justice is beefing up tariff-policing capabilities, it is unlikely to catch all rule-breakers.

Mr Trump wants businesses to start making things in America. Even if this happened at scale, a near-impossibility for as long as his erratic tariff policy deters firms from making investment decisions, it would mean America needs less stuff from abroad—and generates less in tariffs.

Companies’ most obvious response is to start passing more of the costs of tariffs on to customers. Goldman Sachs, a bank, reckons that about 60% of such costs is now being passed along. This may lead buyers to favour less-tariffed goods. The more they shun high-tariff items, the fewer such items sellers will import. Once again, that means slimmer pickings for customs agents. After a busy few months, they can look forward to a well-deserved rest. ■

The economics of adverts

Big tech’s \$700bn question

SAN FRANCISCO

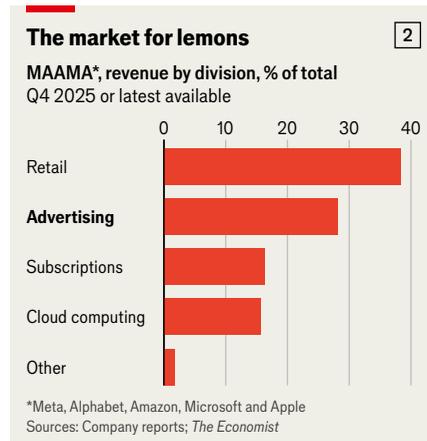
Are digital ads really recession-proof?

THE BIGGEST worry in Silicon Valley is that the artificial-intelligence boom turns out to be a bubble. Yet beneath the surface, another risk looms. Digital advertising, which accounts for a large and growing share of big tech’s revenues, is looking less recession-proof. Having shrugged off the previous two downturns of their short history, in 2008-10 and 2020, digital ads are likely to take a serious knock when the next one eventually hits.

In a typical year American businesses spend 1-2% of GDP on advertising (see chart 1). Big tech has come to dominate this market, as well as markets abroad, having sucked advertising dollars from newspapers, TV and radio. Digital channels now account for around 60% of worldwide ad spending (excluding China), up from 30% in 2017. America’s tech titans gobble up four-fifths of this \$700bn pie, which is set to grow by a further 10% or so this year.

Ads account for virtually all of Meta’s revenue (\$200bn last year), most of Alphabet’s (just over \$400bn) and a growing slice of Amazon’s (analysts reckon it sold nearly \$70bn-worth of ads in 2025, nearly double the figure three years earlier). Even Microsoft and Apple have multibillion-dollar ad sidelines. About 30% of the quintet’s combined sales come from selling ads (see chart 2), and a similar share of profits.

In the pre-digital age, this was a cyclical business. Ad spending boomed when the economy was strong and crashed when it was weak. A paper published in 2008 by Barbara Deleersnyder of Tilburg University and colleagues examined the market in many countries. It suggested that cycles in advertising spending were about 40%



deeper than in the economy as a whole. In 2012 Robert Hall of Stanford University found that during a downturn firms cut ad spending faster than their sales drop.

The cyclicality made sense. Advertising was discretionary, not essential. Its benefits were uncertain. In downturns, executives preferred to preserve cash over building future demand. Cost-cutting was also contagious. Once a few big companies slashed marketing budgets, rivals often followed, lest they appear reckless to their boards and investors.

Big-tech bosses think that digital advertising is different. Last year Mark Zuckerberg, chief executive of Meta, described his company as “well positioned” to navigate macroeconomic uncertainty. In the second quarter of 2025, at a time when the trade war had raised expectations of a recession, Google’s ad revenues rose by 10% year on year. Many investors in big tech argue that its advertising offering could even benefit from a recession as firms large and small desperately try to drum up custom.

The economics of digital advertising are certainly unique. In the old days ad-buyers paid up and hoped their customers glanced at the newspaper spread or stayed on the sofa during the break. These days you might only pay when someone actually clicks on a link. Once you would have no idea of your ad’s impact. Now businesses can track their customers’ spending choices in real time. With AI, targeting and tracking are bound to become even more efficient. And the cost of creating ads could decline to nearly nothing. If businesses come to see digital advertising as a cost of doing business rather than fuzzier



▶ brand-building, pressure to cut during downturns may diminish.

Yet there are reasons to doubt the digital ad men's upbeat pitch. One is history. Pundits have a long record of claiming that a new form of media had made advertising dollars recession-proof, only to be disproved by a subsequent downturn. In the 1950s, as local TV channels proliferated across America, trade commentary argued that advertisers would adjust campaigns by market, thus weathering economic downturns without cutting advertising outright. In 2000 Sumner Redstone, a media mogul, insisted that advertising was "no longer cyclical", pointing to the strong performance of MTV, a music-video station, during the prior recession.

Neither prediction was borne out. The spread of local TV did not stop businesses from buying many fewer ads after the deep slump in 1973-75. More reliable data show that Redstone was wrong, too. American advertising spending declined by close to 30% between 2006 and 2009 (after adjusting for inflation).

The recessions of 2008-10 and 2020 are also an imperfect sample from which to extrapolate the future of digital ads. It is true that in both those cases online advertising held up even as offline varieties fell off a cliff. Yet in 2007-09 digital ads were climbing from a tiny base, so migration of advertising from print and television to the internet offset cyclical weakness. Now that digital advertising is so dominant, there is less offline share to snaffle. And in 2020 lockdowns forced people temporarily to spend a lot more time looking at screens.

Already digital advertising is displaying some of the old patterns. In a paper from 2020 Jung Kim of the Commonwealth University of Pennsylvania, Bloomsburg, found tentative evidence that online spending is more pro-cyclical than offline spending. Research published the same year by Alvin Silk of Harvard University and Ernst Berndt of the Massachusetts Institute of Technology found that in recent years aggregate advertising spending in America "has become more sensitive to the overall performance of the national economy". Last year Goldman Sachs, a bank, estimated that since 2020 the correlation between American GDP growth and digital ad spending has increased.

One reason could be that digital advertisers are highly reliant on custom from small firms, which may be quickest to cut budgets when they perceive that times are bad. Another relates to how firms buy ad space. Digital ads typically grant more contractual flexibility than non-digital ones, making it easy for businesses to back out. The next time the macroeconomy is rocked, in other words, the digital ad men may find themselves ordering a particularly stiff martini. ■

Trade deals

The levies give way

America strikes a long-awaited tariff truce with India

AFTER MONTHS of trade friction America has agreed to slash tariffs on India. In return, India will halt its purchases of Russian oil, President Donald Trump announced on February 2nd. America's "reciprocal" tariff on Indian goods will fall from 25% to 18%, said Mr Trump. An additional 25% levy, imposed in August as punishment for India's purchases of Russian crude, will be lifted altogether, according to American officials.

India's prime minister, Narendra Modi, confirmed the reduction in tariffs, though he was mum on Mr Trump's claim that India had pledged to buy more American goods, including \$500bn-worth of energy and agricultural products. Nor did Mr Modi comment on India's purchases of Russian oil, which Mr Trump says are helping fund Russia's war in Ukraine.

The truce will be a boon for the Indian economy. It has largely weathered the impact of Mr Trump's tariffs. Outside a few regions specialising in gems or textiles, India is not geared towards manufacturing exports. Goods such as phones and generic drugs were exempt; the effective tariff on India's export mix was around 35%. But the levies crushed any hope that India might benefit as companies seek to diversify their supply chains away from China. HSBC, a bank, estimated that the previous, higher tariffs would shave 0.7 percentage points off annual Indian growth. Now it

reckons the effect will be half that.

Indian officials also hope the long-awaited trade deal will improve sentiment towards the country. Investment spending, by both foreign and domestic companies, has been muted even though India remains the world's fastest-growing major economy. Economists in Mumbai, the financial centre, have lamented the absence of "animal spirits" despite a flurry of tax cuts and reform efforts that India announced following the imposition of tariffs. The Indian rupee rallied following the deal's announcement. Equity indices also jumped. Although an 18% tariff is still high, it is lower than the levies America imposes on rival labour-intensive manufacturing hubs such as Vietnam, Bangladesh and China.

America's relationship with India has fluctuated during Mr Trump's second term. At a meeting in Washington in February 2025, Messrs Trump and Modi discussed plans to expand trade and deepen economic ties. But negotiations stalled—and then came the tariffs. Tensions were further inflamed by Mr Trump's claim that he had brokered a peace between India and Pakistan following a conflict in May. Indian officials say America played little role.

Only lately have relations improved. The new American ambassador in New Delhi, Sergio Gor, is credited with taking the edge off since his arrival in January. Mr Trump may also fear being left behind: his announcement came less than a week after India and the European Union unveiled their own trade deal.

Mr Trump's bombastic claims are unlikely to be realised. Indian imports of Russian oil were already declining before the deal, partly owing to stricter American sanctions. Yet the country regards its energy-sourcing decisions as a matter of national sovereignty. The Kremlin said that it ▶▶



Seeing eye to eye again?

▶ had heard nothing from India about cutting purchases after the deal was announced. They are unlikely to quickly go to zero. The notion that India could soon buy \$500bn of American goods is even less credible. In 2024, the latest available, its total imports from America, including goods and services, amounted to \$83bn.

Might India eliminate its tariff and non-tariff barriers on American goods in full, as Mr Trump says it has promised? That, too, is improbable. Agriculture has

long been a sticking point. India restricts GM crops and prohibits feeding cattle with animal by-products. And sure enough, two days after the deal was announced, Piyush Goyal, India's commerce minister, said agriculture and dairy had been "completely protected". America's trade representative, Jamieson Greer, confirmed India would retain protections in some "key areas".

For India, the risks are two-fold. The first is that Mr Trump becomes frustrated. He has talked of higher tariffs on South

Korea and Japan unless they follow through on investment targets they negotiated with Uncle Sam last year. A deal with the EU did not prevent him from threatening the bloc with tariffs during a dispute over Greenland. The second risk is domestic. India has managed the trade war reasonably well, using it as a spur to deregulate the economy, tidy up the tax code and strike new deals with other export markets. The challenge is to keep up that reform energy even as the trade war cools down. ■

BUTTONWOOD

Where bulls continue to run

There is a lot more to emerging markets than "sell America"

FOR MUCH of the past 20 years emerging markets (EMs) have seemed doomed never to emerge. The world's up-and-coming economies were supposed to offer daredevil investors a shot at outsize returns: the chance to profit from the superior growth of middle-income countries as they caught up with rich ones. Sure enough, the IMF reckons that emerging and developing economies, on average, have increased their output faster than advanced ones every year this century, often by several percentage points. Yet after a terrific boom in the 2000s their stockmarkets had, until recently, generated lousy returns. It took until 2021 for MSCI's index of EM shares to reattain its peak from 2007—only quickly to crater again, by over 40%.

Now EM stocks are soaring once more. The MSCI index that tracks them rose by 34% in 2025, compared with 21% for its developed-markets equivalent. With this year barely a month old, EMs are already up by another 9%. Currencies from the Mexican peso to the Malaysian ringgit have surged against the dollar. The returns of local-currency EM bonds have trounced those of risky "high-yield" American or European debt. Can the stellar run continue?

A big part of the answer depends on what happens next with the dollar. Since the late 1960s, when the Bretton Woods system of fixed exchange rates began to fall apart, the greenback has been through four major bear markets. Each time, note analysts at Bank of America, EM stocks have roared. Their recent success has come as, once again, the currency's strength has waned. So far, measured against a basket of rich-world peers, it is only 11% below its high point of 2025—a mild dip compared with a fall of 41% between 2002 and 2008.



If traders carry on dumping dollars, EM assets have much more to gain. Though the governments of emerging economies increasingly borrow in their own currencies, especially in Asia, plenty still have hefty dollar-denominated debts. A weaker greenback makes those cheaper to service and repay. All else equal, it should also give a boost to international trade priced in dollars, such as commodity exports. And capital flowing out of America has to flow somewhere. The average portfolio allocation to EM stocks of active fund managers is close to its lowest in two decades, making such assets an obvious choice for those looking to diversify.

Yet the bull case for EMs does not rest solely on the "sell America" trade continuing. To see why, consider three reasons for even the most ardent America First investor to give them a look: the stocks' cheapness, their resilience and their potential to benefit from global growth.

Cheapness is the most obvious draw. True, EM shares look pricey compared with their own history: at 13 times expected underlying earnings for the coming

year, they have rarely been dearer. This valuation nevertheless represents a 40% discount to that of America's S&P 500 index. America's tech giants might well mint extraordinary profits from artificial intelligence, but so too will firms in China, South Korea and Taiwan. Investors buying a broad basket of EM stocks can bet on the same trend for a far lower price—and with more diversification in case AI disappoints.

What is more, in the event that a shock knocks the world economy off-kilter, EMs are far better placed than they once were to cope with it. Middle-income countries across Latin America and Asia have spent decades building stronger institutions, amassing foreign-exchange reserves and empowering their central banks. Their resilience was on full display when prices surged globally in 2022 and many raised rates well ahead of the Federal Reserve and the European Central Bank, successfully reducing inflation. Investing in EMs remains riskier than betting on advanced economies, but much less so than it used to be.

In fact, the global economic backdrop looks about as close to EMs' sweet spot as it could be. The IMF forecasts global GDP to rise steadily in 2026, albeit more slowly, with EMs outpacing rich economies by 2.4 percentage points. America's Federal Reserve is poised to cut interest rates further, but few fear a recession. In other words, things look not too hot and not too cold: ideal for encouraging investors to deploy capital in places that are a bit riskier but that will probably grow a bit faster and generate higher returns. It would certainly help if Donald Trump, America's president, gave investors yet more reasons to shun American assets—but regardless, EMs' bull run may only be beginning.

FREE EXCHANGE

Warshonomics 101

Untangling the ideas of Donald Trump's Fed nominee



FEW CONSIDER the Federal Reserve to be an all-singing, all-dancing body. But Kevin Warsh did manage to talk a fellow Fed governor into belting out a musical number at his first meeting in 2006. In the years since, Mr Warsh has mostly sung a consistent refrain: that inflation was perilous, monetary policy often over-stimulative, and Fed bond-buying at the root of many of America's economic woes.

Lately Mr Warsh's tune has changed. The inflation hawk of old seems to have swapped his feathers. That metamorphosis helped him get the nod from the president, who is desperate for lower interest rates. After years as a dissident, Mr Warsh is set to run the world's most important central bank. He has called for no less than "regime change". What exactly that means looks hazy, but Mr Warsh's 20-year-plus record of Fed critique offers hints for what America, and the world, should expect from Warshonomics.

Start with the core job of any central banker: steering interest rates. Statutorily, the Fed follows a "dual mandate": to balance low inflation with a healthy jobs market. For most of his career, Mr Warsh has been adamant that inflation comes first. "If price stability is squandered, financial stability is put at risk. If financial stability is lost, the economy is imperiled and the social contract is threatened," he wrote in 2021.

Accordingly, Mr Warsh has usually sided with the inflation-crushing hawks. *The Economist* used an artificial-intelligence (AI) model to place nearly 200 of his speeches, television appearances and papers on a "hawk-dove" spectrum. Before this year, the only times he veered into doveishness were during serious scares: the global financial crisis of 2007-09, the covid-19 pandemic and the collapse of Silicon Valley Bank in 2023. That was until Donald Trump won a second term. Since then he has called for rate cuts repeatedly, forcefully and out of keeping with his younger self.

What has changed? An imminent productivity boom courtesy of AI and Mr Trump's deregulatory zeal. These, Mr Warsh argues, will squash inflation. He fears high rates could strangle resulting growth. Yet even if productivity surges as he predicts, which is uncertain, the thesis is flawed. Though higher productivity lets the economy grow faster without lifting prices, once inflation does

rear its head—and today inflation remains above the Fed's 2% target—higher rates are needed to squeeze demand. Second, productivity gains usually drive higher investment, which raises the "neutral rate": the theoretical level at which Fed policy is neither easy nor tight. Lowering rates as that baseline rises could over-stimulate the economy, turbocharging inflation.

If Mr Warsh has flip-flopped on rates, he has been resolute on the main villain in American monetary policy: the Fed's ballooning, multitrillion-dollar balance-sheet. The conventional debate about quantitative easing (QE), finance-speak for buying bonds with newly printed money, tends to focus on whether it has a small impact or none. Mr Warsh stands out for the scale of the sins he lays at QE's door: government profligacy, misallocated capital, higher inequality, diminished Fed independence, a more fragile banking system and sagging productivity. Some of those allegations are plausible, others less so. All are overwrought.

To reduce the imprint on the economy he believes QE to have left, Mr Warsh wants to shrink the Fed's balance-sheet. That goes against the Fed's recent decision to end quantitative tightening (shrinking the balance-sheet by letting holdings mature). Were Mr Warsh to begin offloading bonds, the immediate effect would be to lower prices and push up yields. Those yields determine key interest rates in the economy, including those of mortgages. Mr Warsh's plan would be to offset those rises by cutting short-term rates. The upshot would be a steepening of the yield curve, as the gap between long-term borrowing costs and short-term ones widens. Getting the balance right would be a delicate dance, not least because the effect of Fed purchases on bond yields is uncertain.

Should he succeed, another issue would emerge. The mirror of the Fed's bond holdings are the reserves held by banks, which the Fed issued to buy the bonds in the first place. Since the financial crisis, those reserves have become the main tool for setting interest rates. Leave too few reserves and the market for overnight bank borrowing could become chaotic, repeating, on a bigger scale, the "repo" liquidity crunch of 2019.

Calling the tune

Then there is the most naked dimension of the "regime change" that Mr Warsh proposes: remaking the Fed itself. The bank has made mistakes in recent years—it was caught offguard by the post-pandemic surge in inflation. Some of Mr Warsh's criticisms, such as the notion that central banks should steer clear of politicised terrain such as climate change and racial justice, are sensible. But others are questionable. Mr Warsh has accused the Fed of being too reliant on data in general and too wedded to antiquated government statistics in particular. But without credible figures to track the economy, all that is left is unfalsifiable speculation on future productivity booms and similar conjectures. And the private providers of data he is promoting are still a long way from superseding official ones. Just ask stockmarkets, which still surge or sink on payroll or inflation releases.

As Fed chair, Mr Warsh will have three audiences to please: Donald Trump, financial markets and his fellow rate-setters at the Fed, a technocratic bunch whose votes he will need to get anything done. Mr Trump dearly covets lower interest rates; markets are increasingly leery about American assets; and his peers at the bank will hamstring his tenure if he gets too political. To keep everyone clapping, Mr Warsh will need to turn in the performance of a lifetime. ■

Science & technology



American science (1)

Shreds of evidence

BOULDER, COLORADO, AND CAMBRIDGE, MASSACHUSETTS

The Trump administration's scepticism of science is ushering in an era of accelerated fossil-fuel use and a rise in preventable diseases

BY ANY REASONABLE measure, Michael McGehee's laboratory at the University of Colorado in Boulder looks like a good investment. With a four-year \$8m grant from the Department of Energy (DoE)—a rounding error in the agency's almost \$50bn budget—a small team of scientists has been refining a technology that could transform the economics of renewable energy. Tandem solar cells, formed by topping a layer of silicon with a special crystal known as a perovskite, have an efficiency well beyond that of conventional panels.

But achieving commercial success will depend on making perovskites less fragile. In October 2025, just as Dr McGehee and his team were hitting their stride, Donald Trump's administration abruptly terminated their grant. Since then Dr McGehee has laid off three of his nine scientists. With only one employee remaining who can maintain the lab's equipment, and no money to pay him beyond June, Dr McGehee is

contemplating closing shop for good.

All incoming presidents change scientific priorities and modify budgets in line with their policy goals. But the nature and scale of Mr Trump's interventions are unusual. He and his allies have attempted to upend American science wherever it is conducted, from university laboratories to federal agencies. Some of this onslaught has been successfully held back: \$5.1bn in proposed cuts to the National Science Foundation and the Environmental Protection Agency were rejected in the budget passed by Congress on January 15th, for example. Grant Witness, a project that tracks

federal research funding, says that courts have overturned or paused some 5,000 of 8,000 grant terminations (although approximately \$30bn remains cut).

This protection has not, though, been uniformly distributed. Two particular bêtes noires of Mr Trump's base have been most vulnerable to his actions. Funding for renewable-energy research has been gutted. And the appointment of Robert F. Kennedy junior as health secretary has wreaked havoc on America's vaccine regime. Both moves will not only harm Americans but risk weakening the country's influence on the world stage.

The renewable-energy funding allocated by the DoE was particularly badly hit in the budget which Congress passed in January. Research into solar energy was cut by 31%, wind power by 27% and bioenergy by 11%. Funding for nuclear energy, which the administration requested be cut by 19%, received a 6% boost. At the same time, investment in coal research (and not just to reduce emissions) swelled by 260% (see chart 1 on next page). Three months earlier the administration had cancelled another \$7.5bn of DoE research funding, which included Dr McGehee's grant. Russell Vought, the White House budget director, posted on X that these grants were all part of the "green new scam funding to fuel the left's climate agenda" (see next article). ▶▶

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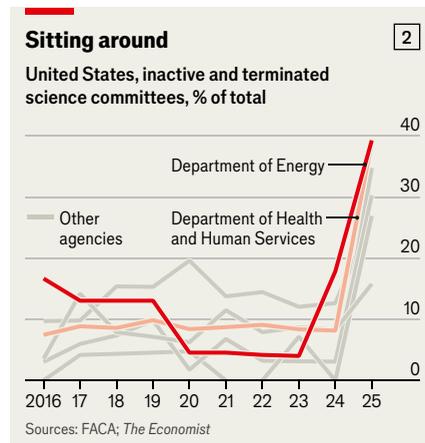
▶ Although a federal judge in the District of Columbia ruled that the cuts were unlawful (among other things, fully 314 of the 315 cancelled grants were in states that voted for Kamala Harris in 2024), the ongoing legal fights will take time. As they play out, researchers look for more stable jobs elsewhere and labs like Dr McGehee's unravel.

The broader shift across the DoE manifests itself in other ways. Employees at its energy-efficiency office have been instructed to avoid the term "climate change". Chris Wright, the fossil-fuel executive turned energy secretary, has said that calling carbon dioxide "a pollutant is just nuts". The "bigger risk", he says, is not too much CO₂ but "too little".

All the while, the world is heating up. According to temperature records, 2024 was the hottest year in America on record. As America retreats from clean energy, China's government has expanded investment in renewables, including the tandem solar cells Dr McGehee is devising. "It is a race to get this technology working first and to build the world-leading companies that do it," he says. Alumni of his lab have founded startups collectively valued at some \$4bn. With funding disrupted to similar labs across the country, America is now likely to produce fewer of these firms.

Advice discontent

Political battles have long raged over money for renewable-energy research. But Mr Trump's assault goes beyond funding—and is not limited to things related to climate change. His appointees are reshaping or dismantling the hitherto uncontroversial panels of outside experts, known as federal advisory committees, that counsel the government on technical matters. *The Economist's* analysis of the past decade's worth of data from the Federal Advisory Committee Act shows that some 200 committees at science agencies have been terminated, suspended or had their work delayed this past year—a record number. Severe disruptions have affected the DoE and the Health Department (see chart 2), in



each of which two in five committees were inactive or terminated in 2025.

The most notable victims are vaccine research and policy. Mr Kennedy, who believes, against all evidence, that vaccines cause autism and other ills, oversees these fields as health secretary. Besides yanking at least \$1.2bn in Health Department grants to develop mRNA vaccines (like those which helped defend against covid-19), in his first year in office he has made pernicious changes to four committees relating to vaccines.

One, which reviews clinical data before vaccines are licensed, dismissed Paul Offit, a leading vaccine scientist, without explanation. Another, which sets priorities for vaccine research, did not meet last year. A third, which advises the health secretary on how to compensate patients harmed by the vaccines they have taken, was required by law to meet four times a year. It convened four perfunctory 30-minute meetings on December 29th. In January Mr Kennedy removed half its members without explanation.

The fourth panel, the Advisory Committee on Immunisation Practices (ACIP), makes vaccine recommendations. In June it was abruptly reconstituted with vaccine sceptics, despite senators saying that Mr Kennedy assured them otherwise. Last month the Health Department cut the list of recommended routine childhood immunisations from 13 to 7 without any of the customary analysis. The last time a disease had its jabs removed was in 1972 for smallpox, the last known American case of which occurred 23 years earlier.

ACIP's priorities have become increasingly untethered from the scientific literature. In December members proposed a working group to investigate aluminium, a common immune-boosting ingredient in vaccines and a frequent bugbear of anti-vaccine activists. Studies have found no evidence the metal harms children. This could be just the start. On January 22nd Kirk Milhoan, a cardiologist who serves as ACIP's chair, told a podcast, "I don't like es-

tablished science," adding that "science is what I observe." He then cast doubt on the necessity of the polio and measles vaccines, which have prevented some 107,000 deaths in America since 1994.

This rhetoric may already be taking a toll. America is experiencing its largest measles outbreak since 1991. The economic costs will accumulate: in 2019 researchers at Emory University estimated that responding to a single measles case can cost \$142,000. Harder to estimate are the consequences of retracting funding for future treatments; mRNA vaccines, for example, could be transformative for those with ordinarily fatal cancers and help prevent the spread of future pandemics. At the World Economic Forum in Davos last month the boss of Moderna, which developed an mRNA covid jab, said it would invest less in clinical trials because of the administration's scepticism.

The most troubling scientific consequence of the Trump era, however, lies beyond any one research area. The president has shown that expert panels and funding, like many other things over which the executive branch holds sway, can be wielded as a partisan cudgel. This may foster exactly the sort of mistrust of America's scientific bureaucracy that he and his allies have long harboured. This time, tragically, the mistrust would be justified. ■

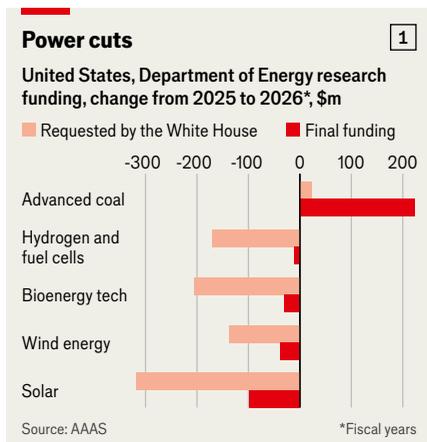
American science (2)

Climate of fear

The administration's attack on climate data leaves Americans exposed

AMERICAN SCIENTISTS have historically been leaders in the collection and analysis of data on climate change. The longest-running observations of carbon-dioxide concentrations in the atmosphere, for example, are collected at the Mauna Loa observatory in Hawaii. The National Snow and Ice Data Centre at the University of Colorado, Boulder, for its part, holds unique databases on the annual ebb and flow of sea ice at both poles. America also owns 58% of the roughly 4,000 Argo floats which drift at depth across the world's oceans, gauging their health before popping up to the surface every ten days or so to broadcast their data home.

These projects, and many more like them, are now under threat. Donald Trump's administration is decommissioning long-standing databases; deleting key reports and analyses; and firing or reassigning the staff who have unique expertise in making sense of the data. Such ac-



► tions will make climate modelling harder. But the harm done will be felt not just by the world's climate scientists. American citizens and businesses will suffer, too.

Good data are an essential part of validating the results of climate models. If a model can accurately simulate what has been observed in the real world, this gives scientists confidence in its projections of the future. Continuous climate data also show how global warming is affecting the world. Information about dead vegetation accumulating in fire-prone regions can be combined with temperature and rainfall numbers to predict a heightened risk of fires. Without it, such events are harder to predict and, therefore, more dangerous.

A number of databases and key reports have already been shut down or deleted. Under America's Greenhouse Gas Reporting Programme, industries provide data on how much they emit each year; the numbers are published in an annual inventory and submitted to the UN. Last year's tally was not released, however. The Environmental Protection Agency has proposed eliminating or suspending all reporting requirements for all industries—until 2034 for some, permanently for others. "If finalised as proposed," the federal pollution regulator writes, "no industries would need to submit reports with 2025 data."

The National Climate Assessments have also been removed from government servers. Legally mandated to be published every four years, these gather vast amounts of data to paint a granular picture of America's vulnerabilities in the face of climate change. The information is vital for cities, states and businesses to assess their own risks, plan investments and build resilience. It offers information about the impacts that are causing the most harm, says Rachel Cleetus of the Union of Concerned Scientists, an American non-profit which advocates for science-based policy, including everything from power outages to fires, sea-level rise and heatwaves. The next climate assessment is due in 2027 but the government has terminated the contract with the group that produces it.

Global warning

Several other national information troves have been discontinued. The Billion-Dollar Weather and Climate Disasters database, for example, which records natural disasters going back to 1980 that have caused at least \$1bn in damages, was retired by the National Oceanographic and Atmospheric Administration (NOAA) in 2025. This database not only shows that the costliest climate-related disasters are becoming more frequent and more costly, but also provides hazard maps with future risk projections.

The National Environmental Satellite, Data and Information Service, a branch of



NOAA, maintains an online list of dozens of climate data sets and information sites that have been discontinued in the past year—far more than normal. It includes databases documenting marine heatwaves over coral reefs, the properties of cloud cover and more.

"It's really important to recognise that, first and foremost, this is harmful to people in the United States," stresses Dr Cleetus. The repercussions will also be felt farther afield. Researchers outside America are wary of how the termination of data collection there will affect their work. The Argo floats, for instance, have built the best evidence there is of how the oceans' heat content is increasing—an important trend because the oceans have absorbed more than 90% of the extra heat trapped in Earth's system by greenhouse gases. Rising ocean heat content is the most direct evidence of global warming.

There have been no signs as yet that America will withdraw funding from the project, but international partners and users are increasingly concerned. Officials involved in compiling India's monsoon forecast have warned that losing the Argo data would significantly affect its accuracy. The loss of the American researchers most experienced in handling these may also prove problematic.

Some steps can be taken to mitigate the damage. Adam Smith, the researcher who previously ran the Billion-Dollar Weather and Climate Disasters project for NOAA, has been hired by Climate Central, a climate non-profit, to run the data set from there. Europe's Copernicus Climate Change Service has calculated that the loss of American data will have only a small impact on their forecasts. "We are resilient," says the centre's director, Carlos Buontempo. But preparing for an uncertain future has become an even harder task. ■

Oncology

An ounce of prevention

More than a third of cancers arise from preventable risks

SCIENTISTS HAVE long known that some cancers have preventable causes. But reliable estimates of how many, exactly, have been few and far between. In a report published in *Nature Medicine* on February 3rd, a team led by researchers at the International Agency for Research on Cancer at the World Health Organisation provide the most comprehensive figures to date.

The 30 risk factors covered in the study include habits within an individual's control, such as smoking and alcohol consumption, as well as environmental factors such as air pollution and infections. The study found that of the nearly 20m new cancers thought to have occurred worldwide in 2022 (the last year with available data), 38% were due to preventable factors. Because the study did not include the effects of various suspected carcinogens, such as certain food preservatives, the authors estimate the real figure may be somewhat higher. For now, the study offers policymakers their clearest guide yet on how public-health measures can reduce the rates of cancer.

Unsurprisingly, people living in different parts of the world are exposed to different risks (see chart on next page). But two stand out virtually everywhere: tobacco smoking and infections. Smoking is the leading cause of cancers in men in almost all countries outside sub-Saharan Africa, as well as for women in America, Europe and Oceania. Infections are the leading cause for women elsewhere. All told, one in six cancers worldwide are caused by smoking and one in ten is caused by an infection. Alcohol, third in the overall ranking, causes 4.6% of all cancers in men and 1.6% of those in women.

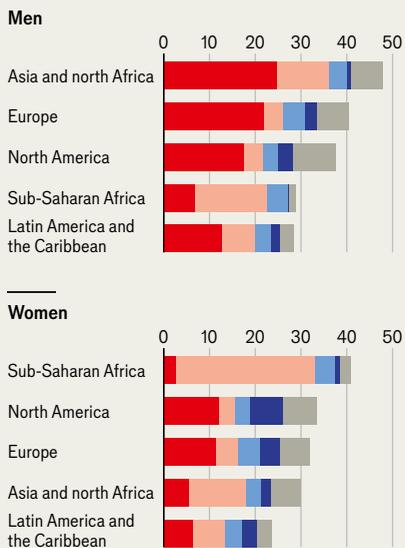
The results highlight the continued health risks posed by smoking, which has been linked to at least 15 types of cancer. Even those who quit can have a heightened risk of developing cancer for decades afterwards. Many countries are, therefore, trying to catch lung cancer earlier by introducing routine CT scans for both current and former smokers.

Carcinogenic infections are another area where intervention could do tremendous good. Nearly all cervical cancers, for example, are caused by chronic infection with the human papillomavirus, or HPV. Liver cancers arise predominantly from the Hepatitis B and C viruses. Stomach cancers are mostly caused by infection with ►►

Living dangerously

Cancers from preventable causes, 2022, % of all cases

Smoking Infections Alcohol
High BMI Other



Source: "Global and regional cancer burden attributable to modifiable risk factors to inform prevention", by H. Fink, O. Langselius, J. Vignat et al., *Nature Medicine* 2026

▶ the bacterium *Helicobacter pylori*.

Vaccines against HPV and Hepatitis B infections, now part of many countries' routine jabs for children, are consequently forecast to prevent millions of cancers in the coming years. In Britain, cervical-cancer rates among women in their 20s have fallen by 90% since 2008, when the country began using the HPV jab.

Although there is no vaccine for Hepatitis C, an infection transmitted via blood, highly effective antiviral treatments have become available in the past ten years. Improvements in food hygiene, sanitation and antibiotic availability over the past century, meanwhile, have caused *H. pylori* infection numbers to plummet. These, too, exhibit great regional variability: early-life infection with *H. pylori* remains widespread in poorer countries, where stomach cancer is much more common.

Although there is cause for optimism, some types of cancer remain far less amenable to prevention than others. The onset of cancers of the breast and pancreas, for instance, is mostly due to internal biological mechanisms that scientists have yet to untangle. The hope remains, however, that these, too, may one day join the ranks of cancers with mostly preventable causes. ■

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Well informed

Is green tea better for you than black tea?

Both offer health benefits, but the case for green tea is getting stronger

AFTER WATER, tea is the world's most popular beverage. Some drinkers may be attracted by its warmth on a cold day, others by the cobweb-clearing promise of its caffeine. But tea possesses health benefits, too. For one, it contains L-theanine, an amino acid thought to boost dopamine and serotonin, brain chemicals that lift mood. Tea is also rich in antioxidants that researchers have linked to reduced risks of developing cardiovascular disease and dementia.

Black teas (such as Assam and Darjeeling) account for more than two-thirds of consumption. Worldwide sales of green teas (such as matcha), however, have been steadily climbing in recent years, buoyed in part by reports that these may be healthier. But what does the science say?

One striking paper was published in *Molecules* in 2019. Its authors analysed data on 3,349 individuals aged 50 and up. After adjusting for smoking, coffee consumption and other variables, they found that those who drank green tea scored higher than black-tea drinkers on a "successful ageing" health index that assigned scores for such things as body weight, health and levels of physical and social activity.

One reason for this might be their respective L-theanine content. Green tea contains nearly 28% more per cup than black tea does, a study found in 2016. In

addition to promoting soothing brain chemicals, L-theanine has been shown by recordings of brain activity to amplify alpha brain waves—electrical oscillations that seem to sharpen mental focus without causing jitters. When consumed regularly, L-theanine seems to reduce stress and improve sleep. The benefits appear to increase with the daily dose, at least up to about 200mg, roughly the amount in eight cups of green tea.

Two studies bear this out. In one, published in *Nutrients* in 2019, 30 Japanese adults of all ages took 200mg of L-theanine daily for four weeks. They also spent another four weeks on a placebo. In addition to increasing verbal fluency and cognitive function, the supplements "significantly" improved sleep and reduced symptoms of anxiety and depression compared with placebo, the researchers wrote. In another trial, reported in the *Journal of Medicinal Food* in 2021, 26 Japanese volunteers aged 50 to 69 were given a supplement with only half as much L-theanine. After just a single dose, they performed notably better on tests of memory and reaction speeds than participants who had popped a placebo.

Green teas have also been shown to contain roughly a fifth more antioxidants than black ones. Although both are made from the leaves of the same plant, *Camellia sinensis*, black tea leaves are dried, crushed and left to darken as their compounds slowly react with oxygen. This oxidation converts many of tea's antioxidants into new molecules. According to a paper in the *International Journal of Molecular Sciences* in 2020, one antioxidant left behind in green tea eases inflammation and helps kill off damaged cells, possibly reducing risks of cardiovascular disease and cancers of the respiratory and digestive systems.

Black tea is not without its own benefits. It is richer than green tea in beneficial compounds such as theaflavins and thearubigins. Theaflavins reduce the body's absorption of cholesterol, a fatty molecule that can contribute to arterial plaque, whereas both theaflavins and thearubigins protect cells from oxidative and inflammatory damage. By all means make your next order a matcha, but do not chuck those black-tea bags just yet.



Culture



The internet and your health

Going viral

Separating medical fact from fiction is becoming harder online

Bad Influence. By Deborah Cohen.

Oneworld; 384 pages; £18.99.

To be published in America in May; \$28.95

THE DOCTORS had never seen anything like it. During covid-19 lockdowns teenage girls across the world began jumping, hitting and shouting insults and non-sequiturs such as “beans” and “beetroot”. Some were rushed to emergency rooms; neurologists called it a “pandemic within a pandemic”. Parents suspected Tourette syndrome, which can manifest as repeated twitches. But it turned out these were not ordinary tics: they were TikTok tics.

The girls had spent hours watching #Tourette and #Tic videos online. In three weeks in March 2021 views of videos on TikTok with those hashtags rose by 7%, to a whopping 5.8bn. Some of the girls were imitating what they had seen online to fit in with friends. Others had what doctors

dubbed “functional tics”: a neurological disorder brought on by stress. One paediatric neurologist who had witnessed the sudden spike in patients started researching the phenomenon and discovered that online influencers were more likely to post videos with extreme tics to rev up user engagement. Two-thirds of the most popular content creators were selling merchandise on their accounts, directly profiting from internet-addled users.

Commerce, entertainment and well-

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ness are “colliding” online, with huge repercussions for well-being. A new book by Deborah Cohen, a British journalist and trained physician, argues that the internet has “hijacked our health”. On YouTube health videos have amassed more than 200bn views, and people now google medical questions hundreds of millions of times a day. AI will make the internet an even bigger part of wellness. A recent poll by Ipsos, a pollster, found that nearly 30% of British respondents get medical advice from large language models (LLMs). Already 40m people worldwide use ChatGPT for medical advice; a new feature can tailor responses based on users’ medical records and fitness-tracking apps.

The benefits are clear. A few swipes and taps offer answers to questions you might otherwise have to queue at the doctor for—or be too embarrassed to ask. Yet Dr Cohen is not convinced technological progress is making people healthier. She calls out “unfettered” online advertising on social media and a “wellness industrial complex” (comprising pharmaceuticals, tech, testing and supplement firms) to argue that “a global experiment in public health” is being conducted online, which “may be doing more harm than good”. For every doctor who posts about medicine, there are more life coaches, health podcasters and charlatans who spread quackery: dog ▶▶

▶ dewormer to cure cancer or a coffee enema to “detox” your system.

The internet is changing health in three important ways. First, it is persuading people they are sick when they are not. Dr Cohen analyses the “explosion” of posts about attention-deficit hyperactivity disorder (ADHD) in recent years. ADHD is typically diagnosed in childhood, but between 2020 and 2023 there was a 400% increase in adults seeking diagnoses in Britain.

Online users (including your correspondent) are often targeted by videos that shine a light on “secret signs” to look out for in adulthood. Influencers in scrubs ask questions like: “Do you struggle to finish a book unless it’s something you’re interested in?” (Doesn’t everyone?) In 2023 an analysis of the most-watched ADHD videos on TikTok found that less than 50% accurately reflected the symptoms. But by pathologising ordinary behaviours, videos are more appealing and likely to go viral, which helps those who are selling ADHD tests and supplements.

That points to the second change: the internet has created a “wild west” of medical advertising. In nearly every country apart from America and New Zealand, it is illegal to push drugs to consumers. But online, adverts from regions with less regulation reach patients everywhere. Ads are not always easy to spot, either: some firms work with “patient influencers” who receive free drugs or payment in exchange for mentioning the company’s name in their testimonies.

Online content often targets the “worried well”: healthy people who are anxious about getting sick. It is often said that sex sells in marketing, but when it comes to health, anxiety does. Videos with titles like “This Common Food Is Feeding Your Cancer Cells” get millions of views. Or take testosterone replacement therapy, which has gone from a niche treatment to one lauded online as a “fountain of youth” and type of “masculine fulfilment”, used by people like Joe Rogan, a podcaster, and Robert F. Kennedy junior, an American vaccine sceptic-turned-top health official. Some online clinics and adverts obscure testosterone’s side-effects, which range from awful (infertility) to awfully ironic (testicles can shrink).

Firms that can offer “quick fixes” to health concerns are in rude health. Yet such claims are unfounded, Dr Cohen notes, because medicine “is a science of probabilities rather than certainties” with no blanket cures that work for everyone.

All this is making doctors’ jobs harder, which is Dr Cohen’s third point. Many patients turn up to appointments with evidence for their suspected condition, buttressed by hours of watching influencers’ testimonies online. Some bring along the results of bogus tests and dodgy scans

from small, unregulated companies. Doctors must then order further screening tests and biopsies to rule out diseases, which may make patients more anxious and waste everyone’s time and resources.

“Bad Influence” is a fascinating and richly researched book, and an excellent guide for anyone who finds himself regularly googling their symptoms. Yet like an unhelpful doctor, it focuses on what is wrong without offering many solutions. Dr Cohen spends too many pages on “the commodification of our health” and too few on how digital medicine could be used to revolutionise bureaucratic health systems and improve efficiency.

She is also too uninterested in AI, devoting only a few paragraphs to LLMs. Admittedly technology has progressed since her book went to press: LLMs can now diagnose common diseases nearly as well as physicians and have even outperformed humans on medical exams. Yet AI also makes it harder to study the negative effects of digital health care, as conversations are private and impossible for outside researchers to monitor (unlike the trumpeted endorsements of influencers). Dr Cohen simply concludes that “We deserve good influence so we can take better care of ourselves and each other.” That seems so obvious that readers may find themselves wanting a second opinion. ■

Winemaking

Château Portmanteau

Blouge, a new style of wine, is taking off

IS IT A red wine, or a white? It is both. As its name suggests, Côtes d’Amourschwehr Pinots, from Christian Binner, a winemaker in the Alsace region of France, is a blend of two grapes: pinot gris, a white grape, and pinot noir, a red grape. Served slightly chilled, the resulting wine is light and refreshing, like a white, but with the structure and depth of a red.

Mr Binner calls it “blouge” wine—a portmanteau of *blanc* and *rouge*. He is one of many winemakers around the world championing this emerging style, which handily helps them respond both to shifting consumer tastes and to the challenge posed by climate change.

The centre of blouge is France, but winemakers are trying it almost everywhere wine is made. Boogie Woogie, a blouge from Aubert & Mathieu, a winery in the Languedoc region, combines grenache noir with grenache gris. Superbloom, made by Las Jaras Wines in Sonoma, California,



Singing the blouge

blends white chenin blanc and viognier with red carignan and grenache noir. Rainbow Juice, from Gentle Folk, a winery in Adelaide Hills, Australia, brings together red sangiovese with white pinot gris, gewürztraminer and sauvignon blanc. The latest example comes from the venerated wine region of Bordeaux. Jacques Lurton’s “J” cuvée, announced in November, combines cabernet franc and sauvignon blanc, and claims to “embody the spirit of blouge: a new, modern and surprising path”.

This blending makes blouge different from rosé, which (despite its pink colour) is almost always made using only red grapes. Co-fermentation of red and white grapes is not a new idea. Many champagnes combine white and red grapes (but with minimal skin contact for a golden colour); the great syrahs of the Northern Rhone include some viognier; and the traditional blend for chianti, an Italian red, includes malvasia bianca. But blouge is breaking new ground with its style of lighter, fresher wines, often with playful names to emphasise their novelty and expand their appeal.

This aligns well with changing consumer tastes. Lighter reds and rosés have been gaining popularity in recent years. But the use of both red and white grapes gives blouge “a more racy and approachable profile”, says Sarah Campbell of IWSR, a market-research firm. It is generally lower in alcohol than red wine and more versatile than rosé when it comes to food pairing.

Because they often break the strict rules about the grapes that can be combined in specific regions, blouge wines must use less prestigious, more generic classifications (such as “Vin de France”). Aficionados may sneer, but blouge is aimed at younger, more adventurous consumers. “They want to drink something new, fun and easy-going,” says Ms Camp- ▶

BACK STORY

The triumph of Travis Bickle

The anti-hero of "Taxi Driver" is as recognisable now as 50 years ago

YES, WE'RE talkin' to him, or at least about him. Fifty years after "Taxi Driver" was released in February 1976, Martin Scorsese's sleazy masterpiece—a morality tale with a sketchy moral—routinely ranks among the greatest ever films. It is chiefly revered for two characterisations: of Travis Bickle, the de-ranged cabbie-turned-vigilante played by Robert De Niro, and of New York. One has held up better than the other.

Subway crime, berserk prices, rats: today's New York suffers a range of urban blights. Watching "Taxi Driver" puts them in perspective. There was a sanitation strike in the summer of 1975, when the film was shot, and it shows. Unemployment and the murder rate were soaring; the population was shrinking. Municipal bankruptcy loomed.

"All the animals come out at night," Travis says in his noirish voice-over. His New York is overrun by drunks, druggies, strippers, child prostitutes and stick-up artists. As with Dostoyevsky's novels, several of which share Mr Scorsese's theme of child abuse, you can't turn away, but feel like scrubbing yourself clean when the story ends. After Travis slays three low-lives in the gory climax, the camera surveys the carnage from above, as if passing divine judgment. Everything was worse in the 1970s, you may conclude—except for the movies.

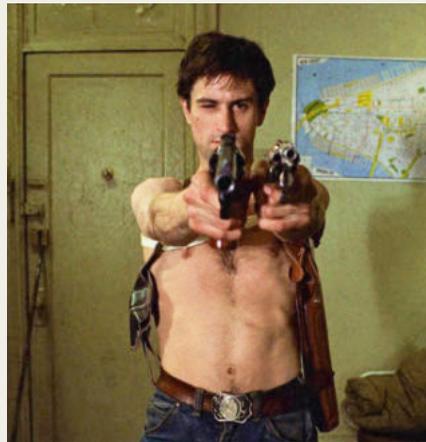
On screen, as in reality, New York contains multitudes: it is an abode of moonstruck lovers and greed-is-good financiers, hustlers and mafiosi, ghosts and their busters. Yet for many film buffs "Taxi Driver", set in a neon-lit cesspit of vice and decay, is the supreme New York movie. Watch it closely, though, and it is less a portrait of a place than of Travis's febrile perception, refracted through his rain-slicked windscreen and crumbling

mind. The shimmery surface of the metropolis is a mirror. Probably great cities always are.

And the character it reflects is all too contemporary. Travis is a damaged Vietnam veteran, but his neuroses and contradictions are familiar in the atomised 21st century. Like lots of would-be moral reformers down the ages, he is transfixed by what reviles him. He loathes the Gomorrah of the East Village and Times Square but hangs out in porno cinemas. "Here's a man who would not take it any more," Travis declares. The "it" is partly himself.

Above all, he's a loner. The yellow carapace of his taxi is a symbol of his isolation. It's as if there is a secret to communicating that no one has told him. He wants to make friends and court women but doesn't know how. One of the shocks in a film replete with them is a lateish mention of his parents. Travis has seemed so irredeemably alone.

As it does for some misfits today, politics offers a jolt of power for his ego and a sheen of virtue for his rage against "filth and scum". The identity of the politician



he fixes on hardly matters, nor whether Travis supports or (as he plots to) assassinates him. Racism and misogyny are outlets, too. "You're like the rest of them," he tells a woman who bolts when he takes her to see a skin flick. In 2026 Travis would find consolation in alt-right chatboards and incel forums.

In the end, he seeks redemption in violence. His most loving relationship is an all-American romance with his guns. He buffs his scarred torso for action like an acolyte of the body-conscious manosphere, dressing for his rampage as if for the wedding he can never have. As for too many mass shooters of the past 50 years, murder seems his only means to get the world's attention.

The cosmic joke is that it does. In Mr De Niro's coruscating performance, Travis's anguish appeals to viewers' sympathies while his prejudice and bloodlust repel them. Just as his killing spree finally forfeits them, society takes him at his own estimation: his is the righteous kind of violence, the press decides, and Travis is a hero. Posterity has made a similar mistake with "Taxi Driver", replacing alarm with admiration. "You talkin' to me?" is an immortal line, parroted as a slogan of macho bristle. In fact, it is spoken by a psychotic to his own reflection in a slumland bedsit.

As they gawk at skyscrapers, hail yellow cabs like Travis's or watch steam rise from manhole covers, outsiders in New York often feel they're in a movie. So does Travis. He thinks his is a Western or gangster film, but in a way his genre is horror. At least as much now as in 1976, he embodies something real and close that you may prefer not to see. "Well I'm the only one here," he tells the mirror in that famous riff. He is still here—and he is far from the only one.

▶ bell. Anthony Aubert, of Aubert & Mathieu, says the industry needs to innovate to attract younger customers, and "This new category is the perfect answer." His firm sold 20,000 bottles of Boogie Woogie in 2025, 40% more than in 2024. It is, he says, "an interesting start for a new segment".

The blouge approach also provides resilience to climate change. Higher temperatures and heatwaves cause grapes to accumulate sugar more quickly, while the ripening of skins and seeds can lag behind,

causing a mismatch. Harvest red grapes early to minimise sugar and keep alcohol levels down, and you may get bitter, green tannins. Harvest later, and the tannins will be ripe, but the resulting wine will have high levels of alcohol (15-16%) and a flabby lack of acidity. When white and red grapes are combined, however, the white grapes boost acidity and reduce alcohol levels. Winemakers can also harvest white and red grapes at different times before combining them for fermentation, providing

added flexibility as the climate shifts.

Blouge is gaining attention in the wine world, but it is hard to say how much. Data firms consider it still too niche to track. Moreover, there is no accepted definition or name for such wines; many blouge-makers do not use the term, or use it only informally. But some wine shops and restaurants are starting to recognise "light red" as a distinct category, says Mr Aubert. That may encourage more consumers to give blouge a try. ■

Ukraine's Serhiy Zhadan

The pen and the sword

Arabesques. By Serhiy Zhadan. Translated by Isaac Stackhouse Wheeler. Yale University Press; 120 pages; \$18 and £12.99

SERHIY ZHADAN (pictured) is not your average soldier. He is a poet, novelist and rockstar, who is used to performing in front of crowds of thousands. Anyone who claims poetry is dead has not been to his readings: some 4,000 people at a time have attended them in Kyiv. After Russia's invasion in 2022, Mr Zhadan tried to help—evacuating children, securing medicine—but felt he could still do more. In 2024 he enlisted in the National Guard, joining a much feted brigade known as “Khartiia”. That cemented Mr Zhadan's status as one of Ukraine's most popular cultural figures, who embodies how the literary sphere has adapted to life at war.

Mr Zhadan, who is 51, came of age as the Soviet Union collapsed and Ukraine gained independence. His works capture the experience of this transitional generation, full of rough-and-ready characters confronting social upheaval, political revolution and economic hardship. His anarchic persona and promotion of Ukrainian culture have endeared him to a younger audience reckoning with Russian aggression. So, too, has his moonlighting as a frontman for “Zhadan i sobaky” (“Zhadan and the Dogs”), a popular ska-punk band.

His cult status reflects modern literary celebrity with a Ukrainian twist. In a country where supporting the armed forces is both essential and existential, Mr Zhadan uses social media expertly to spread his art and activism. He posts poems, clips from gigs and musings about intelligence networks on Facebook, Instagram and TikTok. Tapping into the growing popularity of video podcasts and hoping to boost the profile of his brigade, he set up Radio Khartiia, a website that hosts discussions on military life and Ukrainian culture. Mr Zhadan's interviewees have included Kyrylo Budanov, Ukraine's former spy boss, and Ai Weiwei, a Chinese artist.

But Mr Zhadan also celebrates the everyman. “Arabesques”, a collection of his short stories, will be published in English in February. It elegantly describes ordinary people enduring war and offers a poignant portrait of Kharkiv, his home town, which is only some 40km from Russia. His characters are civilians carrying on in eerily empty neighbourhoods, volunteers driving aid to forgotten villages and soldiers strug-



Ready for Ukraine's next chapter

gling to reconcile their lives at war with those they left behind.

Mr Zhadan does not describe any fighting, but the war permeates his pages and prose. Much is left unsaid: the dialogue is spare, the description of inner thoughts more detailed. The central theme of “Arabesques” is the fragility of intimacy and the struggle to protect it during war. That is true among husbands and wives, parents and children and old school friends who barely recognise each other because of the trauma of fighting. Many aspects of everyday life lose their significance at war, Mr Zhadan tells *The Economist*, but relationships become even more intensely important. The war has left Ukrainians highly sensitive, “as if we've been bared of our skin”, he says.

The story collection points to the evolving nature of Ukrainian war writing. After the shock of the invasion, many Ukrainians turned to literature to cope with, and sometimes escape, reality. The number of bookshops rose rapidly: readers were drawn to poetry and non-fiction, which gave an immediate account of the war. Authors who volunteered as soldiers have gained prominence. Some, such as Maksym Kryvtsov, a poet turned machine-gunner, were killed in action.

Ukrainian publishers consider it essential to continue to support war literature, says Yuliya Orlova, boss of Vivat, one of the country's biggest publishing houses, which has published more than 50 war-related titles since 2022. Mr Zhadan concedes that both creating and appreciating writing about war can be exhausting. When the invasion ends, he thinks Ukrainian readers may well seek out more lightness in their books. But for now, the fighting rages—and Mr Zhadan's tales give the world a sense of the toll. ■

A gay hockey drama

Body check

NEW YORK

Television's latest unexpected hit

LEADING UP TO the opening ceremony of the Winter Olympics on February 6th, two actors served as torchbearers. They were perfect for the assignment. The ice-hockey playing stars of “Heated Rivalry”, a gay drama showcasing rivalry on the ice and revelry in the bedroom, have already brought fire into the lives of millions of viewers. Jimmy Fallon, a comedian who interviewed Hudson Williams, one of the actors, compared female fans' reaction to him to that of famous musicians such as Harry Styles.

“Heated Rivalry” first debuted on Crave, a Canadian streaming network, in late November and has since become its most-viewed original series ever. It is the second-most “in-demand” TV show globally, according to Parrot Analytics, a data firm, popular in America, Australia and the Philippines. Even in Russia, which has repressive anti-gay laws, it is an underground sensation—currently the highest-rated TV show of all time on Kinopoisk, the country's leading film database.

No one in Hollywood expected this. When Jacob Tierney, a Canadian director and producer, asked Rachel Reid, a romance novelist, about adapting her book, no big American studios were interested. Ms Reid, a mother in Nova Scotia, had started writing “out of boredom” while raising small children; her readers, overwhelmingly straight women, were rather fond of what one review tactfully called “loads (and loads, literally) of sizzling hot hate sex”.

So are viewers, apparently. The show now averages 8m American viewers per episode. A third of them re-watch episodes; 15% have watched five times or more. Professional hockey is even seeing a “Heated Rivalry” effect. On StubHub, a ticket resale platform, hockey ticket sales have surged 40% since the show's debut in America.

In Asia shows about men loving other men have long been popular among women. It is a newer phenomenon on screen in the West. In book publishing male-male romance has become one of the fastest-growing romance subgenres. Whether on the ice or in the bedroom, women love cheering on characters as they score.

Competition and geopolitics

Of doom and gloom

Should globalists give up?

The Doom Loop. By Eswar Prasad. *Basic Venture*; 368 pages; \$32. *Hurst*; £22

INVESTORS HAVE sent gold, their traditional hedge against pandemonium, on a roller-coaster ride. In European capitals officials are pondering how to fight a trade war with America. Farther east, actual war rages between Russia and Ukraine. Multilateral institutions like the UN and World Trade Organisation, which exist to prevent such conflicts, seem powerless. Even paragons of international integration seem to have given up on it. “We are in the midst of a rupture,” said Mark Carney, Canada’s prime minister and the globalist’s globalist, at globalism’s recent annual jamboree in Davos.

This is a good moment, then, to step back and ask why things fall apart. In “The Doom Loop”, Eswar Prasad, a professor of economics at Cornell University, offers a sobering answer. His book contends that changes to the balance of power between countries—the rise of China and India, the waning dominance of the West—have transformed the world economy into an engine for disorder. Once, this reconfiguration might have offered “opportunities for greater stability”, with countries choosing to “deploy their power in constructive ways for fear of losing influence”. But instead “the feedback loop between economics, domestic politics and geopolitics is spiralling out of control and becoming destructive on every front.”

The idea that a shifting balance of power can cause trouble is hardly new. In the fifth century BC Thucydides, a Greek historian, wrote that the Peloponnesian war had been made “inevitable” by “the rise of Athens and the fear that this instilled in Sparta”. In a much-read essay (published in 2015) and book (2017), Graham Allison of Harvard University considered whether this “Thucydides trap” might spark a war between America and China. He identified 16 instances over the past half-millennium in which a rising power had come to rival a ruling one, noting that 12 ended in war.

Mr Prasad’s book is compelling because he takes things several steps further. As well as rising powers fuelling disorder, he thinks the world’s economic and political systems are amplifying this effect, and sets out how in some detail. The argument is all the more striking coming from a writer

who is an authority on financial globalisation and former head of the IMF’s China division. Like Mr Carney, he belongs to the tribe that once cheered international integration as a spur to peace and prosperity. Now he thinks the system has mutated.

Take cross-border flows of trade and capital, which globalisation transformed from trickles to floods. In theory, these ought to have improved relations between rival powers. American firms investing in China, after all, do not want their returns interrupted by diplomatic spats, so will lobby their government accordingly. In practice, as politicians have rattled their sabres, American companies have retreated from China, and flows of trade and capital have begun to reorient along geopolitical lines.

This does not only blunt business leaders’ incentives to promote cordial international relations. If they benefit from government subsidies to build at home rather than abroad, or from tariffs shielding them from foreign competition, they have new incentives: to encourage discord that might prompt more subsidies and tariffs.

The book outlines several other “doom loops” lurking in various parts of the world economy. The race to replace the dollar as the global reserve currency (or reduce its potency) has led to “an increasingly fragmented second tier” of alternatives, such

as the euro, yen and yuan, argues Mr Prasad. The erosion of norms, and of the effectiveness of the multilateral institutions supposed to enforce them, could be worsened by rival institutions led by China. The choices for middle powers caught between America and China, such as India, “vary only in their degree of bleakness”. The transactional behaviour this encourages is hardly conducive to stable alliances.

Underlying all this is an intriguing argument for an economist to make: that competition, normally thought to promote far better outcomes than unchecked monopolies in industries such as technology and health care, instead promotes chaos when applied to geopolitics. Warlords have known that since before Thucydides’s time. The uncomfortable thing today is that, as Mr Prasad writes, the idea that sharing power among many is beneficial “is the animating force behind the democratic principles the West holds dear”.

Ready for some good news

Understandably, therefore, the book’s weakness is that all the talk of doom makes for a lot of gloom. In other words, “The Doom Loop” is a thoroughly depressing read. Towards the end, Mr Prasad gamely attempts some suggestions for how to dismantle the doom loops. They are mostly far-fetched and rosy ideas, including America and China ceasing to distort trade, governments trusting each other more and the IMF treating strong countries as harshly as weak ones.

The author is right that a world would be more stable in which institutions had rebuilt their credibility and governments were honest with citizens about the trade-offs their policies entail. But how realistic does that sound to you? ■



August

What if Europe
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Premium Collection home, South of France



Pied à Terre Collection home, Paris

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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			rate		% of GDP, 2026†		% of GDP, 2026†		10-yr gov't bonds		per \$	
	latest	quarter*	2026†	2026†	latest	2026†	2026†	%	%	%	%	latest, %	change on year ago, bp	Feb 5th	% change on year ago	% change on year ago	
United States	2.3	Q3	4.4	2.3	2.7	Dec	2.8	4.4	Dec	-3.5	-6.5	4.3	-23.0	-	-	-	
China	4.5	Q4	4.9	4.6	0.8	Dec	0.5	5.1	Dec*§	2.7	-5.7	1.6	\$§	14.0	6.94	3.5	
Japan	0.6	Q3	-2.3	0.7	2.1	Dec	1.6	2.6	Dec	4.3	-3.1	2.2		97.0	157	-1.6	
Britain	1.3	Q3	0.4	1.4	3.4	Dec	2.8	5.1	Oct**	-2.8	-5.0	4.5		nil	0.73	9.6	
Canada	1.4	Q3	2.6	1.4	2.4	Dec	2.2	6.8	Dec	-1.1	-2.2	3.5		44.0	1.37	5.1	
Euro area	1.3	Q4	1.3	1.2	1.7	Jan	2.0	6.2	Dec	2.5	-3.3	2.9		48.0	0.85	14.2	
Austria	0.9	Q3	1.7*	1.0	2.0	Jan	2.3	5.8	Dec	1.0	-4.2	3.2		35.0	0.85	14.2	
Belgium	1.1	Q4	0.8	1.2	2.2	Dec	2.2	6.4	Dec	-1.6	-4.5	3.3		36.0	0.85	14.2	
France	1.1	Q4	0.7	1.1	0.4	Jan	1.5	7.7	Dec	-0.3	-5.2	3.5		36.0	0.85	14.2	
Germany	0.4	Q4	1.3	1.0	2.1	Jan	2.2	3.8	Dec	4.6	-3.6	2.9		48.0	0.85	14.2	
Greece	2.0	Q3	2.4	2.3	2.9	Dec	2.5	7.5	Dec	-5.1	nil	3.5		15.0	0.85	14.2	
Italy	0.8	Q4	1.3	0.8	1.0	Jan	1.4	5.6	Dec	1.4	-2.9	3.5		-1.0	0.85	14.2	
Netherlands	1.8	Q4	2.1	1.0	2.2	Jan	2.6	4.0	Dec	7.1	-2.9	2.9		36.0	0.85	14.2	
Spain	2.6	Q4	3.1	2.0	2.5	Jan	2.2	10.0	Dec	2.3	-2.6	3.3		16.0	0.85	14.2	
Czech Republic	3.0	Q3	3.2	2.5	2.1	Dec	2.0	2.8	Q3†	0.8	-2.5	4.3		40.0	20.6	17.4	
Denmark	4.0	Q3	9.2	1.9	1.9	Dec	1.5	2.9	Dec	11.5	1.3	2.7		57.0	6.32	13.6	
Norway	2.1	Q3	4.6	1.4	3.2	Dec	2.8	4.4	Nov**	12.2	8.9	4.2		40.0	9.67	16.2	
Poland	3.8	Q3	3.6	3.5	2.4	Dec	2.4	5.7	Dec§	-1.0	-6.6	5.1		-79.0	3.57	13.4	
Russia	0.6	Q3	0.4	0.6	5.6	Dec	4.9	2.1	Nov§	1.4	-2.5	14.6		-196	76.9	28.1	
Sweden	1.9	Q4	0.8	2.2	0.3	Dec	1.2	8.3	Dec§	5.5	-1.9	2.8		63.0	8.99	22.0	
Switzerland	0.5	Q3	-2.1	1.1	0.1	Dec	0.5	3.0	Dec	3.3	0.2	0.3		-5.0	0.78	16.7	
Turkey	3.7	Q3	4.4	3.6	30.7	Jan	24.5	7.8	Dec§	-1.2	-3.5	27.8		187	43.5	-17.4	
Australia	2.1	Q3	1.6	2.4	3.8	Dec	2.6	4.1	Dec	-1.4	-1.7	4.8		38.0	1.43	11.9	
Hong Kong	3.8	Q4	4.1	2.5	1.5	Dec	2.0	3.8	Dec**	12.6	-3.7	3.2		-59.0	7.81	-0.4	
India	8.2	Q3	8.4	7.2	1.3	Dec	3.5	6.9	Jan	-1.0	-4.1	6.7		3.0	90.4	-3.7	
Indonesia	5.4	Q4	6.7	4.9	3.5	Jan	2.9	4.9	Aug§	-0.2	-3.2	6.3		-77.0	16,804	-3.0	
Malaysia	5.7	Q4	2.6	4.8	1.6	Dec	2.0	2.9	Nov§	2.3	-3.8	3.6		-25.0	3.93	13.0	
Pakistan	3.7	2025**	na	4.0	5.8	Jan	5.0	6.9	2025	-2.5	-4.8	11.1	***	-108	280	-0.2	
Philippines	3.0	Q4	2.4	4.5	2.0	Jan	1.9	5.0	Q4§	-4.3	-5.8	5.9		-26.0	59.0	-1.6	
Singapore	5.7	Q4	7.8	2.9	1.2	Dec	1.4	2.0	Q4	14.9	0.2	2.1		-84.0	1.27	6.3	
South Korea	1.5	Q4	-1.1	2.5	2.0	Jan	1.8	4.1	Dec§	4.9	-2.4	3.7		87.0	1,462	-0.6	
Taiwan	12.7	Q4	24.0	5.0	1.3	Dec	1.5	3.4	Dec	22.4	0.7	1.4		-16.0	31.6	3.9	
Thailand	1.2	Q3	-2.2	1.7	-0.7	Jan	0.6	0.7	Dec§	2.6	-4.7	1.9		-45.0	31.7	6.1	
Argentina	3.3	Q3	1.1	3.0	31.5	Dec	27.2	6.6	Q3§	-1.6	0.4	na		na	1,448	-27.2	
Brazil	1.8	Q3	0.4	1.7	4.3	Dec	4.0	5.1	Dec§**	-2.7	-7.0	13.6		-90.0	5.24	9.9	
Chile	1.6	Q3	-0.6	2.0	3.4	Dec	3.0	8.1	Dec§**	-2.0	-1.7	5.3		-68.0	859	14.0	
Colombia	3.4	Q3	5.0	2.8	5.1	Dec	5.7	8.0	Dec§	-2.6	-6.4	12.6		157	3,645	13.9	
Mexico	1.6	Q4	3.2	1.4	3.7	Dec	3.5	2.6	Dec	-0.5	-3.7	8.9		-108	17.3	18.3	
Peru	3.4	Q3	5.7	2.7	1.7	Jan	1.6	4.0	Dec§	1.4	-2.5	5.8		-87.0	3.36	10.7	
Egypt	5.3	Q3	39.4	5.3	12.3	Dec	10.8	6.4	Q3§	-1.8	-6.2	23.9		-44.0	46.9	7.2	
Israel	3.1	Q3	11.1	4.5	2.6	Dec	2.0	3.1	Dec	2.1	-4.0	3.8		-54.0	3.10	14.8	
Saudi Arabia	4.5	2025	na	4.5	2.1	Dec	1.9	3.4	Q3	-3.4	-4.2	na		na	3.75	nil	
South Africa	2.1	Q3	2.0	2.0	3.6	Dec	3.5	31.9	Q3§	0.9	-4.7	8.0		-242	16.1	16.2	

Source: Haver Analytics. *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted †New series **Year ending June ††Latest 3 months †††3-month moving average §§5-year yield ††††Dollar-denominated bonds Note: Euro-area consumer prices are harmonised

Markets

In local currency	Index	% change on:	
		one week	Dec 31st 2025
United States S&P 500	6,882.7	-1.4	0.5
United States NAS Comp	22,904.6	-4.0	-1.5
China Shanghai Comp	4,102.2	-1.2	3.4
China Shenzhen Comp	2,685.5	-1.2	6.1
Japan Nikkei 225	54,293.4	1.8	7.9
Japan Topix	3,655.6	3.4	7.2
Britain FTSE 100	10,402.3	2.4	4.7
Canada S&P TSX	32,571.6	-1.8	2.7
Euro area EURO STOXX 50	5,970.5	0.6	3.1
France CAC 40	8,262.2	2.4	1.4
Germany DAX*	24,603.0	-0.9	0.5
Italy FTSE/MIB	46,636.4	3.3	3.8
Netherlands AEX	990.3	-0.7	4.1
Spain IBEX 35	18,102.5	2.8	4.6
Poland WIG	127,584.0	1.6	8.8
Russia RTS, \$ terms	1,137.2	nil	2.6
Switzerland SMI	13,508.1	3.7	1.8
Turkey BIST	13,891.2	3.6	23.4
Australia All Ord.	9,204.6	-0.5	2.1
Hong Kong Hang Seng	26,847.3	-3.5	4.7
India BSE	83,817.7	1.8	-1.6
Indonesia IDX	8,146.7	-2.1	-5.8
Malaysia KLSE	1,742.8	-0.8	3.7

Commodities

	Index	% change on:	
		one week	Dec 31st 2025
Pakistan KSE	187,832.1	-0.3	7.9
Singapore STI	4,965.5	1.1	6.9
South Korea KOSPI	5,371.1	3.9	27.5
Taiwan TWI	32,289.8	-1.6	11.5
Thailand SET	1,346.5	0.6	6.9
Argentina MERV	3,015,927.0	-6.6	-1.2
Brazil BVSP*	181,708.3	-1.6	12.8
Mexico IPC	68,730.7	-1.8	6.9
Egypt EGX 30	49,631.6	3.9	18.7
Israel TA-125	4,101.0	2.7	11.9
Saudi Arabia Tadawul	11,341.3	-1.0	8.1
South Africa JSE AS	120,813.8	-3.4	4.3
World, dev'd MSCI	4,505.2	-1.0	1.7
Emerging markets MSCI	1,532.7	-1.6	9.1

US corporate bonds, spread over Treasuries			
	Basis points	Dec 31st 2025	
		latest	2025
Investment grade		87	93
High-yield		339	354

The Economist commodity-price index

	2020=100			% change on year
	Jan 27th	Feb 3rd*	month	
Dollar Index				
All items	150.0	146.3	-0.8	4.4
Food	140.2	138.7	-2.5	-13.5
Industrials				
All	158.1	152.6	0.6	23.7
Non-food agriculturals	133.4	135.3	5.4	2.7
Metals	164.4	157.0	-0.4	29.6
Sterling Index				
All items	140.1	137.2	-2.2	-4.9
Euro Index				
All items	143.4	141.5	-1.8	-8.3
Gold				
\$ per oz	5,094.3	4,944.5	10.4	74.2
Brent				
\$ per barrel	67.6	67.3	10.8	-11.7

Sources: CME Group; LME; LSEG Workspace; NOREXCO; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA *Provisional

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

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OBITUARY

Georges Borchardt

The literary agent, who built a life from a love of reading, died on January 18th, aged 97



AFTER THE war, he and his oldest sister tried to reclaim their family's apartment in the Trocadéro section of Paris. They had, after all, never sold it. They had simply fled. The boyfriend of his sister's friend warned them ahead of the Vélodrome d'Hiver roundup, during which French police arrested 13,000 men, women and children for the crime of being Jewish. Most of them would end up being sent to Auschwitz.

Heeding the warning, 14-year-old Georges, along with his mother and two older sisters, hid briefly in Paris before making their way south to Chalon-sur-Saône, where Georges crossed out of Nazi-occupied France with a group of French schoolchildren. From there they went to Nice. After the French militia arrested his mother, he feared they would be next, so they fled again—his sisters to a remote hilltop village, and Georges to Aix-en-Provence, where he attended *lycée*, unofficially and using a pseudonym (Borchardt, after a pianist and composer whose productivity during the occupation made the name seem safe).

When they made their way back to Paris, they found the apartment empty. Georges's stamp collection was gone, as were his books—his beloved books. For Christmas, he used to ask his parents either for a new book, or to have a favourite one bound. He loved selecting the end papers and leather binding, loved books not just for their content, but as *objets d'art*. At school he excelled at memorising and reciting scenes from Racine and Molière; on his own, he devoured Walter Scott and James Fenimore Cooper, Proust and Gide. Various people had lived in the apartment, and in wartime unattended objects have a way of wandering off. Paper was scarce; books were valuable.

But being in the empty apartment was unpleasant, and his sisters wanted to emigrate to America. Georges had tried law school, and hated it. They had no family left except each other. His parents were German Jews who left Berlin after Hitler came to power, hoping that Paris would be safe—which it was, until it wasn't. Their father, a record-company executive, had died of cancer shortly before Jews in Paris had to start wearing the yellow star. His mother, like so many others, died in Auschwitz.

And so at 19, without connections and speaking schoolboy

English, Georges turned up in New York, unsure of what he wanted or was able to do. He put a pair of employment-seeking ads in the *New York Times*, and received one letter for each of them, both from the same person: Marion Saunders, who ran a literary agency that represented French authors, and had recently sold American rights to "The Stranger," by a then-obscure Albert Camus, for \$350. She hired him, and he did what countless other ambitious young literati seeking a career in publishing have done: filing, bookkeeping and errand-running while reading manuscripts and hunting for overlooked gems.

In 1953 he thought he found one in a middle-aged Irishman who was writing novels and plays in French. Editors did not share his enthusiasm: "Pale imitation of Joyce". "Unreadable". But he persisted, and eventually Barney Rosset at Grove Press—which would go on to publish "Lady Chatterley's Lover", "Tropic of Cancer" and other avant-garde, controversial works—offered \$1,000 for "Waiting for Godot", "Malloy" and "Malone Dies". Samuel Beckett won the Nobel prize in literature 16 years later.

Later that decade he championed another future Nobel laureate—a Romanian-Jewish journalist who had written a memoir of his time in Auschwitz, published first in Yiddish, and then two years later in French. In his cover letter to publishers, Georges said he felt "more strongly about [this book] than any other I ever sent you". Still, 15 of them rejected the book. It was too soon; nobody wanted to hear or talk about the Holocaust. "He will never find an audience in this country," wrote Blanche Knopf, co-founder of one of New York's most illustrious publishing houses.

She was wrong, but it took some time. Georges sold the rights to Elie Wiesel's "Night" for \$250, conditional on finding a British publisher to share translation costs. Its first print run, just 3,000 copies, took three years to sell. By 2018 it was selling that many copies each week. Wiesel won his Nobel, for peace, in 1986.

In 1967 Georges and his American wife Anne—whom Philip Roth remembered as "the most beautiful girl in Newark"—started their own agency. The work suited him. It required judgment, taste and a degree of arrogance: just as writers must believe they have something to say that nobody has said before, agents must believe they can recognise this ability before, and better than, anyone else. His client list steadily grew. He eschewed smash-and-grab bestsellers and genre fiction, preferring the sorts of novelists, critics and historians whose books won highbrow prizes.

Talking made up a lot of the job, and he was good at it, with his wry humour and the French inflections he never quite lost. He could negotiate fiercely, though he was reserved and polite, with, as one author recalled, a "formality that was a kind of courtesy", and seemed to come from a bygone age. He extended it to everyone: on Port-Cros, the southern French island where he and Anne had vacationed since the 1950s, he would precede his granddaughters down a favourite walking path, brandishing a long stick to clear away the spider webs they disliked touching.

He grew distressed at the turn America was taking, especially the rudeness that pervaded public life. He was dismayed by publishers' short-term thinking that prized instant smash hits over the sorts of books that would sell steadily for decades. He had enough stories to fill a memoir, but he demurred: he was a reader to the end, and preferred helping writers to being one. Asked what he looked for in a piece of writing, he responded simply, "I just want to fall in love with it...You don't know until you've found it, but when you find it, you know." ■

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