The Economist

Europe's worst nightmare

Meet Generation Hustle

China's Silicon Valley

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FEBRUARY 22ND–28TH 2025



The would-be king



February 22nd 2025

- The world this week
- Leaders
- Letters
- By Invitation
- Briefing
- United States
- The Americas
- Asia
- China
- Middle East & Africa
- Europe
- Britain
- International
- Business
- Finance & economics
- Science & technology
- Culture

- **Economic & financial indicators**
- **Obituary**

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The world this week

- Politics
- Business
- The weekly cartoon
- This week’s covers

The world this week

Politics

February 20th 2025



America held its first meeting with **Russia** about bringing the war in **Ukraine** to an end. The talks between Marco Rubio, America's secretary of state, and Sergei Lavrov, Russia's foreign minister, took place in Riyadh, Saudi Arabia's capital, without any representatives from Ukraine or the **European Union**. The State Department said both sides had laid "the groundwork for future co-operation". Donald Trump's rapprochement with Russia has stunned Europe, but a hastily convened emergency summit in Paris revealed divisions on the next steps to take. Sir Keir Starmer, **Britain's** prime minister, offered to send British troops to Ukraine as part of a peacekeeping force.

The acrimony between Mr Trump and **Volodymyr Zelensky** intensified, after the American president blamed Ukraine for starting the war. "I would

like to have more truth with the Trump team," retorted Mr Zelensky. Mr Trump then called Mr Zelensky a dictator who should call an election.

With friends like these

The transatlantic alliance was also put under strain following a speech by **J.D. Vance**, America's vice-president, at the Munich Security Conference. Mr Vance delivered a ferocious attack on European democracy, accusing Europe of backtracking on free speech, promoting mass immigration and marginalising dissenting voices on the right.

Adding to the sense of political uncertainty in Europe, **Germany** prepared to vote in an election on February 23rd that is expected to be won by the Christian Democrats, who could take months to form a coalition. Immigration is a big issue. An Afghan asylum-seeker killed a mother and her daughter when he rammed a car into a crowd a mile from the site of the Munich conference. Meanwhile, in Austria a Syrian asylum-seeker stabbed a 14-year-old boy to death.

Pope Francis was admitted to hospital with double pneumonia. The Vatican cancelled the 88-year-old pontiff's engagements and described his condition as "complex".

Israeli forces withdrew from much of southern **Lebanon** but remained in five locations along the border. The Lebanese government said this was a violation of the ceasefire agreement that in November ended 13 months of fighting between Israel and Hizbullah. Israel said it would keep its troops there until the Lebanese army was in place to monitor the areas dominated by the Shia militia.

More Israeli **hostages** were freed from Gaza under the ceasefire agreed to by Israel and Hamas. The militant group also released the bodies of four Israelis it had held captive, including siblings who were aged four and nine months when they were abducted.

Two Britons were detained by **Iran** and charged with espionage. The couple were arrested in January but news of their detention has only just been released. They were on a motorbike trip around the world when they

travelled to Iran. The Iranian authorities said they had "entered Iran under the guise of tourists" and "gathered information in multiple provinces of the country".

Three weeks after taking Goma, eastern Congo's biggest city, M23 captured Bukavu, the region's second-biggest. The Congolese army put up little resistance to the rebel group, which is backed by Rwanda. The government of the **Democratic Republic of Congo** in Kinshasa, 1,500km (930 miles) away, has in effect lost control of the eastern part of the country, which looks ever more likely to become the site of yet another full-blown war.

South Africa's government of national unity postponed the release of a budget at the last minute following a dispute over a proposed tax increase. It will now be presented on March 12th. It was the first time a budget has been postponed since the end of the apartheid regime in 1994 and is a sign of the pressure being put on the ruling African National Congress by the Democratic Alliance, its main coalition partner.

Kathy Hochul, the governor of **New York** state, held talks with political leaders on whether to remove Eric Adams as mayor of New York City. The federal Department of Justice recently directed New York federal prosecutors to shelve corruption charges filed against Mr Adams in an apparent quid pro quo for his support of Mr Trump's immigration agenda. Mr Adams denies this and any wrongdoing. Several prosecutors and city officials resigned in protest. No governor has ever removed a New York City mayor from office.

Mr Trump's Department of Transportation rescinded federal approval of New York City's **congestion-pricing** programme. The scheme, which launched on January 5th, charges most drivers $9 to enter Manhattan's main business district. Mr Trump posted on social media "CONGESTION PRICING IS DEAD. Manhattan, and all of New York, is SAVED. LONG LIVE THE KING!" But the scheme has been successful. Traffic is down, travel times have plummeted and the use of public transport has surged.

The Trump administration continued its war against **diversity, equity and inclusion** policies, as the Education Department told schools not to use race as criteria for employing staff, awarding scholarships or treating pupils

differently. “Put simply, educational institutions may neither separate or segregate students based on race,” the department’s memo warned.

South Korea’s disgraced president, Yoon Suk Yeol, appeared in court at his criminal trial for insurrection following his brief imposition of martial law in December. His lawyers asked that he be released from detention. Mr Yoon’s separate impeachment trial is being conducted by the Constitutional Court, and is heading towards a conclusion.

Pravind Jugnauth, who was prime minister of **Mauritius** until losing an election last November, was arrested on money-laundering charges. He denies all the claims against him. Mr Jugnauth negotiated a controversial deal last October in which Britain will cede control to Mauritius of the **Chagos Islands**, which house a strategically important military base in the Indian Ocean.

Brazil’s attorney-general filed charges against Jair Bolsonaro, a former far-right president, and 33 others, claiming that they tried to stage a coup in 2022 to keep Mr Bolsonaro in power after he lost an election. Hours later, Donald Trump’s media group sued a prominent judge on Brazil’s Supreme Court over alleged censorship. That judge, Alexandre de Moraes, will rule on whether Mr Bolsonaro, an admirer of Mr Trump, will go to jail.

Fools rush in...



President Javier Milei of **Argentina** faced criminal complaints alleging fraud and talk of impeachment after he promoted a risky cryptocurrency, $LIBRA. The memecoin's value surged as supporters bought it, but then collapsed amid allegations of insider trading. Meanwhile, Mr Milei went to Washington to discuss a loan with the IMF.

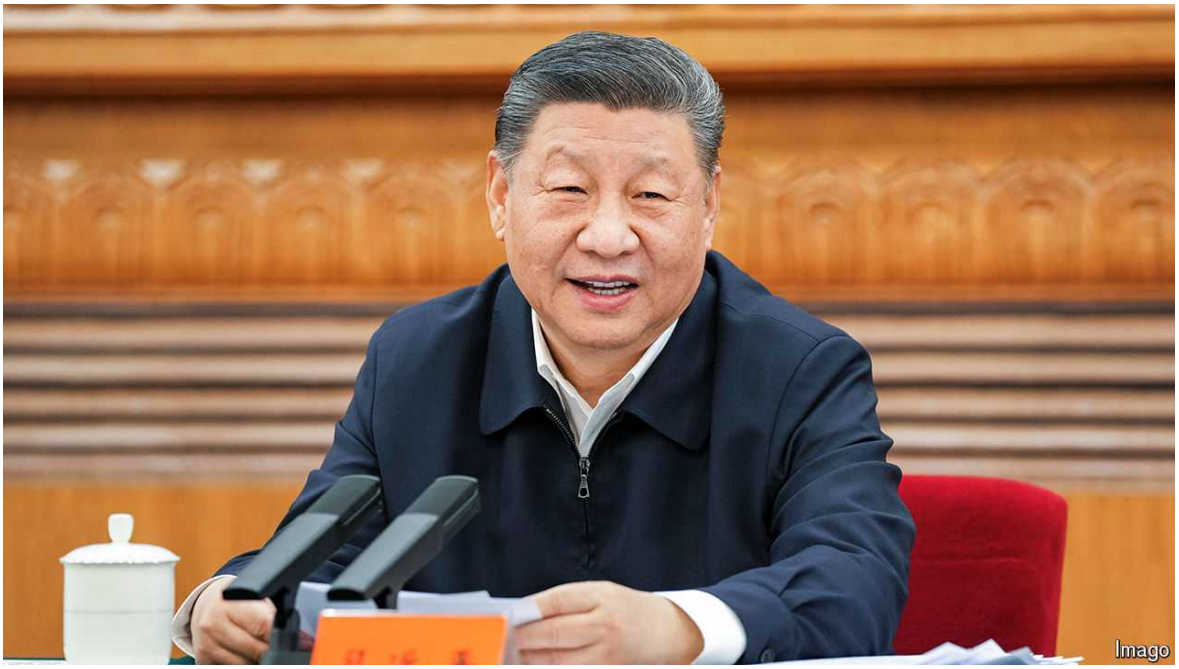
A poll by the Angus Reid Institute suggested that if Mark Carney wins the Liberal Party's leadership race in **Canada**, and thus becomes prime minister, the Liberals will surge to within three points of the Conservatives. Mr Carney, a former governor of the central banks of both Canada and Britain, ties with the Conservative leader, Pierre Poilievre, on economic issues. The poll indicates the Liberals will fare less well if Chrystia Freeland, a former minister of finance, becomes leader.■

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The world this week

Business

February 20th 2025



China's leader, Xi Jinping, held a rare public meeting with the country's leading tech entrepreneurs, underscoring the government's change of heart towards an industry it had cracked down on a few years ago. Mr Xi was seen shaking hands with Jack Ma, the founder of Alibaba, who at one stage moved to Japan after criticising Chinese regulators. Liang Wenfeng, the founder of DeepSeek, was also there, as were bosses from Tencent, BYD and CATL. Baidu's share price plunged when its chief executive was not spotted at the gathering. With China's economy struggling and the rivalry with America heating up, Mr Xi has become more favourable towards private enterprise.

Meanwhile, South Korea banned further downloads of **DeepSeek's** generative artificial-intelligence app, claiming it doesn't comply with the country's data-privacy laws.

Apple and Google made **TikTok** available for download again at their app stores in America. TikTok was briefly unavailable in the country at the tail end of the Biden administration, which blocked it over claims the Chinese-owned platform poses a threat to data privacy. It was restored for users who already had the app ahead of the inauguration of Donald Trump, who gave TikTok a reprieve while a solution is found to its ownership.

Microsoft unveiled its Majorana 1 chip, which it claims would allow **quantum computers** capable of solving "industrial-scale problems" to be developed within years, rather than decades. The new chip is based on a substance Microsoft calls a "topoconductor", one of a class of materials known as topological superconductors. The company claims that its topoconductor can produce more reliable and scalable qubits based on Majorana fermions, subatomic particles with intriguing quantum properties. Experts said it would take time to evaluate its impact.

Mr Trump threatened to impose **tariffs** of 25% or higher on all imports of cars, chips and pharmaceuticals to the United States, the latest salvo in his trade war. Like most pronouncements from the president, it was unclear whether his threat was real or a tactic to attain lower duties for American exports. He has also proposed "reciprocal" tariffs to match the tax rates that other countries charge on imports.

Inflationary pressures

In Britain the government's imposition of a value-added tax on private-school fees was cited as a contributing element to a surprise surge in **inflation**. A smaller-than-expected decrease in air fares was another factor. The annual rate jumped to 3% in January from 2.5% in December, the highest level in ten months. Core inflation, which excludes volatile food and energy prices, rose to 3.7% from 3.2%. The Bank of England said recently that it expected inflation to rise, and it remained cautious about further cuts to interest rates.

Australia's central bank lowered its benchmark interest rate to 4.1%, the first cut since November 2020. The country's annual inflation rate has fallen to 2.4%, within the bank's target range.

A strong rebound in business investment helped boost **Japan's economy** in the last three months of 2024. GDP expanded by 2.8% at an annualised rate in the quarter.

In another blow to the London Stock Exchange, **Glencore's** chief executive, Gary Nagle, said the commodities firm was considering whether to delist its shares and trade on another bourse, possibly New York. It is one of the LSE's most valuable companies. Last year 88 companies left or transferred their primary listing from the LSE, the most since the financial crisis of 2007-09. Rio Tinto, meanwhile, urged shareholders to reject a proposal to delist its shares in London and unify them in Australia.

The High Court in London gave its approval to **Thames Water's** request to borrow up to £3bn ($3.8bn), as the embattled utility tries to avoid insolvency. Thames Water, the biggest provider of water and sewage services in Britain, is carrying a huge debt load and still faces legal challenges from junior creditors. KKR, a private-equity firm, has reportedly submitted a bid to take a majority stake in the company.

Now that's a zinger

Kentucky is no longer finger-lickin' good enough for KFC, which is moving its headquarters from Louisville to Plano, Texas. The decision was taken by Yum Brands, which owns KFC and wants it to share offices in Plano with Pizza Hut, another fast-food chain in its portfolio. Kentucky Fried Chicken started out in the Bluegrass State in the 1930s, when Colonel Harland Sanders developed his famous "secret recipe". To placate Kentuckians outraged by the move, KFC has promised to build a flagship restaurant in Louisville.

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The world this week

The weekly cartoon

February 20th 2025



Dig deeper into the subject of this week's cartoon:

How Europe must respond as Trump and Putin smash the post-war order
How Vladimir Putin plans to play Donald Trump
Donald Trump is junking the transatlantic alliance

The editorial cartoon appears weekly in The Economist. *You can see last week's here.*

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This week's covers

How we saw the world

February 20th 2025

We had two covers this week. In Britain and Europe we focused on America's negotiations with Russia over the future of Ukraine. The past week has been the bleakest in Europe since the fall of the Iron Curtain. Ukraine is being sold out, Russia is being rehabilitated and, under Donald Trump, America can no longer be counted on to come to Europe's aid in wartime. Last week J.D. Vance, America's vice-president, ridiculed Europe as decadent and undemocratic. And on February 18th, the continent's leaders were excluded from peace talks between the White House and the Kremlin. The nightmare that Vladimir Putin, Russia's president, and Mr Trump have conjured up may ultimately force Europe to change how it organises itself. NATO has been the world's most successful alliance: its disappearance is hard to imagine. But the old things have passed away; all things have become new. Europe needs to face up to that before it is too late.



Leader: How Europe must respond as Trump and Putin smash the post-war order
Europe: How Vladimir Putin plans to play Donald Trump
Europe: Team Trump wants to get rid of Volodymyr Zelensky
International: Donald Trump is junking the transatlantic alliance
International: Will it be Ukraine today, Taiwan tomorrow?

In the rest of the world, we focused on the whirlwind that Mr Trump has wrought at home during his first month in office. With his blitzkrieg, Mr Trump is trying to turn the presidency into the dominant branch of government. The question is how far his campaign goes before he is checked—if he is checked—and where it will leave the republic. Mr Trump's every act demonstrates his belief that power is vested in him, and affirms that he is bent on amassing more. Ignoring the legislature, he is governing by decree. Mr Trump is hardly the first to want to dominate the republic, and he is entitled to set new goals for America's bureaucracy. But government is about means as well as ends, and shock therapy will bring a lot of harm before it does any good. Even without a constitutional crisis, reality will begin to bite. Perhaps the voters currently endorsing Mr Trump's first month will not care about any of that. But do not bet on it.



Leader: Donald Trump: the would-be king
Briefing: Donald Trump is a reckless president, but not yet a lawless one
United States: For Donald Trump, the resignations are the point
United States: Is Elon Musk's war on fraud just cover for a power grab?

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Leaders

- How Europe must respond as Trump and Putin smash the post-war order
- Donald Trump: the would-be king
- Reciprocal tariffs really mean chaos for global trade
- How to help young Africans thrive
- Xi Jinping wants the private sector to thrive again

Leaders | Europe's nightmare

How Europe must respond as Trump and Putin smash the post-war order

The region has had its bleakest week since the fall of the Iron Curtain. The implications have yet to sink in

February 20th 2025



The PAST week has been the bleakest in Europe since the fall of the Iron Curtain. Ukraine is being sold out, Russia is being rehabilitated and, under Donald Trump, America can no longer be counted on to come to Europe's aid in wartime. The implications for Europe's security are grave, but they have yet to sink in to the continent's leaders and people. The old world needs a crash course on how to wield hard power in a lawless era, or it will fall victim to the new world disorder.

Speaking in Munich last week, America's vice-president, J.D. Vance, offered a taste of how the home of fine wines, classical architecture and welfare cheques faces humiliation, when he ridiculed Europe as decadent and

undemocratic. Its leaders have been excluded from peace talks between the White House and the Kremlin, which began officially in Riyadh on February 18th. However, the unfolding crisis goes far beyond insults and diplomatic niceties.

Mr Trump appears ready to walk away from Ukraine which he falsely blames for the war. Calling its president, Volodymyr Zelensky, a "dictator", Mr Trump warned him that he had "better move fast or he is not going to have a country left". America may try to impose an unstable ceasefire on Ukraine with only weak security guarantees that limit its right to re-arm.

That is bad enough, but Europe's worst nightmare is bigger than Ukraine. Mr Trump intends to rehabilitate Russia's president, Vladimir Putin, ditching a long-standing policy to isolate him. Without any obvious geopolitical benefit to America, he is angling to restore diplomatic relations. He may soon be feted at a glitzy summit. Offering up concessions in Riyadh, Marco Rubio, the secretary of state, gushed about co-operation and "historic economic and investment opportunities". (Trump Tower Red Square?)

Mr Trump's shakedown of Europe and pandering to Russia have cast doubt on America's commitment to defend NATO come what may. One fear is that American forces could be cut, or pulled back to leave eastern Europe exposed. The problem is not that Uncle Sam's priorities lie in Asia. The problem is that if Europe comes under Russian attack and seeks American help, Mr Trump's first and deepest instinct will be to ask what is in it for him. He is due to meet Britain's prime minister and the French president next week. But don't take that as a signal that this is just clever talk from a dealmaker: Mr Trump's readiness to trade everything away is precisely the problem. NATO's deterrence rests on the certainty that if one member is attacked the rest will come to its aid. Doubt is corrosive, it leaves Europe dangerously exposed.

Let us spell out the reality Europe faces. It is an indebted, ageing continent that is barely growing and cannot defend itself or project hard power. Global rules on trade, borders, defence and technology are being ripped up. If Russia invades one of the Baltic states, or uses disinformation and sabotage to destabilise eastern Europe, what precisely will Europe do?

So far the answer is to curl up in a defensive crouch. After the MAGA onslaught, a group of European leaders hastily met in Paris on February 17th but managed only to advertise their differences. Three years after Russia's invasion Europe has not raised military spending nearly enough. It is trapped in an obsolete worldview of multilateral treaties and shared values.

Europe's urgent task is to relearn how to acquire and wield power; it must be prepared to confront adversaries and sometimes friends, including America, which will still be there after Mr Trump. Instead of cowering, it needs an objective appraisal of the threat. Russia is a war machine with a vast arsenal of nuclear weapons, but also a medium-size economy that is declining. Europe also needs an equally objective appraisal of its own strengths: although it is slow-growing, Europe is still an economic and trade giant with great reserves of talent and knowledge. It needs to use those resources to reinvigorate growth, rearm and assert itself.

What does that mean? In the short term Europe needs a single envoy to talk to Ukraine, Russia and America. It should tighten its embargo on Russia even if America loosens sanctions. Europe should unilaterally exploit the €210bn ($220bn) of Russian cash frozen in European banks. That would pay for Ukraine to fight on or rearm as American funds dwindle.

In the medium term a huge defence mobilisation is needed. If Europe cannot rely on America, it must have its own heavy-lift aircraft, logistics, surveillance: the lot. Talks must start on how Britain and France can use their nuclear weapons to shield the continent. All this will cost a fortune. Defence spending will need to rise to the 4-5% of GDP that was normal during the cold war. Higher defence outlays, particularly if some are spent on American weapons, may persuade Mr Trump to stay in NATO, but the assumption now must be that American support is not guaranteed.

Paying for this rearmament will take a fiscal revolution. The new target will require extra spending of upwards of €300bn a year. Some of this must come from issuing more common and individual debt. In order to bear that, Europe will have to cut welfare: Angela Merkel, Germany's former chancellor, used to say that Europe accounted for 7% of the world's population, 25% of its GDP but 50% of its social spending. To raise growth,

Europe must press ahead with obvious but endlessly delayed reforms, from unifying capital markets to deregulation.

A new dream for an old continent

The nightmare that Mr Putin and now Mr Trump have conjured up may ultimately force Europe to change how it organises itself. Its pedantic obsession with process and groupings, including the euro zone, the EU and many others, slows decision-making, omits key actors like Britain and gives weight to countries such as Hungary, which want to sabotage European defence, or Spain that is hesitant to rearm.

All this sounds outlandish. NATO has been the world's most successful alliance: its disappearance is hard to imagine. But the old things have passed away; all things have become new. Europe needs to face up to that before it is too late. ■

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Leaders | How far will he go

Donald Trump: the would-be king

America is fated to wage a titanic struggle over the power of the president

February 20th 2025



IN HIS FIRST whirlwind month in office, Donald Trump has made his base exultant and left his opponents reeling. With his blitzkrieg, Mr Trump is trying to turn the presidency into the dominant branch of government. The question is how far his campaign goes before he is checked—if he is checked—and where it will leave the republic.

That fight is over the fundamental character of America. The president says he is clearing out waste, fraud and abuse from the bureaucracy, but his opponents warn he is wrecking the federal government. He says he is bringing peace to the world and prosperity at home; they warn he is shattering the alliances that keep the West strong. He says he is making America great again; they warn he is frogmarching the country into a constitutional crisis, or even a Trumpian autocracy.

Mr Trump's every act demonstrates his belief that power is vested in him personally, and affirms that he is bent on amassing more. Ignoring the legislature, he is governing by decree. He asserts that the president can withhold money allocated by Congress. The framers had expected that branch of government to be the most powerful but this would diminish it. Because some of Mr Trump's 70 or so executive orders are, on the face of it, brazenly unconstitutional, he also appears to be seeking a trial of strength with the judiciary.

Everywhere you look, it is the same. Government departments are being thrown into confusion, partly to demonstrate Mr Trump's personal authority over them. The *Washington Post* has reported that candidates for senior jobs in intelligence and law enforcement have been asked whether they endorse Mr Trump's false claim that he won the election in 2020. Mr Trump has also swept away post-Watergate safeguards designed to keep the Department of Justice at arm's length from politics. One of the department's first acts has been to ask prosecutors to drop corruption charges against Eric Adams, the mayor of New York City—though only for as long as he does what Mr Trump demands.

In foreign affairs, too, Mr Trump chafes to be rid of the obligations he inherited. America is quitting multinational outfits, such as the World Health Organisation, partly because they impose burdens. He has used the threat of tariffs to gain influence over foreign governments—this also empowers him at home by creating supplicants seeking relief. As he breaks a taboo by embracing Russia, he looks as if he is treating his alliance with Europe as something to bargain away.

You hear that such maximalist presidential ambitions are unprecedented. In fact, Mr Trump is hardly the first to want to dominate the republic. Franklin Roosevelt signed over 3,700 executive orders. In forcing through the New Deal, he spent six months trying to pack the Supreme Court. Power has been ebbing from Congress to the White House for the past three decades. There is a long Republican tradition calling for the restoration of true democracy by taking back power from bureaucrats. America has always been wary of being tied down by UN-type institutions.

Moreover, Mr Trump is entitled to set new goals for the bureaucracy. He also has a duty to make it honest and efficient. Bill Clinton's drive to streamline government cut over 420,000 federal jobs. As we argued last week, departments need shaking up—including the Pentagon, which is failing to prepare America for 21st-century warfare. And Mr Trump has every reason to seek peace in Europe and the Middle East, both to save lives and to free America to focus on its rivalry with China.

However, government is about means as well as ends, and here Mr Trump's critics are right to be alarmed. Bureaucratic shock therapy will bring a lot of harm before it does any good. Subjecting public servants to purity and loyalty tests will politicise the technicalities of running a complex modern economy. Subordinating justice to presidential whim corrupts the rule of law. His peace plan for Gaza would force Palestinians into permanent exile, a denial of their most fundamental rights. In each case Mr Trump has displayed wanton cruelty. Unfortunately, that is also a way of acquiring power—because humiliation embodies the idea that might is right.

And that belief is where Mr Trump will hit trouble. Take the courts. Just now, the president is mostly getting his way. Yet in a federal system where states have rights, and most citizens and investors still believe in the rule of law, the courts are powerful, even if they move slowly. The Supreme Court may give Mr Trump some of what he wants, but surely not all. Characteristically, he has pledged to abide by legal rulings, and then quoted Napoleon, saying: "He who saves his Country does not violate any Law."

Defiance of the Supreme Court would trigger a constitutional crisis and a second fight among officials, voters and financial markets over the future of the republic. New York is already seeing an inkling of this as federal prosecutors and New York officials resign in protest over the deal with Mr Adams.

Even without a constitutional crisis, reality will begin to bite. Whatever Mr Trump asserts, tariffs and budget deficits do in fact create inflation. The markets know that well, just as they know how businesses will suffer if the justice system becomes a vehicle for cronyism and retribution. America's bureaucracy provides vital services; if it breaks, citizens will go without. Americans may dislike the idea of aid, but what will they feel if they see

little children being made to suffer in their name? Perhaps the voters currently endorsing Mr Trump's first month will not care about any of that. But do not bet on it.

In foreign policy Mr Trump is free to try to remake the world, and America may suffer a disastrous loss of influence to China and Russia before anyone can stop him. At home, by contrast, a fight is at hand and the president is still far from overturning America's constitutional order. Mr Trump, being who he is, will contemplate any extreme. But in these tempestuous times Republicans should remember the virtue of restraint—out of self-interest as well as patriotism. Should a Democratic president win office, the powers Mr Trump seizes could be used against them. ■

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Leaders | Trade at the pleasure of the president

Reciprocal tariffs really mean chaos for global trade

America has tried reciprocity before, and discovered its flaws

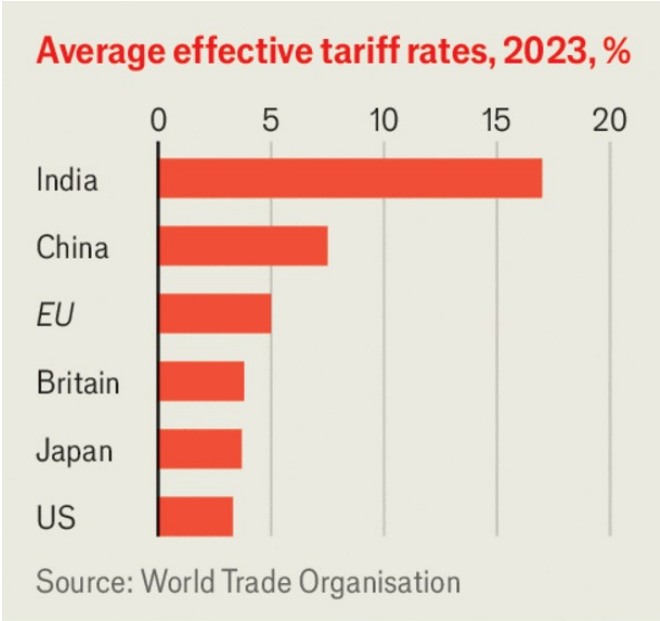
February 19th 2025



What happens when you ditch the principles that underpinned global trade for three-quarters of a century? Donald Trump hopes to find out. He wants to levy "reciprocal" tariffs, which match the duties American exports face abroad, plus charges to offset any policy he deems unfair. A stable multilateral trade system which has, for all its flaws, fostered miraculous rises in global prosperity would give way to arbitrary judgments made in the Oval Office .

After the second world war America built a system of global commerce that sought to treat countries equally. The operating principle was the "most-favoured nation" (MFN) clause, which means that members of the World Trade

Organisation must levy the same charge on a given good, no matter where it comes from (except within deep free-trade agreements, such as that between America, Canada and Mexico). As a consequence, in any given market, American firms trade on the same terms as most other foreigners. This acts as a brake against lurches towards protectionism or lobbying for special favours, because changing tariffs for one trading partner would mean changing them for everyone.



The Economist

MFN has led to asymmetries. Countries can protect powerful producers, so long as the external tariff is uniform. It also permits imbalances in average tariffs, because countries differ in their willingness to liberalise. America levied a simple average tariff of just 3.3% in 2023, lower than 5% in the EU and 3.8% in Britain. Poor countries tend to have higher levies.

That does not mean America is a victim. Its consumers benefit from cheap imports and its companies from cheap parts. In the 20th century free trade increased global stability. Still, perhaps reciprocity could nudge others to lower trade barriers, in order to increase their own access to America's market.

The problem, however, is that Mr Trump's policy would be fiddly, arbitrary and more likely to ratchet up instead of down. The administrative effort

needed to implement it would range from gruelling to gargantuan, depending on how reciprocity was defined. At the very least, for each good a single tariff would be replaced by hundreds of possible bilateral levies and things would get fiendishly complex for products with supply chains spanning many countries. In the late 19th and early 20th centuries America pursued reciprocity only to conclude that constant bargaining was cumbersome and unpredictable, leading Congress to adopt unconditional MFN in 1922.

The unpredictability would be aggravated by Mr Trump's desire to be the judge of whether a country's trading practices are unfair. His order cited value-added taxes (VATs), which are levied in most rich countries, as one such discrimination; America has no VAT, only state and local sales taxes. Yet VATs are fair, because they apply equally to imports and local goods.

Including VATs in reciprocity would lead to hefty increases in tariffs. Goldman Sachs, a bank, says that if America adopted only mirror-image tariffs without retaliation, its levies would rise by an average of two percentage points. Many European VAT rates exceed 20%.

But there probably will be retaliation, so tariffs are likely to spiral upwards. The mere possibility of that will deter businesses from relying on trade. Because Mr Trump's reasoning on VAT is nonsense, who knows what grievance he will dream up next? And reciprocity is only one component of his plans. If he also whacks duties of 25% on some goods, as he continually threatens to, you have a recipe for retaliation and a full-scale trade war. That might suit Mr Trump, but it would be a blow to the American and world economies alike. ■

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Leaders | Generation Hustle

How to help young Africans thrive

As the rest of the world ages, young Africans are becoming more important

February 20th 2025



Some generations come of age just as their countries rise economically. Think of America's baby boomers, China's millennials and perhaps India's Generation Z. But there is another globally significant cohort that receives far less attention—what this week we call Africa's "generation hustle".

The sheer size of this group means that they will shape the world. Over 60% of people living in sub-Saharan Africa are younger than 25. By 2030 half of all new entrants to the "global labour force" will come from sub-Saharan Africa. By 2050 Africa will have more young people than anywhere else.

As countries in Europe, Asia and the Americas age and shrink, Africa's population will continue to grow and remain youthful. Understanding this generation and their adversities is an urgent matter not just for Africans, but for everyone.

They are likely to surprise you. Young Africans are better educated and, thanks to the internet and social media, more aware of the wider world than their parents were. Unlike previous generations, they have no memories of colonialism. They combine an individualistic, enterprising outlook with piety and a streak of social conservatism. Much of that is bound up in a turn to Pentecostalism and its prosperity gospel, which highlights prayer as a path to material success.

For prosperity is what this generation lacks. They are frustrated with their shortage of opportunities. After a promising burst of activity in the 2000s, much of Africa has since endured over a decade of weak or non-existent growth. Stagnating economies are not creating enough good jobs to fulfil young people's aspirations.

Young Africans have responded by finding creative ways to make ends meet. Some combine formal work with side hustles. Others juggle multiple gigs in the informal economy. But most would still much rather have a proper job.

Their lack of prospects is a disaster for a continent that badly needs its young people to realise their economic potential. Apart from causing individual anguish, it is also a risk to democratic stability. Young people on the continent are sceptical of the political systems that have failed them. Recent protests in Kenya, Nigeria and Mozambique have shown that their dissatisfaction can threaten governments. Frustration at their lack of opportunities and at politicians' indifference to their plight is tempting some members of generation hustle to put their hope in strongmen and authoritarian politics.

The threat will spill across borders. More than half of young Africans say that they want to leave their own countries and make their fortunes abroad. For African governments and the world at large, it is therefore important to harness the hustle.

Some of the necessary changes in attitude are already in place in rich countries, where young Africans are making their mark. Their continent's cinema and music are taking the world by storm. Restaurateurs have won Michelin stars in London. Entrepreneurs have enriched the startup scene in Europe and America. Done right, emigration will help host countries arrest demographic decline and fix labour shortages. Host societies will also benefit from young Africans' enterprise, just as the diaspora will channel money, skills and ideas back to Africa.

Home is where the start is

Yet the most important changes should happen at home. As we argued in our special report earlier this year, African governments need to reform their economies. If they want to create more opportunities for ambitious youngsters they need to focus on growth. Young Africans already know that they need prosperity to achieve their dreams. They have the can-do mindset to do their part. It is up to their governments to enable them to thrive. ■

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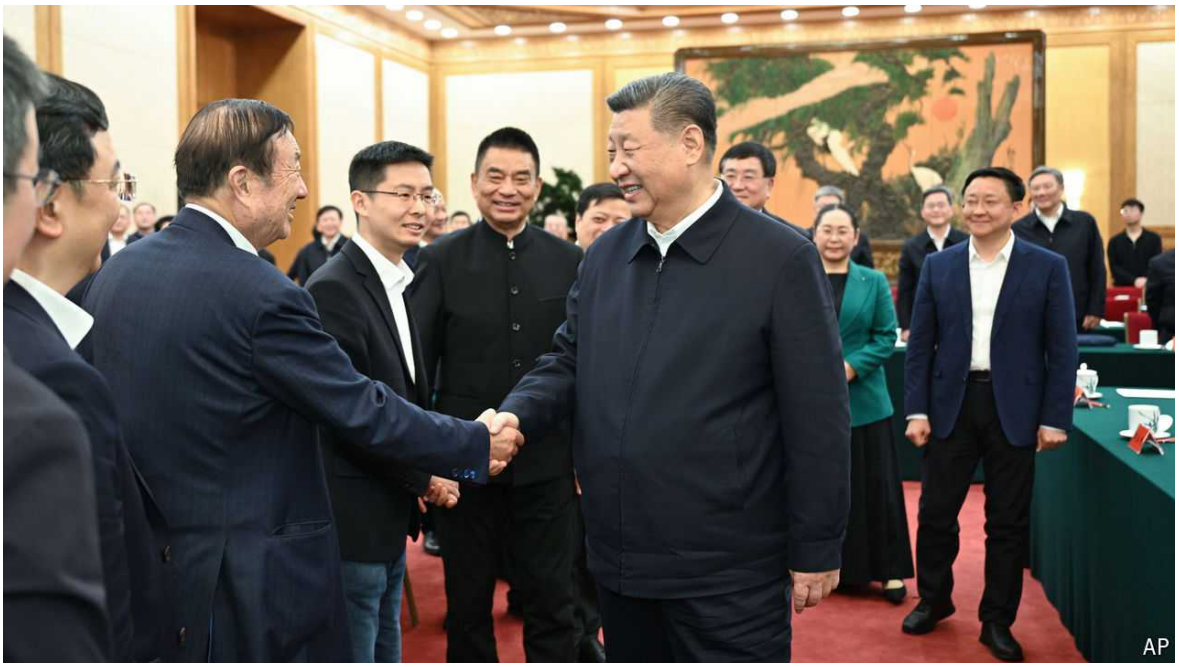
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Leaders | Conditional love

Xi Jinping wants the private sector to thrive again

Within limits

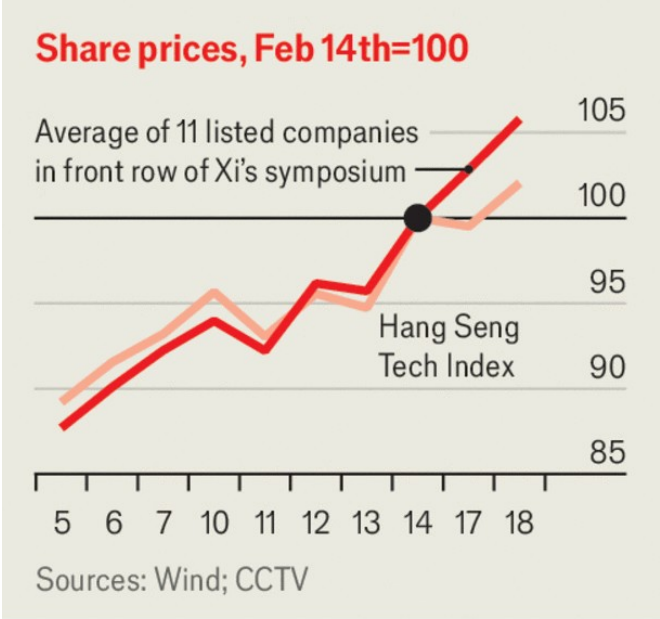
February 20th 2025



Successful stockpickers need a particular set of skills—the ability to parse financial statements, decipher corporate strategies and read the market's mood. In China they must also interpret Xi Jinping's state of mind. Five years ago regulators began a sweeping crackdown on tech that drove Jack Ma, the founder of Alibaba, from public life. It also erased some $2trn in market value, as foreign investors fled Chinese stocks and the country's private entrepreneurs lost faith in the Communist Party's commitment to their success.

Now the mood is shifting back. On February 17th, when Mr Xi invited a group of tech bosses to a rare "symposium", Mr Ma was seated in the front

row. The high-profile meeting sends a signal that the party wants private enterprise to thrive again—but within limits.



The Economist

The symposium acknowledged that entrepreneurs have much to contribute to China's economy. At the symposium Mr Xi shook the hand of DeepSeek's founder, Liang Wenfeng. China's rulers seem as impressed as everyone else by the success of the scrappy startup from Zhejiang province, which has rivalled the world's best artificial-intelligence (AI) models at a fraction of the cost.

DeepSeek's example has injected some liveliness into the stockmarket, lifting the share prices of tech firms listed in Hong Kong by 23% in the past month. The stocks of Alibaba and Tencent have surged in expectation of healthy AI-related demand).

The party wants to jump on this bandwagon and keep it rolling. China is still suffering from a long property slump, depressed consumer confidence and a shortfall of spending. It is stuck in its longest spell of deflation since the Asian financial crisis over a quarter of a century ago. A tech-fuelled stockmarket rally could provide some of the stimulus that has so far been lacking: a little greed to temper the anxiety.

Yet the party may also be warming to private enterprise because it now has less to fear from it. Five years ago, ambitious tech firms were busy amassing vast troves of data on citizens' spending, borrowing and travel patterns. They knew more about the Chinese people than the party did. At the same time, they were transcending their home country, eagerly courting foreign investors and regulators. Didi, a ride-hailing giant, was so determined to list in New York on schedule in 2021 that it waved aside the misgivings of China's data regulator.

Things are different now. China has tightened rules for overseas listings, bolstered the influence of party committees within private companies and imposed new laws on data collection and transfer. At the same time, America's hostility to Chinese companies has driven them closer to their home market and government. If foreigners think these firms are "uninvestible", they must raise money at home. If America denies China access to vital inputs such as high-end computer chips, even private firms will join the party's mission to achieve self-reliance.

Mr Xi's symposium was not an empty gesture. The party is genuinely keen to revive the spirits of entrepreneurs and remove some bureaucratic obstacles to their progress. Yet Mr Xi also cautioned the tech bosses to "remember their roots" as they pursue success.

His vision for the private sector is not serving shareholders but promoting "Chinese-style modernisation". The party is happy, in other words, to offer support. But what it will not offer is freedom. Its embrace of the private sector is conditional on private capital aligning with the party's goals. ■

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Letters

- Letters to the editor

Letters | On Heathrow airport, Mexican trade, Arctic sea ice, parliamentary speeches, diamonds

Letters to the editor

A selection of correspondence

February 20th 2025



Letters are welcome via email to letters@economist.com

Heathrow's third runway

To cope with an expanded Heathrow, steeper approaches by aircraft sound like a good idea, and they can theoretically be flown more efficiently and quietly ("Take-off", February 1st). In practice, though, pilots often respond to a steeper approach by controlling their speed by using the speed brakes, which whistle.

You claimed that 40% of air pollution at Heathrow comes from ground vehicles. Maybe, but an A380 uses around 70kg of fuel per minute to taxi, an equivalent fuel burn to around 1,000 cars driving at 30mph (48kph). For a highly efficient A320Neo the equivalent would still be over 100 cars. There are often 15-20 aircraft moving around the airfield at any time.

The biggest question comes down to design. Why does the runway need to be built over the London orbital motorway at one of the most critical points of Britain's national road infrastructure? As a resident in Buckinghamshire who has watched a gold-plated high-speed rail project being tunnelled through the Chilterns at exorbitant cost, I wonder if we're about to make the same mistake with Heathrow. Nearby Luton airport gets by with a 2,162 metre (7,093 feet) runway, a length that would fit without the complexity of building over a major motorway and be suitable for the significant proportion of short-haul aircraft operating routes from Heathrow.

As always there are trade-offs. On a shorter runway aircraft will use more thrust to take off generating more noise. But recent national infrastructure history would surely suggest that simpler, quicker and cheaper is the way to go.

CAPTAIN GEOFF WILLIAMS
Gerrards Cross, Buckinghamshire

It is understandable that Heathrow and other British airports in private ownership would wish to increase passenger numbers, revenues and profits. But this is not in the national interest in an era of decarbonisation.

The crucial fact is that most air travel is for leisure. Even at Heathrow, only around a quarter of passengers are travelling on business. There is therefore ample opportunity for business travel to increase, displacing leisure travellers to other London airports with spare capacity, and beyond.

This will happen through market forces because business travellers will pay a premium for the advantages of Heathrow. Eventually, all spare capacity at airports would be taken, and then the lowest value flights would be priced off, such as the weekend jaunts by stag and hen parties to convivial continental cities.

DAVID METZ
Honorary professor
Centre for Transport Studies
University College London



Mexico's view of trade

"Dealing with Donald" (February 8th) mentioned Mexico's vision of a renewed opportunity for North America to deepen trade and economic integration. Take the trade in intermediate goods, where the average Mexican export is 40% made in the United States and the average Canadian export is 25% made in the US.

As emerging economic competitors challenge established trade relationships worldwide, it is imperative that we present a unified front. The threat is not only to our industries and businesses but also to the economic security of our households.

The scale of economic competition today is unlike anything we have faced before. The rapid rise of AI and other transformative technologies raises the stakes even higher. By complementing our economies and ensuring that markets function efficiently, we can capitalise on our comparative

advantages, boosting productivity and unlocking higher levels of shared prosperity.

A co-ordinated and competitive North America is the best path forward, ensuring opportunity and stability for all our citizens.

LUIS ROSENDO GUTIÉRREZ
Undersecretary for foreign trade
Mexico City



Why the Arctic is important

Losing the Arctic sea ice might make business more profitable for the shipping and mining industries ("Break the ice", January 25th). But it will cost the rest of the world dearly. Half of the Arctic's reflective sea ice has already melted, and the strong multi-year ice is down to less than 5% of 1980s levels. If allowed to completely disappear, which may happen within decades, the loss of this reflectivity will add the equivalent of 25 years of carbon-dioxide emissions, further superheating our world toward disastrous climate tipping points in other natural systems.

We can limit these risks most effectively by reducing emissions of methane, hydrofluorocarbon refrigerants and other super climate pollutants. Lowering

these emissions alongside carbon dioxide can avoid four times as much warming by 2050 as limiting carbon dioxide alone, substantially lowering the risk of losing Arctic sea ice.

It's time we better understand the massive global costs, not just the narrower economic opportunities, that the loss of Arctic sea ice will bring.

PAUL BLEDSOE
Professorial lecturer
Centre for Environmental Policy
American University
Washington, DC



"The future is people"

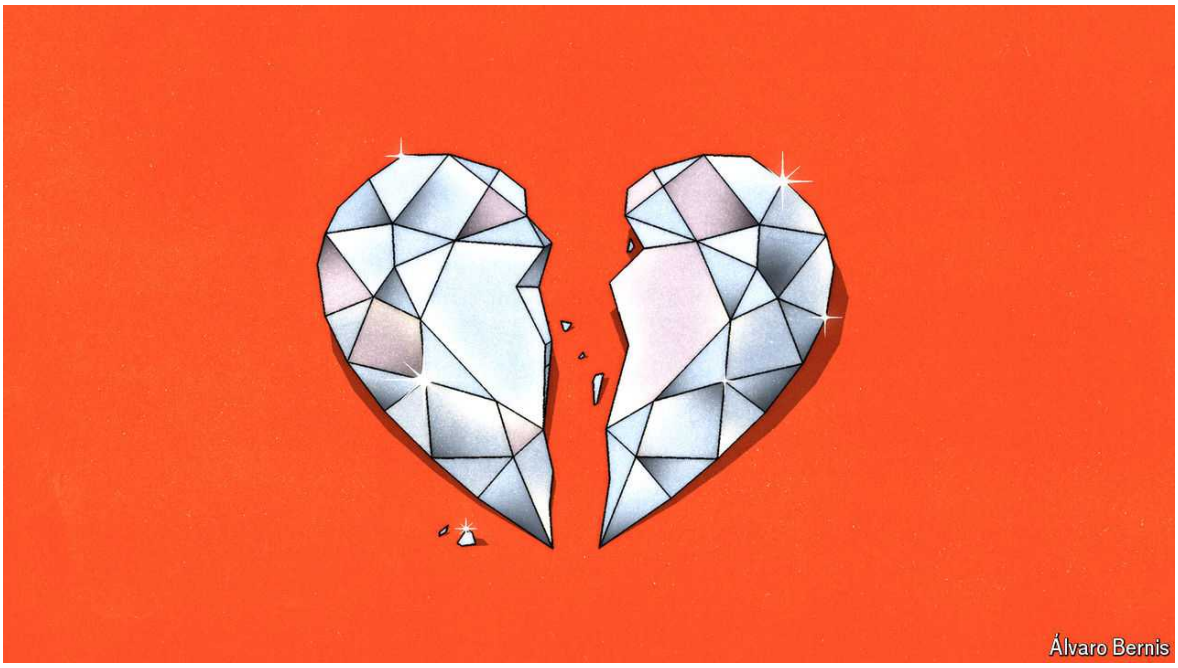
The transformation of parliamentary speeches into meaningless sound bites ("Rhetoric and reality", February 8th) was set firmly on course by Tony Blair's egregious spin doctor, Alastair Campbell. Simon Heffer recognised this sad fact by including in his "The Great British Speeches" Mr Blair's address to the Labour Party Conference in 1999. It appears in the book as a cautionary example of what was anything but a great British speech. As Mr Heffer says, it was a product of the import of spin-doctors into Britain, "It is neither fine rhetoric nor does it feel well in any literary sense: it is a

succession of slogans and brusque statements, issued one after the other, in the hope that they will penetrate the subconscious of the listener."

PROFESSOR PETER SURTEES
Bredasdorp, South Africa

You mentioned the empty press gallery as a symbol of Parliament's declining relevance. This isn't a new phenomenon. I remember sitting there in the early 1990s, when the Commons' speaker sent a doorman to poke me in the ribs. I had fallen conspicuously asleep during a debate. As I was the only journalist in the entire press gallery, it hadn't gone unnoticed. It isn't Parliament that is becoming suddenly irrelevant to British life, it is our current politics. Now that's something to wake up to.

CHRISTOPHER PHILIPSBORN
Brighton



A gem of a deal?

The Free exchange column on the popularity of lab-grown diamonds (February 8th) sparked a spirited debate between my partner and I. As competition drives down the price of lab-grown diamonds these stones will lose their power to show commitment to a loved one through significant

expense. Consequently, they'll no longer serve as effective substitutes for natural diamonds, increasing the demand for the natural gems. So a wider price disparity with lab-grown alternatives actually boosts the narrative that natural diamonds are superior.

ALEC DIETSCH
Buffalo, New York

There is plenty of evidence to suggest that the size of a ring is inversely related to the success of a marriage. Another instance where size does not matter.

EBERHARD NEUTZ
Laguna Beach, California

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By Invitation

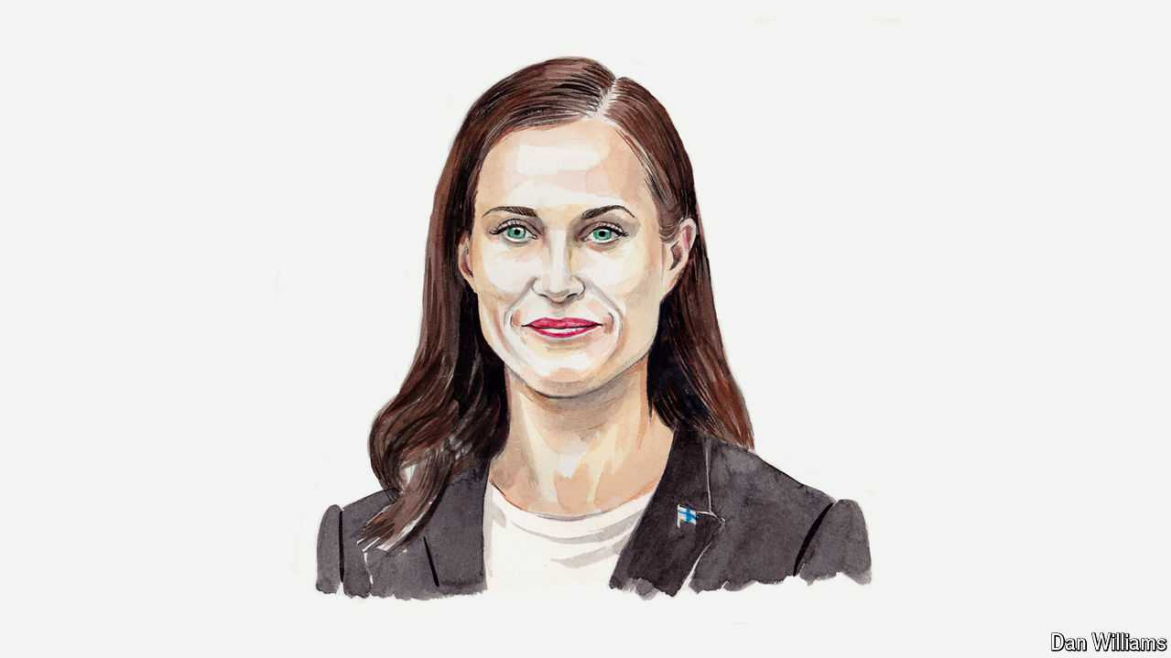
- Now is the time for Europe to show strength, not division, argues Sanna Marin
- Donald Trump is taking presidential power to alarming places, writes Jack Goldsmith

By Invitation | European security

Now is the time for Europe to show strength, not division, argues Sanna Marin

Finland's former leader makes the case for stumping up tens of billions more for Ukraine

February 19th 2025



ALL WARS end, but how they end determines the shape of the peace that follows—and whether it will last. Now, as America has taken the initiative on ending Russia's war against Ukraine, European leaders must choose between showing strength as the process unfolds and facing the perils of relinquishing responsibility for their own security.

The reality of the peace talks will reflect the reality on the battlefield. Russia has little reason to negotiate in good faith if it believes it can succeed militarily. A stronger Ukraine makes Russia far more likely to give up its war of aggression. And even after a settlement is reached, both Ukraine and

the rest of Europe will remain permanently vulnerable to future aggression if they do not have credible deterrence of their own. The implication is clear: if Europe is serious about playing a key role in the peace negotiations, decisively and immediately increasing military support for Ukraine is by far the most effective way to do so.

Read more of our coverage of the Ukraine war

To start, Europe must rid itself of the dangerous illusion that it is weak—and stop acting like it. Europe's NATO members have a combined GDP of $23trn, ten times that of Russia. Nevertheless, their lack of decisive action so far means that Russia and its impoverished allies still spend around 40% more on destroying Ukraine than the combined West spends on helping Ukraine defend itself.

However, this also means the cost of putting Ukraine on an equal footing with Russia is lower than one might think. In the past six months Russia has been humiliated in Syria, failed to dislodge three Ukrainian brigades from the Kursk region, and taken more than 200,000 casualties in advancing roughly the distance from central London to Heathrow airport. This means that its "consistent advances" on the battlefield during the past year have been tiny, and have come at a cost of more than 4,000 Russian casualties per kilometre.

According to new research by the Tony Blair Institute, an additional $40bn per year in military support for Ukraine—just 0.2% of the GDP of European NATO members—would probably be enough to match Russia's resources on the battlefield. Given its extreme losses and teetering economy, this would eventually put Russia in a situation where continuing its war would lead to military and economic disaster. That is a good starting point for bringing Russia to the negotiating table on terms favourable to Ukraine and Europe.

It is easy to get caught up in the politics of funding in an era of unaffordability. But this is a mistake. The EU was able to raise $840bn-worth of bonds for economic recovery after covid-19. Similarly huge sums were raised to shore up the European economy in the wake of the global financial crisis. The challenge we face now is far greater, and the idea that we cannot muster the political will to meet it is a self-imposed limitation.

This is not just a matter of solidarity for Ukraine. It is in Europe's self-interest. There is no trade-off between investing in the defence of Europe as a whole and investing in the defence of Ukraine—they are one and the same. With or without NATO, Ukraine is indivisibly part of the European security architecture.

More broadly, the steps individual European countries must take to strengthen Ukraine's position against Russia are the same steps needed to ensure their own security, both individually and collectively. In the short term, military capabilities are determined by the hardware you have available now. In the long term, however, they depend on industrial and technological capacity. Ambitious investments in our defence industry to support Ukraine now will also secure all of Europe in the future.

Ukraine itself can and should play a critical role in this. After three years of hard-won experimentation and learning, it possesses some of the world's most advanced defence technology, especially in the field of drones, AI and electronic warfare. It has also shown an impressive ability to scale up traditional defence-industrial capabilities much faster than the rest of Europe. Simply buying materiel directly from the Ukrainian defence industry, for use by the Ukrainian armed forces—an approach the Danes have pioneered—is one of the fastest and cheapest ways to further scale up European defence-industrial capacity.

A dramatic increase in the continent's defence capabilities is also the best way to fend off doubts in America about NATO's usefulness. It is entirely reasonable for American taxpayers to question why they should shoulder more of the cost of European security than Europe itself. Given the clear message from Washington, it is simply unrealistic not to strengthen Europe's own defence capabilities. We can no longer rely on someone else coming to our aid, and must be able to stand on our own. This requires large joint financial investments, but it is equally important to increase citizens' understanding of the changed security environment and to strengthen our will to defend our values and the rules-based international order.

By acting decisively now, Europe can ensure that it emerges from the war, together with Ukraine, stronger and more secure than it was in 2022. Failing to do so would mean abdicating responsibility for its own security and no

longer having a say in its own future. That ought to be an astonishingly simple choice for European leaders to get right. ■

Sanna Marin is a strategic counsellor at the Tony Blair Institute and a former prime minister of Finland.

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By Invitation | Executive power

Donald Trump is taking presidential power to alarming places, writes Jack Goldsmith

Congress won't check his Napoleonic instincts. Will a solidly conservative Supreme Court?

February 20th 2025



"THEY HIT me and I hit them back harder and they disappear," Donald Trump said in 2016, during his first presidential campaign, explaining an ethic developed in New York's savage real-estate market. That ethic in a nutshell explains the early Trump administration's torrent of attacks on the federal bureaucracy that Mr Trump believes, with some justification, sought to derail his first term.

But of course larger passions motivate Mr Trump's Caesarean presidency: his will to power, extreme demands of loyalty, indifference to legal constraints and desire to eliminate all personnel or policy friction between

his impulse and executive action. His subordinates have wedded these features of his personality to a theory of presidential power—the unitary executive—that is guiding his second administration's unprecedentedly disruptive executive orders and actions.

The unitary executive is an American conservative response to the abhorred New Deal administrative state. For decades beginning in the 1930s, conservatives thought the proper remedy was a legally constrained presidency. By the 1970s they had come to realise that the president and the bureaucracy were distinct, and that the latter could be tamed only "through the action of a powerful president who is willing virtually to go to war within his own executive branch in order to carry out his mandate", as Jeffrey Hart put it in an influential essay in the *National Review* in 1974.

Richard Nixon started this battle by claiming an executive power to impound (that is, not spend) funds appropriated by Congress and with a relatively tepid plan to replace career civil servants with political appointees. But Watergate intervened.

The administration of Ronald Reagan implemented unitary executive theory more robustly. The idea is based on the constitution's vesting of "the executive Power", all of it, in the "President of the United States". The most important implications are that the president has the "power to remove subordinates in the executive branch or to direct their actions", as Steven Calabresi and Christopher Yoo, two law professors, wrote in their definitive treatment of the Reagan-era conception of the theory.

The Reagan administration deployed this theory to corral the bureaucracy in ways that were controversial at the time but that now seem relatively benign: imposing cost-benefit analysis on executive-branch agencies, expanding the power of the Office of Management and Budget over agency regulations, and weakening regulations through traditional means in areas ranging from the environment to consumer protection.

Unitary theory also held that the president could terminate at will members of so-called independent agencies—such as the Federal Trade Commission and the National Labour Relations Board—which Congress had sought to

protect with for-cause removal restrictions. But Reagan never exercised this power.

The unitary-executive vision outlived the Reagan administration through the intellectual entrepreneurship of the Federalist Society, which was formed with help from Antonin Scalia, who would later become a Supreme Court justice.

And it seeped into Supreme Court jurisprudence through Scalia's prominent opinions and the influence of two young Reagan lawyers now on the court: John Roberts, the current Chief Justice, and Samuel Alito. Mr Roberts has penned opinions that expanded the president's constitutional power to remove subordinate officials, as unitary theory contemplates. And he wrote last summer's *Trump v United States*, the presidential-immunity decision that contained some of the most robust statements on the unitary executive in the court's history.

The Trump administration is building on this tradition but extending it in novel ways. White House control over the Justice Department is a prime example. From the post-Watergate presidency of Gerald Ford through to Joe Biden's administration, including the first Trump presidency, the executive branch was governed by robust norms that restrained the White House from influencing Justice Department investigations and prosecutions. And the Justice Department would often interpret the constitution and federal laws to constrain presidential action.

In his second term, Mr Trump has repudiated this arrangement and is shaping the Justice Department to mirror his will. Every senior nominee to the Department, including Attorney-General Pam Bondi, is a Trump devotee and former personal lawyer of his. It is unclear whether the president's executive orders are even being vetted by the Justice Department, as they traditionally have been. Several of them defy past Justice Department legal constraints.

The formal policy on law enforcement today is that the president, not the Justice Department, is in charge, and that he and senior White House staff can contact the Department about enforcement decisions. In the past month the Department has dropped prosecutions against several Trump loyalists,

including Eric Adams, the mayor of New York City. It has also fired or is investigating those within its ranks who have worked on cases against Mr Trump.

The administration also cleaved to unitary-executive theory in a new executive order this week asserting dominion over independent agencies, and when it disregarded congressional restrictions to fire a member of the National Labour Relations Board and the head of the US Office of Special Counsel. These are the least controversial of Mr Trump's terminations since they are arguably justified under the Supreme Court's recent case law. Mr Trump seems to have gone beyond those precedents, however, in canning career bureaucrats. His demands of extreme loyalty, and his efforts to make the lives of many career bureaucrats so miserable that they are cowed into submission or quit, are also in accord with unitary-executive theory but without precedent.

If the Trump administration had stopped there, one might see its actions as an adjustment of the theory to Mr Trump's bombastic personality and goals. But it has gone much further and engaged in novel executive-branch actions that have only loose connections to unitary theory or are perversions of it.

First, Mr Trump has claimed an unprecedented power not to enforce any statute he simply does not like. A remarkable example is his executive order compelling the attorney-general not to enforce the congressional ban on TikTok that the Supreme Court upheld the week before he re-entered the White House, and instructing her to advise private firms that they can ignore the ban with impunity. Another example is Mr Trump's asserted power not to spend money appropriated by Congress. This position is like Nixon's, with one big difference: after Nixon wielded the power, Congress passed a law compelling the president to spend, with a few exceptions.

Mr Trump's claimed discretion to not enforce statutes finds a whisper of support in the unitarian *Trump v United States* decision, but in reality goes far beyond it. The claim turns his constitutional duty to "take care that the Laws be faithfully executed" on its head and undermines Congress's core constitutional power. And yet so far Republicans in Congress have mainly watched this constitutional inversion in silence.

Second, the Trump administration is going beyond firings and loyalty tests with outside-the-box efforts to incapacitate the federal bureaucracy. The starkest example is the Department of Government Efficiency, overseen by Elon Musk. Whatever the precise goals of DOGE, which remain unclear, to implement them it appears to be infiltrating agencies to identify downsizing opportunities and to gain control of payment systems. A complementary tactic, as Mr Musk's X feed makes plain, is to demoralise and publicly discredit disfavoured agencies.

Third, the sheer number of executive orders and actions that either clearly violate current law or raise serious legal questions is stunning. "He who saves his Country does not violate any Law," wrote Mr Trump last week, echoing Napoleon.

Fourth, all of the Trump tactics, lawful and unlawful, are spawning chaos, fear and dislocation within the executive branch that collectively seem to be a goal in itself. The entire administration seems unconcerned with this tumult, and indeed to revel in it as evidence of success.

This is all far beyond what Hart had in mind with a president "willing virtually to go to war within his own executive branch", or what Reagan-era unitary executive theory entailed. And one month into the second Trump presidency, it is very hard to see where it ends.

One thing does seem clear: Congress under the control of Republicans who are under the control of Mr Trump will provide little if any check on the administration in at least its first two years. And so the check, if there is to be one, will come from the third branch, the federal courts, and ultimately from the Supreme Court.

This, however, is a court with a conservative majority solidified by three Trump appointments in his first term. That such a bench is the main remaining constraint on Mr Trump's attack on the government raises two ironies.

The first is that Chief Justice Roberts, Justice Alito, Justice Clarence Thomas and the younger and newer conservative justices appointed by Mr Trump, all weaned on unitary executive theory, will be deciding the fate of

the theory under Mr Trump. They will be inclined to uphold some of his actions that hew close to traditional unitary theory, such as presidential control over independent agencies. They may be less willing to go along with his broader defiance of settled legal constraints in the name of executive power.

Which is why so many in America have been so frightened by rhetoric from the administration expressing sharp disrespect for early federal-court rulings against it, and insinuations that the administration might defy judgments. If Mr Trump took that unprecedented step, and got away with it, the nation would be in the much-feared, though prematurely proclaimed, constitutional crisis.

There are signs he will not go that far. One is that he himself disclaimed last week any interest in judicial defiance. “I always abide by the courts” and “will appeal” any losses, he said. Mr Trump does not always do what he says, of course, but another sign came in a footnote to a Justice Department filing on February 16th in connection with a case involving one of the president’s terminations. The “Executive Branch takes seriously its constitutional duty to comply with the orders of Article III courts,” it said, in a remarkable bow to judicial supremacy.

At the end of the day there is no legal force that can make a president comply with a Supreme Court decision. What fosters compliance is the belief in the legitimacy of decisions, including those one disagrees with, and the related belief that an act of defiance would result in severe political punishment and possibly economic crisis.

This is where the second irony emerges. Progressives in America have for the past decade, through means subtle and unsubtle, been attacking and seeking to delegitimise the Supreme Court in response to its overturning of *Roe v Wade* and other conservative rulings. Representative Alexandria Ocasio-Cortez, for example, urged Mr Biden to ignore federal court rulings, as did some prominent legal scholars.

Now that same court is the main institution standing between Mr Trump and lawlessness. This calls to mind Aesop’s fable of the old man, exhausted by

age and toil, who wished for death but when Death appeared quickly changed his mind and asked only for help carrying his load. ■

Jack Goldsmith is a professor at Harvard Law School. He served as the Assistant Attorney-General in the Office of Legal Counsel in 2003-04 under President George W. Bush. He writes a newsletter, Executive Functions, about American presidential power.

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Briefing

- Donald Trump is a reckless president, but not yet a lawless one

Briefing | Orders and chaos

Donald Trump is a reckless president, but not yet a lawless one

He has yet to flatly defy a court order, which would initiate a constitutional crisis

February 20th 2025



All american presidents eventually arrive at the realisation that they ought to have more power. But most do at least accept that Congress and the courts should play some part in governing the country. Donald Trump, however, seems to see Article II of the constitution, which lays out the president's powers, as a blank cheque. He has a tendency to explain to friendly audiences, "I have the right to do whatever I want as president." This week on social media, in much the same vein, he pooh-poohed pedantic legal constraints on his actions: "He who saves his Country does not violate any Law."

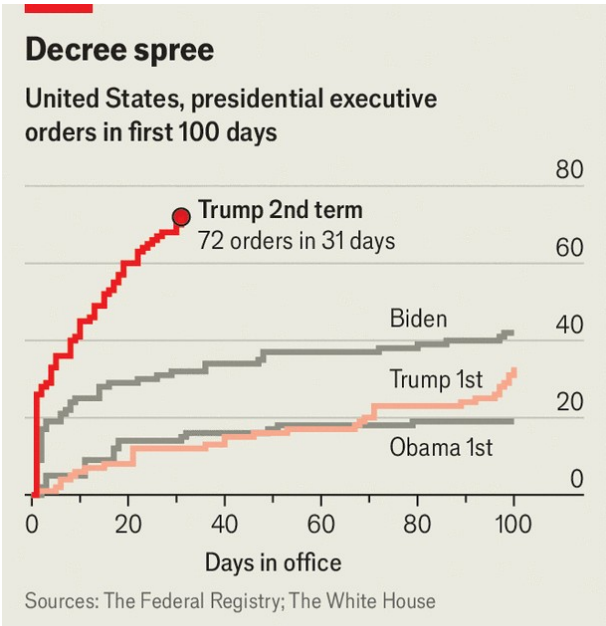
Mr Trump's disdain for constitutional niceties is not purely rhetorical: he did, after all, try to steal the election of 2020. His thunderous first month back in office has done little to reassure those who fear the worst about his intentions. On day one Mr Trump issued an executive order decreeing that children born to illegal migrants should not be acknowledged as citizens, contradicting the 14th Amendment. Soon after he began a shock-and-awe campaign against the federal bureaucracy, led by Elon Musk, the world's richest man. He has idled lots of civil servants, cancelled billions of dollars of government contracts and in effect closed USAID, America's main foreign-aid agency.

Dig deeper:
Donald Trump: the would-be king
Donald Trump is taking presidential power to alarming places, writes Jack Goldsmith

Master and commander

Mr Trump's interpretation of his powers is so sweeping that some critics say America is already in a constitutional crisis. Opponents have challenged many of Mr Trump's orders in court; judges have suspended several of them. Even greater battles loom. Mr Trump's acolytes fervently believe that Article II gives the president the right to "impound" federal funds, or spend less than Congress has allocated for specific purposes. That would shrivel the legislature's stature, reducing its "power of the purse" to a mere suggestive function. Will Mr Trump, in his determination to reshape America's government, usurp the authority of Congress and the courts?

Tracking the president's frenetic activity and assessing its significance is difficult—by design. Mr Trump issued 26 executive orders on his first day, three times as many as his predecessor, Joe Biden. In his first month he has churned out 72 orders, vastly exceeding the tally of all recent presidents (see chart). Mr Trump also communicates in a madman style, making blustering threats of questionable seriousness. To take a few recent examples, does America really mean to impose strict tariffs on its neighbours? To occupy the Gaza Strip and evict Palestinians? To annex Greenland over the objections of Denmark? To make Canada the 51st state?



The Economist

Mr Trump stuns the world by throwing out lots of dramatic proposals in this offhand manner—"flooding the zone with shit" as Steve Bannon, once Mr Trump's Svengali, liked to put it. Shrill reactions are pounced upon by Mr Trump and his allies as proof that his political enemies and the mainstream media are hysterical and biased. It is often hard to know how concerned to be.

Elections, as another of Mr Trump's predecessors, Barack Obama, once said, have consequences. Presidents have both the right and the means to implement lots of decisions, good or bad. One of Mr Trump's worst affronts to the rule of law so far was also unquestionably legal: his pardon of more than 1,000 people who ransacked the Capitol on January 6th 2021 in a failed attempt to overturn his election loss. Similarly, Mr Trump has wide discretion to fire high-ranking government officials and to shift the focus of the Department of Justice away from corruption and towards immigration enforcement. He has latitude to impose (and rescind) tariffs, to regulate migration to America and to reorient regulatory agencies towards his preferred policies. If he wants the bureaucracy to be "traumatically affected" by the hostility of his administration, as Russell Vought, the new head of the Office of Management and Budget (OMB) has promised, that may be damaging for the country, but it is the president's prerogative.

Fast and furious

Mr Trump's early actions look particularly worrisome because the executive branch moves much faster than the legislative and judicial branches can respond. Mr Musk's fondness for hyperbole further accentuates the discrepancy. Despite his talk of "feeding USAID into the wood chipper" and killing off the Consumer Financial Protection Bureau (CFPB), both agencies were created by Congress. The corollary is that only Congress can abolish them. The budgets Congress grants to federal agencies also have the force of law.

When Mr Trump's administration violates such laws, the courts have been ordering it to remedy its transgressions. The birthright-citizenship order never went into effect. Another injunction prevented a broad spending freeze that Mr Trump had decreed. Federal workers, who are shielded by various union contracts and civil-service protections, have sued to stop some of Mr Trump's attacks on the bureaucracy, scoring temporary reprieves. Mr Musk's representatives have been admonished by some judges to stay out of sensitive government systems, since they lack the required security clearances and privacy training, although others have declined to interfere. On February 13th a federal district judge ruled that the funding for USAID contractors was improperly cut off and must resume. On February 14th a judge ordered the same about the CFPB.

Such back and forth, although especially prevalent under Mr Trump, is common in all presidencies. What would be unprecedented would be for Mr Trump's administration to flatly defy a court order. Thus far, Mr Trump has not crossed that Rubicon, protesting at adverse court rulings but complying with them.

Some critics maintain that Mr Trump's administration is preparing to defy the courts, however. After it issued the memo ordering the spending freeze, Democratic-led states sued and obtained a similarly broad restraining order. The memo was duly rescinded, but some of the affected programmes remain unable to access their usual funds. Democrats sued again; the administration insisted it was complying and blamed administrative backlogs for the delays. The judge in the case declared the administration in violation of his order on

February 10th and instructed it to comply forthwith. But legal bickering of this sort is, again, reasonably common.

In another incident that prompted breathless commentary, a court barred Mr Musk's deputies from accessing sensitive Treasury payment systems in an order written so broadly that it excluded the treasury secretary himself. That ruling provoked condemnation from several Republicans, including J.D. Vance, the vice-president, who thundered, "Judges aren't allowed to control the executive's legitimate power." Presumably Mr Vance, who has a law degree, understands that it is in fact judges who decide what the president's legitimate power is. It is not hard to imagine MAGA types wilfully intimidating the courts, in the hope of putting more of the president's agenda past them. But in this instance, at least, the judge modified the overly expansive order and Mr Trump's administration insists that it is following it.

In fact, it is easy to see Mr Trump not as an outlier so much as the energetic heir to a series of imperial presidents. Mr Obama tried to "defer" immigration enforcement for millions of irregular migrants, succeeding with those who arrived as children but not their parents. Mr Biden in effect converted student loans to grants, spending almost $200bn that Congress had not earmarked for that purpose despite an adverse judgment from the Supreme Court.

What Mr Trump is attempting, however, is of far greater magnitude: the most aggressive aggrandisement of presidential power since Franklin Roosevelt in the throes of the Great Depression. In FDR's first 100 days, Congress granted him immense powers to reorganise the national economy, including the authority to set prices. His executive orders were sweeping: one sought to confiscate most of the gold Americans owned.

Roosevelt's power grab is instructive because it led to a tussle with the other two branches of government that lasted for years. The courts overturned much of Congress's delegation of power to the executive as unconstitutional, forcing a rewriting of New Deal legislation. A Supreme Court precedent from Roosevelt's era, *Humphrey's Executor v United States*, put limits on the president's ability to sack officials leading independent agencies like the Federal Trade Commission. When a frustrated Roosevelt proposed in 1937 to pack the court with additional justices, their opinions became much more

accommodating of executive power—a tendency that has largely endured ever since.

The aggressive start to the second Trump administration also resembles the tenure of Richard Nixon, who thought that the mighty powers of the federal government ought to be used to correct cultural decadence (communism then, wokeness now) and exact revenge on the president's enemies. Nixon clashed mightily with the bureaucracy and the other two branches of government over the extent of his power. Like Mr Trump, he asserted sweeping executive privilege to stave off investigations. He saw the Justice Department as an extension of his personal interests and was willing to sack official after official until he found one willing to do his bidding. When Nixon refused to spend money that Congress had appropriated for environmental safeguards—asserting a wide power to "impound" funds—Congress retaliated by passing the Impoundment Control act of 1974, which places strict limits on the president's ability to deviate from budgets enacted by Congress. The law remains in effect today. Indeed, it is one that the Government Accountability Office found Mr Trump to have violated when he withheld military assistance to Ukraine in 2019 (which prompted his first impeachment).

A sanity-preserving maxim among observers of Mr Trump is to pay attention not to what he says but to what he does. Better yet, pay attention not to what he says or does but to what the courts allow him to do. By this standard, Mr Trump's first-month frenzy is likely to fall well short of a constitutional crisis. "Everything turns on whether they're going to play ball with the federal courts," says Jack Goldsmith, a professor at Harvard Law School (see By Invitation). "The courts are not going to agree with all their crazy theories, but they'll agree with some of their theories."

Although Mr Trump reshaped the Supreme Court during his first term by selecting a third of the justices, his most brazen policies are still unlikely to fare well in America's highest tribunal. His executive order on birthright citizenship, for instance, is really a campaign slogan masquerading as a government policy. It is hard to imagine John Roberts, the conservative chief justice, or any of Mr Trump's three appointees upending the plain meaning of a constitutional clause in place since 1868. Far more likely is that a rejection by the Court will prompt Republicans to campaign for a

constitutional amendment to deprive children born to illegal migrants of citizenship, says Saikrishna Prakash, a professor of law at the University of Virginia. Polling suggests that this idea is broadly popular, and could be a useful rallying cry at midterm elections in 2026.

The Trump administration's assertion that it can impound funds authorised by Congress is also expected to get short shrift. The conservative majority has consistently looked askance at expansions of presidential power at the expense of Congress. Although Congress has over the years voluntarily forfeited to the executive much of its authority to set tariffs and declare war, it has jealously defended the power of the purse. Clarence Thomas, the most conservative justice on the Court, has written many opinions over decades that uphold the separation of powers and defend Congress's right to create and fund regulatory agencies like the CFPB.

Mr Trump may instead win a narrower victory: the right to run the federal government as he sees fit. "This Supreme Court is maximalist when it comes to the president's power over the executive branch, but…it's not friendly to the power of the administrative state in relation to Congress," says Yuval Levin of the American Enterprise Institute. The Supreme Court has been warming to the idea that the president exercises plenary authority within the executive branch ("unitary executive theory" in legalese). *Trump v United States*, a ruling issued last year that accorded the president an extremely wide presumption of immunity from prosecution for his official actions, stated, "Unlike anyone else, the president is a branch of government, and the Constitution vests in him sweeping powers and duties."

In practice, that could mean that limitations on the president's ability to fire federal officials, including quasi-independent regulators meant to be insulated from politics, are found unconstitutional. As Roosevelt wished a century ago, *Humphrey's Executor* may soon be overturned, allowing Mr Trump to dismiss members of the Federal Trade Commission, the National Labour Relations Board and perhaps even the Federal Reserve. If the court overturned another precedent, *Morrison v Olson*, it could give Mr Trump wide latitude to fire "inferior officers" (ordinary civil servants) for political reasons. Such authority, if wielded with enough alacrity, could quickly return the federal bureaucracy to the "spoils system" of political patronage that plagued it in the 19th century.



But if Mr Trump does secure the authority to conduct an indiscriminate purge of the civil service, or manages to achieve something close to that through a relentless barrage of executive orders, even if some are held up by the courts, he may not like the results. He is rapidly thinning the ranks. A strict hiring freeze is in place. Some 75,000 workers have accepted the administration's mass buy-out offer (less than the White House had hoped for). The threat to lay off all 200,000 federal workers still in their one- or two-year probationary periods, simply because they are the easiest to dismiss, may lead to further shrinkage. The bureaucracy could simply seize up, impeding things that Mr Trump likes as well as things he does not.

Mr Musk's deputies are sleeping in offices in the hope of rapidly overhauling creaky IT systems designed decades ago in archaic programming languages. The risk of errors, leaks and crashes is high. Meanwhile, the painstaking effort to modernise the federal government may actually be set back. "I'm not saying that in the end there won't be some things they've done that are valuable, but they're certainly not approaching the agencies in the same way USDS did," says Jennifer Pahlka, who helped found the United States Digital Service (now rebranded the US DOGE Service). "They needed the agencies to work with them, not fight against them. Well, there's going to be zero trust now."

Tango and cash

Mr Trump may also succeed in stirring resistance in Congress, whose Republican leaders have so far been meekly acquiescent. Most Republicans are sympathetic to the idea of radical cost-cutting and are perhaps pleased that Mr Musk is attracting flak for it instead of them. But if DOGE aims its axe at departments like defence or agriculture that steer hundreds of billions to their home districts, they may balk.

Lawmakers will need to participate if spending cuts of the magnitude that Mr Musk has promised, in the trillions of dollars, are to become reality. But they are aware that such cuts will probably prove unpopular. In fact, because Republicans are keen to extend expiring tax cuts enacted in Mr Trump's first term, they are actually preparing to add trillions to the national debt instead of subtracting from it. The budget resolution winding its way through the Republican-controlled House of Representatives would permit nearly $4trn of new debt over the coming decade, even after cutting over $1trn of spending on the environment, health care and education (all pointless, politically correct waste, of course).

No one can accuse Mr Trump of disguising what he aimed to do as president. All of his most controversial actions—the pardons of violent rioters, the purging of the deep state, the trade wars and the overtures to Russia—stem not from quiet conspiracies but from loud campaign promises. H.L. Mencken, a misanthropic journalist, once wrote, "Democracy is the theory that the common people know what they want and deserve to get it good and hard." And that is what is already happening with Mr Trump's presidency, even in its first month. Only 47 more remain. ■

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United States

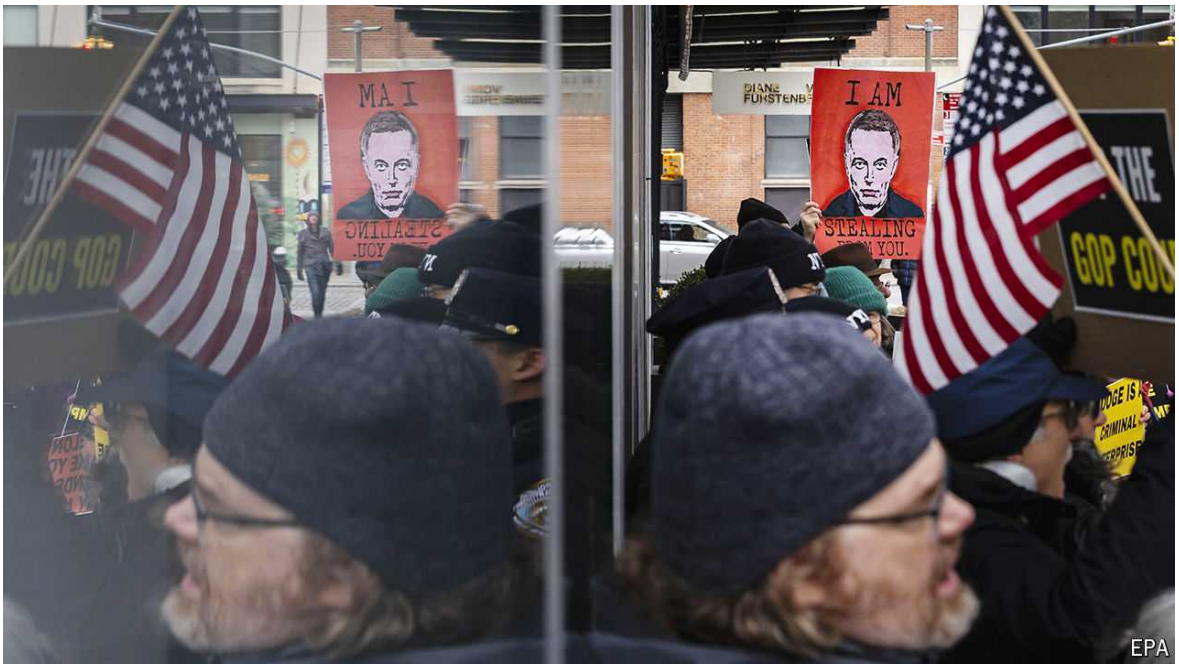
- Is Elon Musk’s war on fraud just cover for a power grab?
- DOGE attacks a bastion of Republican internationalism
- Donald Trump’s foreign-aid cuts threaten his rural voters
- In Texas, vaccine-choice activists are ascendant
- Why so many children in America have ADHD
- For Donald Trump, the resignations are the point

United States | DOGE police

Is Elon Musk's war on fraud just cover for a power grab?

America's government has a big problem, but DOGE's approach is unlikely to fix it

February 18th 2025



In 1971 RICHARD NIXON listed the qualifications for a chief of the Internal Revenue Service (IRS). "I want to be sure he is a ruthless son of a bitch," he said, on tape. "That he will do what he's told, that every income tax return I want to see I see, that he will go after our enemies and not go after our friends." In the end the man he appointed, Johnnie Walters, did not comply. His copy of Nixon's "enemies list" went into a safe until it was eventually delivered as evidence to Congress. Walters later argued that using the tax system to settle political scores would have threatened the very basis of America's democracy.

In the half-century since then, the IRS has remained immune from political interference. That is, until February 16th, when the *Washington Post* revealed that Gavin Kliger, a 25-year-old software engineer associated with Elon Musk's Department of Government Efficiency (DOGE) is to be given access to the IRS's computer systems. No political appointee has had this since Nixon. The decision followed a court order which has, for now, kicked DOGE out of the equally sensitive Treasury payments system. And on February 17th it emerged that Michelle King, the acting commissioner at the Social Security Administration, had resigned over DOGE's access to that agency's data.

DOGE's rationale for accessing all of this information is to eliminate "waste, fraud and abuse". Indeed, in the past few weeks this has become a MAGA obsession. Politicians across the Republican Party have argued that DOGE's unprecedented access to government IT systems is needed to stop a tidal wave of thievery. Donald Trump himself, during a Fox News appearance with Mr Musk on February 18th, said that the billionaire was uncovering "hundreds of billions of dollars' worth of... fraud, waste and abuse". Fundraising emails sent by Republican campaign groups ask recipients to participate in "audits" themselves, by donating money.

Yet the Nixon precedent helps to explain why many people—including senior civil servants—mistrust the Trump administration's campaign. And experts say that although fraud is a big problem in the federal government, and that Mr Musk is right to raise it, what he is doing is unlikely to improve the situation. In fact, some fear that the sloganeering about "waste, fraud and abuse" is designed to create political cover for unilateral cuts of congressionally mandated spending Mr Musk and Mr Trump do not like and for gaining access to sensitive data systems.

On the face of it, Mr Musk is right: fraud has boomed in recent years. The government is an especially vulnerable target. It is now possible to buy Social Security details online, on the dark web, and then apply for benefits en masse. Crooked doctors can search for potential patients to claim for health care that is not necessary or that they do not deliver. Pandemic-era programmes have been particularly lucrative to scammers. But so too are ongoing distributions, such as disaster relief. Artificial intelligence (AI) is helping fraudsters speed up their attacks.

According to a study by the Government Accountability Office (GAO) published last year, fraud could cost the Treasury between $233bn and $521bn a year. That is a lot less than the $2trn Mr Musk has claimed he can cut from the budget, but the higher figure is still nearly 8% of annual federal spending. Another survey of improper payments—including but not limited to fraud—found that the figure in 2023 came to $236bn.

Until now, there has been only limited effort to fix this. “Federal government agencies would not use the word ‘fraud’,” says Linda Miller, a former GAO official. Politicians generally refused to acknowledge the extent of the problem, she says. Mr Musk, she says, is bringing focus to problems “I’ve been highlighting this myself and saying in testimonies for years, and no one really listened”.

Yet Mr Musk’s claims about fraud so far have had only a limited relationship with the reality of the problem. He has regularly described as “fraud” authorised programmes he doesn’t like, such as everything paid for by USAID. “You might not want the government to invest in DEI training in Ireland, but that isn’t fraud,” says Ms Miller. “Somebody made the decision to invest that money.”

Mr Musk has also raised nonsensical concerns, such as the idea that there are millions of dead people claiming Social Security (the real figure is probably in the low tens of thousands), or that Democrats are conniving to give benefits to illegal immigrants. Ms Miller says she is worried that his misguided allegations may ultimately undermine the fight.

There are real reasons why fraud has been tricky to take on, says Danny Werfel, until last month the commissioner of the IRS. The major one is that preventing it creates friction for beneficiaries of government services, which politicians do not like. He gives the example of power wheelchairs paid for by Medicare. Criminals realised that they could make a hefty profit finding patients to buy these and then overbilling the government. Yet a plan to create a waiting period for claims to be examined was rejected by Congress. It decided “too many innocent people that need their power wheelchair would have to wait”, recalls Mr Werfel.

A second problem is that many of the programmes targeted by fraudsters—unemployment insurance and Medicaid, for example—are largely administered by the states. The federal government pays the bills, but it is state governments that assess whether someone is eligible and telling the truth. States have only the barest of incentives to prevent fraud, especially if it means spending their own money on bureaucrats to run audits. The "Department of Labour can't just go to a state and go like, do a better job, right?", says David Mader, a former chief finance officer at the Office of Budget Management. States have to be coaxed.

Mr Musk may think that tech will solve these problems. And in theory it could. AI could identify and "pre-audit" risky payments, for example. But to get there, you need civil servants who understand the systems and the laws that govern them. In reality, decades of underinvestment mean the government is not ready.

What nobody can explain is why fighting fraud requires inexperienced political appointees to have direct access to IRS or Social Security data. The "IRS holds the holy grail of federal government data", says Don Moynihan of the Ford School at the University of Michigan. Even the IRS commissioner does not have access. Yet the DOGE man now seeking it, Mr Kliger, is a computer-science graduate with no government experience, who cites a far-right writer as his inspiration for joining Mr Musk's new department. He is an unlikely fraud detective.■

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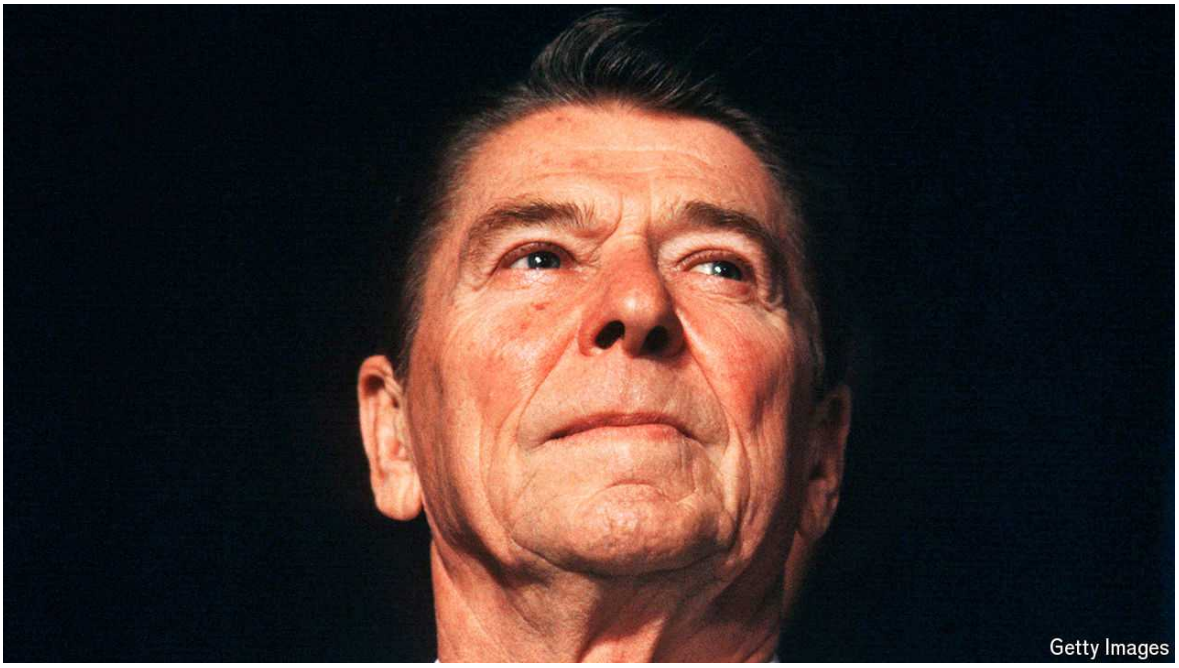
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United States | Foreign policy

DOGE attacks a bastion of Republican internationalism

Elon Musk has joined a war of ideas under the guise of a budget fight

February 20th 2025



A MIX OF MAGA purists and internationalist Republicans staffed Donald Trump's first administration, with the old establishment generally holding the upper hand. But in his second term the populists are driving policy, and congressional Republicans mostly have stood aside. Consider the muted response to Elon Musk's attack on the National Endowment for Democracy (NED). Unlike some of Mr Musk's broadsides against spending, this one is more about ideas than budget numbers.

Ronald Reagan and Congress created NED in 1983 primarily to fight the spread of communism. A classic "soft power" organisation, the group backed pro-democracy activists in communist countries. NED's backers argue it helped

bring about an end to the cold war by highlighting the lack of democratic legitimacy in the Soviet Union and its satellite states. More recently the organisation has supported civil-society and pro-democracy groups in a host of countries, such as Iran, China and Cuba.

Since its founding the group has enjoyed bipartisan support, but its strongest fans traditionally have been internationalist Republicans. Robert O'Brien, Mr Trump's former national security adviser, serves on the NED board; Elise Stefanik, the incoming US ambassador to the United Nations, did so in the past. Its $300m budget is humble by federal standards.

Mr Musk and his team have blocked disbursements to the group, effectively starving it and its grantees of funding. Earlier this month the DOGE boss called Todd Young, a Republican senator, "a deep state puppet" for serving on the NED board. The billionaire later retracted the statement after speaking with Mr Young, but he did not back down from his assault on the group. "That evil organisation needs to be dissolved," Mr Musk said, adding without evidence that the group had committed "crimes". Days later the Centre for Renewing America, a think-tank founded by Russell Vought, Mr Trump's activist budget chief, released a paper arguing that NED grants had "paved the way for the current Ukraine-Russia war" by supporting anti-Russian entities in Ukraine.

Mr Trump's recent declaration that Ukraine is responsible for being invaded by its bigger neighbour echoes this line and is deeply at odds with how post-war Republicans once tackled international affairs. Conservatives critical of the attack on NED privately rue that Mr Musk and Mr Vought sound like the old left, seeing an American conspiracy at the root of all global conflicts. America's adversaries. such as China, on the other hand, will welcome the disruption of support for dissidents.

The funding cut-off has had immediate and dramatic effects. The International Republican Institute, a NED grantee that conducts election monitoring and helps with anti-corruption efforts, has furloughed most of its employees and closed offices around the world.

"I fully support the audits and transparency. I think that's all good, because there is some crazy stuff," Don Bacon, a Republican congressman from

Nebraska, says of DOGE. "I just find that they're being rash, and then they're having to backtrack when they realise, 'Hey, the programme, maybe it was needed.'" Mr Bacon suggests that Republicans will soon enough reassert their power of the purse during the upcoming budget negotiations.

Many Republican lawmakers and their staff make a similar case, but DOGE officials have relatively limited contact with Capitol Hill. As for Republicans' relative silence about the shutdown of pro-democracy programmes, even foreign-policy hawks simply don't think NED is a hill worth dying on and prefer to privately push for the restoration of funding.

Fundamentally the fight isn't about the deficit; at issue is around 0.02% of discretionary spending. It harkens back to a deeper philosophical struggle that has roiled the right for decades. Dan Fried, a NED board member and diplomat during the cold war, recalls the split in the anti-communist camp between realists and pro-democracy officials.

"There was a sense that you were going to wreck detente if you supported Soviet dissidents and that Solidarity and the dissidents inside Poland were either doomed to lose or destabilising, but in no case worth investing in," Mr Fried explains. "But look what happened…you stand with your democratic ideals that turn out not to be charity, but a very canny and successful policy. And we are, in some sense, back to that debate." But it takes two sides to have a debate, and for now the only one speaking up is winning.■

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United States | Ee-I-ee-I no!

Donald Trump’s foreign-aid cuts threaten his rural voters

The teardown of USAID threatens a programme that benefits farmers

February 20th 2025



THE TALLEST structures in Pawnee County, Kansas are the grain elevators. They loom over the cows, the low-slung buildings and the occasional oil-pump jacks that litter western Kansas. In the basement of the county co-op, a collective that purchases locally grown sorghum, wheat, corn and soyabeans to sell to bigger buyers, several farmers sit around a table and wax lyrical about working in the fields. “The smell of dirt, the smell of rain, the sunrise and sunsets,” says Jerrod Smith, “it’s a pretty beautiful thing to do.”

But there is trouble in Pawnee County, and it is emanating from an unlikely source: President Donald Trump, who won the county by 52 points in

November. Mr Trump's mission to dismantle the federal bureaucracy has already touched Kansas farmers, who are struggling with low commodity prices, drought and inflation.

A big shock has come from the shutdown of the United States Agency for International Development (USAID) Tearing down USAID may have seemed like a savvy place to launch an assault on the federal bureaucracy, since foreign aid is unpopular and aimed abroad. But USAID has a domestic rural constituency. The food it gives away is grown by American farmers who, in a troubled farm economy, depend on the government to be a consistent customer.

The backlash to USAID's demise in middle America presents a test for the new administration: will it enforce budget cuts even when some of Mr Trump's most ardent supporters are affected? Agriculture subsidies offer an early measure of how far the president and Congress will go this year as they seek more than $1trn in cuts to federal expenditures. Other programmes on the chopping block—particularly Medicaid, a federally funded health care programme for poor people—also have important constituencies in red states.

Kansas has long been a font of America's charitable food exports. In 1954 President Dwight Eisenhower (a Kansan) signed a law establishing what became Food for Peace, a programme that donated American farm surplus to hungry people abroad. In 1966 senator Bob Dole (another Kansan) expanded the scheme. Chris Tanner, president of the Kansas Association of Wheat Growers, keeps a framed USAID wheat bag hanging in his office. "We have plenty, and there's really no reason for anyone to go hungry at night," he says.

Because of the way agriculture supply chains work, individual farmers often don't know where their crops end up. They sell to co-ops or grain elevators, which may sell to multinationals or the government for export. But "if we go a few years without food assistance people will be surprised how their sales decline", warns one furloughed USAID worker. The federal government allocated $1.7bn for Food for Peace in 2023, which went towards farms—but also to truckers and barge operators that get commodities to ports. Kansas accounts for 57% of American sorghum production, almost all for export. The loss of USAID means one less big customer. Kim Barnes, the co-

op's chief financial officer, is cold-calling potential clients to find new markets. "A co-op went under last year," he says, and he predicts several more will close this year, causing local farmers to lose their equity.

USAID also funded 19 labs at universities for crop research which helped develop new markets. "I had to fire everyone," says Peter Goldsmith, who ran the soyabean lab at the University of Illinois. Several lab directors argue that the cuts will sabotage American agriculture in the long run as China fills that research vacuum.

Beyond USAID, cuts to the Department of Agriculture's (USDA) conservation service could leave farmers with deep holes in their pockets. Some growers in Pawnee County upgraded to drip rather than flood irrigation, thinking that they would be reimbursed by the government, says Jed Fleske, a member of the county conservation board. Now that money may not arrive. Meanwhile, farmers fret about potential tariffs and a labour shortage if deportations of field workers ramp up.

The gutting of USAID will also reveal the influence, or lack thereof, of the farm lobby. Agribusiness firms donated $75m to Republican candidates during the 2024 election cycle, roughly double what they spent on Democrats. Their pleas have pushed Kansas lawmakers to try to move Food for Peace into USDA, in the expectation that the department will maintain the status quo. Brooke Rollins, Mr Trump's agriculture secretary, told *The Economist* that "decisions that were made that compromise especially our ranchers and our farmers are all under review". So the farmers of Pawnee County are optimistic that their pain will be temporary. "Once they get through figuring out where all the fraud is, I expect a lot of these conservation programmes to come back," says Mr Fleske. If not, he adds, "it's gonna hurt".■

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United States | Vax populi

In Texas, vaccine-choice activists are ascendant

Amid a measles outbreak they are lobbying for more "medical freedom"

February 20th 2025

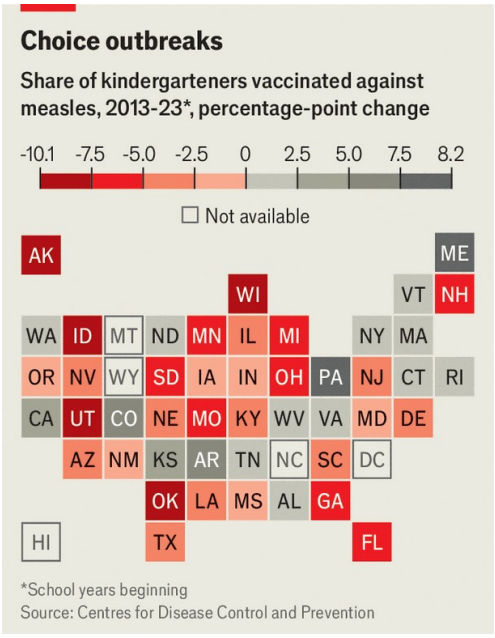


In the oil towns of west Texas a measles outbreak is spreading. At least 58 people have been infected and 13 are in hospital, the biggest surge in Texas in 30 years. Health officials reckon hundreds more cases have yet to be detected. Gaines County, where the flare-up began, had the state's third-highest share of children exempt from measles and other vaccines for religious or philosophical reasons last year. In the decade to 2023 the rate of schoolchildren without the recommended jabs there more than doubled, from 7% to 18%.

But rather than addressing an incipient public-health crisis, Texas legislators meeting in Austin, the state capital, are debating new laws to relax vaccine rules, urged on by Texans for Vaccine Choice (tfvc). On February 18th

activists in “Come and Make Me” shirts took to the Capitol to lobby and celebrate. As many as 45 vaccine-related bills have been introduced in the first month of the legislative session and 37 of them are anti-vaccine, according to the Immunisation Partnership, a non-profit. Two especially worry public-health experts: one would make it easier for parents to exempt their children from school mandates and the other would give politicians, rather than health officials, control over which are required.

Austin’s moment comes as Robert F. Kennedy junior, a vaccine sceptic, is taking charge as America’s health secretary. If such an appointment had been made two years ago “you would have thought we were crazy”, says Chip Roy, a congressman allied with the demonstrators. In the states, grassroots movements ride on the convictions of people like Carrie Bigford, the outreach director for TFVC. Her friend Kristin’s baby died suddenly after being vaccinated. The hospital said the shots were blameless and there is no contrary evidence. But on the day after what would have been the child’s second birthday Kristin killed herself. Twenty years on Ms Bigford is committed to “medical freedom”. She believes that vaccines pose intolerable risks. Even Botox goes through more rigorous clinical trials, she contends, falsely.



The Economist

To achieve herd immunity for the eight primary diseases doctors vaccinate against, roughly 95% of the population must be immunised. Last year the share of five-year-olds entering classrooms fully vaccinated dropped below 93% nationally. Populous Texas is at 94% but would fall further if some of the proposed bills pass. Between 2013 and 2023 the share of kindergarteners who got the measles jab fell in 29 states (see map). Because vaccine sceptics tend to cluster in neighbourhoods, the risk of outbreaks is higher yet.

Before the covid-19 pandemic TFVC activists had to whisper in the halls of the Texas Capitol, says Rebecca Hardy, their leader. But in 2020, as people took to the internet to learn about getting jabbed, scepticism snowballed. By then the Texas mums had made rich and influential Republican friends and today they have lawmakers lining up to back them. For a long time Americans were more receptive to vaccines than Europeans; a decade ago the French were the most distrusting, according to research by the Vaccine Confidence Project. Now most of the world's anti-vaccine digital content comes from America.

Heidi Larson, the Vaccine Confidence Project's founder, reckons that the movement could have been stymied a decade ago with a stronger dose of empathy. "The medical community hardened these mothers' views because we weren't listening," she says. Ms Bigford admits that trauma fuelled her vaccine anxieties. Had more people taken her fears seriously back then she would not be an activist today.■

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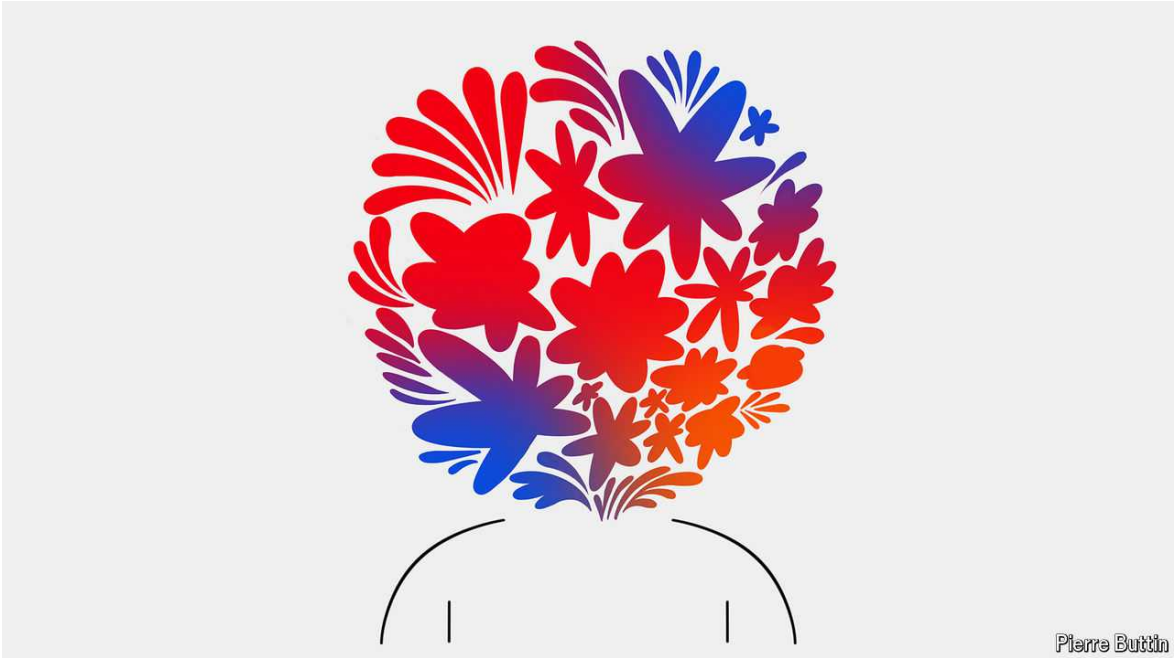
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United States | Inattentive medicine

Why so many children in America have ADHD

Not for the reasons espoused by Robert F. Kennedy junior

February 20th 2025



Few things agitate Robert F. Kennedy junior, America's new health secretary, more than the rate of attention-deficit hyperactivity disorder (ADHD) among American children. And for good reason: one in nine children aged 3-17 years has been diagnosed with ADHD, two to three times the rate in other Western countries. On February 13th, Mr Kennedy's first day in office, President Donald Trump put him in charge of a special commission tasked with working out, in the next 100 days, why so many American children have ADHD and other chronic conditions.

There are reasons to worry that the commission will miss the mark. Its terms of reference mirror Mr Kennedy's beliefs. He blames ADHD on the rampant use of chemicals by America's food industry. While there is scientific evidence

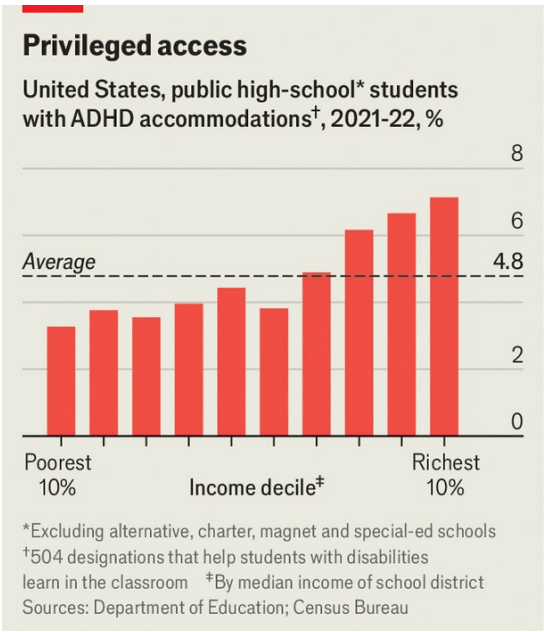
that artificial food colours can worsen some ADHD symptoms in children, their role is marginal. The actual reason why America is an outlier is widespread over-diagnosis.

A typical ADHD diagnosis in America is done by a paediatrician or a family doctor in an office visit as brief as 15 minutes. The norm in Europe is an hours-long assessment by a psychiatrist. The difference has to do with America's scant health-insurance coverage for mental health care and lax rules about who can diagnose ADHD. Lots of corners are cut in those 15 minutes. A full ADHD assessment that follows psychiatric guidelines entails cognitive tests of the child, detailed interviews of parents and teachers and even observing the child in the classroom. This helps to rule out other causes for ADHD-like behaviour. Often, it is a child's normal reaction to a chaotic home or classroom.

Fresh evidence of specious diagnoses landed in December, in a study published by the National Bureau of Economic Research. It found that ADHD diagnoses in America spike by 14% on Halloween compared to the ten weekdays before or after that. It is easy to guess why—the children were examined on the one very exciting day when you get to wear a fun costume and collect bucketloads of candy. Joel Nigg, a psychiatrist at Oregon Health and Science University, says that in his clinical practice he sees many cases that look like ADHD on the surface but, once fully evaluated, turn out to be something else (anxiety or a learning disability, for example).

Doctors are not alone in over-diagnosing ADHD. In a study in 2020, 10% of Americans rated their children high on a scale of ADHD symptoms, compared with 3-4% of Swedish and Norwegian parents. Cognitive tests showed that the American parents over-reported ADHD symptoms by a wide margin; the Swedish and Norwegian parents were generally accurate.

America's ethos of "school achievement above all else" is part of the problem, says Stephen Hinshaw of the University of California at Berkeley. It does not help that Americans are bombarded with advertisements for ADHD drugs. Only America and New Zealand allow direct prescription-drug advertising to consumers.



The Economist

All too often, however, the push for ADHD diagnoses comes from schools. Accountability rules can incentivise them to get ADHD diagnoses for poor-performing students: they can place children with ADHD into special-education classes and exclude their test results from reporting. Dr Hinshaw and others have found that ADHD rates are higher in states with more stringent accountability rules, especially for poor children. In Louisiana and Mississippi, poor states and early adopters of school accountability, one in six children has been diagnosed with ADHD.

At the same time, rich American parents and the competitive schools where they enroll their children have been tempted to exploit school accommodations for ADHD, such as extra time on exams. This shows up in the data for the so-called "504 designation", a disability category for students who are expected to learn as much as other students, with certain accommodations (their test scores are included in the school average). An analysis by *The Economist* found that 8.6% of secondary-school students in the most affluent areas have a 504 designation, compared to 1.4% of students in the poorest areas (see chart).

What would the ADHD rate in America be if children were diagnosed properly? According to a study of 12,000 American children published in 2022 by Dr Nigg and his colleagues, 9% of children would be categorised as having ADHD

based solely on parents' answers about symptoms. If both parents' and teachers' ratings were required, only about 5% of the children would have ADHD. When the researchers went further, taking into account standardised scales that show how far behaviour is from that typical for a child's age, the ADHD rate dropped to 3.5%—falling in line with that in other Western countries.■

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United States | Lexington

For Donald Trump, the resignations are the point

The more government lawyers who quit over their own scruples, the better for him

February 20th 2025



When Emil BOVE, the acting deputy attorney-general, set off an avalanche of resignations in the Department of Justice (DOJ) by demanding this month that prosecutors suspend their corruption case against New York's mayor, Eric Adams, he said he was worried it would keep Mr Adams from devoting his "full attention" to Donald Trump's priorities of fighting illegal immigration and crime. If that was Mr Bove's concern, his move backfired. Four of Mr Adams's eight deputy mayors, including the one in charge of public safety, have since resigned. New York's governor is weighing whether to dismiss the mayor. Mr Bove's order has proved at least as big a distraction as the prosecution ever was.

And yet Mr Bove's order has served the larger purposes of Mr Trump, whom he once represented as a criminal defence attorney. For Richard Nixon, it was a disaster when his attorney-general, Elliot Richardson, resigned rather than carry out an order he believed to be unethical, to fire the special prosecutor investigating Watergate. Richardson's resignation marked the beginning of the end of Nixon's presidency. But if historians choose to note the present upheaval at the Department of Justice, they are likely to view it as just the end of the beginning of Mr Trump's new administration, as the episode that made clear he would encounter no serious political opposition to his project to re-engineer the Department of Justice as a mechanism for achieving his objectives. The resignations, of eight prosecutors so far, rid him of lawyers who might resist other directives and opened slots for loyalists while signalling, and reinforcing, his dominance of his party.

What has changed since the time of Watergate? Not the law. Then as now, the Supreme Court recognised that the president had "unrestricted power" to remove top officials, and that the executive branch had "exclusive authority and absolute discretion" to decide what cases to prosecute. What has changed, profoundly, is America's political culture.

At least two of the prosecutors who resigned were, like Richardson, Republicans with admirable records of public service. Danielle Sassoon, the acting US attorney for the Southern District of New York, was first to make a dignified, principled exit, after dismantling Mr Bove's arguments and writing she could not "in good faith defend" his position. A member of the Federalist Society, Ms Sassoon had clerked for conservative luminaries, including Justice Antonin Scalia. Next to resign was another prosecutor on the case, Hagan Scotten, a former clerk for Chief Justice John Roberts and a Special Forces veteran who was awarded two Bronze stars. While noting he was no critic of the Trump administration, Mr Scotten wrote to Mr Bove, "No system of ordered liberty can allow the Government to use the carrot of dismissing charges, or the stick of threatening to bring them again, to induce an elected official to support its policy objectives."

Richardson supported Nixon and hoped to be president himself someday. But firing the prosecutor meant violating his moral code. In their last meeting in the Oval Office, Nixon tried to leverage Richardson's sense of duty, saying it was a shame he would not put the public interest first.

Richardson replied, “I can only say that I believe my resignation is in the public interest.” Enough Republicans, including in Congress, saw Richardson’s act as honourable to precipitate a crisis for Nixon. Today, Republicans who criticised President Joe Biden as “weaponising” the DOJ regard any suggestion that Mr Trump is doing just that as dishonourable. It’s not that integrity no longer matters; it’s that their definition of integrity has changed, from fidelity to principles to fidelity to leaders. “Your oath to uphold the Constitution does not permit you to substitute your policy judgment for that of the President or senior leadership of the Justice Department,” Mr Bove wrote in accepting Ms Sassoon‘s resignation. Denying any bargain with Mr Adams, Mr Bove accused her of pursuing a “politically motivated prosecution” and said the Justice Department would investigate her.

Philip Lacovara, who was the counsel to the Watergate special prosecutor, says he and others in the office were inclined to follow Richardson out the door. But Robert Bork, the DOJ official who ultimately carried out Nixon’s order, assured him that their investigation into Watergate would continue. “By contrast, Trump’s AG and Deputy AG have made it impossible to continue to investigate or prosecute anyone who has done a deal with Trump for protection,” he wrote in an email. “Moreover, a feckless Congress is cowering before Trump and offering no protection for the rule of law.” He added, “The current depredations are far worse than anything that we had to address during the Watergate affair.”

First kill all the lawyers

On February 18th, the top criminal prosecutor in the US attorney’s office in Washington, DC also quit, apparently also over a directive from Mr Bove, this time to freeze spending authorised under Mr Biden. Dispensing with such lawyers is vital to Mr Trump’s project. In remarks revealed by the investigative news outlet ProPublica, Russell Vought, Mr Trump’s director of the Office of Management and Budget, once lamented how, when he served in the same role during Mr Trump’s first term, government lawyers would say “you can’t do that” because it was against the law. “I don’t want President Trump having to lose a moment of time having fights in the Oval

Office about whether something is legal or doable or moral," Mr Vought said.

Mr Vought appears to regard this as necessary because of a "Marxist takeover" of the government. It is a curious inversion, or projection: Vladimir Lenin rejected the idea of an apolitical civil service, and the Bolsheviks built a one-party state that prized loyalty over merit and individual scruples. Over the long haul, this approach is not likely to work out for America, either. ■

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The Americas

- Argentina’s Javier Milei is betting big on an oil gusher
- Javier Milei’s crypto misadventure
- An Oscar-nominated film sparks a reckoning with Brazil’s dictatorship

The Americas | A dead cow comes alive

Argentina’s Javier Milei is betting big on an oil gusher

The country’s shale fields are on track to yield 1m barrels of oil per day by 2030

February 16th 2025



IN A DUSTY desert in north-west Patagonia, a hulking rig is busy drilling. After plunging 3km underground, its drill turns and chomps horizontally for the same distance again. In Neuquén, the nearest city, boffins crunch data from the rig and keep its drill trained on an oil-rich sliver of shale, just five metres thick. Nearly 40 of these machines dot Vaca Muerta (“Dead Cow”), a vast shale patch in Argentina. The formation stretches from the Andes to the outskirts of Neuquén, where its dark layers peek through the sand.

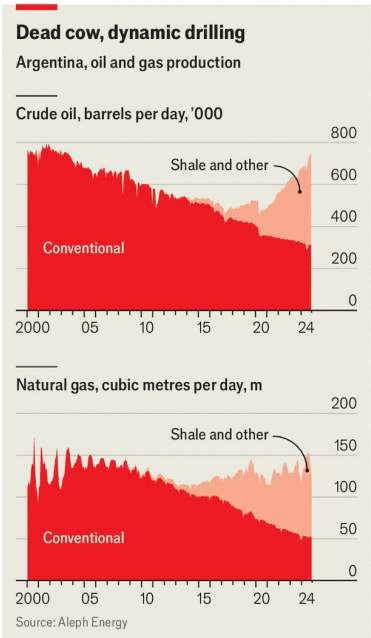
Argentina holds the world’s fourth-largest reserves of shale oil and more shale gas than anywhere except China. Argentines started tapping Vaca

Muerta around a decade ago. Production grew steadily. Then, a few years ago, it exploded. In 2024 Argentina exported more energy than it imported for the first time in 14 years.

This year Argentina is set to overtake Colombia, which produced nearly 800,000 barrels per day (b/d) last autumn, as South America's third-biggest crude-oil producer. Only Venezuela, which produces nearly 1m b/d, and Brazil, which produces more than 3m b/d, will pump more. Javier Milei, Argentina's libertarian president, calls Vaca Muerta a "panacea" and wants the country's energy exporters to thrive. If they do, they could fuel his efforts to turn around decades of economic decline.

Argentina's shale business faced steep odds. Drillers swoon over Vaca Muerta's geology, likening it to the United States' richest formations. But as Vinicius Moraes of Wood Mackenzie, an energy-advisory firm, explains, "Argentina is a different beast." Oil-price controls, export taxes and capital restrictions long made it hard to do business. Those policies, along with ageing conventional wells, caused oil production to wane during the 2000s. And in 2012 the decision by Cristina Fernández de Kirchner, then Argentina's president, to nationalise YPF—an energy company owned by Repsol, a Spanish firm—spooked investors.

Still, enough money made its way into Argentina to foster a burgeoning shale business. Miguel Galuccio, who ran YPF from 2012 to 2016, persuaded foreign firms—including Chevron, an oil major—to invest in joint ventures. That may be partly because of the characteristics of shale drilling. As Francisco Monaldi of Rice University in Texas points out, shale production has low initial costs (compared, say, with setting up a big offshore operation), but needs sustained investment to drill new wells and keep production growing. Nationalising a shale project makes little sense for a cash-strapped government. "It's like expropriating a carmaking company," says Mr Monaldi. "It's great at first, but the next day you have to work out how to keep making cars."



For that reason, risk-conscious investors were willing to invest gradually. Over the past decade, shale-oil production has risen from around 20,000 b/d to nearly 450,000 b/d. Gas production has soared, too (see chart). YPF, alongside local drillers like Vista Energy (which Mr Galuccio now runs), has spurred more recent growth. "When we said Vaca Muerta could double production in five years, people thought we were crazy," says Daniel Dreizzen, a former secretary for energy planning. Most analysts now reckon Vaca Muerta can produce more than 1m b/d by 2030.

The boom has transformed Neuquén. Vaca Muerta had been home to some conventional drilling since 1918. But by the mid-2000s output was falling. Shale gave Neuquén's older oilmen a second shot and still draws new workers to the city each week. Gustavo Medele, the energy minister for Neuquén province, says a lorry driver can earn the equivalent of $3,000 a month (roughly double the average national monthly salary). Not everyone is happy. Some locals worry about the water used to break up compact shale formations. A mural near the city centre, showing a fire-spitting rig next to a river, declares: "Water is worth more than oil."

Mooing for the moolah

Such criticism understates shale's rewards. The boom could transform Argentina's economy. Estimates suggest that the shale business could help create between a quarter and half a million jobs by the early 2030s. Widening the country's trade surplus would replenish its meagre foreign-currency reserves, helping it pay its debts. Aleph Energy, a consultancy that Mr Dreizzen now runs, reckons that hydrocarbon exports could bring more than $30bn into Argentina every year from 2030. That would go a long way towards widening Argentina's total trade surplus. Energy exports helped push it to $19bn in 2024, the highest figure in years.

Mr Milei's reforms have already made business easier. Since last year, companies have no longer been obliged to reserve a certain level of supply for local refiners before they can export. The government has also stopped intervening in the oil market, letting the price of oil sold locally rise closer to that of Brent crude, the global benchmark. Shalemen long for the end of Argentina's capital controls, which would make it easier to import kit and attract more foreign investment. But removing those is slower work.



Foreign cash will help Argentine exporters tackle their most pressing problem: infrastructure. Last year's energy surplus was achieved by delivering gas to Chile, running oil pipelines at full tilt and sending the remaining barrels out of Vaca Muerta by lorry. An extra oil pipeline, due to

open soon, will offer more capacity to send exports to Puerto Rosales, a city on the coast. Exporters are also ramping up gas supplies to Brazil, using old pipelines via Bolivia. But markets in neighbouring countries remain small compared with those in Asia and Europe.

And so to increase exports significantly, Argentina is looking farther afield. Several projects are under way, supported by tax breaks and other incentives that Mr Milei has carved out for big infrastructure investments. YPF, alongside other companies, is building an oil pipeline to carry 550,000 b/d to Punta Colorada, where a deep-water port will receive bigger tankers.

The firm also wants to ship liquefied natural gas (LNG) to Asia, where demand is expected to keep growing until at least the 2040s. The cost of the necessary infrastructure is immense, at some $50bn. But YPF, which has signed a deal to develop it with Shell, a British-Dutch major, is determined. Horacio Marín, its boss, has been touring Asia in search of orders; on January 21st three Indian companies said they were interested in taking shipments.

Two things could derail Argentina's progress, warns Mr Dreizzen. First, the coming wave of oil and gas production in the United States may push prices down, making LNG projects in particular less profitable and leaving Argentine producers with little room to compete. Second, if the country ended up in another economic crisis, foreign investors could panic. That would make expanding the country's export infrastructure an even harder task. Milking Vaca Muerta for all it's worth will not be easy. But it is already transforming the country. ■

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The Americas | Crypto problems

Javier Milei’s crypto misadventure

The Argentine’s first serious embarrassment as president

February 20th 2025



Javier Milei is facing his presidency’s first big scandal. On February 14th he posted on X, a social-media service, in praise of a cryptocurrency called $LIBRA, saying it would fund “small companies and Argentine ventures”. Thousands of people bought in over the next hour. The price surged from 21 cents at the time of Mr Milei’s post to peak at $5.54, then collapsed.

Most investors lost their shirts. Mr Milei deleted his post. By February 17th more than 100 criminal complaints had been filed against him alleging fraud. Argentina’s opposition party was calling for his impeachment.

The president has tried to distance himself from the project, insisting that his post did not constitute an endorsement. He has said he acted in good faith

and was “not familiar with the details”. Awkwardly, his office says he routinely endorses businesses.

One of $LIBRA’s backers, a marketeer called Hayden Davis, was part of a team that launched a cryptocurrency promoted by Melania Trump, America’s First Lady, in January. That coin lost 90% of its value within days. On February 15th Mr Davis called himself “Javier Milei’s adviser” and said that he was “working with him and his team”. Mr Milei’s office has said the government has no connection to Mr Davis.

This was not Mr Milei’s first brush with crypto controversy. In 2021 he promoted a company called CoinX World on Instagram. It was later shut down by Argentine regulators.

It seems that insiders may have profited from prior knowledge of Mr Milei’s post. According to the *Buenos Aires Herald*, one wallet bought $1m of the coin at the exact moment of Mr Milei’s post. The wallet sold 45 minutes later, netting a profit of $8.5m.

The president may have been emulating his idol, Donald Trump, who launched a cryptocurrency in January (its value also cratered). Mr Milei has also followed Mr Trump’s lead in announcing Argentina’s withdrawal from the World Health Organisation. He is mulling leaving the Paris climate accords. The $LIBRA saga shows that not all MAGA mimicry is a sure bet. ■

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The Americas | Paiving the way

An Oscar-nominated film sparks a reckoning with Brazil's dictatorship

"I'm Still Here" is as much about the country's present as its past

February 20th 2025



Towards the end of "I'm Still Here", a Brazilian film set during the country's military dictatorship, a photographer tells his subjects—a woman and her five children—not to smile. The father of the family, Rubens Paiva, has been "disappeared" by the dictatorship, and the photographer's editor wants a suitably sad image. They defy the editor and flash toothy grins.

The scene captures Brazil's approach to the legacy of its dictatorship, which ruled from 1964 to 1985. Unlike in Argentina, Chile and Uruguay, no one has been sent to jail for crimes committed by the regime. Brazil has, so far, been content to move on in the name of stability and democracy.

“I’m Still Here” came out in November and is already one of the most-watched films in Brazilian history. It is also the first South American film to be nominated for best picture at the Oscars. Fernanda Torres, who plays the stoical lead, is in the running for best actress. Walter Salles, the director, says he wanted to “tell a story that felt essential” at a time of democratic backsliding, to bring Brazil out of its “amnesia”. It seems to be working; the film is spurring a new reckoning with Brazil’s violent past.

The film follows Paiva’s family as they deal with his disappearance. The left-wing congressman was ousted after the coup in 1964. In 1971 regime thugs hauled him away from his home in Rio de Janeiro for questioning. He never came back. For decades the army pushed a story that Paiva had escaped them and joined a guerrilla group. In 2014 a national truth commission published evidence that he had been tortured to death under interrogation. Five retired officers were charged with killing him and hiding his body. None of the officers have been tried. Three have died of old age.

Across South America, military leaders accepted the transition to democracy only after securing amnesties for themselves, amnesties which also protected their often-violent opponents. In Argentina, Chile and Uruguay pardons for the dictatorship were eventually annulled, or exceptions made to try the worst offenders. Brazil’s Supreme Court upheld its amnesty in 2010.

The differences, says Marina Franco of the National University of San Martín in Buenos Aires, are down to the relative brutality of the regimes, and their power at the point of transition to democracy. Argentina’s dictatorship was particularly violent and disorderly; over seven years the junta “disappeared” as many as 30,000 people, oversaw economic chaos and lost the Falklands war. This spurred Argentina’s human-rights movement, the region’s strongest. Over 1,000 people have been sentenced for the junta’s crimes.

Chile’s regime was also bloody, but the success of Augusto Pinochet’s economic reforms helped him keep power for 17 years and shape the constitution. Justice there has been slower. Uruguayans have rejected referendums on overturning their amnesty, but the courts have sent those involved in the worst crimes to jail.

Brazil's regime was the least savage, though at least 434 people were killed and thousands tortured. The army let a budding left-wing movement thrive. Winning the football World Cup in 1970 boosted the mood of the country overall, as did the booming economy in that decade. For years after 1985, Brazil upheld its amnesty.

Justice revisited

The success of "I'm Still Here" is leading Brazilians to rethink their clemency. Registry offices have begun updating death certificates for those disappeared by the state to reflect the real causes of their death. On February 14th the official commission which looks into political killings and disappearances said it might re-examine the death of Juscelino Kubitschek, a former president who died in suspicious circumstances in 1976. On the same day, Brazil's Supreme Court started deliberating on whether the amnesty should apply in Paiva's case and that of two other disappeared dissidents, or whether this conflicts with human-rights treaties Brazil has signed.

Brazil's attitude to dictatorship is newly relevant. On January 8th 2023 supporters of Jair Bolsonaro, then Brazil's outgoing president, attacked government buildings in an attempt to keep him in power after he lost an election that he falsely claimed was rigged against him. Mr Bolsonaro's allies in Congress are now trying to pass an amnesty for all involved. Police reports released in November describe alleged plans by confidants of Mr Bolsonaro to murder the current president and vice-president before they could assume office, plus a Supreme Court judge. The reports state that Mr Bolsonaro, who has long praised the dictatorship, edited a draft decree declaring a state of emergency and annulling the election. The effort failed after two of the armed forces' three commanders rejected it. On February 18th Brazil's attorney-general officially charged Mr Bolsonaro with plotting a coup to remain in power. Mr Bolsonaro denies wrongdoing and says he is suffering political persecution.

Mr Bolsonaro also has personal beef with the Paiva family (pictured). He grew up in the same town as Paiva, whose father was a wealthy landowner. When a bust of Paiva was installed in Congress in 2014, Mr Bolsonaro, then a representative, spat on it in front of the family. Marcelo Rubens Paiva,

Paiva's son, claims the resentment stems from "class hatred". A biography of Mr Bolsonaro written by one of his children lists grudges against the family, such as never being invited to swim in their pool and that the children ate expensive ice lollies. "I'm Still Here" is a rebuke not only to Brazil's past, but also to the leading demagogue of its present. ■

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Asia

- Only Asia can help America counter China’s shipbuilding prowess
- India’s other, little-known infrastructure revolution
- The US-Russia dogfight to sell India fighter jets
- Singapore’s leader of the opposition is convicted of lying

Asia | Vessel states

Only Asia can help America counter China's shipbuilding prowess

But will Donald Trump let it?

February 20th 2025



AT THE Ulsan shipyard on the south-eastern coast of South Korea, vessels are assembled like Lego. Hulking cranes stack huge blocks of bent steel, which are then notched together into a seamless whole. HD Hyundai Heavy Industries (HHI), which owns the yard, has perfected this art. As the world's largest shipyard, Ulsan produces 40-50 modern ships every year, from gas tankers to destroyers. Shipbuilders like HHI are key to a crucial arena of competition between America and China in the Indo-Pacific.

While America's shipbuilding industry has sunk, China's has steamed ahead to become the world's largest. Chinese shipbuilders account for over 50% of all merchant tonnage produced globally, up from 5% in the late 1990s.

America's make just 0.1%. China's naval shipbuilding capacity is now more than 230 times greater than America's; its navy has more ships than any other in the world. The size of America's naval fleet has decreased by half since the end of the cold war. "We thought, 'Oh, the end of history, we don't need this anymore,'" says Brent Sadler of the Heritage Foundation, an American think-tank.

America's allies in East Asia could help counter the Chinese build-up. South Korea and Japan are home to the world's second- and third-largest shipbuilding industries, accounting respectively for 28% and 15% of global production. Shipyards there have cutting-edge technology. The firms that run them built industrial clusters with robust supply chains: Ulsan is also home to the world's largest ship engine-maker. Shipyards in South Korea and Japan are "21st-century" enterprises, Mike Waltz, America's national security adviser, said in September when still a congressman from Florida. "You go to some of ours—it looks like it hasn't changed since the 1930s."

Officials around the region are keen to work with America. Doing so is good business for their industries, and potential investments in American shipyards could also be good politics. In recent years America has grown more open to the idea. Last year Joe Biden's secretary of the navy, Carlos Del Toro, visited the Ulsan yard, along with others in South Korea and Japan. A focus on shipbuilding may be an area of continuity with President Donald Trump's administration, even with America's more protectionist turn. On the first call between Mr Trump and South Korea's president, shipbuilding was a big topic. (Shares of South Korean shipbuilders such as HHI jumped afterwards.)

But to fully unlock the potential, protectionist laws that limit where America builds and repairs its ships need to be revised. The Jones Act has, since the 1920s, mandated that all American domestic maritime cargo travel on ships that are American-built, owned, flagged and operated. Naval procurement rules prevent acquiring warships from overseas (at least without a presidential waiver) and limit the kinds of repairs that can be done at foreign yards. Any changes are politically fraught. How America handles the tension between two competing imperatives—the need to work with allies to counter China, and the desire to protect domestic industries—will help determine the balance of maritime power.

Allied shipbuilding collaboration could take several forms. One is enticing industrial behemoths in South Korea and Japan to help revive American shipyards. Last year Hanwha, another big South Korean conglomerate, bought Philly Shipyard, an ageing facility in Pennsylvania, the first such investment by a South Korean firm. Mr Del Toro hailed the acquisition as "game-changing". Other Asian shipbuilders are exploring similar moves.

Yet getting outdated American shipyards up to scratch will take "lots of investment and lots of time", says Jeong Woo-maan of HHI. Without a robust commercial shipbuilding industry, supply chains are undeveloped. Training workers to make advanced modern vessels takes years. "Some people think it will be world war two all over again, with Rosie the Riveter just taking up a wrench," says Colin Grabow of the Cato Institute, an American think-tank. "But it won't—these are incredibly specialised skill sets." America's decision to block Nippon Steel, a Japanese firm, from acquiring US Steel, an American one, will also make potential investors think twice.

Another option is tapping Asian shipyards for what is known in the trade as "MRO" (maintenance, repair and overhaul). Proponents argue that moving more MRO to friendly nations' yards could free up American ones to focus on building new ships, and would keep American vessels closer to the theatres where they are deployed. Hanwha and HHI have both signed "master ship repair agreements", which allow them to bid for American naval jobs. Three Indian shipyards have also inked similar agreements. When Mr Biden visited India in 2023, both countries committed to advancing India as "a hub for the maintenance and repair of forward-deployed US Navy assets". Such work tends to be limited to non-combatant ships. But Japan has found ways to assuage the security concerns related to sensitive vessels. Japanese workers help maintain American warships deployed to bases in Japan.

Some hope that collaboration on MRO will eventually lead to more direct co-production. America's entire shipbuilding industry produces two destroyers annually, while HHI can produce two per year at just one of Ulsan's ten dry docks, Mr Jeong notes. Why not have South Korea build ships for the American navy? In private, some senior American military officials salivate over the prospect.

Despite this, progress has been slow. Vested interests fiercely resist change. Last year Matthew Paxton, president of the Shipbuilders Council of America, claimed that America had enough capacity to build combatant and logistics ships and to meet the navy's maintenance needs and yet it was "looking abroad for ship maintenance". "These efforts are driving lay-offs to the very domestic workforce navy leadership says it wants to preserve," he wrote. After the initial rush of activity, no American navy ship has undergone work in India since July 2023.

Another stumbling block is manpower. American shipyards struggle to attract workers, while the population in both South Korea and Japan is shrinking. Blue-collar industries there already depend on foreign workers, mostly from South-East Asia: roughly 15% of South Korea's shipbuilding workforce is foreign. Large-scale immigration is politically unpalatable in both countries. More automation can help, but a lack of labour would still limit any attempts to boost production.

Several recent bills introduced in America's Congress seek to remedy some of the problems in its maritime industry. Earlier this month, two Republican senators from land-locked Utah introduced legislation that would make it possible to build naval ships and their components in the shipyards of treaty allies.

The Shipbuilding and Harbour Infrastructure for Prosperity and Security Act, a bipartisan bill introduced last December that aims to revitalise American shipbuilding, stands a much better chance of passing. "But it is fundamentally a strategy of American renewal—there's not much about allies and partners," says Peter Lee of the Asan Institute, a think-tank in South Korea. "It's not a two-player game, the sooner America wakes up to that, the faster they can address the challenge." ■

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Asia | All-weather friends

India’s other, little-known infrastructure revolution

Not just highways, India has built up its rural roads network, too

February 20th 2025

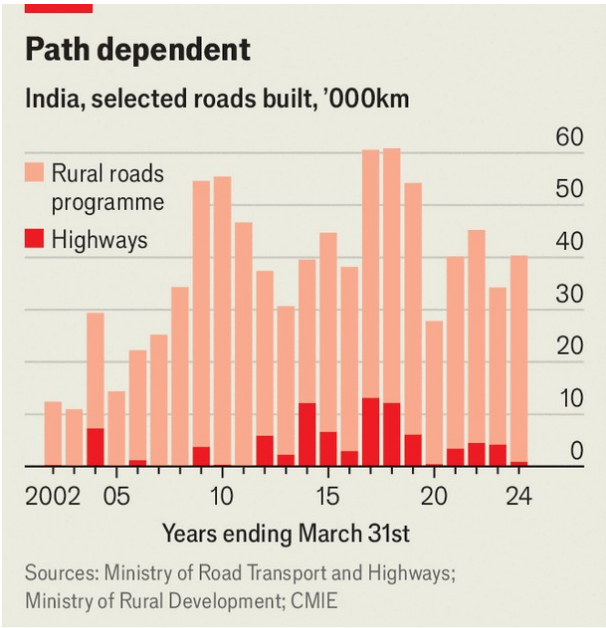


THE NEW road runs 1.85km (1.14 miles) to Khaira, a village of around 1,000 people in central India that seems straight out of an idealised depiction of rural life. Blue-uniformed pupils eat lunch in the grounds of the middle school, some offering their leftovers to a pair of cows outside. A dozen men drink tea under the eaves of a house, listening to a recitation of the *Ramayana* blaring from a temple loudspeaker.

Until recently getting to Khaira from Kanharpuri, a bigger settlement, involved a roundabout route on potholed surfaces. But the new road, built at a cost of 2.9m rupees ($33,000) and completed in June, has made the

commute much simpler, says Gita, a science teacher who travels from Kanharpuri on a scooter.

Since the turn of the century, and especially in the past decade under Narendra Modi, the prime minister, India has rapidly expanded its road connectivity. The national-highway network nearly tripled in length from 52,000km in 2000 to over 146,000km last year, adding an average of around 3,900km a year. Less well-known is the infrastructure revolution in the countryside. In 2000 India had just 545,000km of surfaced rural roads, usually of dubious quality. By last year, the country had added an additional 773,000km, at an annual average of 33,500km, under one programme alone (see chart).



The Economist

That effort to link villages to market towns with all-weather roads, known as the Prime Minister's Rural Roads Programme (PMGSY in the Hindi acronym), was announced in 2000. It is part of an effort to narrow the huge urban-rural income gap and has been supported by every government since. Some states also run a complementary chief minister's programme (MMGSY). Today the orange-and-black signboard marking a road built under the scheme is a familiar sight across India.

The programme has by many measures been a success. PMGSY was rolled out on the basis of village population rather than by district, connecting smaller places over time. This design created a natural control group, allowing researchers to compare connected and unconnected villages near each other. They found reduced travel times, increased access to transport services, greater labour mobility out of agriculture and a slight rise in consumption. Pupils stayed in school longer.

Rural roads also improved life for women. A study by Bharti Nandwani and Punarjit Roychowdhury, both development economists, found fewer women needing permission to leave their homes and lower reported rates of domestic violence. The authors suggest that exposure to the world outside the village may have spurred changes in "the perception about the appropriate role of women in society". Shilpa Aggarwal of the Indian School of Business (ISB) in Hyderabad found better health care for pregnant women, lower rates of miscarriage, fewer home births and higher rates of childhood vaccinations.

There remain many ills that roads alone cannot solve. Women did not report increased bank-account ownership or property rights. Infant mortality increased, suggesting that better maternal care only delayed rather than averted some deaths. Most glaringly, there is no evidence that the roads raised rural income levels.

One reason may be that much of the research on rural roads looks at effects over the first few years of the programme—it is harder to find unconnected villages today—and so the full impact on income may not yet have become apparent. Another is that rural roads facilitated migration, so incomes may well have risen for the families of those who left the village, but not for the rest. Both explanations point to possible economic improvements under the surface of aggregate numbers.

There may be a simpler explanation, says Sam Asher, an economist at Imperial College London who has done extensive research on PMGSY: "Villages are poor, unproductive places for many reasons and investing in one thing isn't going to change a lot." Agriculture, which remains the mainstay of India's rural economy and employs half the country's workforce, is afflicted

by lots of bad policies. A tarmac road has no chance of fixing them on its own.

The programme has evolved since its inception. The latest edition, approved late last year, aims to build another 62,500km of road by 2029. "The focus now is going to shift to maintenance and to expansion," says Vikram Sharma of MicroSave Consulting, a firm based in Lucknow. Maintenance is badly needed. "No one comes to inspect the road," complains Champalal Chandrapur, a farmer in Khaira, referring to an older road at the other end of the village. "The scheme is very good, but the low-level contractors are corrupt."

Indeed, corruption at the local level is endemic across India. Some roads are built with dodgy materials or mixes. Local politicians may prioritise funds for areas where they have more voters. Moreover, the capacity of Indian states to absorb central funding and implement schemes varies. Money sent by officials in Delhi is sometimes returned unspent. The government is adjusting the nitty-gritty of PMGSY's policy design to ensure better oversight and maintenance, says Mr Sharma.

But rural India has changed for the better thanks to the programme. "Twenty years ago there used to be ankle-deep mud on the rough, unpaved roads," says Tejinder Vaishnav, a labourer in Khaira. The scheme may not be perfect. But as Ms Aggarwal of ISB puts it, "a road is a no-brainer. Everyone should have access to a road."■

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Asia | Air supply

The US-Russia dogfight to sell India fighter jets

The Economist witnessed the first face-off between the world's top stealth fighters

February 20th 2025



As one of Asia's biggest air and defence shows, Aero India always generates a buzz in the arms trade, not to mention the skies over Bangalore. But there was an extra frisson around this year's event, which concluded on February 14th. One reason was the presence of Russia's most advanced stealth fighter jet, the Su-57. This was not just its debut in India: it was appearing for the first time alongside America's equivalent, the F-35.

Then there was a two-day visit to Washington by India's prime minister, Narendra Modi, which coincided with the show. After meeting President Donald Trump on February 13th, the two leaders sought to gloss over tensions on tariffs with ambitious agreements to expand trade and defence

co-operation. And, most strikingly, Mr Trump said they were "paving the way" to supply India with the F-35, which is currently restricted to American allies.

That only intensified manoeuvring among military officials and arms-makers in Bangalore. They had gathered there mostly to tout their wares to India, which is the world's biggest arms importer and is steadily diversifying away from Russia as its main supplier. This year, the commercial and geopolitical stakes were especially high given the war in Ukraine, Mr Trump's return to power and an anticipated Indian order for 114 fighter jets worth $20bn.

The Russian and American delegations carefully avoided direct contact, but in conversations with *The Economist* they readily badmouthed each other's wares. After the Su-57's aerobatic display, a Russian delegate questioned the manoeuvrability of the F-35 (which only did a straightforward flypast). America's fighter had only been used against ill-armed "terrorists", the Russian quipped, whereas the Su-57 was "battle-proven" in Ukraine.

The Americans' response was equally caustic. They pointed out that Ukraine had no real air force and suggested that the Su-57's fancy moves had little use in modern combat. They also cited the poor performance of many Russian weapons in Ukraine. And they expressed confidence that India would continue the expansion of defence ties with America that began two decades ago and accelerated after a deadly clash on India's border with China in 2020.

A fighter deal would take that defence partnership to new levels. Although India has lately bought more American arms, including helicopters, transport planes and drones, it has resisted buying American fighters, which would bind it into a complex technological ecosystem for decades. India's most recent fighter order was for 36 French Rafales in 2016; its other fighters are mostly of Russian origin.

Yet Mr Trump's remarks also unsettled some American and Indian air-show participants. India, they explained, remains wary of becoming over-reliant on imported American arms, partly because they are expensive and partly to preserve strategic autonomy. So India and America (as well as several other

countries) have recently prioritised joint arms production in India. That also helps Mr Modi's efforts to boost Indian manufacturing, thus creating jobs.

Mr Trump and Mr Modi did agree to pursue "new procurements and co-production arrangements" for anti-tank missiles and infantry combat vehicles. They also welcomed new agreements to co-produce anti-drone and anti-submarine equipment. For many involved, though, the concern is that such co-production efforts will ultimately clash with Mr Trump's determination to reduce India's trade surplus and create jobs in America.

His F-35 offer was quite a curveball, too. The biggest Indian deal on the horizon is the 114-fighter tender, plans for which were announced in 2018. India is expected to invite bids in early 2025 and the contenders include two American firms, Boeing and Lockheed Martin, as well as Dassault of France, Saab of Sweden and Russia's United Aircraft Corporation.

Hey big procurer

But India has long indicated that in that deal it aims to buy a large number of affordable aircraft to replace much of its ageing fleet and to ease a shortfall of some 200 fighters. It has thus been seeking fourth-generation fighters, rather than more expensive fifth-generation ones like the F-35 (which boast radar-evading stealth technology). And it is widely expected to demand that most, if not all, components of the fighters are produced in India.

Besides, some American allies, which jointly developed the F-35, might object to sharing its technology with India. And India is developing its own fifth-generation fighter. Hence Lockheed, which makes the F-35, has been pitching an updated version of the older F-16 for the anticipated Indian fighter tender, and offering to make much of it in India. (Boeing's hopes rest primarily on an updated version of the F-15, also to be substantially Indian-made.)

Recently, however, senior Indian air-force figures have voiced frustration with the slow pace of India's procurement process. They point to China, which has already inducted almost 200 fifth-generation fighters and offered 40 to Pakistan, India's historical rival. Some in India's defence circles are

now calling for it to rethink the 114-jet order and buy a smaller number of stealth fighters instead.

Russia, meanwhile, is lobbying India to do the same. Russia's pitch includes sharing much of the Su-57's technology and allowing production under licence in India (which already makes Su-30s under a similar deal). As for Russia's supply-chain issues, its representatives say they will ease if the war in Ukraine ends. And they question America's reliability, citing recent delays in the delivery of American engines for India's indigenous fighters.

It is unclear to what extent Mr Modi was on board with Mr Trump's F-35 announcement, though their joint statement noted that America was reviewing its policy on supplying fifth-generation fighters to India. Shortly after, a senior Indian official said it was only a proposal and any purchase would follow the normal procedure, which had not yet started. Even so, fighters are clearly on both leaders' minds. And India has some hard choices to make. Brace for some diplomatic aerobatics in the months ahead. ■

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Asia | Watching the watchmen

Singapore's leader of the opposition is convicted of lying

The city-state's usually dull politics have taken a turn

February 20th 2025



On February 17th Pritam Singh, the leader of Singapore's opposition, was convicted of "wilfully" lying twice to a privileges committee in 2021 and hit with the maximum fine of S$7,000 ($5,200) on each charge. The verdict caps one in a spate of scandals in the city-state's usually dull politics.

The privileges committee vets the conduct of MPs who have legal immunity. The committee, dominated by the incumbent party, had been investigating a different lie told in Parliament by a former opposition MP, Raeesah Khan.

Ms Khan had falsely informed Parliament in August 2021 that a rape survivor had been treated insensitively when she accompanied her to a

police station. No such incident occurred. But that did not stop Ms Khan from repeating the lie in Parliament two months later, before finally coming clean in November that year. During the committee proceedings the following month, she testified that Mr Singh had instructed her to "take [the lie] to the grave" when her dishonesty first surfaced. Mr Singh maintained that he told her to do the opposite. The privileges committee then imposed a S$35,000 fine on Ms Khan and recommended that Mr Singh be investigated for lying under oath to the committee.

The circumstances which led to Mr Singh's prosecution are in many ways as novel as the charge itself. It was the first time in Singapore's history that a politician had been prosecuted under the Parliament Act. The committee could have instead opted for a simpler censure motion, used to signal dissatisfaction with parliamentarians.

The verdict is a stain on the relatively clean image of Mr Singh's party ahead of an election expected later this year. "It takes away any bragging rights that Mr Singh or his party may have had on the campaign trail," says Eugene Tan of Singapore Management University.

But the ruling party is not scandal-proof. The chair of the privileges committee and former speaker of Parliament resigned after it came to light that he had had an affair with a fellow lawmaker, thus damaging his impartiality. A transport minister was jailed last year for corruption. They resigned their posts, while Mr Singh has not. He once mocked the government's assertion that it did not need an opposition party to hold it to account, declaring the idea of "ownself check ownself", in the local patois, to be unrealistic. Singaporeans will soon have a chance to signal whether they still trust Mr Singh's party to do so.■

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China

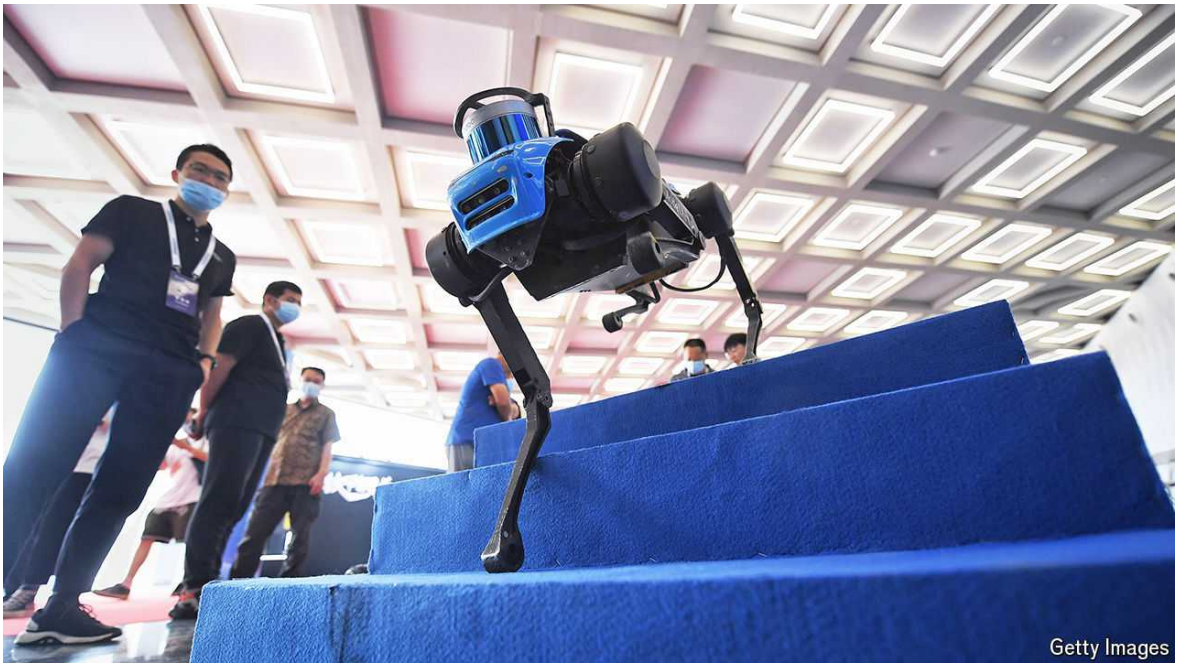
- Behind DeepSeek lies a dazzling Chinese university
- China’s alarming sex imbalance
- Chinese authorities try to stop parents gaming the exam system (again)

China | A new Silicon Valley

Behind DeepSeek lies a dazzling Chinese university

It models itself on Stanford, and is in the tech hotspot of Hangzhou

February 19th 2025



A HUGE STATUE of Mao Zedong still stands near the entrance to Zhejiang University, surveying the transformation of the eastern city of Hangzhou, 175km (110 miles) south-west of Shanghai. Such statues look anachronistic wherever they linger across China, but especially so here, and especially after the events of the past few months.

The recent revolution in Hangzhou has not been a Maoist one, but a technological one. DeepSeek, the AI company whose groundbreaking models stunned foreign competitors last month, was developed in Hangzhou. It was founded by Liang Wenfeng, an alumnus of Zhe Da, as the university is known (from its Chinese name, Zhejiang Daxue). Zhe Da is still largely

unknown outside China, but it is at the heart of a dynamic new ecosystem of researchers and entrepreneurs in the city that models itself on California's Silicon Valley.

That ecosystem came into sharp focus on February 17th, when China's leader, Xi Jinping, met a group of tech entrepreneurs in Beijing. Among them was Jack Ma, who founded Alibaba, an e-commerce giant, in Hangzhou in 1999, but then disappeared from view in 2020 after criticising the financial regulator. Another was Mr Liang, who studied artificial intelligence at Zhe Da and made his first forays into business there. China's leader apparently bringing Mr Ma in from the cold so publicly, and meeting with Mr Liang, will only fuel Hangzhou's growth.

Zhe Da has already grown fast in recent decades, buying high-end equipment and hiring top-tier scientists. Some 70,000 students and faculty now live and work across its seven campuses, in blocky buildings overlooking lakes and plum trees. Hangzhou and other cities have said they want to transform their universities into "innovation ecosystems". Zhe Da has not only become a research powerhouse but, even more importantly, has been adept at turning bright young students into business leaders. It says it will be a "world-class" university by 2027. Alumni say it is modelling itself on Stanford University rather than China's most prestigious colleges in Beijing and Shanghai.

This may sound fanciful, and on overall measures of reputation and student experience by the QS World University Rankings, Zhe Da ranks 47th globally. Yet by some metrics, the university has already eclipsed many of the world's best. It now produces more scientific papers than any other university, according to the latest Leiden ranking, a measure of the volume of research output. It is behind only Harvard in producing papers deemed to be in the top 10% of their fields.

Alumni are among the wealthiest entrepreneurs in China, according to rankings by Hurun, a research firm, of those with more than 5bn yuan ($700m) in assets. They include Colin Huang, the founder of Pinduoduo, an e-commerce giant, and Duan Yongping, an electronics tycoon.

In recent months the university's reputation for enterprise has reached new heights. China is abuzz with talk of the "Six Little Dragons" of Hangzhou, a clutch of zippy startups, three of which were founded by Zhe Da alumni. DeepSeek is one. Another is Manycore Tech, a 3D-design software firm, which on February 15th announced a plan to list in Hong Kong this year. Then there is DEEP Robotics, which specialises in dog-like robots (pictured), used for patrolling and rescue operations.

Three factors lie behind the university's success. The first is its ability to attract and foster talent. Although many students in China yearn for a stable government job, Zhe Da has long drawn more daring souls, who throw themselves into startup competitions where they can pitch business ideas to get university funding. Their professors are unusual, too, encouraging students to dabble across disciplines in order to spark ideas, and trying to foster what they call a "mistake-tolerant" atmosphere.

When Huang Chaoyu was in high school he built a temperature-controlled tank for his pet fish. Now a 21-year-old undergraduate studying materials science at Zhe Da, he has set up a company with his supervisor aiming to produce a kind of biological "glue" to help heal wounds. Pure research is important for breakthroughs, he says, but "to truly change society you need industry". Mr Huang is part of a special class, first offered in 1999, that helps science students learn about entrepreneurship. It meets in a shared workspace where a sleek white robot stands near a poster calling on students to "dare to innovate". On average, one fifth of the class starts a company within five years of graduating, say university officials. Alumni help them find funding, internships and contacts.

Many faculty members start companies, too. Chinese universities are typically uneasy about distractions from academic pursuits. But Zhe Da has been helping its scientists commercialise their findings for decades, says Jin Yiping, a university administrator. In 2009 it set up an institute dedicated to this purpose. DEEP Robotics is run by Zhu Qiuguo, a professor at the school of engineering. His colleague, Gao Chao, runs a company which makes textiles from graphene, an advanced material.

The second factor helping Zhe Da is location. Hangzhou is a liveable canal-crossed city just 45 minutes by train from Shanghai, but a long way from the

politicians in the capital. After the Communist Party took power in 1949, state planners largely ignored it, leaving space for private firms to re-emerge when reforms began in 1978. Of the top 100 companies in Hangzhou, 82 are private, a high proportion for a large Chinese city. Its GDP per person is nearly double the national average.

That Mr Ma's company, Alibaba, was founded here has also had an impact. The university describes the firm as a "good neighbour, partner and friend". In 2017 Mr Ma made a big donation to a university hospital. In 2023 Alibaba donated its quantum-computing lab to the university. For nearly a decade Alibaba and the university have jointly run a research centre for what they call "frontier technologies" such as computer vision. It takes interns and post-doctoral students from the university and helps them find jobs in industry.

Third, Hangzhou officials are known for getting things done without asking for favours or fancy dinners, says Zhang Jie, an investor and Zhe Da alumna. This makes it easier for young graduates to start companies. Most government services can be used through an app, notes a local entrepreneur. Officials love tech firms. They offer startup founders with PhDs up to 15m yuan in funding if they move to the city.

Other universities are trying to emulate Hangzhou's success. Tsinghua in Beijing is producing AI talent, much of which gets hired by DeepSeek. The South China University of Technology in Guangzhou has close links with China's electric-vehicle industry. But Hangzhou's mix is hard to replicate, notes Yao Yang, an economist at Peking University. And talent tends to cluster in a few spots, not disperse to many.

Going global

Zhe Da still faces challenges in competing on a global level. One problem is that it relies largely on the government for funding. That has served it well so far, but leaves it at the mercy of changing official priorities and fiscal constraints. Alumni are generous but building up an endowment to match, say, Stanford's $36bn is unlikely. And even then, the university must defer to officials on how to spend it.

Compared with its overseas peers, few of Zhe Da's faculty or students are from outside China. It has poached elite researchers from American universities (including, last year, Sun Song, a star mathematician from the University of California, Berkeley) but they are typically of Chinese descent. Political tensions with the West do not help. Nor do the barriers to free speech common in China.

For all that, Zhe Da shows that "the tectonic plates of global higher education are shifting very dramatically", says William Kirby, a China expert at Harvard Business School. In January China released a plan to become an "education power…with global influence" by 2035. Not long ago that goal would have looked overly ambitious. Now, places like Zhe Da have made it look surprisingly likely. ■

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China | Bare branches

China’s alarming sex imbalance

By 2027 one in six young Chinese men won’t be able to find a partner

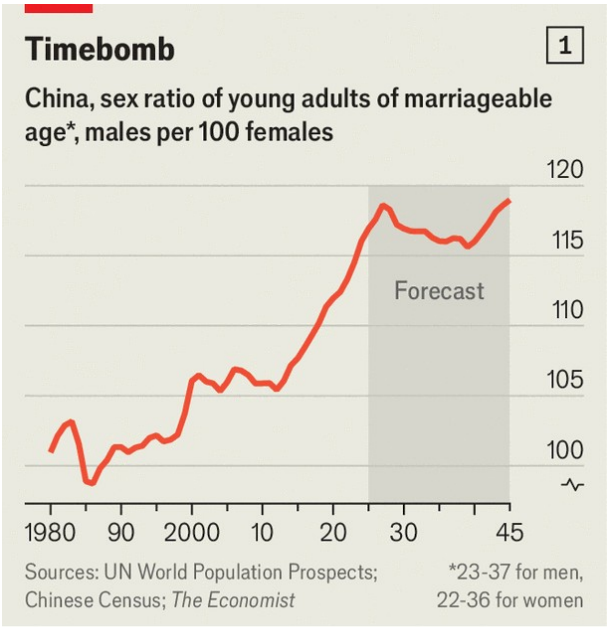
February 20th 2025



“Of course I want to get married,” says Fu, a lorry driver in Yiyang, a far-flung county in Jiangxi province. Once a migrant worker, the 36-year-old returned to the village to live with his ageing parents. They are anxious for him to tie the knot. “But there are few women,” he sighs. The eligible girls around him are all spoken for; others have left to work in cities.

Fu’s plight is not uncommon. Men like him are known as *guang gun*—bare branches, unable to bear fruit. Their numbers began to increase more than a decade ago. But the scale of the problem is now becoming clear. *The Economist* has analysed data from the UN’s World Population Prospects, a biennial report, and from China’s 2020 census. The data reveal that the sex ratio—the number of men for every 100 women—among men aged 23-37

and women aged 22-36 will hit a peak of 119 by 2027. (Those are the ages between which 80% of each sex gets married—see chart 1.) It is then predicted to remain high for decades. In 2012 the ratio was just 105.



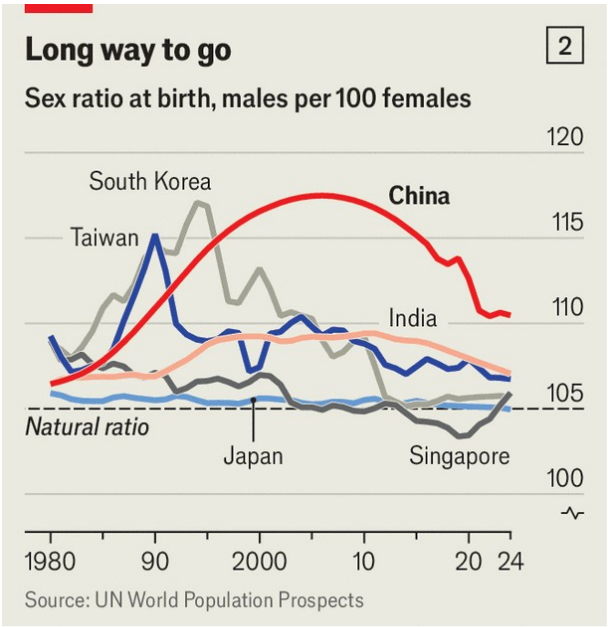
The Economist

That means that in 2027 there will be 22.5m more men than women in those cohorts, by far the largest number of "surplus" young males ever recorded anywhere. What is more, the share of unmarried men aged 25-39 shot up from 13% to 30% from 2006 to 2022. This is an issue of huge concern for China's rulers.

It was brought about by the arrival in the 1980s of cheap ultrasound machines, which allowed parents across Asia to tell the sex of their unborn child. The widespread preference for sons opened the door to sex-selective abortions. In South Korea the sex ratio at birth hit a brief peak of 117 in 1994, before falling to 106 in 2012, where it has roughly remained. In India it was 109 as late as 2010 (in 2024 it was 107). In developed countries like America and Britain, it was around 105 in 2024.

In China the problem was made worse by demographic engineering. In 1973 the country began trying to reduce its population with the "later, longer and fewer" campaign. This was followed by the draconian one-child policy in 1979. Being given just one chance dramatically lowered couples' chances of

having a boy naturally, and further incentivised sex selection. As a result, China has suffered by far the worst imbalance in its sex ratio at birth (see chart 2).



The Economist

Now that those boys are grown up, migration is adding to their woes. The 2020 census showed the sex ratio for young adults was 106 in urban areas and 120 in rural ones. Young rural women who move to the city often marry richer urban men. But changing social mores around marriage mean many better-educated urban women do not want to get married at all, let alone to rural men, shrinking the dating pool yet further. Statistics released on February 8th showed that the number of marriages in China in 2024 fell by 20% from the previous year, to 6.1m. That is less than half the number registered in 2013, and the lowest number since the 1980s.

Some *guang gun* are resigned to their fate. Guo, a 38-year-old musician in Shangrao, near to Fu's village, has been on a couple of blind dates. On one, he met an overachiever who studied in Germany and worked as a manager for a car company. It was "useless", he says. On another date, the woman "scrutinised my family background as if it were a business deal".

As women grow scarcer they also become more valuable. Bride prices (a payment from the groom's family to the bride's to seal the marriage) have

soared. One survey in Liaoning, a north-eastern province, found that the bride price in rural areas jumped from 68,000 yuan ($9,000) in 2016 to 176,000 yuan in 2020, adjusting for inflation. Another, across 11 provinces, found that costs of marriage (including expenses like housing and matchmaking) for rural males were 7.6 times higher after 2010 than before 2000.

The shortage of women has had other side-effects. Between July and December of 2018 the Chinese government, working with police in Myanmar, Cambodia, Laos, Vietnam and Thailand, jointly rescued 1,130 foreign women who had been trafficked into China to be married. The Communist Party, obsessed with social stability, also worries a lot about rootless young men with no family prospects.

The ratio in young adults will remain above 115 well into the 2040s. The main hope is that, since peaking in the mid-2000s, the sex ratio at birth has declined. Cultural changes and female economic empowerment have chipped away at couples' preference for sons. Eventually, the numbers of young men and women could equalise. But that will come as little consolation for today's rural bachelors. ■

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China | Cheating in exams

Chinese authorities try to stop parents gaming the exam system (again)

They will go to great lengths to try

February 20th 2025



An ancient Chinese saying states that *meng mu san qian*: the mother of Mencius, a sage, "moved three times" to find him the right study environment. Tiger mums the world over know the feeling, but few push harder than the Chinese; the game of cat and mouse the Communist Party plays with parents to stop them trying to game the system is legendary. The party has now released new rules to try to stop it.

In theory, any of the 13m students who take the annual *gaokao* entrance exam can qualify to attend university if they achieve a good score. In practice, because of the skewed way places are allocated by region, the

competition is fiercer in populous provinces. So a small number of parents try to move.

That is not always easy. To enroll your child at a school in another province might require buying a house, finding a new job, or bureaucratic wrangling to change your *hukou*, or household registration. So there is a more temporary way by which some parents try to cheat the system. They keep their child attending the same school but, using bribes or connections, arrange for them to sit the *gaokao* exam in a province where they do not live. In one notorious case in 2021 the child of a head teacher in populous Hebei province (with about 600,000 test-takers) took the *gaokao* in Tibet (competing with just 40,000 locals). Public outrage ensued.

A grey industry has emerged to help with these tricks, which are known as "*gaokao* migration". Consultancies offer to smooth things over with local officials and schools, for a fee. One such firm in Henan province told *The Economist* that for 60,000 yuan ($7,700) they could arrange for a student to sit the exam in Hainan, a rural southern province.

Worried about the anger that cheating and educational inequality creates, on February 7th the education ministry issued new rules demanding schools send a report on each student twice a year, to make sure all are studying and taking exams where they should be.

It would help if China relaxed regional quotas for universities or scrapped them altogether. But resistance from places which benefit from the current system makes that all but impossible, says Li Hongbin of Stanford University. One such place is Beijing, home to many rich and powerful figures. In 2012 reform-minded officials proposed allowing more people to take the *gaokao* in the capital. But Beijingers protested that it would make the exam more competitive for their children. After much ado, the reform was stifled. Parents will continue to act like the mother of Mencius. ■

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Middle East & Africa

- Africa's young "generation hustle" hits the big time
- Sudan's national army is on the brink of retaking the capital
- Rwanda tightens its grip over eastern Congo
- Egypt and Jordan are struggling to make themselves useful to Donald Trump
- Syria's next steps towards a new order

Middle East & Africa | Demographic destiny

Africa's young "generation hustle" hits the big time

They are pious, entrepreneurial and eager to make the most of their potential

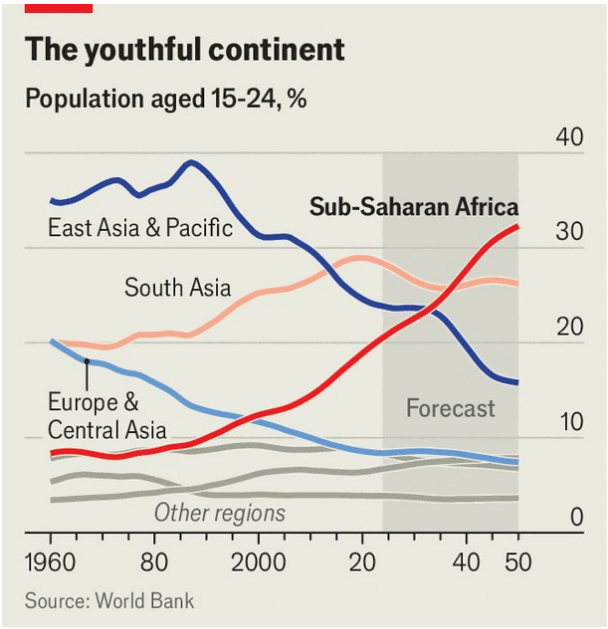
February 20th 2025



She is training to be a seamstress four days a week and works as a cook on two other days. In between, Grace Garus Dalop finds time to peddle wigs. Along with tips and financial help from neighbours and acquaintances, that is just enough for the 26-year-old to rent a room in Lagos, the commercial capital of Nigeria. "Everybody wants to leave Nigeria," says Ms Dalop, "because you work every day of your life and you don't see the money you're working for!" She blames her plight on the president, for whom she prays, though she did not vote for him. Deep down, she thinks it may be time for the army to intervene.

Some of Ms Dalop's frustration is particular to Nigeria, where inflation has been above 30% on average for more than a year, with food inflation running even higher. Yet much of it is common among young people across Africa. Better educated than their parents and full of entrepreneurial zeal, they find that their societies are not letting them fulfil their potential. Forced to juggle multiple side-hustles to stay afloat, many try their luck abroad, seek solace in God or find themselves tempted by authoritarian politics.

That matters not only for the individuals but because young Africans are the future. As countries in the rich world age and shrink, Africa's population will continue to grow (see chart). It is projected to double by 2050, with the median age below 25. As Africans make up a greater share of the world's young, it is essential to understand the forces that shape them.



The Economist

One is burning economic frustration. Unlike everywhere else in the world, young people across the continent are no more likely to be in salaried jobs than their parents, even though they are better educated. Three-quarters of young Africans say they are struggling to find adequate work, blighting their ambitions. "When my dad was 39 he had two houses and a piece of land," says a Ugandan civil-society worker in her 30s. "I'm still renting." The frustration is compounded by social media, where glitzy posts from around

the globe suggest just how far they lag behind their peers in Europe, America or Asia.

Young Africans have made a virtue of necessity. Startup entrepreneurs in Lagos and Nairobi are disrupting their countries' moribund banking systems with new fintech, or finding creative solutions to improve food supply chains and make agriculture more efficient. Others combine several small-scale enterprises to make ends meet in the informal economy. Yet the secure jobs many want elude them. Since 2000, economies across sub-Saharan Africa have added some 9m jobs a year, writes Edward Paice, the head of the Africa Research Institute in London, in his book "Youthquake". Less than a third have been in waged employment—not enough to support the roughly 12m young Africans joining the job market each year.

Many young people feel that their economic malaise is due to failing political systems in their countries, and that they have little agency to improve things. Cultural norms stressing respect for elders have helped entrench a gerontocracy. Protests are suppressed, co-opted by elites or simply ignored. "I might as well accept that I can never get access to the corridors of power…so let this shit burn down," says Christian Adika, a PhD student and regular protester from Ghana. The Ugandan civil-society worker has come to accept elections as a rubber-stamping exercise for the ruling party. "People are saying, 'Yes we are angry, but if we go out there, we will either die or end up going to prison'," she says.

Such frustrations have eroded faith in democracy. An Afrobarometer survey published in 2023 found that 60% of young Africans are not happy with how democracy works. Only 37% identify with a political party, a smaller share than their parents' generation. In 2024 the Africa Youth Survey, funded by a South African charity, found that 60% of young Africans think "Western-style democracy" is not a good fit for their countries. "I shocked myself by having the thought that maybe we just need a [Paul] Kagame," says the Ugandan civil-society worker, talking of Rwanda's autocratic president. Youngsters fed up with collapsing infrastructure are impressed by Mr Kagame's apparent effectiveness in improving things like access to household electricity. With no memory of the region's most brutal military regimes, some have even cheered military coups.

Many youngsters are flocking to the pews in search of an escape. In contrast to much of Europe, young Africans are just as devout as their parents. By 2050 more Christians will live in sub-Saharan Africa than anywhere else. “We don’t have systems that work, we need to believe in a higher power,” says David Oladapo, a 30-year-old devotee and tech worker in Nigeria. This piety is fuelling conservative values. Only 37% of young Africans think gay and trans people should have more protection. Some 60% of Africa’s Christians want the Bible to govern national law.

Most of the growth in Christianity is driven by Pentecostalism, the dominant Protestant denomination in at least eight African countries, including Nigeria and Zambia. Even in Ethiopia, where Orthodox Christianity has had a presence since the fourth century, a fifth of the population now identify as Pentecostals, says Jon Abbink of Leiden University in the Netherlands. Part of the appeal is that Pentecostalism encourages hustling. It espouses a “prosperity gospel” that says that, in effect, you can pray your way to success (hard work doesn’t hurt). Pentecostal churches offer access to patronage networks and political power from which most young Africans are excluded in the rest of their lives.

Yet for all their piety, few are relying on the power of prayer alone to improve their lot. Those who can, look abroad for the opportunities that elude them at home. Half of those polled for the Africa Youth Survey plan to move away in the next five years. Fewer than half of school leavers want to stay on the continent, according to a survey by the African Leadership University in Rwanda. Some 37% want to move to America. A quarter hope to reach Europe. For Ms Dalop, the seamstress in Lagos, “anywhere asides Nigeria” will do.

With little to lose at home and all to play for abroad, some take desperate risks to leave and end up falling victim to traffickers or smugglers. Between 2020 and mid-2024 some 8,300 people died trying to cross the Sahara and the Mediterranean, according to the UN (the real number is probably higher). Yet many who make it out find success. West African restaurateurs are earning Michelin stars in London. Streams of Afrobeats on Spotify increased more than sixfold between 2017 and 2022.

What does all this mean for the future? One danger is to democracy on the continent. “The gap between the promise of democracy and its realised dividends over the last 30 years is arguably the biggest threat to democratic consolidation in African states,” says Ken Opalo of Georgetown University in Washington, DC. If the frustrations of youngsters remain unaddressed, three decades of democratic progress could crumble.

Yet there is also a more hopeful possibility. Youth protests in recent years have forced legislative changes in Kenya and prevented the dubious postponement of elections in Senegal, among other achievements. Well-targeted political mobilisation by the young may yet force their governments into becoming more responsible. Almost 40% of young Africans say that, despite everything, they are optimistic about the future. Imagine what they could do if they were innovating because of better politics rather than in spite of them. ■

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Middle East & Africa | The battle for Khartoum

Sudan's national army is on the brink of retaking the capital

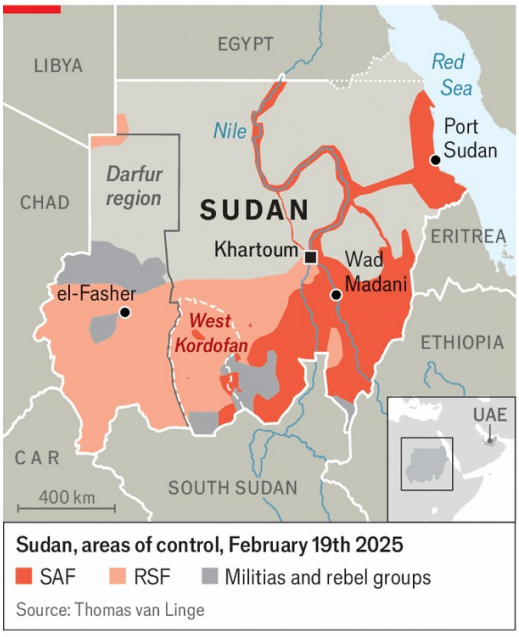
That could be a turning point for the country's civil war

February 20th 2025



It was the first time the militia commander had been seen in public for months. "Please don't listen to any rumour-mongers," urged a haggard-looking Muhammad Hamdan Dagalo, also known as Hemedti. "They want to break you," continued the head of the Rapid Support Forces (RSF), a paramilitary group widely accused of genocide. His rare video address, broadcast on January 31st, was meant to rally the RSF's last remaining troops in Khartoum, Sudan's capital. Many of his militiamen have been fleeing west across the Nile river. His pleas may have been in vain. The RSF's days in the city look numbered.

The Sudanese Armed Forces (SAF), the national army, is on a roll. The rival RSF captured most of Khartoum soon after civil war broke out nearly two years ago and swept through the agricultural heartlands of the Nile valley, the SAF's traditional stronghold. But the pendulum has been swinging back in the army's favour. In January it took Wad Madani, one of Sudan's biggest cities (see map). Then it broke the RSF's siege of the army's headquarters in the capital. It is advancing fast along the Nile towards the presidential palace in the heart of Khartoum, capturing several important bridges and the national oil refinery on the way.



The Economist

If the army regains full control of Khartoum, it could be a turning point in a war that has displaced 12m Sudanese and caused one of the world's worst famines in decades. Last month General Abdel Fattah al-Burhan, the SAF's leader and Sudan's de facto president, made his first appearance in the capital since being forced to relocate to Port Sudan on the Red Sea in mid-2023.

His arrival sparked bullishness bordering on triumphalism among the army and its supporters. The general vowed to expel the RSF "from every corner of Sudan". "It is not conceivable or acceptable that the RSF should have any military or political role in the future Sudan," says a Sudanese diplomat. On February 9th the SAF pledged to form a new government of "technocrats".

The RSF appears to be in turmoil. Despite its fighting agility and advanced weaponry supplied largely by the United Arab Emirates (UAE) (which denies this), the group has struggled to consolidate its early battlefield gains. In areas they occupy, local defence groups and tribal militias still resist it. Defections may have sapped morale and sown disunity. "The old RSF is disintegrating," says Amjed Farid, an official in the interim civilian government that was ousted in a coup led by General Burhan in 2021. "Instead of being one militia it is becoming an alliance of gangs."

It is also increasingly isolated diplomatically. In January America slapped sanctions on Mr Dagalo and seven companies owned by the RSF in the UAE. Though General Burhan was also sanctioned a week later, some Western diplomats are cautiously optimistic the UAE may be rethinking its support for such a toxic group. On February 14th it called for a ceasefire and pledged to send an additional $200m in humanitarian aid. "We need stability and we need a civilian government," insists a senior Emirati official.

Given the RSF's setbacks in Khartoum and an unpredictable Donald Trump in the White House, the UAE may try to wind down its support. But so far there is little to suggest the UAE has yet done so. Clandestine arms shipments, including drones, are still flowing to the RSF in Darfur, says Nathaniel Raymond of Yale's Humanitarian Research Lab, a conflict monitor. These weapons are believed to come largely from the UAE. Though RSF fighters are abandoning their posts in Khartoum, many have redeployed to el-Fasher, Darfur's capital. In recent days a nearby camp hosting some 1m refugees, many fleeing from el-Fasher itself, has been raided and shelled by the RSF and allied militias, raising the prospect of another bloodbath in Darfur.

There is little sign the RSF plans to sue for peace. It is set to announce the formation of a civilian government to rival General Burhan's putative one in Khartoum. This could entrench the division of Sudan into multiple zones. Nor does Mr Dagalo appear to have ceded his ambition to rule in Khartoum. According to a Western security analyst in contact with the RSF, the group is preparing a counter-offensive. ■

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Middle East & Africa | No end in sight

Rwanda tightens its grip over eastern Congo

The Congolese government has lost control of the region

February 20th 2025



Rulers of the Democratic Republic of Congo have rarely, if ever, fully controlled the east of Africa's second-largest country. Kinshasa, its capital, is 1,500km from the provinces (South Kivu, North Kivu and Ituri) that border the other Great Lakes countries (Burundi, Rwanda and Uganda). The advance of M23, a Rwandan-backed rebel group, starkly reveals the Congolese state's weakness. The region may be in for a third instalment of the wars that have blighted it since the 1990s.

On February 16th soldiers from M23 marched single-file through the streets of Bukavu, eastern Congo's second-largest city. The beleaguered remains of the Congolese army had retreated without a fight. Rebel fighters toting

grenade-launchers and machine-guns took triumphant selfies in the city's main square.

The capture of Bukavu, South Kivu's capital, came three weeks after M23 took Goma, its counterpart in North Kivu and the east's largest city, with the help of Rwandan troops. The unilateral ceasefire the group declared amid African and Western condemnation of its seizure of Goma lasted about as long as it takes to reload a machine-gun. Soon M23 was on the march through South Kivu, supported by Rwanda's Turkish-made Bayraktar TB2 drones, according to Western officials.



The Economist

Rwanda, which has a territory 1/90th of Congo's, now in effect controls all of Lake Kivu. Congo's army has pulled out of the strategic airport of Kavumu, near Bukavu, alongside thousands of troops from its main ally in the region, Burundi. The loss of this airport is an enormous blow, as it cuts off the Congolese army's supply route. "Soldiers are leaving on foot, the officers are leaving by boat," said a Bukavu-based researcher, who declined to give his name for safety reasons. "There's no more military logistics, no more resupply."

In Kinshasa the mood is grim. International sanctions on Rwanda, long a Congolese demand, have not materialised. Recent summits of African

leaders on eastern Congo have had no impact on the ground. Felix Tshisekedi, Congo's president, has not addressed the nation since January 29th, when he vowed that a "vigorous and co-ordinated response" was under way. Western embassies in Kinshasa, including those of America and Britain, have evacuated most of their staff, fearing that the situation in the capital may deteriorate.

As if Mr Tshisekedi needed further reminding of his army's weakness, on February 18th Ugandan troops were said to be in Bunia, the capital of Ituri. It is unclear if the Ugandans are there as friends or foes. In 2021 Mr Tshisekedi authorised Ugandan soldiers to enter Congo to help root out jihadists. But in the days before Ugandan troops entered Bunia the head of Uganda's army, General Muhoozi Kainerugaba, posted on social media that he planned to attack the city. Mr Kainerugaba, who is the son of Yoweri Museveni, Uganda's president, is notorious for buffoonery. He once threatened to conquer Rome if Giorgia Meloni, now Italy's prime minister, refused his bride price of 100 prize cows.

But Western officials are taking seriously the notion that Uganda may exploit Congo's weakness. With M23 and Rwanda consolidating control over eastern Congo, the thinking goes, Uganda may move in to protect its own interests. This suggests the region could be in for a replay of the second Congo war of 1998-2003. Back then, Rwanda and Uganda sent their armies into Congo to vie for influence, with devastating effects on Congolese civilians.

One Bunia resident says the armed groups around the city are "on maximum alert, waiting for when the provocations start". He adds: "We hope for calm, that's our wish." He is unlikely to get it. ■

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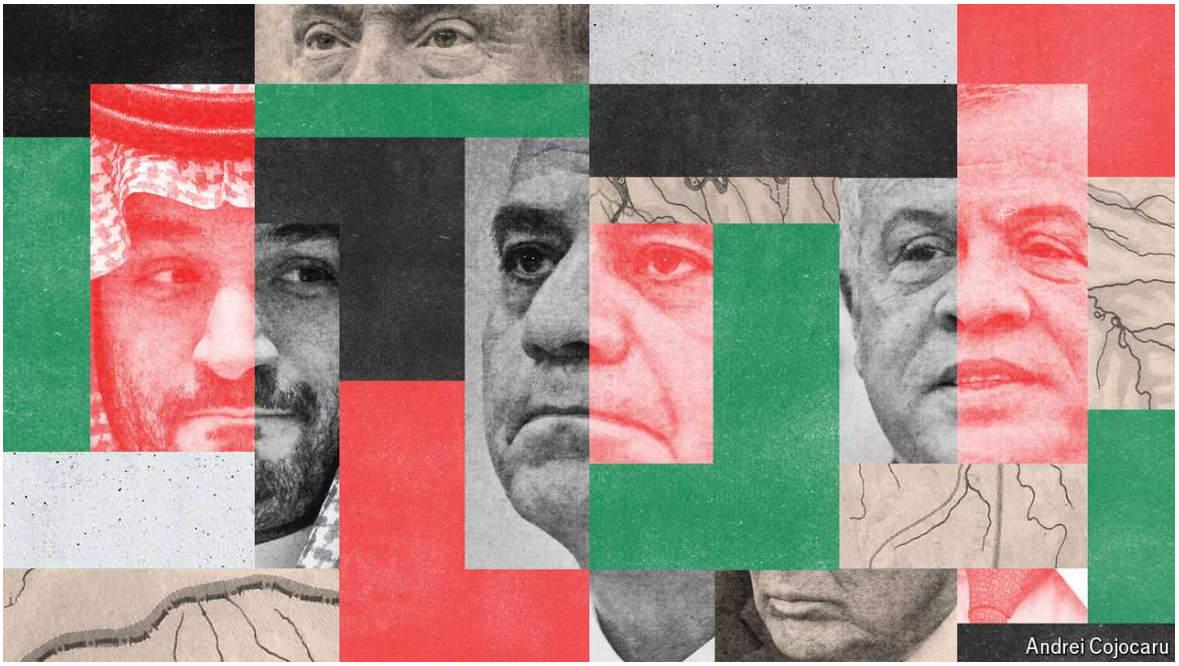
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Middle East & Africa | America's allies in the Middle East

Egypt and Jordan are struggling to make themselves useful to Donald Trump

They no longer offer the promise of stability in a region that has been upended

February 20th 2025



THE FIRST time was an honour. King Abdullah of Jordan was the first Arab leader invited to meet Donald Trump at the White House in 2017. The president hailed him as a "great warrior" and promised him more aid. There was rather less bonhomie the second time around. The king sat uncomfortably on February 11th while Mr Trump talked of his plan to expel 2m Gazans to Egypt and Jordan and made a veiled threat to cut America's roughly $1.5bn in annual aid to the kingdom.

For decades, American officials described the rulers of Egypt and Jordan as linchpins of regional stability. They made peace with Israel (in 1979 and

1994, respectively). They mostly avoided wars, coups and revolutions. They kept their countries stable when their neighbours tipped into chaos. Even an earlier version of Mr Trump admired them: in 2019 he reportedly called Abdel-Fattah al-Sisi, the Egyptian president, “my favourite dictator”.

The abrupt ᵁ-turn is partly due to the style of Mr Trump—a transactional president who loves to pressure allies. When he says he will inflict tariffs on Canada, the latter can deploy incentives and threats to get him to back down. Egypt and Jordan have little such leverage. Bilateral trade is a paltry $9bn a year with Egypt and $5bn with Jordan. They are too poor to offer investment, too bereft of resources to help lower energy prices. Their role through 16 months of regional war has been largely to stand on the sidelines, yelling “Stop!”

The relationships are not entirely hollow. Egypt gives American warships preferential treatment when they need to transit the Suez canal. Jordan joined the American-led coalition that fought Islamic State. But mostly what they offer America is the promise that things would be worse without them: *Après nous, le deluge*.

Contrast that with Saudi Arabia. Like Egypt and Jordan, the kingdom finds itself saying no to Mr Trump. It was quick to denounce his talk of a Gaza riviera. Muhammad bin Salman, the crown prince, is no longer in a hurry to normalise ties with Israel, which might deny Mr Trump one of his most sought-after achievements (and perhaps the Nobel peace prize he covets).

Yet the Saudis have found ways to soften the blow. They are trying to help America with other aspects of its foreign policy, mediating its talks with Russia this month and maybe, in the future, with Iran. Last month Prince Muhammad offered Mr Trump $600bn in investment and trade over four years. The figure is fanciful: it is more money than the Saudi sovereign-wealth fund has invested abroad. But it emphasises the kingdom’s very real financial heft.

Egypt and Jordan are scrambling to find their own value. They are working with wealthy Gulf states to draft a plan for post-war reconstruction and governance in Gaza. It should be presented at Arab summits in Riyadh and

Cairo over the next few weeks (although diplomats in the Saudi capital caution they may be delayed).

Drafting a plan is the easy part, though. Implementing it is hard. Binyamin Netanyahu, the Israeli prime minister, has repeatedly postponed talks with Hamas on the second phase of the Gaza ceasefire, which would bring a permanent end to the war. On February 18th he decided that the heads of the Shin Bet and the Mossad, the domestic and foreign-security services, would not attend future talks. Many Israelis saw this as another ploy to sabotage the negotiations, as Mr Netanyahu has done for months. There will be no need for a post-war plan if the war resumes.

Because he represents such a rupture, Mr Trump has a way of obfuscating longer-term trends in American policy: his chaos can make the secular appear cyclical. It is worth remembering, then, that he was not the first American official to suggest shoving Gazans into Egypt. Antony Blinken, Joe Biden's secretary of state, proposed something similar in the early weeks of the Gaza war, even though some diplomats warned it would be destabilising for Egypt.

After the Arab spring in 2011, a series of uprisings that eventually toppled five dictators (including Egypt's), there was a debate in Washington about the merits of support for sclerotic regimes. But the debate stalled as revolutions morphed into civil wars: strongmen came back into fashion. A related critique has emerged since the October 7th massacre in Israel. It argues that America's obsession with stability let problems fester: Iranian-backed militias grew powerful; Gaza seethed under an Israeli and Egyptian blockade.

The status quo has now been upended. That suggests a deeper change in American policy, one that will outlast Mr Trump. Arab states will have to adjust to a new reality in which being a force for inertia is no longer seen as a merit. ■

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Middle East & Africa | Inching forward

Syria’s next steps towards a new order

Will Syria’s leader make good on his promises?

February 20th 2025



Almost three months have passed since the toppling of Bashar al-Assad’s decaying regime in Syria, and a raft of self-imposed deadlines now loom over the country’s new rulers. Ahmed al-Sharaa, the jihadist-turned-president, has promised to share power, lay out a road map for Syria’s future and include minorities in his government. Now he must start delivering.

Last week his officials announced a seven-person “preparatory” committee, charged with planning a national conference where a new constitution will be discussed. Critics say it is dominated by Islamists and note that Syria’s Kurds, Alawites and Druze are not represented. A figure from the new administration claims that all Syrian minorities will be included in the national conference. It is too soon to be disgruntled, he insists.

There are reasons for optimism. The committee includes Hind Kabawat, a Christian professor of interfaith peacebuilding who has lived in Canada, and Houda Attasi, who founded a humanitarian organisation that helps women and minorities. If their voices are listened to, the convention may be more inclusive than many have feared.

But in Damascus constitutional declarations feel like a distraction from daily hardships. The economy is dire. Sanctions are still biting, perhaps more than at any time in the past decade. Security outside the capital is shaky, as some turn to robbery and ransom. Sanctions relief is vital. And Mr Sharaa and his government know that the only way sanctions will be eased is if outsiders believe their promises to create a broadly based government.

National politics may feel far removed from the reality of most Syrians' lives. But if things are to improve, the starting point is politics. It is still too early to judge the sincerity of Mr Sharaa's declared promise of a Syria for all. In March he will name a transitional government. Along with the new committee's progress, this will offer the clearest sign of the direction in which he is taking the country—and whether international support, plus sanctions relief, will materialise. Syria's battered people are holding their breath.■

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Europe

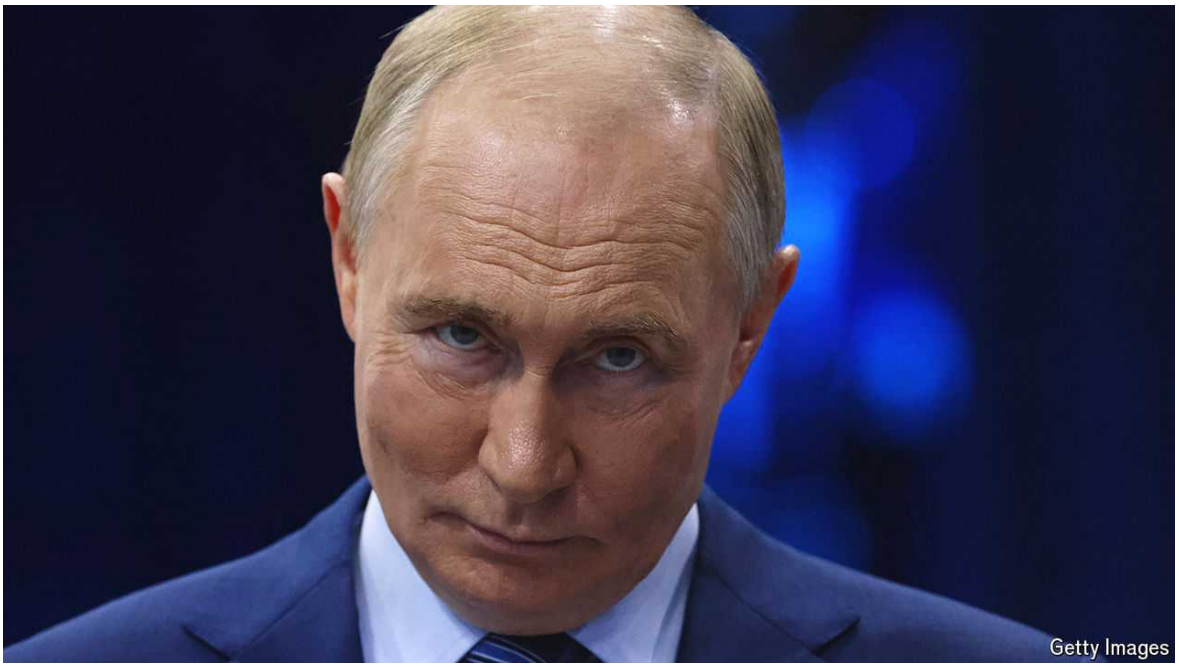
- How Vladimir Putin plans to play Donald Trump
- Team Trump wants to get rid of Volodymyr Zelensky
- Germany’s mind-bending electoral maths
- Can Europe withstand four years of Trumpian assault?

Europe | Talks in the desert

How Vladimir Putin plans to play Donald Trump

The Russian president thinks he is the better poker player

February 18th 2025



Judged by the din of Russian propaganda and the despair among Europeans, Vladimir Putin has never been closer to winning his war on Ukraine. Yet three years after his invasion started on February 24th, 2022, it is not clear what "winning" means. His goals are elusive. His "special military operation" was planned in secret. His government was kept in the dark, as were the Russian people. Mr Putin talks of defending Russian sovereignty, but what happens next depends on factors outside his control: politics in Ukraine, Europe's rearmament effort and, above all, on Donald Trump. Talks with the Trump administration began on February 18th in Saudi Arabia.

Read more of our recent coverage of the Ukraine war

Mr Trump wants to end a “ridiculous” war, but he has no plan. In theory his options range from cutting off Ukraine’s arms supplies to giving it back nuclear weapons. But it is easier to exert pressure on Ukraine than on Russia, so he has adopted the Kremlin’s talking-points. This week he blamed Volodymyr Zelensky, Ukraine’s president, for starting the war and denounced him as “a dictator”. Mr Putin has long wanted to get rid of Mr Zelensky; so now so does Mr Trump.

These open-ended talks suit Mr Putin just fine. Whereas Mr Trump views them as a way to end a war, Mr Putin sees them as a stage in a larger conflict. The Russian leader calculates he has more staying power than Ukraine or NATO. Like a poker player, Mr Putin excels in projecting confidence and strength. In reality, his cards are not as strong as he would like his opponents to believe, while an end to the war could create complications for him at home. He needs Mr Trump’s help.



The Economist

Any assessment of Russia’s negotiating position should start with the military situation. Its army has performed dismally. The pace of advance is excruciatingly slow: since last July it has struggled to take the town of Pokrovsk, where current Russian losses are staggering. Most of its gains were in the first weeks of the war. In April 2022, following Russia’s retreat from the north of Ukraine, it controlled 19.6% of Ukrainian territory (see

chart); its casualties (dead and wounded) were perhaps 20,000. Today Russia occupies 19.2% and its casualties are 800,000, reckon British sources. A Western official says “the two armies are fighting each other because they can’t stop, not because they are really hoping to achieve a decisive victory.”

The attrition of equipment is jaw-dropping. Consider Russia’s stock of Soviet-era armour, built up over decades. More than half of the 7,300 tanks it had in storage are gone. Of those that remain, only 500 can be reconditioned quickly. By April Russia may run out of its T-80 tanks. Last year it lost twice as many artillery systems as in the preceding two years. Recruiting contract soldiers is getting more expensive. A general mobilisation would be politically risky. Public-opinion surveys clearly show that Russians want the war to end.



The Economist

Russia’s economy has withstood the blow of sanctions thanks to the professionalism of its central bank, high commodity prices and fiscal stimulus. Yet the reallocation of resources from productive sectors to the military complex has fuelled double-digit inflation. Interest rates are 21%. The shortage of labour is an acute problem. Figures on the economy may not be reliable: the statistics authority constantly revises growth numbers, for example. But a report by the Central Bank and the Ministry of Economy, leaked to Reuters, warns of a recession before inflation slows. Oleg Vyugin,

a former deputy head of the Central Bank, says the government will soon have to choose between cutting military spending or galloping inflation. Its sovereign-wealth fund is being drained. According to Mikhail Zadornov, a former finance minister, its liquid assets have shrunk from 7.4% of GDP to below 2%. Exports, worth $417bn last year, are being squeezed by sanctions and lower commodity prices. In December they fell by 20%, year on year. Kirill Rogov of Re: Russia, a think-tank, argues that sanctions and a gradual price decline in the basket of exports, including steel and agriculture, will limit Russia's capacity for aggression.

Such vulnerabilities mean some in the West believe this is the worst possible time for America to be floating rapid concessions to the Kremlin. Even if the West cannot grant Ukraine ironclad security guarantees, it could maintain sanctions in order to hold Russia at bay, argues Mr Rogov. Yet Mr Trump is focused on keeping his promise to end the war quickly, not on constraining and deterring Russia for years. "We are finally getting Putin into the position where we wanted him to be for three years. It would be a terrible shame if we allow him to snatch victory from the teeth of defeat," says an American official.

Mr Putin believes Mr Trump is not just impatient, but open to manipulation, and he is playing him like a fiddle. He has courted him with flattery and instant gratification. On February 11th he freed Marc Fogel, an American citizen whom Russia arrested in 2021; something Joe Biden failed to do. He promises lucrative business deals. But Mr Putin's underlying demands are unchanged. These include a non-aligned Ukraine, whose forces should be limited in size and in terms of equipment, and which does not host Western troops. He wants recognition that Crimea and four newly annexed Ukrainian provinces are part of Russia. Most important, as Mr Putin laid out last June, "the essence of our proposal is not a temporary truce or ceasefire" that would leave sanctions in place and allow Ukraine to rearm. Instead Mr Putin wants a "definitive resolution" that would lift the Western embargo on Russia and let it rebuild its army.

Even if the hot war ends, Mr Putin will continue to try to cripple Europe and re-establish Russia's sphere of influence. His goal is to break Ukraine and to dismantle the American-led post-1945 order, according to Steve Covington, an adviser to NATO's Supreme Allied Commander Europe. As Mr Putin told his

diplomats last year, “the entire system of Euro-Atlantic security is crumbling before our eyes.” Europe “is being marginalised in global economic development, plunged into chaos…and is losing international agency and cultural identity”. He was doubtless pleased to hear J.D. Vance, America’s vice-president, echo this claim on February 15th at the Munich Security Conference. At that event in 2007 Mr Putin first declared his determination to fight the West. The Kremlin no doubt hopes that pro-Russian right-wing parties, whom Mr Vance admires, will gain in European elections.

Gremlins for the Kremlin

Mr Putin’s priority is to stay in power. Ending the war entails its own risks, including the return of hundreds of thousands of soldiers; and a fight among different clans. Mr Trump’s diplomacy has given oxygen to moderates who had silently opposed the war. They lack political power, but these “beneficiaries of peace”—private businessmen, economists and some technocrats—hope Mr Trump and his team can change Russia’s trajectory. Unable to confront Mr Putin, they want to persuade him that cooling the confrontation with the West would enhance rather than endanger his security.



Vandalism, not victory

On the other side are the "beneficiaries of war". If confrontation is the foundation of the Putin regime, violence and corruption are its glue. Oligarchic clans benefit from quotas for exporting oil and other commodities in grey markets created by sanctions. They will not part with their lucrative franchises lightly. The security services will also be searching for turbo-patriots who will see any deal as a betrayal.

Mr Trump is right to want to stop the killing. If a ceasefire lets Ukraine rebuild, spurs higher European defence spending and keeps some sanctions on Russia's creaking economy, it could also see Mr Putin's ambitions fail. Mr Putin, however, is betting that he can fight on for longer than Ukraine can, or that he can manoeuvre Mr Trump into a deal that allows Russia to reintegrate back into the world economy, renders Ukraine a divided and semi-failing state, and leaves Europe too stunned and isolated to defend itself. ■

***Editor's note (February 19th)**: This story has been updated to include comments made by Donald Trump on February 18th*

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Europe | Surviving MAGA

Team Trump wants to get rid of Volodymyr Zelensky

America's president calls Ukraine's president "a dictator"

February 19th 2025



FOR THREE years Ukraine has endured what was once unthinkable: an air and land assault on its capital; a bloody war of attrition; missiles; drones; glide bombs; summary executions. Now a new front has opened, this time, unexpectedly, from the West. Donald Trump's brazen overtures towards Russia have publicly blindsided Ukraine's president, Volodymyr Zelensky. And he has begun to show his anger. On Tuesday February 18th Mr Zelensky cancelled a long-planned trip to Saudi Arabia, saying he did not want to be associated with talks held there without him: "We were not invited…It was a surprise for us, I think for many others as well." On February 19th Mr Trump responded by calling Mr Zelensky "a dictator".

Mr Trump's decision to talk with Vladimir Putin and his apparent desire to rehabilitate the Kremlin have shocked Kyiv's political class. But by now, few are truly surprised. "Our mental state was not good the day we heard the news," says a senior MP from Mr Zelensky's party, "but we were expecting it." It was no secret that Ukraine's representatives were finding doors in Washington slammed shut. "We understood the level to which Russian narratives have taken hold in America." An opposition MP describes a sense of "foreboding" in parliament, as deputies brace for the prospect they may have to vote through a humiliating ceasefire deal.

Read more of our recent coverage of the Ukraine war

Even if Ukraine emerges from war, the country faces a fight for its survival. People, politicians and soldiers are exhausted. Hundreds of thousands are dead or wounded. Millions have left the country. Perhaps a third of the 4.3m Ukrainians who fled to Europe are under 18; many of them will never return. A deal without long-term security will push more parents to send their children abroad, exacerbating Ukraine's already pronounced demographic malaise. "Peace is needed," says a senior Ukrainian official. "We need peace. The question is—a peace that doesn't finish us off at the same time."

Families with teenage sons are facing especially tough choices. Either they send their boys to Europe while the law still allows them to, or they let them stay and risk everything. Serhiy Vasilyuk, a former soldier, is confronting such a dilemma. At first, he and his wife agreed that their 17-year-old son Andriy should leave. But his son insisted he couldn't see his future anywhere else and that he would join the army as soon as he legally could. His mother remains firmly opposed. Serhiy, who sees his son in the wide-eyed recruits he led early in the war, has reluctantly granted his support. "If there won't be kids like him, there won't be anyone," he says.

For all the turmoil, there is still nothing resembling a deal—yet. But so far much is developing according to Ukraine's worst-case scenario. Many of its elite are apprehensive that the language coming from the Trump team echoes a Russian trap: calling for a ceasefire without security guarantees, and immediate elections that would shatter Ukrainian unity. "Mr Trump appears to want to get rid of Mr Zelensky, whom he has never liked and who he

thinks is difficult," says a former diplomat. "This is not about elections, it's about getting rid of Zelensky."

Mr Trump's speed will probably produce not so much a quick peace as an unacceptable offer to Ukraine. It will then fall to Mr Zelensky to draw the process out, and in that gap, negotiate. Unlike Mr Trump, the Ukrainian president has not revealed his red lines. Readiness to sit with "the killer" (by which he meant Mr Putin) is compromise enough, he told this publication last week. But Mr Zelensky has already indicated he will not agree to a ceasefire without security guarantees, or to any deal done behind his back. A senior Ukrainian official says it is unlikely Ukraine would ever formally recognise lost territories as part of a deal, but concedes NATO membership is understood to be a distant prospect. A bare minimum of what Ukraine could accept, he says, is continued ties with Western armies, no serious demilitarisation, continued flow of weapons and money, and a foreign peace-keeping force. The size of that force matters less than the fact it is present. "Once they are here, we believe it will be hard for them to walk away."

In theory, Ukraine could fight on in defiance of a Trump deal. In practice, its hand will worsen with time. The war is brutal for both sides, but more so for the poorer and less numerous Ukrainians. Ukraine's army has shown great skill at the level of its units. But there are serious problems at the operational level, and a notable absence of strategic planning. Front-line brigades are running out of men, with some down to less than a third of their regular size. Mr Trump, meanwhile, has many levers he might pull to enforce a solution. He can—and very likely will—cut or stop military aid. He might unilaterally lift sanctions on Russia. He might cut other vital support such as real-time targeting and Starlink, the backbone of Ukraine's battlefield communications. There are new workarounds, but turning those systems off would hurt. As one senior American official says: "If Zelensky can mobilise 18- and 20-year-old men, it might be worth fighting. If he can't, he should take the best deal he can."

With Europe cut out of Mr Trump's dealmaking, much now rides on Mr Zelensky and his will to fight. He has good reason to push back against harsh demands: his job and his place in history depend on it. But standing up to an American leader who thrives on using enemies to define himself will

be dangerous, and psychologically tough. Insiders worry Mr Zelensky is retreating into an ever narrower circle—right at a time he needs the broadest support. “There is no one who is ready to say no to him,” complains one, “and he is making mistakes.” Many Ukrainians are clearly frustrated with their war leader too. Internal polling revealed to *The Economist* shows that while Mr Zelensky remains Ukraine’s most popular current politician, he would lose a future election by 30% to 65% to Valery Zaluzhny, his former top general, who has yet to enter politics. In January, a public poll showed trust in Mr Zelensky had fallen to 52%, the lowest of the war, well below the 90% who trusted him at the invasion’s start—although well above the 4% suggested by Mr Trump on February 18th.

If all this seems perilous, it is not the worst-case scenario. The true Ukrainian nightmare would come from Mr Trump enforcing the Kremlin blueprint in entirety: ceasefire without effective security guarantees; elections that result in political paralysis, a weak presidency, a fractious parliament; then demobilisation, mass emigration and the beginning of internal disintegration. The unity shown by Ukrainians in the early days of the war would be a distant memory. “This is far from an impossible scenario,” admits one official. “Remember there are millions of weapons in the country. You can even buy a captured Russian tank on the frontlines for 100,000 hryvnia [$2,400].”

There are few signs Mr Putin has abandoned his aim of crushing the Ukrainian state. Glancing over at his 17-year-old son, Serhiy Vasilyuk predicts Ukraine will remain at war “at least as long as that bastard [Putin] draws breath”. But, he says, he also believes the really critical moment for his country passed in the first few days of war, when “his generation stopped the columns of Russian tanks at Kyiv’s door.” Now the baton is being passed to his boy’s generation. On June 3rd, Andriy will turn 18. The younger Vasilyuk plans to do two things that day: enroll in a correspondence economics degree and enlist in one of Ukraine’s elite assault units in defiance of his mother. “Even if the war ends, even if a ceasefire is reached, we will need the strongest army to make sure it never starts again,” he says. ■

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Europe | Size matters

Germany’s mind-bending electoral maths

The more parties qualify for parliament, the harder for Friedrich Merz to form a coalition

February 20th 2025

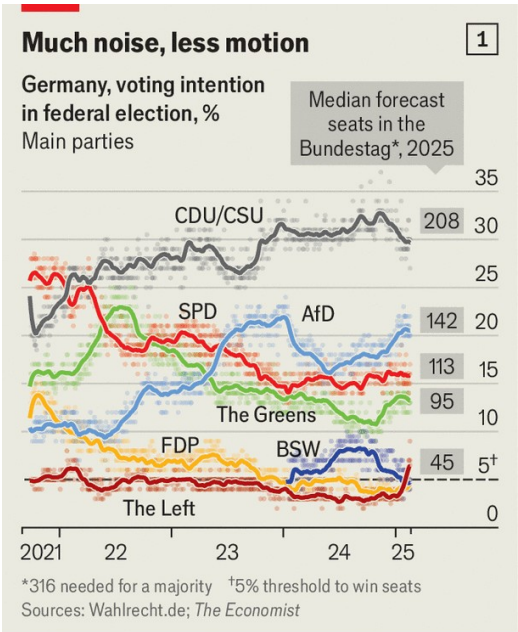


IT HAS been a dramatic few months in Germany. November saw the collapse of the three-party coalition led by Olaf Scholz, triggering an early election that will take place on February 23rd. Then, last month, the campaign was given a jolt by the decision of Friedrich Merz, head of the opposition conservative Christian Democrats (CDU), to push anti-immigration motions through the Bundestag with support from the hard-right Alternative for Germany (AfD). For many, including hundreds of thousands that took to the streets in protest, Mr Merz had violated a long-standing taboo against working with extremists.

German election tracker: who’s leading the polls?

Yet you would not notice it from the polls. Apart from Die Linke ("The Left"), a small left-wing outfit enjoying a last-minute surge—perhaps in part because of Mr Merz's stunt—every party sits within two percentage points of its score a year ago (see chart 1). Barring an unprecedented polling miss, the CDU and its Bavarian sister party, the Christian Social Union (CSU), will win a clear victory. That means Mr Merz should take over as chancellor once he builds a coalition, probably in April or May. As for the AfD, its forecast share of 20% puts it on track to double its seat tally. Yet it is blocked from government by the "firewall" other parties maintain around it.

But Mr Merz cannot sleep easy. An interaction between Germany's electoral rules, the anti-AfD firewall and the fragmentation of the vote has led to a curious situation in which tiny changes could have huge consequences for government formation. In most cases parties must win 5% of the national vote to enter the Bundestag. Three sit close to that threshold: the Free Democrats (FDP), a pro-business outfit ejected from government by Mr Scholz in November; the Sahra Wagenknecht Alliance (BSW), a left-conservative, pro-Russia outfit that broke away from Die Linke a year ago; and Die Linke itself.

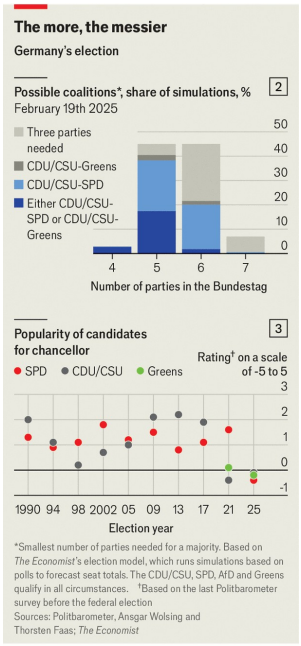


The Economist

So the Bundestag that emerges could have anything between four and seven parties (taking the CDU and CSU as one, see chart 2). The higher that number, the

fewer seats for the larger parties and the trickier the coalition options for the CDU/CSU. Mr Merz will be watching the results for the small parties as closely as his own.

If none of them qualifies—unlikely, given Die Linke's uptick—Mr Merz will almost certainly have a choice between Mr Scholz's Social Democrats (SPD) or the Greens as coalition partner, as he also may if just one minnow makes it. Our election-forecast model shows a 22% chance he will find himself in this happy situation. With five parties in parliament, Mr Merz's only viable two-way coalition may be with the SPD. A six-party Bundestag sharply increases the chance that three parties will be needed. And if all three tiddlers make it, a two-party coalition will be near-impossible. So complex is the situation that tactical voting to boost the chances of a particular outcome, often favoured by sophisticated voters, is like "playing 3D chess", says Frieder Schmid at YouGov, a pollster.



The Economist

Worryingly for Mr Merz, the Die Linke surge, and a smaller bump for the FDP, are squeezing his options. Our model finds a 37% (and growing) chance that neither a pairing of the CDU/CSU with the SPD (a "grand coalition") nor the Greens will win a majority. With the AfD out of bounds, that means Mr Merz would need two partners: either the SPD and the Greens in a so-called Kenya coalition, or a variation with the FDP, should it qualify. (The CDU/CSU also shuns

Die Linke and the BSW.) This might also apply if a two-party coalition would have only a tiny majority.

"If that happens," sighs a CDU official, "we're dead." An ideologically messy three-party coalition could be a nightmare for Mr Merz's hopes of restoring stability to German governance and predictability for Germany's EU partners. Voters shudder at the prospect of another governing throuple, having despaired at the endless bickering of the SPD-Green-FDP "traffic-light" coalition. A second worry is that a three-way government could leave the AfD as the only meaningful opposition. A third is of a one-third "blocking minority" in the Bundestag that could thwart plans to relax Germany's constitutional debt brake.

Germans will greet the next government with the stoniest of scepticism. Thorsten Faas, a political scientist at the Free University in Berlin, notes that this is the first election since records began in which every leading candidate has a negative approval rating (see chart 3). Just 25% of Germans say they are satisfied with Mr Merz.

Having briefly harboured hopes of an absolute majority, his party is now on track for the second-worst result in its history. The SPD, his likeliest (and Germans' preferred) partner, will certainly chalk up its worst-ever score. A stagnant economy, a wave of deadly attacks by asylum-seekers and the chaos unleashed by the Trump administration have stoked the unease. There is a fog of uncertainty surrounding the post-election outcome. But that Mr Merz will enjoy no honeymoon is a dead cert. ■

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Europe | Charlemagne

Can Europe withstand four years of Trumpian assault?

The EU is in MAGA's cross-hairs

February 19th 2025



In the eleven weeks between the American election in November and Donald Trump's inauguration on January 20th, Europe was abuzz with talk of how it might best "Trump-proof" itself. How quaint the idea now seems. In weighty reports and brow-furrowing colloquiums, officials had studiously pondered ways to ensure Making America Great Again did not mean Europe Getting Screwed In The Process. Alas, to no avail. The game-plan worked out in Paris, Berlin and Brussels had assumed that Mr Trump would reboot his old hobby horses: grousing about the continent's trade surplus and its anaemic defence spending, perhaps throwing in gibes about the manner in which the European Union regulates big tech. What has transpired instead is a putative takeover of Greenland, American officials gangsterishly shaking

down Ukraine for its mineral resources, diplomatic backslapping with Russia's top brass while new Washington grandees publicly root for a German party harbouring Nazi-adjacent politicians. There are another 47 months of this to endure.

European bigwigs had hoped meeting new members of the Trump team face-to-face at a security jamboree in Munich from February 14th would ease the awkwardness. The opposite happened. J.D. Vance, America's vice-president, used what might usefully have been a speech on how age-old allies could better work together in the age of Russian aggression to instead castigate his hosts on their dodgy way of life. He excoriated Europe for supposedly stymying free speech, doing too little to control migration, and "censoring" nationalist politicians. Europeans have spent the past three years fretting about the fate of Ukraine at Russia's hands, and wondering whether the Baltics may be next. Not Mr Vance. "The threat that I worry the most about vis-à-vis Europe is not Russia, it's not China, it's not any other external actor," he said. "What I worry about is the threat from within." *Quoi!!??*

The reaction to Mr Vance's speech ranged from bemusement to outrage, then panic. It was more than European pride being wounded by being spoken to in the style their forebears once used to lecture wayward colonies. Rather, Europeans started to worry about the wisdom of having their security underpinned by today's America. It takes a certain type of politician to travel to a security conference—one being held closer to Ukrainian territory than Washington is to Chicago—to suggest in effect that America did not see the point of defending Europe if its values were not MAGA-compatible. Mr Vance had, during the campaign, casually floated the idea that America should drop support for NATO if Europe tried to regulate X, a social-media platform that happens to be owned by Elon Musk, a key Trump apparatchik. If that had been a shot across the bow, his Munich diatribe was a torpedo aimed squarely at the heart of the transatlantic relationship.

Mr Vance's hectoring did not sting Europe by delivering hard-hitting truths from a friend. Much was wide of the mark, as if dredged up from the shadier bits of the internet. Europe does indeed have less permissive laws than America on free speech. But what it curtails most often is the kind of social-media bilge, from terrorist content to rape videos and Russian propaganda,

that even liberals agree authorities need to control. Assertions that hard-right parties are "censored" sit awkwardly with the fact that a slew of such politicians are in office in Europe, and the Alternative for Germany could win over 20% of the vote in German elections on February 23rd. (Two days after being granted an audience with Mr Vance, the party's candidate for chancellor, Alice Weidel, took part in a nationally televised debate—some censorship.) That some centrist parties until recently misread the public mood when it comes to immigration is true. Many have been punished at the ballot box accordingly. So far, so democratic.

As for some politicians choosing not to enter coalitions with hardened nationalists: that may be bad politics, but is hardly undemocratic. (Mr Vance glossed over the fact that his Republicans are completely allergic to dealing with the Democrats whose presidential candidate won over 48% of the vote last November.) To bang on about free speech just as his boss was banning the Associated Press from the Oval Office for calling the Gulf of Mexico just that seemed, at the very least, odd timing. Mr Vance was at his most convincing—a low bar—when he questioned why Romanian authorities annulled an election in November, after a populist candidate came top in the first round supposedly with concealed Russian backing. But coming from a man who clings to the Trumpian lie that the American election in 2020 was "stolen"?

He came, he saw, he harangued

A stray line in Mr Vance's castigation has caused particular angst in Brussels. By wryly referring to "EU commissars", the veep rekindled a concern that the MAGA crowd has a deep loathing for the union at Europe's heart. That is perhaps unsurprising. It is the EU that administers trade matters on behalf of its 27 member states. Its "commissioners", as they are in fact known, enforce rules on social media that so rile Messrs Vance and Musk. Co-operation between the Biden-era White House and the European Commission, for example on Russian sanctions, gave Brussels officials added heft. If, as seems likely, the Trump administration freezes them out, it would have an enduring effect on how Europe is run.

In the run-up to the Munich melodrama, many Europeans had worried about being snubbed by their most important ally. Many politicos had hoped to persuade Mr Vance to give Europe a seat in the peace talks between Russia and Ukraine, for example. Repeated emergency summits of European leaders were called, to ponder what the continent must do next. Once they would have focused on how to deal with Russia. The real question now is what to do about America. ■

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Britain

- Why Britain has so far dodged Donald Trump’s tariffs
- Britain’s government can ignore objections to its asylum policies
- Rachel Reeves is not alone in inflating her résumé
- Should all knives with pointed ends be banned?
- Shein attempts to mend its public image before its London debut
- Right-wing Britons are turning to e-petitions
- How Britons became happy hawks on Russia

Britain | Trade diplomacy

Why Britain has so far dodged Donald Trump's tariffs

And why it may continue to do so

February 20th 2025



Donald Trump's trade officials are run off their feet. China was just the beginning. Since the start of February, the president has announced levies on global imports of aluminium and steel. Reciprocal tariffs, which will charge countries according to their own duties on American goods, and "non-tariff barriers" are set to follow. Allies have been menaced as much as adversaries. America's closest neighbours, Canada and Mexico, have been bludgeoned by the threat of 25% levies, for the moment postponed after both agreed to boost security at the border.

Imagine for a moment that you were one of those exhausted officials. It might cross your mind that another friendly country—one often said to have

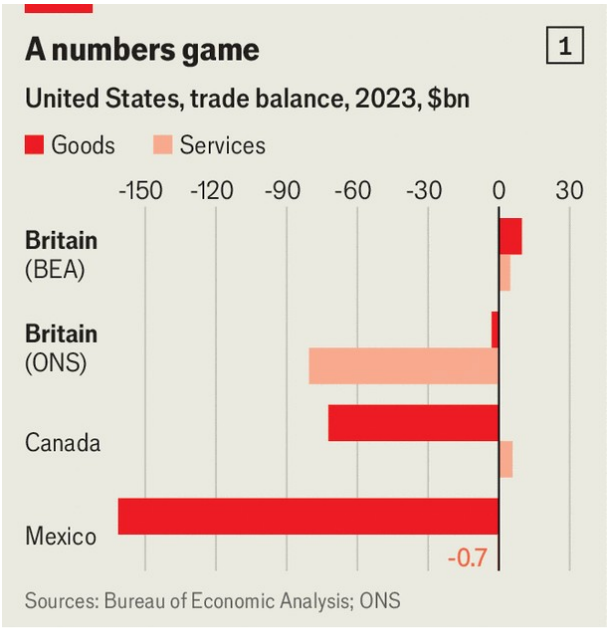
a “special relationship” with America—ticks many of the same boxes as neighbours already caught in the cross-hairs.

A trade surplus with America? Check. Britain thinks it ran one of about £71bn ($88bn) in 2023, according to its Office for National Statistics (ONS), little different from Canada’s. Counting on American trade? Check. Like Canada and Mexico, Britain’s largest trading partner is the United States. Headed by a MAGA-sceptic? Check. Mr Trump’s praise that Sir Keir Starmer is doing a “very good job” will fool no one that the two have much in common. And since the wider MAGA-crowd find plenty to grumble about politically regarding Britain, tariffs might be seen as a useful cudgel. In his recent speech to European leaders assembled in Munich, J.D. Vance, America’s vice-president, accosted Britain for inadequately protecting free speech outside abortion clinics.

Yet when it comes to trade, Republicans are routinely enthusiastic about the Anglo-American partnership. Robert Lighthizer, the US Trade Representative during Mr Trump’s first term, called relations with Britain “how trade is supposed to work”. The man nominated for the post this time, Jamieson Greer, testified to Congress in 2023 that Britain was on his list of trading partners to focus on building market access with. The president himself is characteristically mercurial but tends to suggest it can all “be worked out” with America’s partner across the Atlantic.

British politicians might like to credit political nous if friendly ties with Washington continue. David Lammy, the foreign secretary, is replete with praise for the president—no longer a “deluded, dishonest, xenophobic, narcissistic” man, Mr Trump is now one of “incredible grace”, says Mr Lammy. Peter Mandelson, famed for his political “dark arts” (and, as a former EU trade commissioner, no stranger to trade negotiation), has been installed as ambassador in Washington. Skilful diplomacy can no doubt help. But so, too, can economic fundamentals.

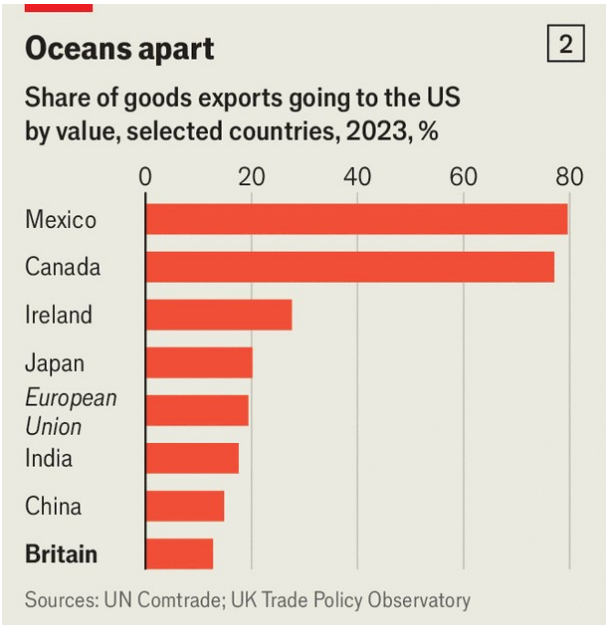
Start with the obvious. Anglo-American trade in goods is broadly balanced —and goods deficits are what seem to enrage Mr Trump. He blames them for hollowing out America’s industrial heartlands. The two countries have alternated between surplus and deficit (one of the reasons Mr Lighthizer said the trading relationship “may be the healthiest one in the world”).



The Economist

Still, a hefty deficit of any kind is typically anathema to MAGA tariff hawks. Here Britain is, unusually, helped by America's bureaucrats. Due to the intricacies of totting up trade, the numbers calculated by each side differ. Whereas Britain's ONS calculates a healthy trade surplus for the Brits, the Americans' sums show the opposite. Its Bureau of Economic Analysis calculates a $14.5bn American surplus in total trade with Britain in 2023 (see chart 1). Unsurprisingly, when the topic of trade arises, Sir Keir and Rachel Reeves, the chancellor, are happy to echo Yankee wisdom rather than touting the numbers from their own mandarins.

Even without a focus on Britain, of course, Mr Trump's broader policies may well do damage. A global levy on steel, set to begin in March, might cause minor ructions unless Britain can get an exemption (the ONS reckons it has a small bilateral surplus in that commodity). And if Mr Trump makes good on threats to impose charges on imports of cars, semiconductors and pharmaceuticals, they would hurt carmakers and drug firms, of which Britain has plenty. Worst of all is the Trump administration's review of reciprocal tariffs. If it wrongly concludes that value-added tax, a consumption charge Britain levies at 20% on domestic and imported goods, should be viewed as a tariff, as Mr Trump has argued, Britain could be hit with retaliatory tariffs of 20% or more.



The Economist

Suppose British efforts to win exemptions fail. It would probably still not be the disaster faced by some of those near the top of Mr Trump's tariff hit-list. Whereas a 25% tariff could shrink Mexico's economy by 2-4% this year alone, and do almost as much harm in Canada, similar tariffs would affect Britain less. The impact of a 20% tariff on all British goods would be less than 1% of GDP, calculates the Centre for Inclusive Trade Policy, a British think-tank. Exports would fall by around £22bn, a mere 2.6% of Britain's total exports.

Geography matters. All else being equal, trade tends to decline with distance, as transport costs and other barriers grow. And nestled between America and continental Europe, Britain (unlike Canada and Mexico) has easy alternative markets for its goods. Britain sends only 13% of its exports to the United States, compared with over 75% for Canada and Mexico, according to the UK Trade Policy Observatory (see chart 2). The share of those exports which the UKTPO counts as "vulnerable"—where over half are sent to America—is just 7%. The exhausted trade official might reluctantly conclude that the relationship is somewhat special after all. ■

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Britain | Immigration politics

Britain's government can ignore objections to its asylum policies

It cannot afford to ignore other kinds of migration

February 20th 2025



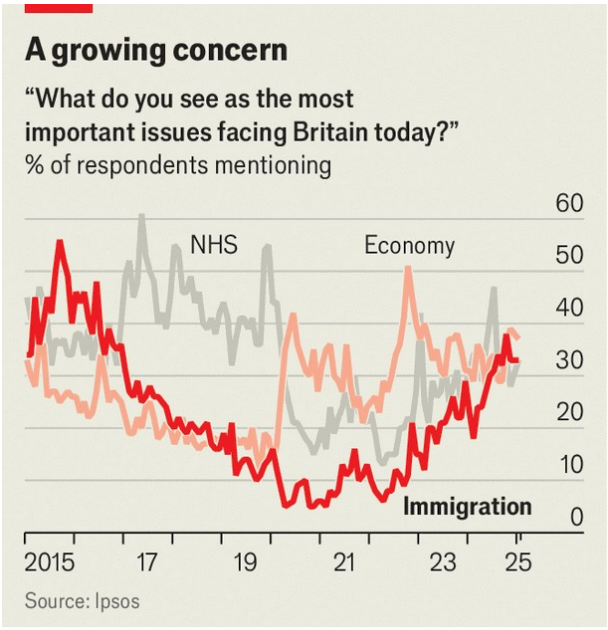
The objections are flying in. On February 16th refugee groups and religious figures, including some bishops, complained that the government "risks playing into a toxic politics". The next day a clutch of trade unionists and left-wing MPs complained about its "performative cruelty".

Several actions provoked the letter-writers. The government has introduced a bill to Parliament that would criminalise some asylum-seekers who cross the English Channel in small boats. It has quietly changed the immigration rules, in effect barring water-borne migrants from becoming British citizens. And it has released video images of migrants being marched onto an aeroplane.

The government will lose no sleep over the criticisms of its actions, unless ministers happen to stay up late, toasting their good fortune. The complaints are likely to draw attention to their efforts to remove convicted criminals and unsuccessful asylum-seekers. Enforced removals have risen since Labour came to power, but, annoyingly, the public has failed to notice.

Not all Britons loathe asylum-seekers. Polling by Ipsos for British Future, a think-tank, last July showed that 46% sympathise with people trying to cross the English Channel, whereas 47% do not. Performative cruelty is politically safe all the same, because of an imbalance in how people think and vote on the issue. People who detest immigration are often obsessed by it; people who are relaxed or even welcoming tend to ignore it, and allow other issues to sway their votes.

But if ostentatious meanness will not hurt the government, it is not likely to cut the number of asylum-seekers much, either. Migration researchers have tried to understand why asylum-seekers try to reach particular countries by studying patterns of applications and by asking migrants. They find that asylum-seekers are usually drawn to countries that are nearby, which contain many of their fellow countrymen. They often do not know, or do not care, about governments' policies.



The Economist

It is also becoming clear that Britons are not just upset about asylum-seekers. In the year to September 2024, the country received 99,800 asylum applications. That is almost exactly the same as the prior year, when the figure was 98,900, and not much more than the year before, when it was 92,800. Meanwhile concern about immigration has soared (see chart).

The probable cause is a surge in other kinds of movement. Beginning in 2022, the Office for National Statistics began to report extraordinarily high levels of net migration. In November 2023 it estimated that 672,000 more people had arrived in Britain in the 12 months to June 2023 than had left; that number was subsequently revised up to 906,000. Students and workers, who found it easier to obtain visas because the government lowered salary thresholds upon leaving the EU, boosted the tally. So did Hong Kongers and Ukrainians, who were given special visas.

The new government has offered only vague hints about how it will manage the kinds of migration that drive the overall numbers. The trade-offs are nasty. If Britain cracks down on foreign students, universities might go bust; if it shuns workers, hospitals and care homes will struggle even more than they do at the moment. It is so much easier to boast of toughness against people in small boats.■

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Britain | Puffed-up politicians

Rachel Reeves is not alone in inflating her résumé

Politicians around the world have been found to exaggerate or even invent their credentials. It does not always hurt them

February 17th 2025



In brITAIN the chancellor, Rachel Reeves, has lately been in a spot of bother about stories from her past. She has been accused of over-egging her résumé. She has repeatedly claimed that she spent "the best part of a decade" as an economist at the Bank of England; in fact, she worked there for five-and-a-half years (nine months less than was claimed on her LinkedIn profile). She is also facing questions over her expenses claims during her time with HBOS, a bank, where she worked from 2006 to 2009. All this comes on top of the earlier embarrassment of the discovery by the *Financial Times* that chunks of her book on female economists, published in 2023, had been copied from other sources without acknowledgment.

Ms Reeves's exaggerations are mild by global standards. All around the world, politicians are wont to puff up their past.

Take America. The most glaring recent example is that of George Santos, a former Republican congressman from Long Island. In December 2023 Mr Santos became only the sixth member of Congress to be expelled from the chamber. Many of the stories he told about his past, including his education, supposed career at Goldman Sachs, business success or that he was Jewish, were fiction, as were some of his claimed campaign expenses. His excuse: "Most people lie on their résumés."

At the very top, President Donald Trump is something of an exaggerator-in-chief. In his campaign for the 2020 election he claimed that he was once named "man of the year" in Michigan; there seems to be no such award. President Joe Biden came a cropper in one presidential campaign for plagiarising passages of a speech from Neil Kinnock, a former Labour leader in Britain; he also exaggerated his academic credentials, saying he graduated in the top half of his law-school class (he came 76th out of 85). Such fibs are no bar to becoming leader of the free world.

Nor to becoming president of the Philippines. There, President Ferdinand "Bongbong" Marcos claimed to have a degree in philosophy, politics and economics from Oxford University; in fact he never completed his degree and was instead awarded a diploma in social studies. In Pakistan a probe in 2010 found that dozens of lawmakers had fake degrees.

Elsewhere in Asia, the most prominent leaders have thrived despite questions over their academic records. India's prime minister, Narendra Modi, faces continuing controversy over whether he really has degrees from Delhi University and Gujarat University. And in China there have long been suspicions that President Xi Jinping had help with his doctor-of-law degree from Tsinghua University.

For lesser politicians, it is true, exaggerating credentials can be career-destroying. In South Africa, for example, Pallo Jordan, an African National Congress MP who had been a minister under Nelson Mandela, resigned in 2014 because his claimed doctorate was revealed to be fake. In Israel Esterina Tartman withdrew as a nominee for tourism minister in 2007 after

revelations that she had never enrolled at two universities where she had claimed to have earned advanced degrees. Barry Urban, a British-born MP from Western Australia, was sentenced to three years in jail in 2021 for lies about his university qualifications and military service. The judge called him "the real-life Pinocchio of parliament".

Degrees of dishonesty

Europe is rich in examples, too. A spate of PhD-plagiarism scandals in Germany included the resignation of Karl-Theodor zu Guttenberg as defence minister in 2011. Germany's current foreign minister, Annalena Baerbock, has faced scrutiny for lapses akin to those of Ms Reeves. Elsewhere in northern Europe, in Norway two ministers (Ingvild Kjerkol and Sandra Borch, responsible for health and higher education respectively) stepped down in 2024 for plagiarising master's theses. In the south Giuseppe Conte, Italy's prime minister from 2018 to 2021, claimed on his CV that he had "deepened" his legal studies at universities that had no record of him. Pablo Casado, Spain's opposition leader at a similar time, faced allegations of dodgy degree claims.

To the east Aleksander Kwasniewski, post-communist Poland's second president, never completed his thesis for the master's degree he claimed to have during the presidential race in 1995; whether his claim swung the vote remains controversial. In Russia President Vladimir Putin appears to be one of the many politicians suspected of plagiarising their dissertations. In 2006 Igor Danchenko and Clifford Gaddy, from the Brookings Institution, a think-tank based in Washington, DC, dug out a copy of Mr Putin's work and found that more than 16 pages of text were taken verbatim from an American textbook: "This is plagiarism at any level of US higher education," they concluded. Oddly, officials in Russia have not kicked up a fuss.

Back in Britain, Conservatives might want to beware of throwing stones at Ms Reeves. There is no shortage of examples of Tory politicians who have embellished or lied about their past, from Jeffrey Archer (famous for fiction, after all) to Grant Shapps (a former defence secretary who hid a past career behind a pseudonym) and Andrea Leadsom (whose campaign to be party leader was hit by reports that she had bigged up her career in banking). The

chancellor's time at HBOS may offer a better line of attack—if not for her expenses claims, then for her association with a bank that failed spectacularly. ■

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Britain | Getting to the point

Should all knives with pointed ends be banned?

Britain's government is considering it, along with other steps to curb fatal stabbings

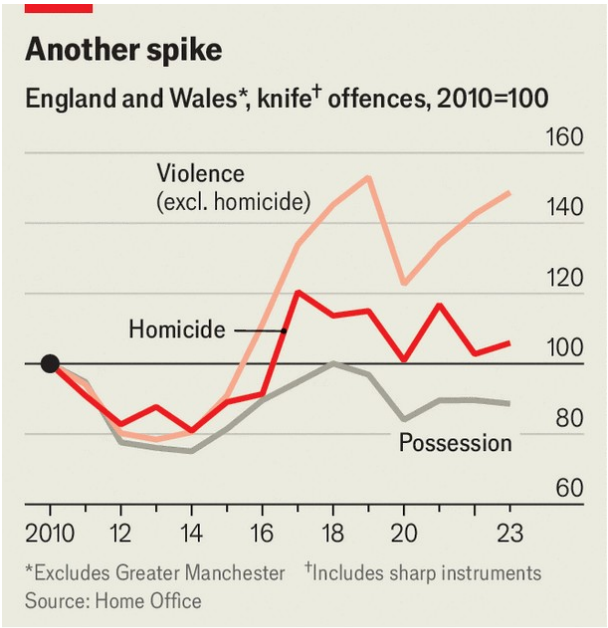
February 20th 2025



RONAN KANDA had just visited a friend after school to buy a PlayStation controller. As he left the house, headphones on, the 16-year-old probably had no idea that he was being followed by two other teenagers, armed with a ninja sword and a machete, who had mistaken him for their intended target. Yards before he reached his home, they stabbed him to death.

Ronan's murder in Wolverhampton in June 2022 was a tragedy, but sadly not a rarity. He was one of 243 people killed with knives in England and Wales in the year to March 2023, 32 of them children. After a drop during the pandemic, knife crime has been rising again (see chart). Its salience has increased, too, in the wake of the murder of three young girls in a dance

class in Southport in July and a campaign led by Idris Elba, an actor (pictured).



The Economist

On February 19th Yvette Cooper, the home secretary, announced "Ronan's Law", a package of reforms to clamp down on knife sales, as part of a plan to halve knife crime within a decade. While stricter laws are welcome, achieving the target will also require getting to the root of why so many young Britons feel the need to carry a knife in the first place.

Britain is hardly the worst-afflicted country when it comes to knife crime. Many poorer countries have far more stabbings per head. America does, too, though it has a much higher homicide rate and is more preoccupied with guns. But Britain is the country that worries about knife crime most. That is probably because it has a particular problem among young people.

In the year to March 2024 more than 500 children were admitted to hospital in England and Wales with knife injuries. Although that is not quite as high as the pre-pandemic peak, it was 9% up on the previous year. One survey found that 60% of young Londoners worry about their safety, and a quarter see carrying a knife as a good way to protect themselves. Another that 2% of 13– to 17-year-olds, equivalent to 87,000 teenage children across the country, say they have carried a knife.

International comparisons are hard due to limited data, and because trends are shaped by changes in the law, police capacity and the use of stop-and-search. But experts agree that the scourge of knife-based violence among children is a peculiarly British problem. Journalists visiting from elsewhere are perplexed by it, says Patrick Green of the Ben Kinsella Trust, a charity. “My experience having worked abroad is that the level of fear among young people in London and other English cities is off the charts.”

Ms Cooper’s plan is to clamp down on supply. The perpetrators of the Wolverhampton and Southport attacks found it all too easy to obtain knives from online retailers. Under the new rules, there will be stricter age-verification processes and longer sentences for those found to have sold knives to children; retailers will be required to report suspicious bulk purchases to the police. Much will depend on enforcement. In September Ms Cooper banned the sale of “zombie” knives, which are long and serrated. Investigations have found they are still easily available.

Some, including Mr Elba, want ministers to take the bolder step of phasing out or restricting the sale of all pointed knives. That idea was proposed last year in a paper by Graham Farrell, a crime scientist at Leeds University. Though zombie knives attract much of the attention, Mr Farrell points out that most homicides are committed with kitchen knives, which will remain easy to access and are more dangerous than they need to be. “You don’t need a lethal knife to dice a carrot,” he says.

Mr Farrell admits that “some will scoff” at his idea of banning pointed knives from kitchens. But he is right that most vegetables can be chopped just as well with a round-tipped blade (your correspondent struggled only with a pumpkin). The idea has attracted support from some celebrity chefs; ministers are considering it.

Limiting access to dangerous knives will still be only part of the solution. Young people also need to be persuaded not to carry one. Whereas in the 2010s some experts thought the rise in knife crime was down to gangs fighting over the drugs market, many attacks today seem to be inspired by feuds amplified on social media. Young people often feel unsafe because they see videos of stabbings in their areas, but getting platforms to remove such content remains hard.

In a recent documentary Mr Elba highlights interventions like “focused deterrence”, which was pioneered in America and involves police and youth workers offering those at risk an alternative path. Although such programmes are being piloted in Britain, it is against a backdrop of threadbare local government and youth services. The government has made a start. But tackling Britain’s knife problem won’t be a quick fix.■

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Britain | Fast fashion

Shein attempts to mend its public image before its London debut

The firm has charmed shoppers. Can it win the trust of investors?

February 20th 2025



Haute couture and fast fashion are worlds apart. One showcases garments hand-stitched by the industry's most skilled artisans at esteemed fashion houses. The other churns out low-cost but trendy styles at a frenetic pace. Occasionally, though, these worlds compete for attention. As designers gather for London Fashion Week, a four-day spectacle of runway shows and celebrity parties starting on February 20th, some of the industry gossip will be about Shein, a fast-fashion giant. Specifically, when might it launch its long-awaited initial public offering (IPO)?

A listing should be a boon for investors. A valuation of £51bn ($66bn) would make Shein, which was founded in China but is now headquartered in

Singapore, one of the largest companies to list in London in years. Profits in Britain, the retailer's third-largest market after America and Germany with 6% of all sales, doubled to more than £24m in 2023.

But in America the firm now faces tighter import rules. On February 1st Donald Trump scrapped the *de minimis* exemption, which allowed Shein and other e-commerce companies to keep prices low by avoiding customs taxes on imported goods below a certain value (lately $800). Donald Tang, Shein's chairman, is seeking to reassure the firm's venture-capital and private-equity backers, which include Sequoia Capital and General Atlantic. In a letter to shareholders on February 17th he insisted that growth remains strong. But the hit to its profits from higher taxes means Shein is under pressure to slash its valuation and to delay its IPO to the second half of 2025.

This is just the latest setback. In 2023 lawmakers in America derailed attempts to list its shares in New York. Citing concerns about the alleged use of forced labour, members of Congress called on American's Securities and Exchange Commission to block the IPO, forcing Shein to pursue a listing in London. Yet its poor environmental record and scrutiny of its Chinese roots have also cast a shadow there. A lack of transparency hasn't helped. Half of Shein's peers disclose the names and addresses of direct suppliers; Shein does not.

The Financial Conduct Authority is facing calls to block a potential listing as a result. Yet turning Shein away risks deterring fast-growing businesses that operate in politically sensitive regions from listing in London, according to Karim Al-Mansour, founder of Amanah Capital, a family office based in Britain. Shein, the bulk of whose suppliers and manufacturers are in China, will also require approval from the China Securities Regulatory Commission.

For now, Shein is working hard to mend public perceptions. It has hired a global head of sustainability and committed itself to green pledges such as reducing greenhouse-gas emissions by a quarter by 2030 and reaching net-zero emissions no later than 2050. Shein says that in 2023 "nearshoring"—moving production and distribution hubs closer to customers in America, Brazil and elsewhere—saved carbon emissions equivalent to one year's worth of energy use for more than 24,000 homes.

Shein is also trying to tackle fashion's throwaway culture. True, it is part of the phenomenon: each year it introduces 1.3m products; H&M, a rival brand, launches 25,000. To cut waste, Shein operates a second-hand-sales platform, with 4.2m users in America in 2023. It has committed €200m ($207m) to help textile-recycling startups in Europe. Using clever algorithms it achieves an unsold-inventory rate of less than 2%, according to Boston Consulting Group. Estimates of rates across the industry vary from 12% right up to 40%.

People in fashion circles are sceptical. Caroline Rush, CEO of the British Fashion Council, the trade body behind London Fashion Week, has raised concerns about Shein's business model and its "poor quality" garments. Shein is eager to shift the narrative. Mr Tang, who had $20 in his pocket and spoke little English when he emigrated to America more than four decades ago, wants the company to be seen as a success story, making stylish clothes more widely accessible. Shein has charmed shoppers. Earning the trust of investors will be harder. ■

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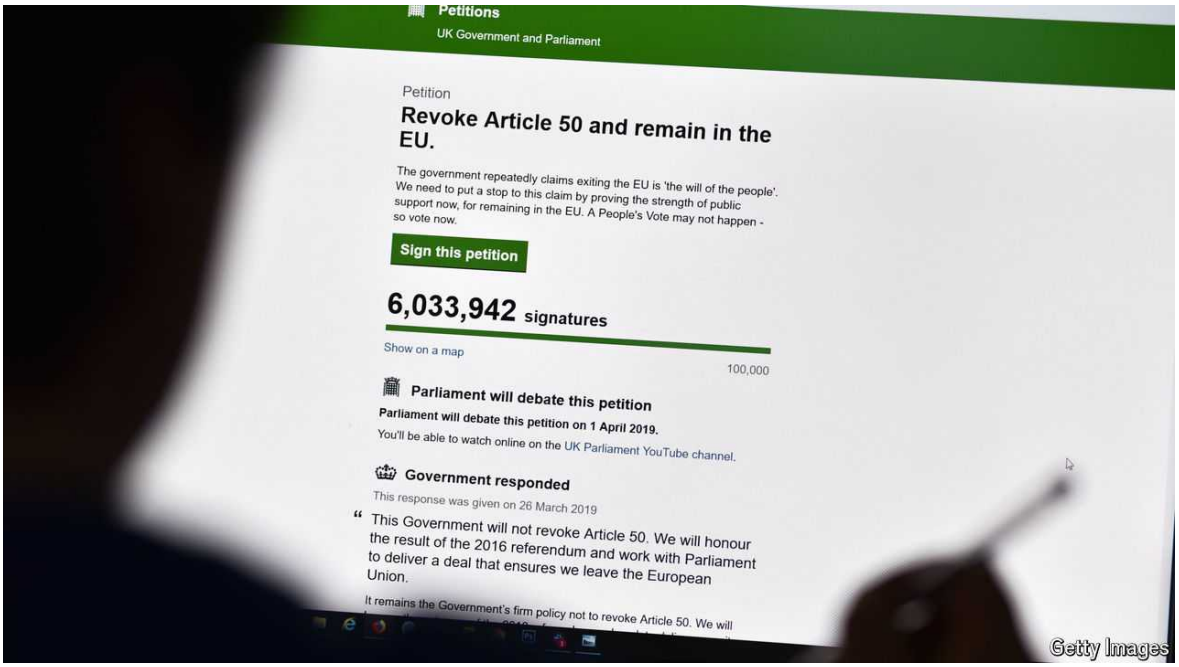
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Britain | Sign of the times

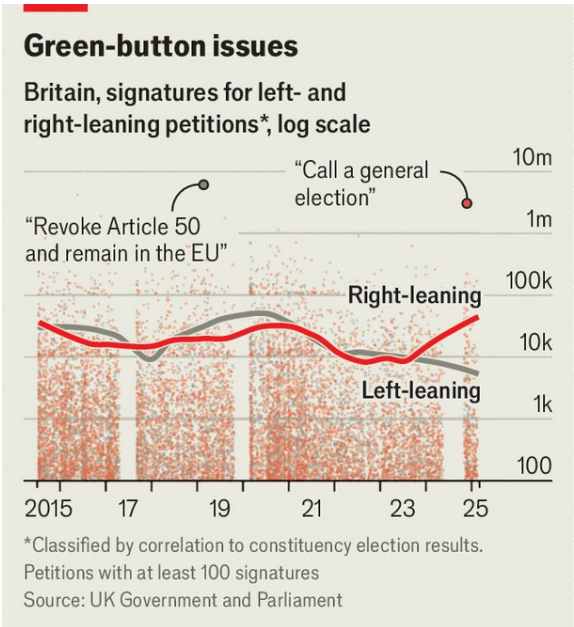
Right-wing Britons are turning to e-petitions

They are screaming into the wind

February 20th 2025



There is something pleasingly anachronistic about Parliament's e-petitions platform. Petitions have been presented to Parliament since the 1270s. In 1669 MPs expressed "the inherent right of every commoner in England to… present petitions to the House of Commons". Since 2006 that right has been exercised online, nowadays by clicking a big green button labelled "Sign this petition".



The Economist

The popularity of e-petitions makes them a new thermostat of public opinion. At the height of the Brexit debate more than 6m people signed a petition to remain in the EU. Many conservatives may have sneered at that activism, but the election of a Labour government appears to have turned the tables. Since July petitions favoured by more right-wing constituencies have outperformed those favoured by more left-wing ones (see chart). Over 3m people have signed the most popular petition of this Parliament, alleging that Labour's broken promises mean there should be a fresh election.

The real prize for activists is prompting a response from the government (requiring 10,000 signatures) or a debate in Parliament (100,000). For disgruntled voters, catharsis matters more. The petition to "suspend all immigration for five years" has over 215,000 signees. The website's leaderboard of popular causes adds a competitive element. Conservatives are discovering that the absence of real power can make slacktivists of all. ■

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Britain | Bagehot

How Britons became happy hawks on Russia

They simply love to poke the bear

February 19th 2025



Few things cheer Britons more than the thought of Russian troops being turned to dust with the aid of British ingenuity. At the outbreak of the war in Ukraine, Boris Johnson toured the Belfast factory that churned out NLAWs, the toddler-size rocket launchers that can whizz a 1.8kg warhead towards a Russian tank at 200 metres per second. It was no coincidence that one of Sir Keir Starmer's first foreign-policy moves as prime minister was to wonder whether Ukraine should be allowed to fire "Storm Shadow" missiles 250km into Russia.

It should have been little surprise when, on February 16th, Sir Keir said Britain would be happy to send troops into Ukraine as a peacekeeping force. Voters of all stripes hailed the news. While Europe's other main military

powers prevaricated—and Donald Trump threatened to abandon Ukraine altogether and offered a bear-hug to Vladimir Putin—Britain found itself among the most gung-ho on Russia once more.

A tough line on Russia is still the closest thing British politicians have to a one-way bet. About seven in ten Britons think Russia is a threat. Participants in focus groups compare Mr Putin to Adolf Hitler. A common affection for Russian literature and a deep interest in its history are matched by a near-universal contempt for the state from which they came.

It is a casual bellicosity, against an enemy that has played the bad guy from "The Charge of the Light Brigade" through to "Goldeneye". Britain has less to lose from a firm line on Russia. "Londongrad", where Russian money poured into the city's football clubs and galleries, was nice-to-have rather than vital; Britain's economy did not suck in Russian gas and spit out Mercedes-Benzes. It suffered less than others from Russian crimes. A British citizen was killed by the nerve-agent used in a botched assassination attempt in Salisbury in 2018; the Dutch had 193 citizens shot out the sky by Russia-backed separatists. For Russia hawks in eastern Europe, the country is an existential threat next door; Britain is a nuclear power at the far end of the continent.

Martial might is a point of pride rather than an ugly necessity for British voters. It has had few outlets in recent years. At the end of the cold war, military entanglements became post-modern affairs. In Afghanistan Britain joined a war on a noun; in Iraq Britain invaded a country based on an imagined threat. Young British men came home in boxes for unclear reasons. Ukraine provided a moment of moral simplicity: the villains in James Bond movies turned out to be the villains in real life.

If the cliché that "Britain has lost an empire and not yet found a role" is banal, it is because the solution has long been obvious. Britain is a European military power and can help deal with Europe's main military problem: Russia. The war offered redemption for the catastrophic intelligence failure of Iraq, where Bond, a symbol of geopolitical virility to mask post-imperial impotence, was disgraced. By contrast, MI6's warnings that Russia was about to invade Ukraine were prescient, when other European agencies dismissed the idea. Bond's back!

Russia would expect nothing less. “The Englishwoman shits” is the Russian equivalent of “perfidious Albion”. The hand of Britain lurks behind every other setback. “This is a classic British assassination,” said one Kremlin mouthpiece after a Russian general was blown up. For a country that has long moped about its standing in the world, it is flattering. Russians always believe in Britain, even if Britons do not.

War in Ukraine plugged this deficit of British patriotism. Ukraine provided a post-Brexit role that delighted both sides of the referendum. Rather than cajole fellow EU members into action, Brexit Britain could act swiftly, sharing intelligence and donating weapons. For those who saw Brexit as a blunder, Ukraine was a chance to be a good European citizen. This has done strange things. The Liberal Democrats, usually a peaceable bunch, are the most determined that Ukraine should not be forced to take a deal against its will. “Fight on!” cry voters in England’s comfiest parts.

So there is near-total political consensus on Russia. Those who challenge it pay a price. After the Salisbury murder Jeremy Corbyn, Labour’s leader at the time, at first refused to countenance that Russia was behind it. When a Labour adviser heard this he kicked a bin, shouting: “That’s fucking going to cost us the election!” Mr Corbyn’s ratings never recovered. Now the main challenge to this consensus comes from Nigel Farage, who (rather like Mr Trump) frames NATO’s eastward expansion as a provocation. At times, Reform UK offer an unpopular form of populism.

’ate Putin, love Florence Nightingale, simple as

All this comes at a cost. When Britain put troops in a divided Germany, the country was as much a warfare state as a welfare one. Clement Attlee’s post-war Labour government built “not only a new Jerusalem but a new Sparta”, wrote David Edgerton, a historian. In the 1950s defence spending matched health and welfare budgets combined. Now, the price is smaller. Britain faces the prospect of increasing spending on defence from 2.3% of GDP to perhaps 3%. In cash terms, it amounts to the increase in the universal-credit budget between 2023 and 2025. Jerusalem grew into a megalopolis; Sparta shrank to a village.

Whether the combativeness of British voters on Russia is matched by a willingness to pay more is the dilemma facing Sir Keir. The government insists taxes will not rise. The alternative is spending cuts in other departments, which would anger voters. Politics is the art of solving such contradictory whims. The geopolitical problems are immovable; the obstacles on tax are entirely self-imposed. Britons will not choose between NLAWS and the NHS. Labour must offer both. ■

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International

- Donald Trump is junking the transatlantic alliance
- Will it be Ukraine today, Taiwan tomorrow?
- Australia prepares for a lonelier, harsher world

International | Present at the destruction

Donald Trump is junking the transatlantic alliance

Europe has been left scrambling after an attack on the partnership that kept the peace for nearly 80 years

February 16th 2025



BUILDING THE transatlantic partnership centred on NATO took decades of troop deployments, joint exercises and steadfast signalling of an unbreakable commitment to its central tenet: that an attack on one would be an attack on all. Yet a weeklong whirlwind left that trust in tatters, as President Donald Trump's administration overturned almost 80 years of American policy towards Europe. It culminated in the president repeating Kremlin propaganda points as he falsely blamed Ukraine for starting its war with Russia and called Volodymyr Zelensky, Ukraine's president, a "dictator".

This revolution in America's foreign policy began on February 12th, when Pete Hegseth, America's defence secretary, told America's allies that his

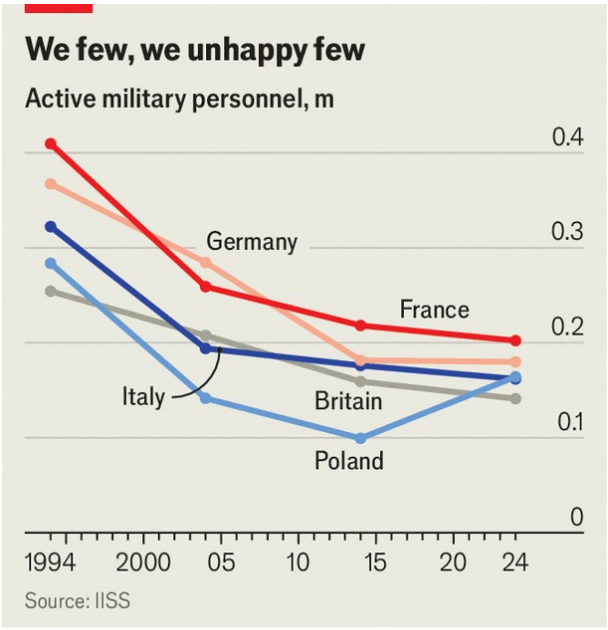
country was no longer the "primary guarantor" of European security. Then, on February 14th at the Munich Security Conference J.D. Vance, the vice-president, unleashed a stinging attack on Europe. Instead of talking about Ukraine, he devoted his address to rebuking Europe over free speech and immigration. "The threat that I worry the most about vis-à-vis Europe is not Russia," he told the audience. "What I worry about is the threat from within." Mr Vance's oblique support for the hard right Alternative for Germany (AfD), a party deemed so extreme that part of it is under domestic surveillance, and his decision to meet the party's co-leader, seemed a blatant attack on his German hosts. A prominent German politician summed up the mood of many: "It seems they are out to get us."

At the conference European leaders wondered whether what would come next would be as epochal as an earlier Munich conference, in 1938, when Britain's Neville Chamberlain buckled to the ambitions of Adolf Hitler; or the one at Yalta in 1945, when America, Britain and the Soviet Union carved up Europe. Amid this turmoil, Europe's democracies have been forced to contemplate the prospect of standing against tyranny without America's support for the first time since the second world war—and of the huge expansions needed if their armed forces are to do so credibly.

Fears of a Munich-like cave-in to Vladimir Putin, Russia's president, were further inflamed on February 18th when senior American and Russian officials met for the first time since Mr Putin's invasion of Ukraine three years ago. Although the talks were about ending the war, no Europeans or Ukrainians were at the table, leading some to quip that this was because Ukraine was on it. The joke sounded less funny when the punchline was delivered after the meeting by Marco Rubio, the secretary of state. Handing Mr Putin a symbolic victory, Mr Rubio agreed to strengthen diplomatic relations and gushed about "potentially historic economic partnerships" between Russia and America.

Mr Trump's aggressive and transactional approach to international relations adds to the fear of abandonment. The president had earlier sent Scott Bessent, his treasury secretary, to Kyiv to demand that Ukraine hand over rights to what the Trump administration says are $500bn of critical minerals as payment for all the aid America has given in the past. A lot of the minerals are in Russian-held territory, though America is thought to have

asked Russia to negotiate over access. In Munich American officials at first pressed Ukraine to sign a deal, but later agreed to continue to talk.



The Economist

Europe's leaders had plenty of warning that they might have to pick up more of the burden. In his first term Mr Trump threatened that America would "go its own way" if other NATO members did not increase defence spending to at least 2% of GDP, a target set after Russia's annexation of Crimea in 2014. They have made progress: 23 of 32 members are meeting the target. Yet the armed forces of many have continued to contract (see chart). Few could have expected to find themselves facing Russia without America's backing, a situation in which 2% is woefully inadequate.

This was laid bare at two emergency summits called by Emmanuel Macron, France's president, on February 17th and 19th. These were to discuss sending troops to Ukraine to guarantee its security if a peace deal is reached that is acceptable to Mr Zelensky, and to work out how to finance European rearmament and further support for Ukraine. Mr Macron first floated the idea of putting boots on the ground last year and he has won the support of Sir Keir Starmer, Britain's prime minister, who is willing to contribute British forces. But other European leaders have resisted the idea, fearing they may be overstretched. Donald Tusk, Poland's president, has ruled out a Polish contribution.

The side with the bigger battalions

Since Russia has nearly 600,000 troops attacking Ukraine, a European force would have to be sizeable to have any deterrent value, notes Matthew Savill of the Royal United Services Institute, a think-tank. For Britain, that might mean a brigade augmented with air defences and supported by jet fighters. Yet with only 73,000 soldiers, maintaining such a force alongside an existing presence in Estonia "would essentially commit the deployable army".

When five NATO allies looked at a deployment, it became apparent that European land forces would be stretched dangerously thin, creating gaps in NATO's own defensive lines. It would be a "gift to Putin" if allies were to dilute their presence in front-line states, says a former American official familiar with that planning.

Faced with such constraints, France and Britain are drawing up tentative plans for a "reassurance force" consisting mainly of Western air power, with only a small contingent of ground troops.

Whatever the force, there is broad agreement that America would have to provide intelligence, air defence, air cover and other "enablement"—not just for logistical and technical reasons, but to deter Russia from testing the deployment. Sir Keir and Mr Macron will travel to Washington to discuss this. "If an American backstop is there," says one European official, "it will trigger force generation by others." Some influential voices are proposing alternative arrangements, such as an American-led air shield that could protect Ukraine's skies without requiring many boots on the ground and a naval force to reopen the Black Sea. However, these are the very same forces that many in the Pentagon believe would be most useful in any future conflict with China in Asia (see next article).

As discomforted as NATO's European members are at the idea of putting soldiers in harm's way without what Sir Keir called "a US backstop", they also have to face the even more uncomfortable prospect that Mr Trump may be planning a Yalta-style partition of Europe into a Western and Russian sphere of influence. In December 2021, before the war, Mr Putin demanded that NATO in effect abandon its central and eastern European members, by

rolling back its troops to the borders that prevailed in 1997. Russia's formal demands do not currently include these provisions. But many senior Europeans fear that Mr Putin will revive them and that Mr Trump could see them as attractive makeweights in a package deal over Ukraine.

Some American diplomats echo that worry. One risk, says Julie Smith, America's ambassador to NATO until last month, is that Mr Trump will agree to withdraw the 20,000 American troops Joe Biden sent to Europe after Russia's invasion of Ukraine in 2022. Those forces, mostly deployed to Poland and Romania, with some rotating into the Baltic states, make up only a fifth of American troops in Europe.

If they pull out now, Ms Smith argues, other European allies, such as Britain, France and Germany, might judge it too risky to maintain their own eight battlegroups that are currently on NATO's eastern front. Alternatively, if Mr Trump is set on punishing Germany, he could withdraw the 30,000-40,000 troops based there. "The lights are blinking red," she warns. Many alarmed allies have noted Mr Trump's recent talk of "denuclearising" with Russia. This might even put at risk the deployment of American tactical nuclear weapons in Europe, which are carried by several European air forces.

American officials are suggesting a different sort of peacekeeping force to a NATO presence, including non-European countries such as Brazil or China, that would sit along an eventual ceasefire line as a buffer. Mr Vance is thought to have told Europeans that a European-only force would be less effective at deterring Russia from attacking. Ivan Krastev, a political scientist, jokes that the boundary might be named the "Trump line" to enlist the president's vanity. Russia, however, is against any foreign troop deployment in Ukraine, so Mr Trump would have to coerce Mr Putin into accepting even this.

Guns or splutter

One alternative to foreign troops would be to build up Ukraine's armed forces. Mr Zelensky told *The Economist* that he would need to double the size of his army in the absence of NATO-like guarantees. That would require a serious—and expensive—flow of arms and ammunition. Mr Trump might entertain an arms-for-minerals swap, perhaps to show his supporters that

America was getting something in return for its efforts. European countries are also revisiting the idea of seizing frozen Russian assets. France remains opposed to the idea, in part because of the risk of financial blowback, though Friedrich Merz, Olaf Scholz's likely successor as German chancellor after elections, is more open.

Ukraine, with Europe's backing, has some leverage of its own. If Mr Trump is so eager for a deal that he concedes most of Mr Putin's demands, Mr Zelensky might prefer to walk away, betting that it would be better for Ukraine to fight on with European help alone. Likewise, Elina Valtonen, Finland's foreign minister, told *The Economist* that she had warned America against a "quick and dirty deal which will probably fail anyway, and which will make President Trump look weak".

Moreover, the crisis may galvanise Europe into action. In Britain there were hints that Sir Keir was moving towards a big increase in defence spending, with a target of at least 3% of GDP by the end of the decade. Ursula von der Leyen, the president of the European Commission, has proposed activating an "escape clause" from EU budget rules to allow member states to surge defence spending. She has also said the EU may divert €93bn ($97bn) in untapped covid-recovery funds to defence, the *Financial Times* reported.

Whatever happens in the talks, Europe will need to do more for its own defence. If a deal requires European troop deployments to Ukraine, those commitments, and the need to mobilise new forces to fill the gaps they leave, could be hugely expensive. However, if Ukraine spurns a bad deal, or if diplomacy collapses and the war continues, then Europe could still be left to pick up a much larger share of the bill for military aid—perhaps the whole tab, if Mr Trump washes his hands of the problem. In that case, Europeans might have to choose between increases in spending, seizure of Russian assets or simply watching Ukraine gradually crumble. In practice, the sums are large but hardly crippling: $50bn or so would make up America's shortfall in aid for a year. The problem would be sourcing weapons. Europe might have to buy many from American producers.

The worst case is that Mr Trump starts to withdraw American troops from Europe and perhaps even the nuclear umbrella, or signals that he will not come to NATO's aid if Russia attacks one of its members. Such dramatic steps

are seen as less likely—at least for the moment. Congress would have to authorise hefty sums of money to pay for any large-scale troop withdrawals, for instance, and they could take years.

But it is not as implausible as a few weeks ago. In private, some European officials speculate on how they might prepare for such a catastrophe. They could, for instance, speed up the procurement of long-range missiles to deter Russia and deepen nuclear consultations with Britain and France, Europe's nuclear-armed powers.

The paradox is that, despite these swirling anxieties, Europe and America both need each other. The Europeans are grappling with the fact that their principal security guarantor of almost 80 years is not just growing more distant, but in some ways actively hostile. They are increasingly hedging against American retrenchment. But that is not something they will seek to bring about, if only for the cost of mounting a European-only defence against Russia, which one insider puts at 5-6% of GDP a year. The first course of action is, therefore, to stay engaged with Mr Trump, however madcap and rash his diplomacy.

More important, if Mr Trump truly wants a deal that will stick, he will need European aid and, perhaps, troops. And to give Europe the confidence to provide those, he will need to commit America to Europe's security, rather than sign up to a Yalta-like carve-up. Rarely has the Munich conference seen such a frenzy. And yet the haggling, bullying and nail-biting that will determine the future of Ukraine and Europe have only just begun. ■

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International | Deterring China

Will it be Ukraine today, Taiwan tomorrow?

How Donald Trump's about-turn in Europe will affect Asia

February 17th 2025



THE EARTHQUAKE in transatlantic relations caused by President Donald Trump's looming abandonment of Ukraine seemed to cause barely a ripple in the Pacific, where America's generals and securocrats at the Honolulu Defence Forum emphasised the importance of boosting Asian allies. Perhaps, suggested one attending South Korean, cutting a deal with Russia will allow America to focus on deterring the might of China.

The surface calm is in part the result of Asian governments lying low, either because they are indifferent to Europe's woes or because they want to win Mr Trump's favour (or at least avoid his ire) and hope he will continue to guarantee Asia's security. In fact, the countries most likely to be at the

receiving end of China's military bullying have the greatest reason to fear it will be emboldened by a Russian victory.

Take Taiwan. Successive governments have argued that denying Russia a victory in Ukraine was vital to dissuading China from invading the self-governing island. The notion of "Ukraine today, Taiwan tomorrow" is now all the more alarming. One opposition-leaning newspaper, the *United Daily News,* was quick to warn that Taiwan will become an "abandoned chess piece". In Japan the headline of an editorial in the *Nikkei*, a Japanese daily, opined: "Don't let America decide Ukraine's fate."

India, for its part, has pursued a "multi-aligned" foreign policy, drawing closer to America while retaining strong ties with Russia and recently improving relations with China. It may now spy an opportunity, not just because it could import Russian oil more easily but also because a fragmenting world order could give it greater influence. Meanwhile, most smaller countries in South-East Asia are ambivalent about America and are drifting towards China. For Singapore's defence minister, Ng Eng Hen, America was moving from a force for "moral legitimacy" to something closer to "a landlord seeking rent".

Yet the threat of China may focus minds. Admiral Samuel Paparo, the head of America's Indo-Pacific Command, warned that China's wargames around Taiwan were not mere exercises but "rehearsals" for an invasion of the island. At the same time, he sounded the alarm over the readiness of American forces. "Our [munitions] magazines run low…Critical air, missile, maritime and space platforms age faster than we can replace them." China's growing collaboration with Russia and North Korea was creating a "triangle of trouble" and turning the region from "free and open" to "contested and controlled".

In Honolulu, China hawks were divided over the Trump administration's abrupt about-turn in Europe. Some argued that "deterrence cannot be divided". If America lost credibility as an ally in Europe, it would lose credibility in Asia, too. David Stilwell, a former state department official, denounced free-riding allies. "Weakness in one place creates weakness everywhere," he said. Some thought that doing less in Europe would lead to

America doing more in Asia. Others worried that America would simply do less everywhere.

Thus far, Mr Trump has not shown much of his hand in the Indo-Pacific. He has imposed tariffs on China but has sought to woo its leader, Xi Jinping, perhaps in hope of striking a trade deal. His oldest son, Donald Trump junior, recently said that America should be ready to confront China's armed forces, but remain open to talks. The president's early guests to the White House have included Japan's prime minister, Ishiba Shigeru, closely followed by India's, Narendra Modi, signalling a continuing focus in the Indo-Pacific.

Strategists may talk about the "convergence" of the European and Asian theatres. But military trade-offs are becoming starker as America's arsenals are depleted. Its munitions shortage in Asia is caused, at least in part, by its support for Europe.

Yet if hard choices have to be made, Admiral Paparo was clear about where America's priorities should lie: "If you were to choose the world's centre of gravity a hundred years ago, it would have been somewhere in east-central Europe. Today, it's squarely in the Indo-Pacific."■

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International | The Telegram

Australia prepares for a lonelier, harsher world

The country has long relied on America for security and China for its prosperity. Those two pillars are wobbling

February 18th 2025



AUSTRALIANS HAVE felt lucky but anxious since the first colonists waded ashore, over two centuries ago. An edge of insecurity endured even as Australia became prosperous, safe and envied: a liberal democracy with a resource-rich continent to itself, guarded by a deep blue moat on the bottom of the world. Today, Australian fears are acute, for two pillars supporting its modern rise—its defence alliance with America and its trade with China—are wobbling. For all that, after a week Down Under talking to business, political and national-security bigwigs, The Telegram has a hunch that Australian angst gives the country a head start.

Today, every ally of America has cause to be alarmed by President Donald Trump. These are scary times for countries that trade with China, too. In many industries, selling to China is becoming harder, for its growth is slowing, and its leaders are bent on achieving greater self-reliance. At the same time, China's rulers are determined to dominate important export markets, and ready to use their economic might to bully any country that stands in the way. It now looks oddly lucky that Australia has been brooding over its reliance on America and China for some time, while many Western powers, notably in Europe, slumbered complacently.

A fine history of Australian foreign policy by the late Allan Gyngell, a diplomat and intelligence analyst, is bluntly called "Fear of Abandonment: Australia in the world since 1942". It describes the shock felt when Britain, the imperial mother country, quit Asia and became a midsize European power. Australia duly sought a security alliance with America, crafting Washington-friendly arguments about why it is a partner that pulls its weight. In the 1960s, Gyngell relates, political leaders who sent Australian troops to Vietnam to fight alongside American forces talked of paying the premium on an "insurance policy".

A half-century later, Trump-pleasing lines are being polished in Canberra, the quiet country town that serves as national capital. Australia recently made a $500m contribution to support America's submarine-building industry. That was a down-payment on AUKUS, a scheme binding together America, Australia and Britain in an alliance to counter and deter Chinese naval power in the Indo-Pacific for decades to come. Agreed with the Biden administration, the plan is slated to cost up to $228bn over its lifetime. It calls for Australia and Britain to jointly design and build advanced nuclear-powered submarines, for delivery to Australia in the early 2040s. As an interim step, Australia is to buy a fleet of American-made submarines. It is also spending billions of dollars upgrading a naval base near the western city of Perth, offering American and British submarines stealthy access to the Indian Ocean.

With Mr Trump in the White House, there is talk in Canberra of "a period of triage". Officials must assess urgent risks, such as Mr Trump's willingness to slap tariffs on allies. In early contacts, Australian leaders have reminded Mr Trump and his team that the trade balance between their countries has

run in America's favour since the Truman era. Then comes the longer-term puzzle of what the Trump administration might actually want from Australia when it comes to confronting China. A right-of-centre member of parliament reports conversations with Republicans in Washington, who told him that America "will need guarantees from us" that any American submarines sold to Australia will be made available in the event of a US-led fight with China over Taiwan. Against that, officials must weigh comments from Mr Trump and some of his aides, sounding scornful about Taiwan's chances of surviving a Chinese attack. The words of Mr Trump's defence secretary, Pete Hegseth, are parsed like those of a prophet. Mr Hegseth told his Australian counterpart that Mr Trump is "supportive" of AUKUS. But work on the American submarines sought by Australia is behind schedule. When asked if the first would be ready for sale to Australia, Mr Hegseth replied only: "We sure hope so."

In a week-long straw poll, a majority of well-placed Australians admit to doubts that AUKUS will happen as planned. Several venture that America will want to use the submarine base near Perth, at least. Even if Mr Trump declines to defend Taiwan, it is suggested, America will surely have an abiding interest in countering Chinese hegemony in the sea lanes of the Indo-Pacific. For now Australia is pitching itself to the Trump administration as a force multiplier. If allies jointly help America rebuild its defence-industrial base, the West can compete with China's advantages of scale.

If your biggest market turns hostile

That submarine base sits within view of gleaming corporate skyscrapers in Perth, built with vast sums earned sending ships to China laden with iron ore, coal, wool, food and other commodities. Even so, the risks of economic dependency are acknowledged. Memories are fresh of economic boycotts used to punish a previous Australian government for challenging China over its handling of the covid-19 pandemic and other issues. Chinese demand for iron ore could fall by 40% in the next 30 years, as urbanisation slows and China recycles more steel, says Huw McKay of Australian National University. A politician briefed by the security services talks of "constant" Chinese espionage and cyber-attacks on critical infrastructure.

In Canberra, plans are afoot. Ties with Japan, India and other China-sceptical neighbours are deepening. There is little hope of rallying South-East Asian governments, for they prefer to accommodate China. For its part, Australia will pick its battles with China, calling out egregious Chinese actions, but discreetly. There is talk of deterring China while engaging economically. The West's aim should be to make war too costly, and peace too valuable.

Australia has reasons to be anxious. At least it is thinking about survival in a lonelier world. Time for other countries to catch up.■

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Business

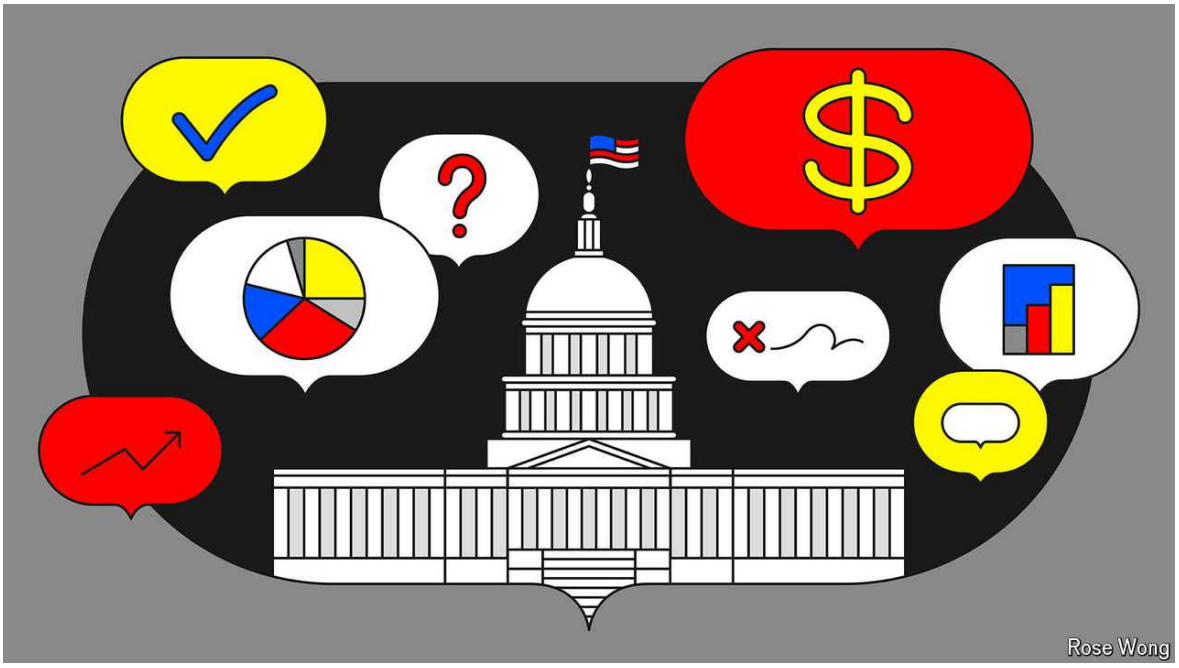
- Elon Musk spells danger for Accenture, McKinsey and their rivals
- Europe is set to start cutting red tape—lightly
- Why Xi Jinping is making nice with China’s tech billionaires
- It’s not just AI. China’s medicines are surprising the world, too
- Leaving the seat of power
- Hollywood’s Trump-baiting Oscars

Business | Change management

Elon Musk spells danger for Accenture, McKinsey and their rivals

Why the American government could turn against consultants

February 19th 2025

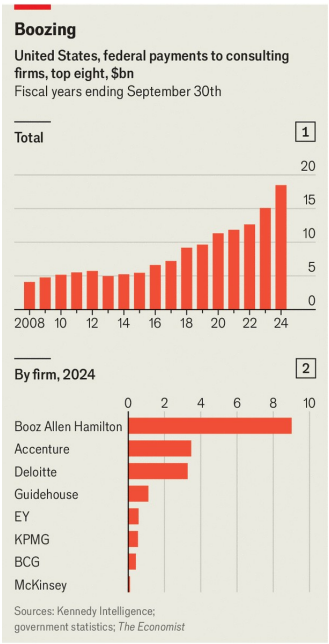


It should be a management consultant's dream. The organisation is immense. Bloat is a problem. And the new boss is eager to shake things up. President Donald Trump and his disrupter-in-chief, Elon Musk, have already begun hacking away at America's federal bureaucracy. Mr Musk's Department of Government Efficiency (DOGE) has set itself the target of cutting government spending by a colossal $2trn.

For an industry that helps organisations remake themselves, that seems like an opportunity like no other. Yet consulting firms, which have come to rely on the federal government for a growing share of fees, are looking on

nervously. None of them appear to have a seat at Mr Musk's table. They could instead be on the menu.

Consultants have a long history of cashing in on government projects. McKinsey, the world's most prestigious strategy adviser, at least by its own estimation, helped Dwight Eisenhower establish the post of White House chief of staff in 1953 and designed NASA's first organisational structure in 1958. By 1977 Jimmy Carter was grumbling that the federal bureaucracy was employing consulting firms "excessively, unnecessarily and improperly". That year Booz Allen Hamilton, a consultancy, was paid $320,000 ($1.7m at today's prices) by the Department of Agriculture to figure out how many chickens its inspectors should examine per minute.



The Economist

Such a contract would look like chump change these days. The same firm received $9bn from the federal bureaucracy in the most recent fiscal year, according to government data. Add in the other top government consultancies—Accenture, BCG, Deloitte, EY, Guidehouse (formerly part of PwC), KPMG and McKinsey—and the figure exceeds $18bn, up from just $5bn a decade before (see charts).

The importance of America's government for consulting revenue varies across these firms. Booz Allen Hamilton, which parted ways with its

private-sector consulting business in 2008, is nearly entirely reliant on the public sector. McKinsey, whose work for the federal goverment slowed after its association with opioid manufacturers tarnished its reputation, makes less than 1% of its global revenue from federal contracts. Across the firms we examined, though, the federal government accounted for about 8% of total revenue last year. There is no bigger single client.

Some contracts are enormous. EY has made nearly $70m since 2020 supporting a reform plan at the Department of Housing and Urban Development. BCG has been allocated $380m since 2022 by the Defence Health Agency, which provides medical care to the armed forces, as part of an initiative called "Workforce 3.0". Accenture has received $700m from the Department of Education since 2019 to build and manage a website, mobile app and virtual assistant for student aid.

The scale of spending partly reflects the magnitude of the mess. America's federal government collects around 140bn forms a year, most of which are still paper-based. Agencies struggle to compete with the private sector for talented techies to help change that. The growth in government consulting over the past decade has been driven largely by digitisation efforts, notes Fiona Czerniawska of Source Global Research, which tracks the industry.

Could that offer some protection from Mr Musk's woodchipper? The executive order establishing DOGE tasks it with modernising the government's technology. Ron Ash, who oversees Accenture's federal-government business, expects that agencies will be pressed to automate faster. Firms such as his will be ready to help.

The problem, however, is that DOGE and the consultants come from very different worlds. Take Mr Musk's methods. He has been brutal and abrupt, and made little effort to engage those affected. Consulting firms have spent years trying to distance themselves from that type of approach, says Tom Rodenhauser of Kennedy Intelligence, another industry analyst. Protesters have gathered outside the showrooms of Tesla, Mr Musk's carmaker, to protest against his cuts. Consultants will be loth to attract such attention.

For his part, Mr Musk may see consultants not as the solution, but part of the problem. Many of them are frustrated with how little they have been able to

achieve in government compared with their private-sector efforts, says Max Stier, head of the Partnership for Public Service, a non-profit which works to improve government. Bureaucratic inertia and political meddling are partly to blame. But Mr Musk may conclude that, having tried for so long, consultants are not up to the task.

He may instead be drawn to options from his own sphere. Palantir, an analytics firm chaired by Peter Thiel, who worked with Mr Musk at PayPal, has gained a foothold in the Department of Defence and is spreading quickly across the federal government. Among other things, it helps organisations feed their data into artificial-intelligence (AI) tools. In the final quarter of 2024 its revenue from America's government grew by 45% year on year. Its share price has been on a remarkable ride, more than doubling since Mr Trump's election in November. Booz Allen Hamilton's has fallen by a third.

Unlike most other software providers, Palantir embeds teams of engineers with its clients to help them make use of its technology. For now, it works on many projects alongside firms such as Accenture and Deloitte. But some also view it as a potential competitor to the big consultancies, particularly when it comes to AI. Mr Thiel has described conventional consulting as a "total racket".

The Trump administration poses another conundrum for the consulting industry. Besides costs, officials also want to strip the government of wokery. Diversity, equity and inclusion (DEI) efforts are a particular target. An executive order issued last month bans federal contractors from operating any programmes "promoting DEI that violate any applicable federal anti-discrimination laws". That has put the big consultancies, which have been vocal champions of DEI, in an awkward spot.

Some have remained defiant. McKinsey has insisted that it will continue its pursuit of a "diverse meritocracy". Yet it has little to lose. Other firms have quickly sought to placate the new administration. Accenture has informed staff it will be "sunsetting" its diversity goals. Deloitte's American branch has told those working with the federal government to remove their pronouns from their email signatures. Such moves have ruffled employees, and may irk private-sector clients that have been preached to on the merits

of DEI. Consulting bosses will have to decide what price they are willing to pay to keep their biggest client happy. ■

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Business | Clearing the thicket

Europe is set to start cutting red tape—lightly

But those hoping for radical deregulation will be sorely disappointed

February 20th 2025



If red tape could be said to have a spiritual home, it would be the corridors of the European Commission in Brussels. The beating heart of the "regulatory superpower" that is the EU, it is there that the rules which guide how business is done in the 27 member states are made. The EU produced nearly 14,000 legal acts between 2019 and 2024. Perhaps not coincidentally the bloc's economy has stalled. Bosses gripe about spending more time filling forms than filing patents. A plan to lessen their burden is expected to be released on February 26th. Hopes for radical deregulation, however, will have to wait.

Everybody agrees a dose of simplification is needed. That was one of the messages from a recent report by Mario Draghi, a former Italian prime

minister, about how to stop European businesses falling behind international rivals. Each year European firms spend about €150bn ($156bn) on administrative costs. The commission wants to cut that by a quarter overall and by even more for small businesses.

To achieve this, cumbersome edicts will be made easier to comply with. That includes those that demand firms disclose their inner workings—whether goods were sourced ethically or in an environmentally sound way, say. At least three flagship laws will be watered down into one "omnibus" law, with the hope of cutting reporting requirements for firms. Several more "omnibus" laws are expected this year.

While the likes of Argentina, America and even India—whose "license raj" bureaucrats rival Europe's in their passion for regulation—are slashing red tape willy-nilly, the EU is taking a more measured approach. The commissioner in charge, Valdis Dombrovskis, is not the chainsaw-wielding type. Europe "needs to maintain its high environmental and social standards", he says. The preferred term for what is happening is "simplification" and not the more radical "deregulation".

That is perhaps to spare the blushes of those who first suggested the edicts—often the same people who are now "simplifying" them. For whereas politicians elsewhere are scrapping decades-old laws, some of the regulations Europe is amending are so fresh they have not yet fully entered into force. Mr Dombrovskis admits a "protracted period of legislation" in recent years piled too much on to businesses. In particular, rules that were meant to apply only to big companies were in effect applied to their (smaller) suppliers.

Amending already-agreed texts will take time. The simplification push will need the approval of the European Parliament and the bloc's member states. Some will take convincing. "There is no impact assessment that shows these texts are harmful to European competitiveness," argues Pascal Canfin, a French liberal MEP who backed the original legislation.

Businesses might be disappointed; many had been lobbying for a more complete overhaul. But some may find solace in the EU's new Clean Industrial Deal, also due to be unveiled on the same day, in which the commission will

suggest sops such as subsidised energy. If business can't be made simpler, it can at least be made more profitable.■

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Business | Rehabilitation

Why Xi Jinping is making nice with China's tech billionaires

Jack Ma's return may be the most lucrative of all time

February 17th 2025



China's Communist Party has a history of purging and then welcoming back senior officials. Deng Xiaoping was purged three times before leading the country out of Maoism in the late 1970s. Some cadres are welcomed back years after their death. Jack Ma, Alibaba's founder, endured the modern version of a purge in 2020. The initial public offering (IPO) of his fintech company, Ant Group, was cancelled. Alibaba was probed shortly thereafter and handed a record fine. Mr Ma withdrew from public life.

Now, however, he seems to be welcome once again. On February 17th Mr Ma along with a handful of other entrepreneurs met at a symposium in Beijing with Xi Jinping, China's supreme leader. Many see this as Mr Ma's

rescue from the wilderness—and a sign that, after a prolonged crackdown, private-sector tech is back in favour.

It certainly has the makings of the most lucrative rehabilitation of all time. On February 14th Alibaba's share price rose by 6.2% on rumours of the symposium, adding roughly $18bn to its market value. Those of Tencent and Xiaomi, two other large tech firms, rose by 7%. That comes on top of a rally in recent weeks. Shares in Hang Seng Tech, an index of the 30 largest technology companies listed in Hong Kong, have risen by 23% in the past month; those in Alibaba have surged by over 50%. Is a revival in private-sector sentiment at last under way?

In large part the rally has been prompted by DeepSeek, a Chinese artificial-intelligence (AI) firm that has managed to keep up with Silicon Valley even without an ample supply of American chips. Analysts at Bank of America have compared it to Alibaba's IPO in New York in 2014, which caused a boom in innovation at consumer-internet firms. DeepSeek, they think, could have a similar effect.

Many companies are already adopting DeepSeek's model. Tencent, an internet and gaming group, is said to be testing it in Weixin, an application that offers messaging, payments, shopping and entertainment services, in the hope of creating an AI "super app". AI could also boost demand for cloud-services providers, such as Alibaba, Huawei and Tencent. They, in turn, will have to invest more in building server farms, benefiting the suppliers of AI data-centre components. Alibaba is also reportedly working with Apple, an American tech giant, to inject AI capabilities into the iPhones sold in China.

Yet despite all that, wider sentiment has still been weak. The Business Confidence Index, a monthly survey of more than 300 senior executives at corporations across China, showed slight improvements in January. But several important components of the index, such as the outlook for corporate financing and inventory, are still contracting. Moreover, that same month the compilers of an index at Cheung Kong Graduate School of Business in Beijing concluded that "fairly significant levels of instability continue to inhibit China's business sphere".

That helps explain Mr Xi's appearance at the symposium. According to reports of the meeting, he underlined the importance of the private sector for China's economy and acknowledged some of the problems facing it. Mr Xi's time in power has been an experiment in how best to guide entrepreneurs while also limiting their influence over policymaking and society. Senior officials have never managed to find a comfortable balance. Between 2013 and 2019 the biggest companies dominated investment as well as many areas of economic growth, putting officials in the passenger seat of development.

The crackdown in 2020 reversed things sharply, wiping around $2trn off the value of China's stockmarkets in the process. More recently the party has sought to guide entrepreneurs without extinguishing their innovation. The result has been an intentional blurring of the lines between private and state enterprise. This works for some companies such as Huawei, a telecoms giant; Cambricon, a chip designer; and iFlyTech, an AI company. But the result is often a murky hybrid. Academics have labelled it "party-state capitalism".

Given all this, the love-in can only do so much to restore sentiment. Chinese private-sector elites want more than symposiums. Big problems afflict their companies. For example: when, asks a Hong Kong-based venture capitalist, might regulators loosen their control of IPOs? Since the crackdown, approval processes for listing overseas have been introduced. Startups such as Shein, a fast-fashion firm, have been forced to seek informal approval from Chinese regulators on national-security grounds. The securities watchdog has taken it upon itself to manage the listing expectations for some companies, reportedly halting the IPO in Hong Kong of a tea-and-ice-cream chain last year because valuations were too low.

A snarl-up of other problems shows no sign of abating. Rather like many tech firms, the financial system has also become a public-private hybrid. China's venture-capital and private-equity industries have been permeated by the state. For many startups state capital, with its irreconcilably different goals from the private version, has become the main form of funding. Businessmen once laughed off the influence of Communist Party cells in private firms, which have been around for ages. Yet over the past five years

these cells have amassed much more power. There are few signs that this trend will reverse.

In some quarters the return of Mr Ma has been portrayed as a big win for the private sector—or even a concession to it. But it might also be seen as a victory lap for Mr Xi. Over the past five years China's entrepreneurs have become much more subservient to the Communist Party. They must play by Mr Xi's rules or face the consequences. The symposium is a confirmation that China's once-mighty entrepreneurs have fallen into line. ■

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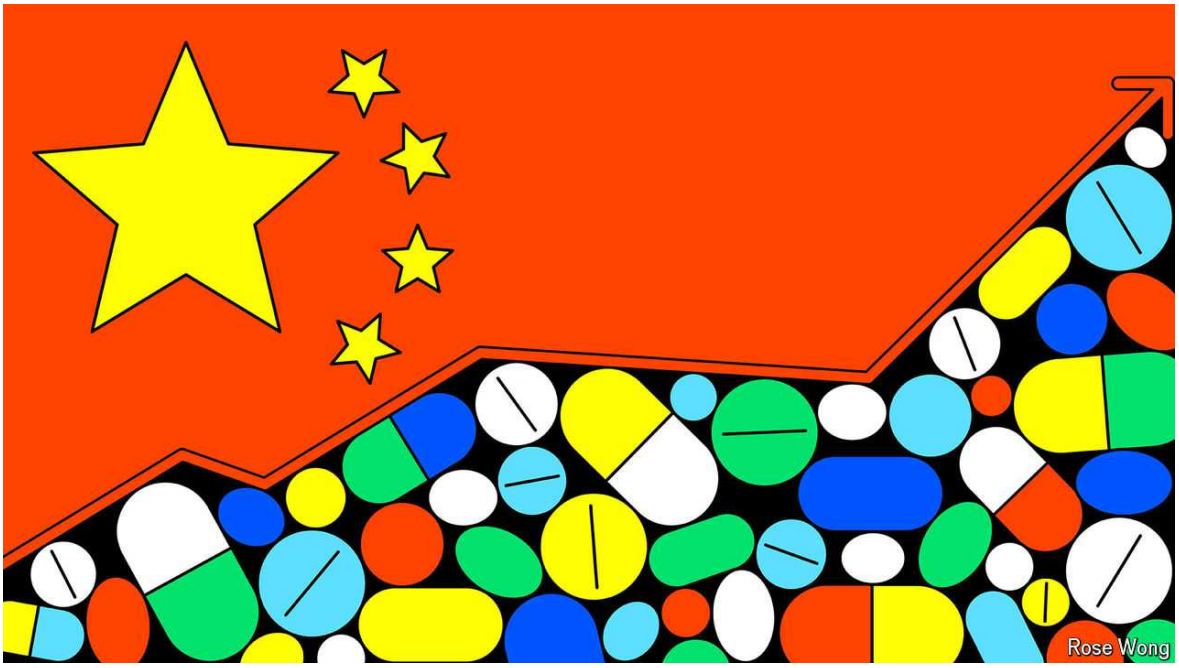
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Business | In rude health

It’s not just AI. China’s medicines are surprising the world, too

Its firms are at the forefront of cheaper, faster drug discovery

February 16th 2025



Keytruda, a cancer medicine, ranks among the most lucrative drugs ever sold. Since its launch in 2014 it has raked in more than $130bn in sales for Merck, its American maker, including $29.5bn last year. In September last year an experimental drug did what none had done before. In late-stage trials for non-small cell lung cancer, it nearly doubled the time patients lived without the disease getting worse—to 11.1 months, compared with 5.8 months for Keytruda.

The results were stunning. So too was the nationality of the biotech company behind them. Akeso is Chinese.



In recent months China's progress in artificial intelligence has stunned the world. A quieter yet equally significant shift is under way in biotech. China has long been known for churning out generic drugs, supplying raw ingredients and managing clinical trials for the pharmaceutical world. But its drugmakers are now also at the cutting edge, producing innovative medicines that are cheaper than the ones they compete with. China has become the second-largest developer of new drugs, behind only America (see chart 1).

As a consequence, Western drugmakers are increasingly looking east for ideas. Because of expiring drug patents, they stand to lose as much as $140bn a year in sales by 2030. Last year nearly a third of the large licensing deals they struck—those worth $50m or more—were with Chinese firms, triple the share of 2020. LEK, a consultancy, estimates that during that time, the total value of drugs licensed worldwide from China rose 15-fold, to $48bn (see chart 2). In November Merck paid $588m to LaNova Medicines, another Chinese biotech firm, to secure rights to a therapy similar to that produced by Akeso.

China's government identified biotech as a strategic priority nearly two decades ago. But it was not until 2015 that things really took off, after the drug regulator launched ambitious reforms. It took on more staff and cleared

a backlog of 20,000 drug applications in two years. Clinical trials were streamlined and brought into step with global standards. A study by Yimin Cui of Peking University and colleagues found that the time taken to approve the first round of human trials fell to 87 days, from 501 days before the reforms.

The changes coincided with a wave of returning "sea turtles", the term for Chinese people who studied or worked abroad. China's vast domestic market helped to attract big drugmakers to its shores, bringing know-how and talent. Easier listing rules gave biotech investors a clearer path to exit. Private funding for Chinese biotech firms rose from $1bn in 2016 to $13.4bn in 2021.

With more brains and money, Chinese firms moved beyond copying Western drugs. Instead of waiting for patents to expire and making generics, they adopted a "fast-follower" strategy—taking known drugs and modifying them to improve safety, efficacy or delivery. Drug development typically starts by identifying a target, usually a protein or gene linked to a disease. Scientists then search for molecules that can either block or boost the target's function. Since fast-followers are not starting from scratch, they can run speedier, cheaper trials.

Between 2021 and 2024 the number of Chinese drugs in development doubled to 4,391. Fast-follower and completely original treatments made up nearly 42% of the pipeline. Helen Chen from LEK notes that China's approach has been particularly effective in ADCs, a cancer medicine in which an antibody is attached to a payload of chemotherapy via a chemical linker. Since the treatment's core components already exist, success depends on combining them in the most effective way. Ms Chen believes this is where Chinese firms thrive.

Speed is another advantage, says Michelle Xia, founder of Akeso. "We can do things twice or even three times faster than anywhere else in the world," she claims. Clinical trials—the longest and most expensive stage of drug development—are faster than in the West. A large patient population makes recruitment easy, and hospitals and doctors are incentivised by the government to support research.

Faster trials have made Chinese drugs even more attractive to global drugmakers. Though the clinical information is from mostly Chinese patients, rather than a wider sample, it helps investors and pharma firms spot promising treatments. And as the quality of data from China has improved, regulators are paying attention. Results from Akeso's Chinese trials were strong enough to convince America's Food and Drug Administration to move the drug straight to late-stage trials.

Few Chinese firms sell drugs in America directly. Instead they tend to strike licensing deals: a company sells the rights to market its drug outside China for an upfront payment and other fees. Akeso's Keytruda rival was licensed to Summit Therapeutics, an American biotech, for $500m upfront, with up to $5bn in additional payments and a share of royalties.

Another approach is the "NewCo" model. This involves a Chinese pharma company spinning off its clinical assets into an American entity run by an experienced local management team. The parent firm retains partial ownership, allowing it to benefit beyond royalties if the drug succeeds. Jefferies, an investment bank, says that about eight such companies have been formed since May.

China's biotech boom is not without risks. The rise in licensing deals hides a funding crunch among young firms. Private investment in Chinese biotech fell to a seven-year low in 2024, mirroring a slowdown in global biotech markets. Investors are prioritising companies that generate cash or have strong international potential. Jimmy Zhang, an investor based in San Francisco, worries that many of today's licensing deals are a product of the past funding boom. Without fresh investment, he warns, China's drug pipeline could start to run dry.

A bigger concern is rising tensions with America. Because drug prices in the world's largest economy are less tightly controlled than they are at home, American patients are a big source of revenue for Chinese biotech firms.

So far America has only applied trade restrictions to high-tech goods; Chinese biotech has escaped similar scrutiny. An attempt to block Chinese firms from supplying some biotech services and equipment has stalled in Congress. But, with Donald Trump threatening to impose tariffs on

pharmaceutical imports, biotech may not be able to escape unscathed for much longer. The approach of selling to America via licensing deals may only offer limited protection; already Chinese biotech firms are getting lower licensing fees for their experimental drugs than American counterparts, because of geopolitical risks. Impressive as the pace of Chinese innovation is, it will have to contend with some mighty geopolitical forces. ■

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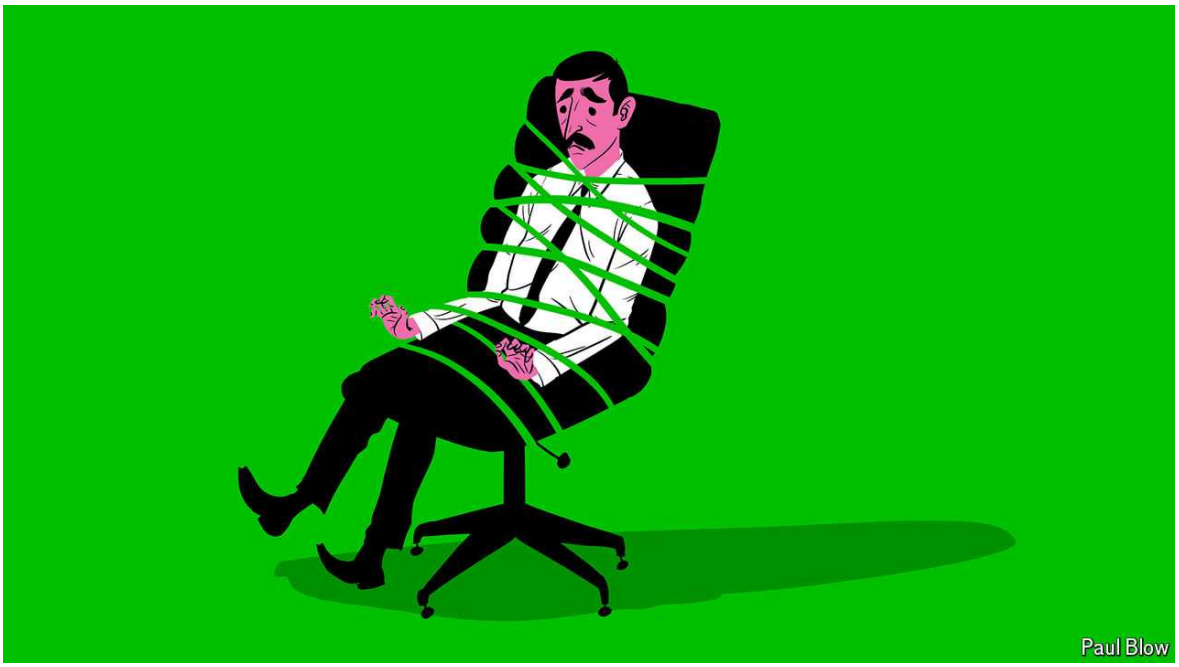
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Business | Bartleby

Leaving the seat of power

The doctrine of management by walking around matters more than ever

February 20th 2025



The arc of management bends towards sitting on your arse. You may intend to get away from your desk, but it holds you there nonetheless. There are always more emails to clear; there is always more work to get done. When you do leave your desk you are probably off to sit down somewhere else, in a meeting room. And you will probably share that room with your closest colleagues, people who sit behind desks that are located extremely near to yours. Domestic cats have larger territories than some bosses.

Worse, the chair's magnetic pull is getting stronger. The pandemic normalised video calls with people in different locations: managers can see employees around the world without leaving their perch. Quantification is another excuse to remain sedentary. Dashboards and data can keep bosses

informed about the state of the business in real time without ever having to stand up.

The antidote to this problem is obvious but sufficiently uncommon that it has a name: management by wandering—or walking—around (MBWA). Tom Peters, a management guru, popularised the idea in the 1980s in "In Search of Excellence", a book he co-wrote with Robert Waterman. He had first come across the term at Hewlett-Packard: bosses there had a habit of dropping by employees' workstations to have informal conversations about what they were up to. Mr Peters adopted it, arguing that managers should go to see the places and people where the real work gets done. That case still holds, although the benefits are not guaranteed.

One reason to leave the seat of power is motivational: most employees like attention. A study published last year by Pablo Casas-Arce of Arizona State University and his co-authors looked at the impact of short, morale-boosting visits by the new divisional manager of a Latin American bank to the 79 branches under his control. The researchers found that the visits were associated with a boost to sales productivity that started to show up prior to the day itself, and that were biggest in higher-performing branches.

These improvements in branch performance were transitory, however, persisting for at least a few weeks before starting to fade. And the motivational effect in this case is doubtless explained, at least in part, by the fact that the divisional manager in the study was new; big cheeses can come to seem a lot less inspirational if you see them all the time.

The more substantial benefits of MBWA come not from managers descending like minor royals, but from regular visits to the front line to identify and solve problems. Toyota is well-known for its precept of *genchi genbutsu* (go and see for yourself), which encourages managers to investigate manufacturing problems in person. Toyota bigwigs routinely undertake *gemba* (the real place) walks to see assembly lines for themselves and to drive home the firm's philosophy of *kaizen* (continuous improvement).

This way of thinking can lead to some eye-catchingly analogue practices. At a Toyota car plant near Derby, in Britain, lots of information is still communicated on paper; autonomous robots bearing windscreens trundle

past display boards plastered with posters. Managers there talk arrestingly about having to earn "the right to digitise": things that can be consumed on a screen might end up being an excuse for bosses to stay away from the factory floor.

Perambulating bosses do not always lead to good outcomes. A paper published in 2013 by Anita Tucker of Boston University and Sara Singer of Stanford University examined the implementation of an MBWA programme at 19 American hospitals. They found that in hospitals where senior managers toured the front lines and solicited ideas for improvement, nurses on average felt that performance had actually deteriorated.

The authors hypothesise that the problems came from raised expectations: bosses asked people to identify problems and then did not do enough to actually alleviate them. Where perceptions of performance did improve, it was because hospitals concentrated on easier-to-solve problems and because managers there took responsibility for making sure that issues were dealt with.

Wandering around, in other words, demands discipline. Bosses are busy: doing MBWA well requires managers to make a conscious effort to leave the office and to invest time solving the problems that they see. But in an era of Zoom calls and data analytics, there is still no substitute for shoe leather.■

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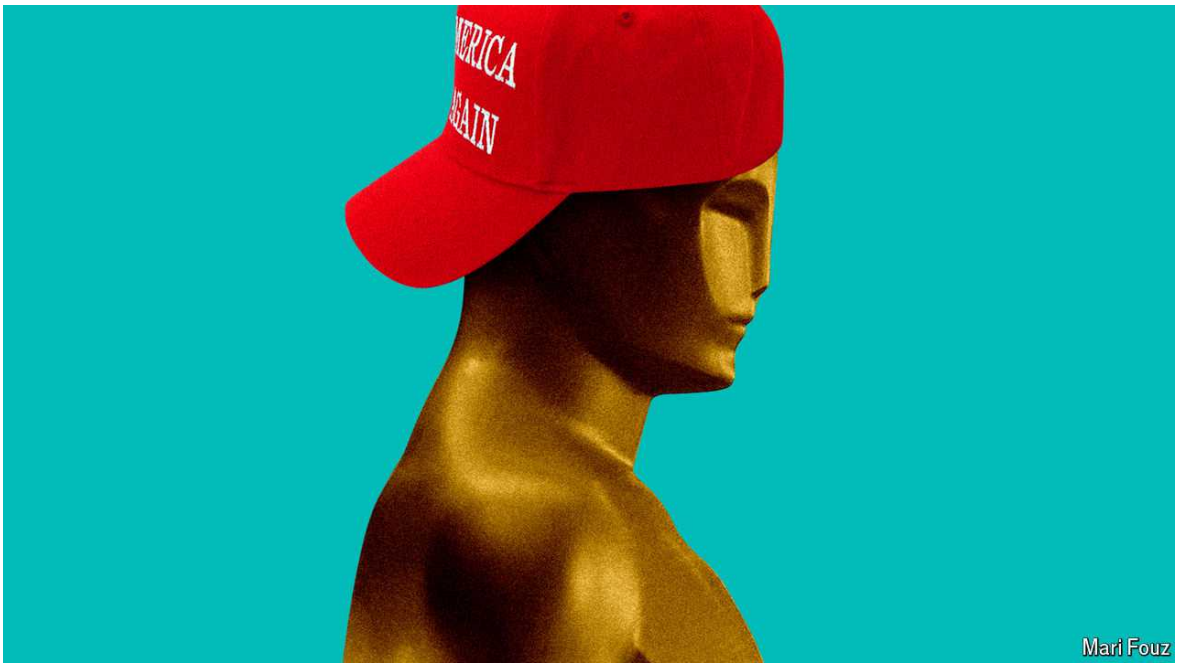
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Business | Schumpeter

Hollywood’s Trump-baiting Oscars

As Silicon Valley embraces the president, legacy media steers clear

February 20th 2025



Donald Trump’s election marked a “cultural tipping point”, Mark Zuckerberg declared as he hastily reorganised his company last month. After abolishing fact-checking and promising to move staff from California to Texas, Meta’s boss donned a gold chain and went on Joe Rogan’s podcast to talk about his love of martial arts. Meta is not the only Silicon Valley firm to have undergone a MAGA-friendly makeover. Elon Musk, who says he adores Mr Trump “as much as a straight man can love another man”, has rewired liberal Twitter as right-wing X. TikTok, whose users skew young and Democratic, thanked Mr Trump for postponing its national-security ban and sent its chief executive to his inauguration. Nearly every big-tech boss showed up; several made a personal donation to the festivities.

Yet if America has passed a cultural tipping point, no one seems to have told Hollywood, the country's primary engine of culture. On March 2nd America's movie industry will hold its annual Academy Awards, featuring the most gloriously woke line-up in years. Leading the nominations is "Emilia Pérez", a bilingual musical about a transgender Mexican cartel boss. "I'm Still Here", a Brazilian study of authoritarianism which attracted protests from the far right, is another shortlisted for Best Picture. One nominee for Best Actress was born male; a contender for Best Actor plays Mr Trump in "The Apprentice", a highly unflattering biopic. The Oscars look like something from a parallel universe in which Kamala Harris romped home to victory last November.

Why are the new-media moguls of Silicon Valley and the legacy studios of Los Angeles reading from such different scripts? Tinseltown and techland both lean Democratic. Both are powered by youth and migration. Both now compete in the streaming business. But lately they have diverged. Silicon Valley's dormant libertarian streak was awakened by a regulatory onslaught during Joe Biden's presidency, and further provoked by San Francisco's ultra-liberal, ultra-ineffective city government. Hollywood, meanwhile, has edged leftward. The #OscarsSoWhite and #MeToo movements exposed its failings on race and sex, forcing it to embrace diversity. Lean times in the TV business have impoverished below-the-line workers and raised demands for better social protection.

Hollywood's workforce is also more organised. Whereas unions are barely tolerated in Silicon Valley, the movies are a closed shop where everyone from the leading lady to her make-up artist carries a union card. Labour has real power: film production shut down for much of 2023 after writers and actors went on strike. Studios adopting MAGA-friendly positions therefore risk unrest. Disney staff walked out in 2022 after the company failed to oppose a Florida ban on schools discussing sexual orientation or gender identity with young children. Netflix was picketed by workers after it aired a comedy with jokes about transgender people. Some at Meta may grumble about the firm's Trumpy new vibe, but their resistance has gone no further than covertly restoring sanitary products to the men's loos. Social-justice warriors have avoided working at Facebook since long before its makeover—and employees with qualms tend to feel better when payday rolls around.

Some Hollywood executives also say there is little incentive to get along with Mr Trump. In Silicon Valley the political agenda is overflowing: artificial intelligence, antitrust, cryptocurrency and the tech race with China are among the issues where the government could make or break an industry. By contrast, the number of favours Mr Trump can do the movie business is limited. From the disruption caused by streaming to the flight of production overseas, "Hollywood's problems are of its own making," admits one Tinseltown bigwig.

Yet studios cannot ignore the TV addict in the White House. Mr Trump has launched a battery of dubious lawsuits against news outlets. Many are choosing to pay up rather than make an enemy of the president. The social platforms of Silicon Valley can shrug off these shakedowns as a regrettable cost of doing business in the new America (Meta paid Mr Trump $25m in January for blocking him in 2021; X will reportedly pay him $10m for the same reason). But for legacy media, which live or die by their reputation for accuracy, such cases are damaging. ABC News, owned by Disney, apologised and paid Mr Trump $15m in December to settle a defamation case that most lawyers thought winnable. Paramount is considering settling an even flimsier claim by Mr Trump against CBS News. Folding would infuriate the newsroom and trash the CBS brand. But fighting might derail Paramount's forthcoming merger with Skydance Media, which Mr Trump's allies have the power to veto.

Exit, stage left. Enter, stage right

Structural changes to the media business threaten to make it more malleable to whoever is in the White House. Tech companies are eating Hollywood's lunch, as young audiences abandon television for user-generated content. Even old-school TV production is increasingly run by Silicon Valley. Amazon has America's second-largest subscription streaming service, Prime Video, which is making a flattering documentary about the First Lady. Apple's streaming platform is just as reluctant to rock the boat, parting ways with an uncomfortably political comedian, Jon Stewart. If Paramount's merger goes ahead, it too will be owned by tech money: its would-be acquirer, David Ellison, is the son of Oracle billionaire Larry (who has been put forward by

Mr Trump to buy TikTok). Ever more of the media reads from Silicon Valley's script.

Hollywood still has a powerful platform. Stars picking up Oscars may feel inspired to share their thoughts on the new government. But don't bank on it helping. "The public are sick of being berated by actors," laments one weary agent. "Nobody cares."■

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Finance & economics

- Investors fear inflation is coming back. They may be right
- American inflation looks increasingly worrying
- Why American credit-card delinquencies have suddenly shot up
- To spend big, Germany's next government may need EU help
- Will Europe return to Putin's gas?
- China's leaders look to have blinked in their property face-off
- Donald Trump's reciprocal tariffs are absurd

Finance & economics | As the balloon goes up

Investors fear inflation is coming back. They may be right

Is the world in for a repeat of the 1970s?

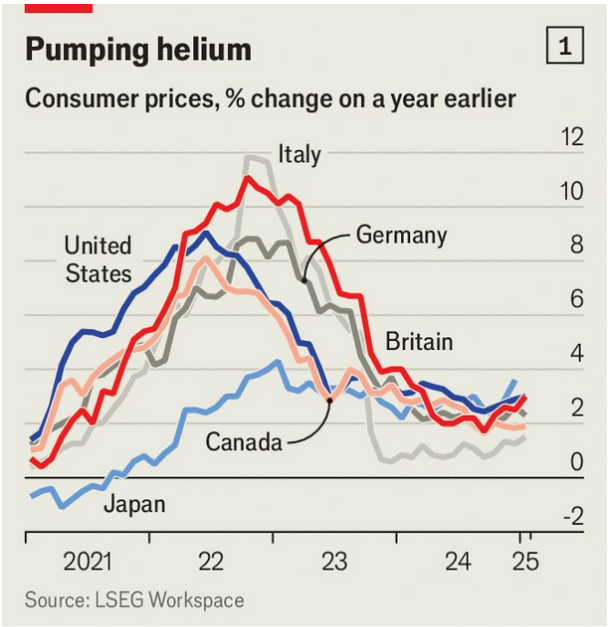
February 20th 2025



After peaking in 2022 at 11% year on year, inflation across the rich world has steadily fallen. Until now. As central banks bring down interest rates, headline inflation across the rich world is edging up (see chart 1). It rose from 2.1% in September to 2.5% in December.

On February 19th Britain reported inflation for January: 3% year on year, up from a recent low of 1.7%. Polish inflation in January was 5.3%, up from 4.7% the month before. German inflation fell to 2.3%, but that was still above the 1.6% reached last summer. American consumer prices rose by 3% year on year, up from a recent low of 2.4%. Some wonder why central banks cut rates before inflation was at or below target, considering that economic

growth has barely slowed. “Inflation is like cockroaches,” John Cochrane of Stanford University recently wrote. “When there are only a few left [it] is not the time to let up.”



The Economist

Is the rich world about to repeat the mistakes of the 1970s? Back then, policymakers killed most of the cockroaches, but left a few of the hardiest, which then proceeded to breed ferociously. In America inflation hit 12% in 1974, fell to 5% in 1976 and then climbed to 15% in 1980. Central banks failed to adjust policy fast enough to prevent an oil-price shock in 1979 from spreading across the economy. Only with an enormous recession in the early 1980s, which policymakers engineered by using a shedload of borax, did they at last exterminate inflation for good.

Investors are unsure if high inflation will return. Market pricing points to the Federal Reserve implementing looser monetary policy in the future—and where the Fed leads, other central banks follow. In recent weeks government-bond yields have fallen, which might suggest worries about inflation have eased. On the other hand, a model from the Fed’s Cleveland branch suggests market expectations for inflation over the next year have risen from about 2.2% in September to 2.7% today.

The confusion reflects intellectual disagreement. Some pundits reckon that the recent rise in inflation is a mirage. Statisticians adjust data to reflect events that happen at a particular time of the year (such as the price rises that many shops impose in January). The covid-19 pandemic, which created huge volatility, has messed up these seasonal adjustments, which could make month-on-month inflation readings in January and February higher than the "true" rate of inflation. Others point out that headline inflation always jumps about, owing to volatile commodity prices. Economists at Morgan Stanley, a bank, reckon that the recent wildfires in California may have temporarily pushed up goods prices in America. In January a number of countries, including Belgium and Norway, saw large increases in the price of food, perhaps linked to worries over a trade war. Central bankers typically ignore these blips when setting monetary policy.

Yet not everyone is so relaxed. Whatever the problems with seasonal adjustment, they cannot affect inflation as measured on a year-on-year basis —and that is clearly rising. Moreover, there is evidence to suggest that the rich world is genuinely seeing more inflationary pressure. Alternative Macro Signals, a consultancy, runs millions of news articles through a model to construct a "news inflation pressure index". The global index, which has proved to be a useful predictor of official numbers, has recently risen sharply, especially in America.

Rich-world labour markets also remain tight. The OECD's unemployment rate has now been below 5% for nearly three years. With companies competing hard for staff, nominal wages are rising by more than 4% year on year across the biggest economies (see chart 2). Unfortunately, though, productivity growth is weak. If employers cannot spread their higher wage costs over more output, they have to pass them on to consumers in the form of higher prices.



The Economist

We find evidence of this phenomenon occurring in the services sector, which covers everything from financial advice to physical therapy. Services prices are increasing by 4% year on year in the biggest economies, about twice the rate from before the pandemic. In the 18 rich countries that have reported reliable data for January, services inflation is off its recent low in 14 of them. In Portugal it is up by a percentage point. In Estonia, by 3.7 points.

Policymakers may add fuel to the inflationary fire. The problem is not central bankers, who should be able to resist any calls from politicians to lower interest rates. It is politicians themselves. Donald Trump plans to deport millions of undocumented workers and raise tariff barriers, which would push up prices. Leaders elsewhere are pursuing less extreme policies, but could still stoke inflation. About 40% of rich-world governments are giving their economies a fiscal boost this year, as measured by the change in the budget deficit adjusted for the economic cycle. Britain's last budget increased spending on infrastructure, while Italy recently approved one containing tax cuts. Many governments will also retaliate against Mr Trump by imposing their own tariffs on American goods, raising the price of imports.

Compared with before the pandemic, companies and workers may react more strongly to these pro-inflation forces. In 2023 a paper published by the

Bank for International Settlements, a club of central banks, discussed what happens in "a transition to [a] high-inflation regime", in which rising prices become "a more focal point for workers and firms". Once people have experienced rapidly rising prices, they worry about it happening again. If workers perceive that inflation is on the march, they may be particularly quick to ask for a pay rise.

Get pest-control in

We find worrying signs in this regard, too. One is interest in inflation, as measured by Google search, which is twice as high as it was pre-2021. Other reasons to worry come from consumer surveys. Even as inflation has fallen a long way from its recent peak, people still expect hefty price rises in the months to come. In December the EU's inflation was below 3%. Yet EU citizens expect prices to rise by 10% over the next 12 months—twice as much as they expected in the 2010s. There is a similar "inflation perception gap" in America. Canada's inflation rate has been at or below 2% since August. And yet Canadians still expect inflation of 3% over the next year, compared with 2.4% before the pandemic.

Not long ago central bankers were patting themselves on the back for having brought inflation down so quickly. It was enough of a success to have made up for the error of being too late to respond to price rises in the first place. As many homeowners are aware, however, cockroaches have a nasty habit of returning. ■

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Finance & economics | Cold weather, hot prices

American inflation looks increasingly worrying

Trump's tariffs are fuelling consumer concerns, which may prove self-fulfilling

February 18th 2025



Jerome Powell's press conferences—sometimes market-moving events—have attracted less notice of late. With Donald Trump in the White House, the chair of the Federal Reserve faces competition for attention. Yet a recent inflation reading has returned prices to the public eye. In January America's "core" consumer-price index, which strips out volatile food and energy costs, jumped by 5.5% at an annualised rate. In response, Larry Summers, a former treasury secretary, called this the "riskiest period for inflation policy since the early Biden administration", after which inflation rose to its highest in four decades.

Even more worrisome is that Americans are starting to expect higher inflation. In February preliminary data from the University of Michigan's consumer survey showed that the median expectation for price growth over the next year had reached 4.3%. Since Mr Trump's election, that figure has surged by 1.7 percentage points—the joint-largest three-month rise since 1979, when inflation hit double digits. Some market measures tell a similar story. The one- and two-year breakeven inflation rates, based on the difference between nominal and inflation-adjusted Treasury yields, are up by 1.7 and 0.8 percentage points respectively since November.



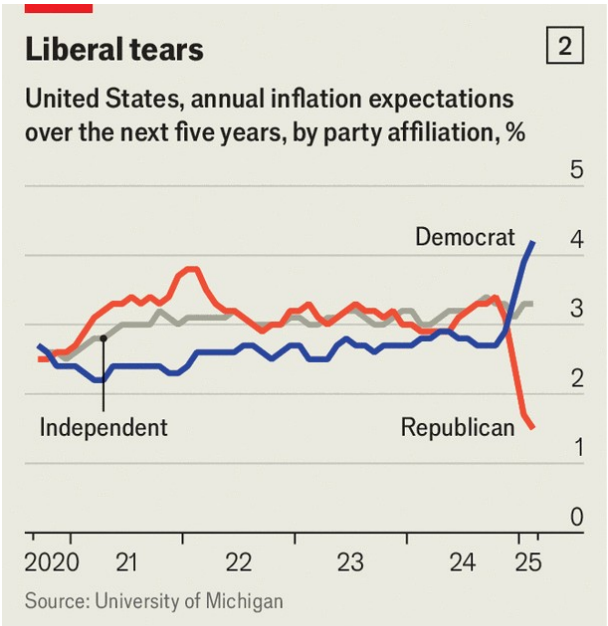
The Economist

What is going on? Consumer expectations reflect two main factors: current inflation and petrol prices. Indeed, in normal times, about 80% of variation in quarterly one-year-ahead inflation expectations is explained by just these two variables, according to a simple model we have built. Yet when we test the model on this year's data, it becomes unreliable. If the pre-Trump associations held, median consumer inflation expectations would be nearly a percentage point lower (see chart 1). A similar, if less pronounced, pattern can be seen with market forecasts.

This gap between expectations and the historical trend appears to be driven by Mr Trump's tariff threats. Consumers' uncertainty about inflation is elevated: the standard deviation of responses to the University of Michigan's

survey is at its highest since 1980. Many appear to be taking the president at his word when he warns that “prices could go up somewhat short term”. Those who are opposed to tariffs expect inflation to be nearly 5% in a year’s time, yanking up the overall average.

Consumer inflation expectations are often self-fulfilling. When workers expect higher costs in the future, they seek higher pay today. Meanwhile, shoppers rush to make purchases in anticipation of price rises, increasing demand and thereby pushing up prices. Recent data show that such a dynamic may be emerging. American wages grew at an annualised rate of 5.9% in January. More than 20% of respondents to the University of Michigan’s survey say that now is a good time to buy expensive items such as electronics or furniture, as prices are likely to climb soon. That is the highest share in three decades.



The Economist

Fed officials are paying close attention. Lorie Logan, president of the central bank’s Dallas branch, has recently warned that when inflation expectations spiral out of control, restoring price stability often comes “only at a great economic cost”. Current inflation uncertainty, she added, is “a reminder that expectations won’t stay anchored for ever on their own”.

Expectations for the long-term path of inflation are more mixed. The "five-year, five-year forward" measure, which is favoured by central bankers and derived from interest-rate futures contracts, is largely unchanged. Yet other similar measures are creeping higher. Market-based forecasts for the five-year breakeven inflation rate have edged up. Median five-year-ahead consumer expectations have also climbed, to 3.3%—above their peak during the inflation of recent years.

A divide has emerged concerning long-term expectations, too. Democrats now expect a startling 4.2% average increase in prices over the next five years (see chart 2). Research suggests that Republicans' concerns about potential price rises during the covid-19 pandemic led to additional inflation in the years that followed. Mr Trump's attacks on the Fed, insisting that Mr Powell should reduce interest rates, are almost certainly a contributing factor to Democrats' worries this time. Although the president enjoys taking on bureaucrats, he may discover that doing so can backfire. ■

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Finance & economics | Unlucky for some

Why American credit-card delinquencies have suddenly shot up

They are now at a 13-year high. How concerned should you be?

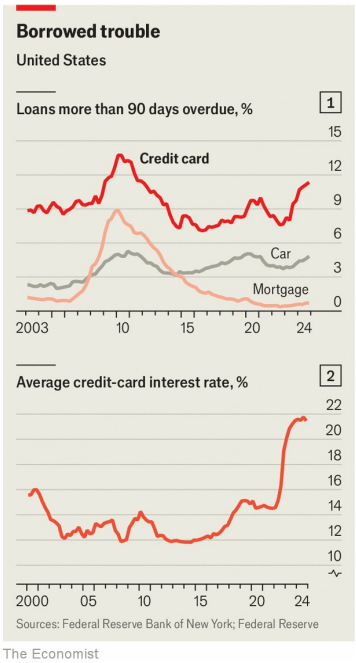
February 20th 2025



WHEN IT COMES to the finances of American consumers, the viral videos produced by Caleb Hammer, a personal-finance social-media star, provide some cause for concern. His "financial audits" of debt-laden guests have amassed almost 2m followers on TikTok and YouTube in less than three years. Mr Hammer's interviewees—typically young and foolish—scramble to justify their wild borrowing habits, to their interviewer's growing ire.

Mr Hammer's subjects may represent extreme examples of financial misbehaviour, but his stock of potential guests is nevertheless growing fast. Recent data published by the Federal Reserve Bank of New York show that the proportion of American credit-card debt in serious delinquency—with

balances at least 90 days overdue—surged to 11% in the final quarter of last year (see chart 1). That figure has risen by four percentage points over the past two years and is back to a level last seen 13 years ago, when unemployment was twice as high as it is today. The proportion of overdue debt for car purchases has climbed, too, to a four-year high of 5%.



On the face of it, this is cause for concern. Before the global financial crisis of 2007-09, for instance, delinquencies were an advance warning of the parlous state of consumer finances. Yet rather than an impending downturn, current non-payment reflects a divergence in American household finances —not just between stronger and weaker borrowers, but between stronger and weaker lenders as well.

Rising interest rates are part of the explanation for the struggles of American borrowers. The average rate on credit cards has risen from under 15% in 2021 to over 21% today, the highest in modern history (see chart 2). Whereas homeowners are protected from rising rates by extremely long mortgage maturities, credit-card borrowers feel them almost immediately.

The current rise in delinquencies is concentrated among a group of particularly overextended borrowers, who stand out on three counts: for their age, location and creditworthiness. Much like Mr Hammer's guests, the

cohort skews young. Some 11% of borrowers between the ages of 18 and 29, and 9% aged between 30 and 39, fell into serious delinquency in the final three months of last year, compared with just 5% of those in their 60s.

Debt strugglers are most likely to be found in the poorest parts of America. According to Juan Sánchez and Mataska Mori, both of the St Louis Fed, the share of people with credit-card debt at least 30 days overdue in the least affluent tenth of American neighbourhoods rose by almost seven percentage points, to 18%, from mid-2021 to the end of last year. The share in America's richest tenth has grown by under two percentage points, to 6%. As such, the gap between the two is the largest it has been in at least 25 years.

Delinquency is also concentrated among subprime borrowers, who have lower credit scores. Indeed, research by Jordan Pandolfo of the Kansas City Fed finds that delinquency rates among prime borrowers have not risen at all in recent years, and are still lower than in 2021, when interest rates were at rock-bottom levels.

House of cards

This sort of concentrated suffering limits the risk of a broader economic slump. Most American household balance-sheets are in a much healthier condition. Although the country's credit-card balances reached their highest nominal level on record in the final quarter of last year, they are—at about 6% of personal disposable income—comfortably in line with the norm over the past decade and a half, and well below the 8% that was reached during the borrowing binge of the early 2000s.

Yet just as America's borrowers are divided by the health of their finances, so are its lenders. The country's numerous small banks report delinquency rates that are more than twice as high as those in the country's 100 biggest institutions. In the face of stiff competition, small banks have chased customers with lower credit scores since before the covid-19 pandemic. As a consequence, they report higher charge-offs, via which unpaid customer debts are written off as a loss. As Brian Riley of Javelin Strategy & Research, a consultancy, notes, unlike larger institutions, smaller banks lack

the resources to closely monitor credit scores, or to chase debtors and quickly resolve delinquencies.

With more money becoming overdue, banks are at last beginning to tighten their lending standards. A growing proportion of credit cards are being issued to “prime plus” and “super prime” borrowers—those with the strongest credit ratings—and a falling proportion to riskier debtors. Fitch, a credit-rating firm, expects delinquencies to stop rising this year. That will be a relief for banks under pressure. But for as long as interest rates stay high, troubled borrowers face a much grimmer situation. For them, any relief looks painfully distant. ■

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Finance & economics | Fiscal Vollgas

To spend big, Germany's next government may need EU help

How self-imposed constraints could lead to a bizarre outcome

February 20th 2025



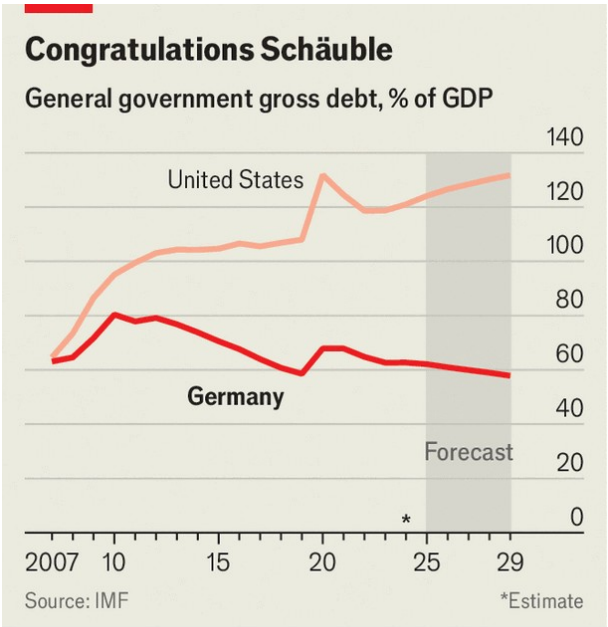
When, in october 2017, Wolfgang Schäuble left the Detlev Rohwedder Building for the final time after his stint as German finance minister, hundreds of civil servants, dressed all in black, waited under his window in the shape of a giant zero. Their *schwarze Null* symbolised the balanced budget, or surpluses, he had achieved since 2014. It was the apogee of German fiscal self-congratulation.

Following an election on February 23rd, the next German government will not have much to celebrate. It may be a coalition of the CDU/CSU, sister centre-right parties, and the SPD, a centre-left outfit: the same grouping that in 2009 introduced a constitutional debt brake, limiting deficits to 0.35% of GDP. Its

task will be to repair the damage from years of underinvestment, as well as to reform the rules that currently block spending. Russian aggression and Chinese supply gluts only increase the need for state action.

Evidence of underinvestment is not hard to find. Germany's train system makes a mockery of the country's reputation for punctuality. In September a tram bridge collapsed, thankfully in the middle of the night. Public services are stuck in the 20th century, such is their phobia of anything digital. Estimates suggest that required public investment over the next decade amounts to more than 15% of GDP.

The good news is that Germany can afford to splurge. At 62% of GDP, the country's public debt is half that of America's (see chart), and it is not growing. With a deficit of 2% of GDP and projected nominal growth of about 3% in 2025 and 2026, Germany could scarcely be in a stronger fiscal position.



The Economist

The bad news is that large-scale investment is almost impossible under the current constitution, unless the government cuts back drastically elsewhere. German states are not allowed to run any sort of deficit. The debt brake means the federal budget can go into the red by little more than a rounding error. Exceptions are only granted in an emergency, such as during the

covid-19 pandemic and the energy crisis following Russia's invasion of Ukraine.

In narrow circumstances, workarounds can be employed. To release €100bn ($111bn) for defence spending, Germany's main political parties in 2022 agreed to put a special fund into the constitution, alongside the debt brake itself. Such a *Sondervermögen* is considered a fallback position for the next round of defence investment or infrastructure upgrades after the election, should substantial reforms fail. "It's a temporary fix, time-limited and capped, which makes it easier for the CDU to agree to," reckons Florian Schuster-Johnson of Dezernat Zukunft, a think-tank.

Genuine reform would be better. The basic option is to exclude defence spending from the debt brake, as a group of economists has suggested. Investment that demonstrably raises Germany's productive potential, which defence spending does not, could also be exempted, according to another idea going around.

But defence spending is going to need to be higher for some time to counter Russian aggression. Germany's economy also needs more domestic demand in order to rebalance its export-dependent growth model, which will be a slow process. Since neither households nor firms seem ready to borrow and spend—on the contrary, the household savings rate is rising—the state will need to run a sizeable ongoing deficit.

So far, few politicians, or even wonks, are willing to countenance such an idea. The government's council of economic experts suggests allowing deficits of about 1% of GDP. That would, however, be limited to times when the debt-to-GDP ratio is below 60%. Only the very boldest dare to dream that a new constitutional rule might contain no deficit figure at all, and instead allow governments to set the rule through straightforward legislation.

If small parties win enough votes to form a blocking minority, even the most limited reforms may be impossible. Should they hold a third of seats in the Bundestag, they could prevent changes to the constitutional rule, as well as special funds to circumvent it. According to *The Economist*'s model, there is a 60% chance of a such an outcome, owing to a comeback by Die Linke, which is now polling above the 5% threshold to enter parliament. Although

the socialist party has long opposed the debt brake, it may not want to weaken the rule to allow more defence spending.

In an ironic twist, Germany might end up dependent on EU debt, which it usually opposes, to fund its armed forces. Since such borrowing would not count in national figures, it would not fall foul of the debt brake. Schäuble's final legacy, therefore, could be an inversion of the country's normal relationship with the EU. ■

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Finance & economics | Hungary for it

Will Europe return to Putin's gas?

A deal with the devil would boost the continent's miserable economy

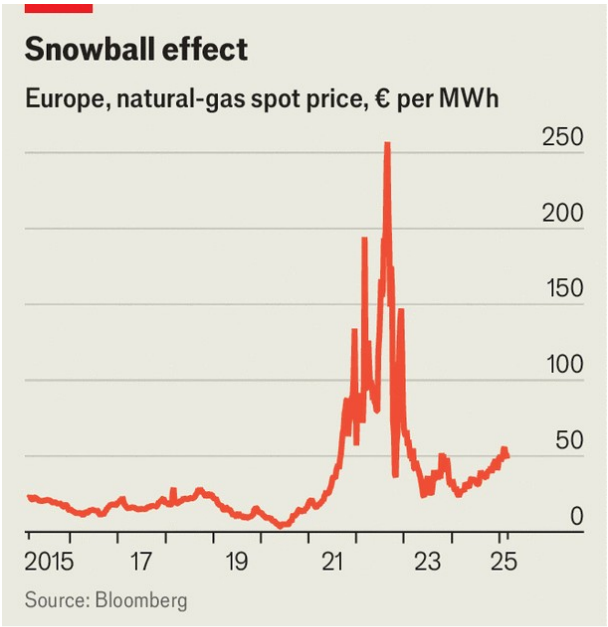
February 16th 2025



The first proper winter in three years had already reignited energy debates. With temperatures frigid, winds weak and Asian competition for supplies fierce, the spot price at the Dutch Transfer Title Facility (TTF), Europe's gas-trading hub, hit €58 ($61) per megawatt hour (MWh) on February 10th, its highest in two years (see charte). Then, two days later, came Donald Trump's announcement that negotiations over an end to Russia's war in Ukraine would start "immediately".

Six days after that America held talks with Russia in Saudi Arabia. Little surprise, then, that some European officials are eyeing Russian gas. Lower energy bills might revive Europe's industry and placate households. Jari Stehn of Goldman Sachs, a bank, forecasts that an end to the war could lead

to a 0.5% rise in European GDP, with most of that coming from cheaper gas. Renewed flows could also encourage Vladimir Putin to sign a peace deal and then stick to it, proponents suggest.



The Economist

Hungary and Slovakia are making the case. In a recent interview with *The Economist*, Friedrich Merz, who is likely soon to be chancellor of Germany, said that there would be no return to Russian gas "for the time being", but conspicuously failed to rule out the possibility.

Any such deal would represent an astonishing turnaround. The European Commission's position is that it is "not making any links" between the restart of Russian flows and Ukrainian peace talks. Indeed, its stated ambition is to import no Russian gas or oil at all by 2027, so as to reduce dependence on its hostile neighbour. Most gas deliveries ceased in 2022, when Russia closed down Nord Stream 1, its main pipeline to Europe; another conduit, running through Ukraine, ceased to function on January 1st this year. The EU now receives just 10% of its gas from Russia, down from 45% in 2021. Russia, meanwhile, cannot redirect most of its supplies, which takes a heavy financial toll. In 2022 sales of the fuel accounted for 13% of its federal budget. Now they account for just 8%. In 2023 Gazprom, the country's state-owned gas giant, posted its first loss since 1999.

Ultimately, the decision about whether to turn on the taps will be made by countries at both ends of the pipelines and those the conduits traverse: Russia, Germany and Ukraine, as well as a few other eastern European states. Their leaders will come under severe pressure from other countries, too. Who is likely to prevail?

More than hot air

At cruising speed the European Union consumes 320bn cubic metres (bcm) of gas a year. The bloc's storage capacity, at around 115 bcm, is equivalent to a third of that. These reserves were nearly full when winter started. Since then, cold weather and supply snags have forced the EU to burn more gas than expected. Its storage is now only 44% full, compared with 66% at the same time last year. Analysts expect it to fall to the high-30% range by the end of winter, forcing heavy users, such as chemical makers and smelters, to scale back. Industrial output across the EU, already weak, would surely contract further.

A bigger problem will arrive in summer. EU rules require storage to be 90% full by November 1st. It is typically replenished from April to October. This year Europe will have to buy more than usual—just when Asian importers are also rushing to restock. Little extra supply exists: a wave of liquefied natural gas (LNG) from America and Qatar is expected, but most will arrive next year. As a result, the price of gas for delivery this summer is above that for next winter, an anomaly that makes it unprofitable to store the fuel. Germany's regulator is mulling subsidies to encourage storage. Some countries want to relax the EU's storage target; the European Commission is drafting a plan to that effect.

Hungary and Slovakia still receive piped Russian flows from Turkey. They and a few others, including Austria, probably also welcome regasified Russian LNG that flows through northern Europe. But they now pay more for their fuel, supply of which is less certain than before. Resuming flows via Ukraine, which were paused at the start of the year, would help them. Doing so would also probably push down prices across Europe by reducing competition for supplies. Since Mr Trump's remarks about a negotiated peace, prices on the TTF have fallen by 9%. Just reinstating the 15bcm the

Ukrainian conduit carried in 2023—well below its maximum—could bring TTF prices down by a third from their recent peak, says Anne-Sophie Corbeau of Columbia University. MUFG, a bank, suggests prices could halve again by 2026 were flows through Ukraine to rise from their low level in 2023.

Ukraine is adamant that it will not renew its deal with Russia, but workarounds are being studied. Slovakia's national gas firm is establishing a subsidiary in Ukraine and applying for a transport licence, which may enable shipments from Russia. In a swap agreement with Russia, some of that gas may be labelled Azerbaijani, to help address Ukraine's concerns.

There is a more extreme option, too: resuming sales through the Nord Stream 1 pipeline, which once transported 55 bcm a year to Europe, and perhaps even Nord Stream 2, a conduit of the same capacity that never entered operation owing to the outbreak of war. The obstacles are formidable. Germany, which has been badly burned by its previous openness to Russian energy, would have to give its go-ahead. After sabotage, attributed to Ukrainian divers, three of Nord Stream's four pipes require repair. This would cost hundreds of millions of dollars, says Mike Fulwood of the Oxford Institute for Energy Studies. The EU's most Russia-wary members would lobby hard against greater dependence on the country's energy.

Then there is the least predictable factor of all: Mr Trump. On the one hand, America's president wants Europe to purchase more LNG from his country's producers, as would almost certainly happen in the absence of a Russian restart. Moreover, the full return of Russian gas supplies might crush prices around the world, meaning that many American drillers would become unprofitable and billions of dollars of investment in LNG projects would suddenly be worthless. On the other hand, Mr Trump would very much like a Nobel peace prize—and the return of some Russian gas as part of a peace deal might seem like a price worth paying. ■

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Finance & economics | Vanke panky

China’s leaders look to have blinked in their property face-off

They did not want to bail out indebted firms. Now they are on the verge of doing so

February 20th 2025



If you are going to buy a flat in China, common advice goes, you should buy it from a “model student”. That is, a developer who has followed the rules, kept debts under control and refrained from excessive expansion. Vanke, a Shenzhen-based firm and one of China’s biggest homebuilders, once qualified as such. Its name appears on lists of China’s strongest developers. It has a good record of completing homes on time. Most important, it is state-backed. So it is all the more surprising that Vanke is now flunking out of school and may become the first developer in the current property crisis to receive a bail-out.

The plan for a rescue has been widely reported but, as of February 20th, remains unconfirmed. It is said to include using 20bn yuan-worth ($2.8bn) of local-government special bonds to help pay off Vanke's debts that will come due this year, which amount to over 50bn yuan. Insiders reckon the provincial government of Guangdong, China's rich, southern manufacturing hub, will issue the bonds and use them to purchase land reserves and unsold housing inventory from Vanke. Other forms of finance may also be made available.

Until now, firms have been allowed to default. Evergrande, the world's most-indebted developer, did so in 2021, sparking what has been China's worst property downturn in decades. Country Garden, another giant, ran into problems in 2023. Central authorities have not allowed it to be bailed out owing to a fear that doing so would encourage risky behaviour in other firms. Such rescues would also end up supporting China's most reckless capitalists, who have accumulated mountains of debt. Instead, officials have encouraged local governments to buy up unsold homes and fund the completion of unfinished ones, regardless of the builder.

If a bail-out for Vanke is forthcoming, China's leaders will have blinked. Although the rescue would be organised by local authorities, it would have required the approval of Beijing's top dogs.

What lies behind the special treatment? Vanke is a hybrid public-private firm: Shenzhen Metro, a state transportation outfit, holds a 27% stake. Since the developer began to struggle last summer, it has been watched as a gauge for just how far officials are willing to let the market fall. Things are already worse than many expected. In January Vanke's sales fell by 43% year on year. The same month Zhu Jiusheng, the firm's chief executive, was reported to have been detained. He later stepped down, citing "health reasons". Not long after, the company announced a new slate of executives hailing from Shenzhen Metro and other state firms—a sign that it was coming under greater government control.

China's leaders are loth to let state companies go bust. Investors and homebuyers might ask if others will face the same fate. COLI, one of the biggest state builders and another model student, would probably face difficulties raising funds. Homebuyers could stop buying its properties,

fearing it would run out of cash before their properties were finished. That might lead to another collapse in confidence.

But there is more to the bail-out than state pedigree. China's property market appeared to be tentatively stabilising in the final months of 2024, owing to state intervention. Now things are heading in the wrong direction once again: property sales in 30 of China's largest cities fell by 16% year on year in the first six weeks of 2025. The central government does not want any further deterioration. Thus the potential rescue is not about a single developer, says Zhikai Chen of BNP Paribas, a bank. It is about "stopping another cascade of financial distress or defaults that will interrupt the stabilisation of the market".

As one of China's largest developers, Vanke is still building nearly 500,000 homes and is planning another 300,000. A debt default might derail these projects, many of which have already been bought. Tens of thousands of workers could be laid off. Vanke's model-student days are over; a successful rescue could, however, serve as a model for how officials can avoid the death of their remaining big developers. ■

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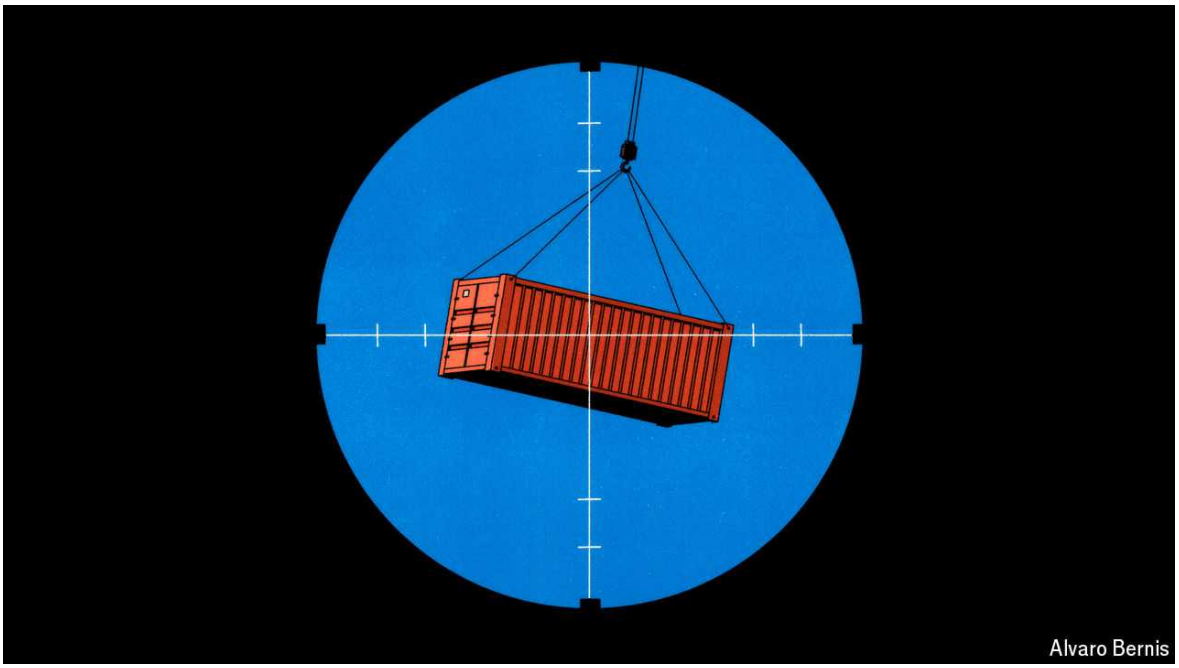
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Finance & economics | Free exchange

Donald Trump’s reciprocal tariffs are absurd

At first glance, they are a bureaucratic nightmare. On a closer look, they are even worse

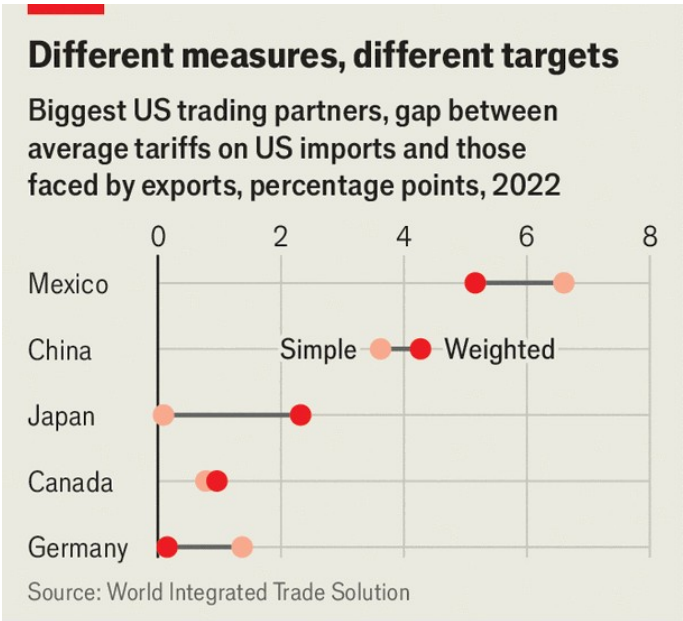
February 20th 2025



“He started it,” is playground justice. It may soon be America’s trade policy. On February 13th Donald Trump announced he had decided, for what he later called “purposes of fairness”, to employ reciprocal tariffs. When the levies will go into effect, and how they will apply, is uncertain. A memorandum directs federal agencies to look into “non-reciprocal trade arrangements”, including value-added taxes (VAT) and non-tariff barriers, and to report on remedies by April 1st. Like teachers tasked with adjudicating a squabble, American officials now face the unenviable task of working out which trade partners are the worst behaved.

They may start with, in theory, the simplest task: equalising tariffs (matching those applied to American goods by other countries). America already levies taxes on a vast range of goods brought into the country. Its harmonised tariff schedule has 13,000 categories, from “artificial flowers, foliage and fruit and parts thereof” to “swords, cutlasses, bayonets, lances and similar arms”. If America decides that fairness means going tariff-for-tariff with all 180 or so trade partners, enacting that would produce around 2.3m individual tariffs and result in outsourcing its trade policy to countries with entirely different industrial structures and interests. This could lead to absurdities: Colombia levies a tariff of 70% on coffee to protect its plantations from foreign competition. America grows negligible quantities of its own. Neither 70% tariffs nor persuading Colombia to lower levies on non-existent American exports would increase domestic production.

Mr Trump might instead focus on the overall level of tariffs applied to American goods. Colombia levies an average tariff of 5.2% on American imports, compared with the average of 0.3% that America charges on Colombian imports. Choosing the right average, however, adds another layer of complexity. Instead of the simple average—calculated by dividing the sum of rates by the number of items—Mr Trump could base reciprocity on the trade-weighted average tariff, which adjusts for the volume of imports to which a levy applies. Doing so would avoid placing too much emphasis on high but irrelevant tariffs, such as those protecting Colombian coffee producers. At the same time, it might miss particularly egregious tariffs that prevent trade altogether.



Another wrinkle is VAT, which America does not levy. Although Mr Trump said other countries' regimes would be treated as tariffs, there is no fairness argument here: VAT does not discriminate, as tariffs do, between domestic and foreign goods. A refund for VAT is offered to exports, a bugbear of some trade hawks, but this merely means that European exports to America pay as much tax as American-produced goods. It does not provide European producers with an advantage over American rivals.

Peter Navarro, an adviser to Mr Trump, has nevertheless called the EU the "poster child" for the VAT issue. Within the bloc, each member can choose its own rate, with a floor of 15%, as well as lower ones for some goods and exemptions for small firms. America could either choose to mirror such rates for each good, country and company, tying importers up in yet more red tape, or levy a flat tariff at the standard VAT rate for each country. That would hit Hungary, which has a rate of 27%, the hardest. For their part, non-EU countries would face lower tariffs: Canada's federal goods-and-services tax is just 5%; Australia, Japan and South Korea all have consumption taxes levied at a basic rate of 10%.

Last, there are non-tariff barriers, such as food-safety standards. A White House fact sheet pointed out that the EU bans shellfish imports from 48 American states, for instance. Barriers also include things such as quotas or

regulatory assessments at the border. The World Bank reckons that some 94% of European imports are subject to non-tariff barriers, compared with just 62% of those to America. Not all of them are discriminatory, as the burden of compliance can fall on both domestic and foreign producers. In any case, Mr Trump may decide to come up with his own more favourable definition. In his first term, the Office of the US Trade Representative, a federal agency, included data-protection laws and antitrust cases in a list of non-tariff barriers.

The Mar-a-Lago trade round

Countries in Mr Trump's line of fire will respond. The president says he will cut tariffs if other countries make the first move, pledging his levies will be "no more, no less!" than those charged by foreigners. The World Trade Organisation, a multilateral body, requires countries to adopt a "most-favoured nation" approach, meaning that, in the absence of a specific trade deal, all countries must face the same tariffs. Although America has mostly abandoned the WTO, other countries take it seriously. They would have to come up with a workaround. Alternatively, they could give in to Mr Trump and cut levies across the board, producing a wave of trade liberalisation unseen since the 1990s. Consider it unlikely.

All this adds up to a vast amount of uncertainty, which is just how Mr Trump likes it. Dangling the threat of tariffs over the heads of trade partners grants him a negotiating tool that he can use to address any grievance he wishes. On February 13th a meeting between Mr Trump and Narendra Modi, the prime minister of India, ended with a pledge by India to purchase more American oil and gas. Mr Trump's strategy might not work for ever, though. Financial markets, which barely reacted to the threat of reciprocal tariffs, appear to think Mr Trump is bluffing about his willingness to go through with them. America is more open to trade than many of its partners, which benefits, rather than harms, American consumers. Actually implementing reciprocal tariffs, not just threatening them, would raise prices. Other countries may eventually test this by looking to another playground slogan: "The only way to deal with bullies is to stand up to them." ■

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Science & technology

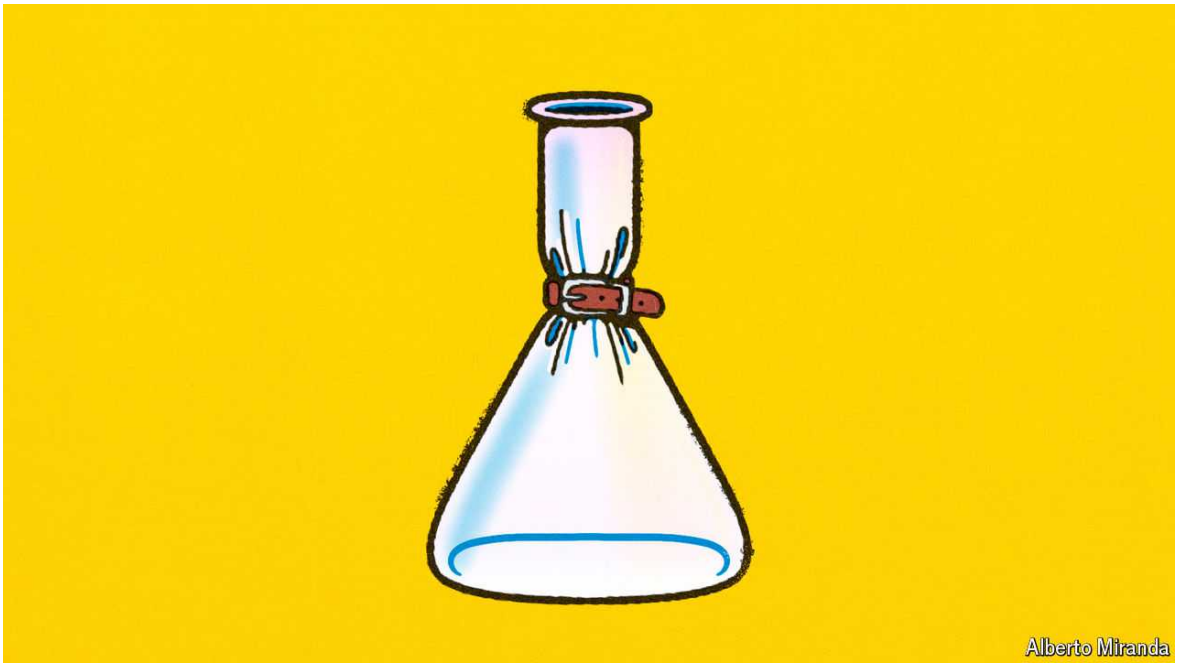
- How the Trump administration wants to reshape American science
- New research uncovers polygamy and intermarriage in ancient Eurasia
- Another win for geology’s Theory of Everything
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Science & technology | Trump v science

How the Trump administration wants to reshape American science

The consequences will be felt around the world

February 19th 2025



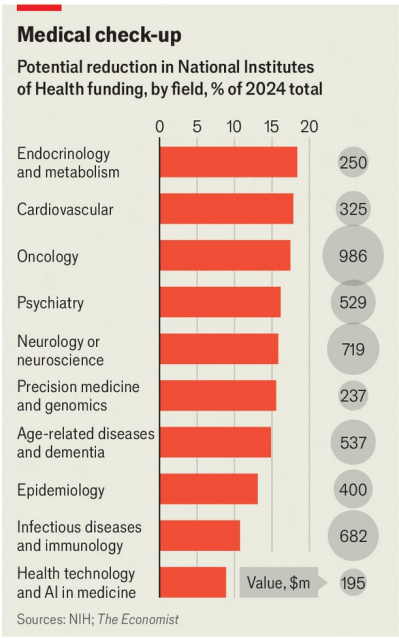
THE ANNUAL meetings of the American Association for the Advancement of Science afford researchers a chance to show off what they do best. Those roaming the corridors in Boston between February 13th and 15th were treated to talks on everything from plate tectonics and ancient DNA analysis to gene editing and nuclear power. All represent the cutting-edge research to be expected in a country that has long prided itself on, as per this year's theme, producing the "science shaping tomorrow".

At the moment, though, it is science itself that is being shaped. Mere weeks into the second Trump administration, scientists worry that their flagship institutions are under assault. The National Scientific Foundation (NSF) and

the National Oceanic and Atmospheric Administration (NOAA), for example, have been told to prepare for hefty reductions to their budgets and staff cuts of up to 50%. Across several federal agencies, mass firings of thousands of "probationary" workers, meaning those recently hired or promoted, have already begun. Research institutions reliant on funding from the National Institutes of Health (NIH), meanwhile, have been warned of restrictions on how they can spend their money.

These moves are part of Donald Trump's and Elon Musk's aspiration to cut $2trn from the annual federal budget of approximately $7trn. This has put all the government's outgoings, including the roughly $160bn spent every year on basic and applied research, under the microscope. Another motivation is a suspicion that scientists and their research have become tools of a "woke ideology". Precisely which of the administration's changes will survive legal challenge is still unclear. But the scale of the cuts and the manner in which they are being introduced could seriously damage American science.

The deepest slashes proposed so far concern the $44bn in grants allocated by the NIH. Many institutions routinely use NIH funds to cover between 50% and 70% of their "indirect" costs, which includes things such as laboratory maintenance, equipment provision and salaries for support and administrative staff. The administration sees that share as too high, and wants to cap indirect costs at 15% of the grant total, in line with similar limits set by private organisations, forcing institutions to pay for the remainder themselves.



The Economist

Reforms to the NIH have been proposed before. The growth of indirect costs was highlighted by the Government Accountability Office during Barack Obama's presidency, leading the administration to consider a cap of its own. But one of 15% is seen by many as too restrictive. Part of the reason that private funding can be so targeted is that many of its grantees can make use of equipment, such as mass spectrometers and lab benches, at their home institutions that has been paid for with federal dollars. The government's proposal of a 15% cap undoes the social contract "for institutions and the federal government to co-build the infrastructure for American science," says Holden Thorp, editor-in-chief of the *Science* family of journals.

Analysis by *The Economist* finds that a total of $6.3bn in NIH funding could be at stake. Studies of endocrinology, diabetes and metabolism would see cuts of almost a fifth of their total budget (see chart). This could have serious consequences for medical research. It may also backfire politically: many of the institutions hardest-hit would be in Republican states. Universities in Alabama, for example, received $386m in funding from the NIH in 2024, supporting more than 4,700 jobs and $900m-worth of economic activity.

Wait and see

Whether the cap will come into force, though, is still unclear. Federal judges have put the proposal on hold, in response to lawsuits filed by 22 states, plus national associations representing medical schools and some hospitals. Congress has passed several bills which specifically prohibit the NIH from changing the provisions related to indirect costs, meaning that the matter will be hashed out in the courts. For now, the atmosphere of uncertainty is unlikely to be conducive to progress in a field where researchers prioritise long-term stability.

Another prong of the administration's actions is an attempt to influence what research is funded. Russell Vought, the head of the Office of Management and Budget, has previously suggested cuts as a way of ensuring scientific institutions like the NSF cannot "propagandise for woke ideology".

Federal agencies are now required to review all grants in light of an executive order terminating programmes aimed at promoting diversity, equity and inclusion (DEI), which Mr Trump has argued has made government less meritocratic. As evidence of DEI's malign influence Ted Cruz, the Senate Commerce Committee chairman, released a database that identified 3,476 NSF grants—roughly 10% of those awarded during the Biden administration—as being unacceptably "woke". One analysis of a randomly chosen subset of these grants by Scott Alexander, a blogger, found that only around 40% were actually related to DEI (an analysis of all 3,476, conducted by *The Economist* with the help of an artificial-intelligence model, found the figure was 44%). Of the remainder, the vast majority briefly touched on potential impact or outreach activities. A smaller group used disfavoured homonyms of scientific terms, like one grant concerning earthquakes and tsunamis, which cited "trans-crustal processes".

Removing boilerplate language from future grant applications will be time-consuming but doable. Getting exemptions for research that has been wrongly flagged may also be possible, though no process to do so has yet been made public. But some valuable research may be dropped.

It is research on climate change that faces the most pressing and concrete threats. Almost all mentions of climate change and programmes to combat it have been scrubbed from federal websites, and the National Nature Report —the first assessment of nature and biodiversity across the government,

produced by more than 150 scientists and funded with government money—was cancelled weeks before the first full draft was due. One researcher who studies how the oceans absorb carbon dioxide says he envisages a future in which his team removes references to climate change in order to get grants approved.

The status of many other scientific projects related to climate change and the environment now seems uncertain—not least because plenty are funded, at least in part, by appropriations set out in the Inflation Reduction Act, the climate legislation passed by the Biden administration, and which Mr Trump's officials hope to unpick.

Much of such funding is administrated through NOAA, the federal agency which oversees atmospheric science and environmental monitoring, including weather forecasting and making projections about climate change. NOAA itself is squarely in the cross-hairs. "Project 2025", a set of campaign proposals for how Mr Trump should reform the federal government (and to which Mr Vought contributed), described NOAA as a major player in the "climate-change alarm industry" and called for it to be "broken up and downsized".

That would have consequences beyond America's borders. Several media outlets, including the *Washington Post* and *Wired*, reported internal emails to some NOAA staff instructing them to pause "all international engagements". Many meteorological and climate agencies around the world rely on the observations and data collected by NOAA. The worst affected will be agencies in poor countries, which often do not have the money or infrastructure to make their own detailed weather forecasts and climate projections, says one top scientist at an international organisation, who could speak only anonymously.

Climate science in America is "possibly the strongest in the world", the scientist points out, and reductions to it will "take out the foundations from others' work". Other organisations abroad will have to step up to compensate for the loss. But, the scientist notes wryly, that creates an opportunity to chip away at America's long-standing scientific hegemony. Those gathered in Boston to celebrate America's "advancement of science" might feel that promise ringing a little hollow. ■

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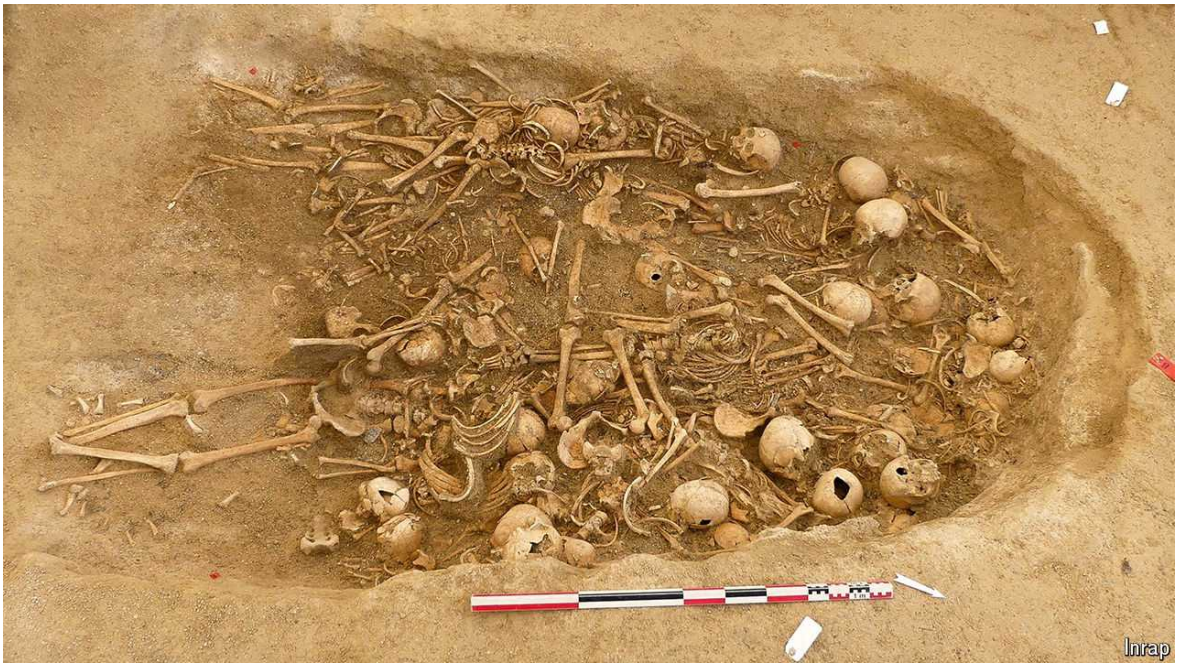
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Science & technology | Everything's relatives

New research uncovers polygamy and intermarriage in ancient Eurasia

DNA analysis reveals shifting family patterns

February 19th 2025



DNA's power to illuminate humanity's past never ceases to amaze. Collected from those now alive, it shows how their ancestors spread across the world from their African homeland—and, having done so, re-spread in the events known to history as "migrations" and "conquests".

DNA from long-dead individuals is equally informative. This demonstrates evolution's byways (early Europeans, for example, retained the dark skin of their African ancestors), and also how *Homo sapiens* interbred with other human species, now extinct, on its journey to dominion over pine and palm. Now, as an audience at the American Association for the Advancement of

Science meeting learned from Maïté Rivollat of Bordeaux University, in France, it can be used to disentangle the family dynamics of previous ages.

Dr Rivollat spoke of her own work in Gurgy, a village in central France, and also of around half a dozen other studies carried out over the past decade. When research of this sort began, it was limited to tracking membership of matrilines (via the DNA of intracellular structures called mitochondria, which pass to a mother's offspring from her eggs) and patrilines (via Y-chromosomes, which pass intact from father to son). The subject really took off, though, when DNA sequencing became powerful and cheap enough to allow intergenerational tracking of the blocks of chromosomes that swap around when sex cells form. This allows both parents of an individual to be identified, and so permits genealogies to be determined in detail.

One early study was of a mass grave from 2800BC, in Koszyce, Poland, containing 15 individuals. DNA examination showed that these people, who had all been killed by blows to the head, belonged to the same family. The suspicion is that they were victims of a raid. But their burial together suggests at least some survivors were emotionally attached to them.

On the wider question of genealogy, studies of several early sites—the Lech Valley in Germany (occupied from 2500-1800BC), Hazelton North in Britain (occupied in 3700BC) and Dr Rivollat's own at Gurgy (occupied in 4700BC)—paint a patriarchal picture. Relying on 26 skeletons, the Lech Valley project revealed six multigenerational family units (known to archaeologists as pedigrees), represented by up to eight individuals over as many as five generations. It was clear from their DNA that the women contributing to these pedigrees were outsiders. In some cases they had travelled around 350km to be there.

Hazelton North, meanwhile, showed evidence of polygyny, as well as of incoming women. The 27 skeletons found here were distributed among four burial chambers, each containing descendants of the union of a particular man and one of four women who had, perhaps, formed his harem. And in Gurgy, 63 of the 110 skeletons sampled belonged to a pedigree that stretched over seven generations, again with evidence that the women had their origins elsewhere.

As time passed, things became less patriarchal. Analyses of skeletons from south-west Germany, which date from 600-200BC, suggest women stayed put while men journeyed to marry them. And for Britons brought up on the story of Boudica, queen of the Iceni, a Celtic tribe that rose against the island's Roman conquerors in 60AD, there is evidence that her contemporaries in another tribe, the Durotriges, were equally feminist. A study spanning the years from 100BC to 100AD showed, via their progeny's genetics, that many women had several partners.

The most spectacular demonstrations of the new techniques so far, though, are from Hungary and Mongolia. The Hungarian site was a burial ground in Rákóczifalva, in the country's centre, that was used between 550AD and 800AD by the Avars, a nomadic group from central Asia who had colonised the area. Study of around 300 individuals from this cemetery has yielded a veritable clan of nine interconnected sub-pedigrees, the largest involving 146 people and spanning nine generations.

The Mongolian site, co-incidentally in the part of the world from which the Avars are believed to originate, dates from 2900BC. It accommodates a woman whose ancestry, with five degrees of separation, can be traced to a location 1,400km west-north-west, in what is now Russia.

One thing these studies have in common is that all were conducted in Eurasia (and almost all in the far-western part of this continent, the bit known familiarly as "Europe"). That is hardly surprising. This part of the world is home to vast numbers of archaeologists and paleoanthropologists, and includes the world's leading centre for the study of ancient human DNA, the Max Planck Institute for Evolutionary Anthropology in Leipzig, Germany. But researchers are now casting their nets wider, especially in Central America. Stay tuned for revelations about Mayan family life. ■

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Science & technology | Assuming the mantle

Another win for geology's Theory of Everything

Plate tectonics could explain continental plateaus and mini mass extinctions

February 19th 2025

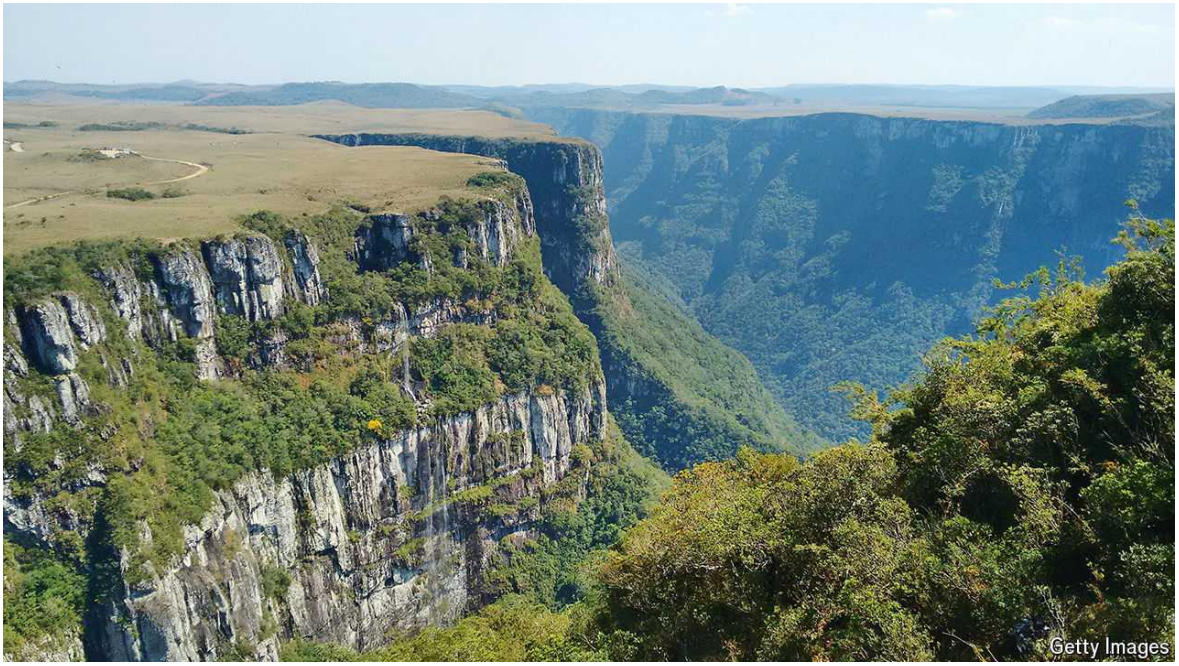


Plate tectonics is geology's Theory of Everything. The realisation in the 1960s that Earth's crust is made of fragments called plates—and that these plates can grow, shrink and move around—explained the origins of mountain ranges, ocean trenches, volcanoes and earthquakes. It also explained why continents drift over the planet's surface and thus, from time to time, come together to form an all-embracing supercontinent.

Mountain ranges, ocean trenches, volcanoes and earthquakes are, however, things that happen mainly where plates abut. Plate tectonics is not as good at explaining events and features elsewhere, particularly in continental interiors. These are often dominated by extensive highlands called plateaux,

which differ in form from mountain ranges and are frequently bounded by giant escarpments. But, as he told the annual meeting of the American Association for the Advancement of Science in Boston, Tom Gernon of Southampton University thinks he can bring these puzzling geographical features into the ambit of plate tectonics as well. His team's calculations suggest they are caused by waves that ripple through Earth's mantle, the layer below the crust, when continents divide. They may even be responsible for some of the "mini" mass extinctions which punctuate the fossil record.

His work began with a different, more eye-catching question: explaining how diamonds are propelled to the surface. Diamonds are crystals of carbon compressed into that form by the high pressure found in the upper mantle. Those discovered at the surface have been carried there by unusual, explosive volcanoes called kimberlite pipes, which traverse the crust from bottom to top, erupting at ground level.

Dr Gernon and his colleagues proposed that the rifting of continental plates sets in motion a slow-moving wave through the semi-liquid rock of the mantle. (Really slow-moving: they estimate it travels at about 15-20km per million years.) This wave of hot rock ablates the bottom of the crust, forming gas-charged magmas that erupt violently as kimberlite pipes.

They then followed up this work by asking what other consequences their newly discovered waves might have. The answers, when they ran their model on a computer, were giant escarpments with plateaux behind them. These features were formed by a process known as isostatic rebound, in which the travelling wave removed the crust's underside, causing the rock above to rise, rather as a balloon rises when its crew jettison ballast.

All this rapidly emerging highland will, though, be subject to immediate erosion. And that is where the extinctions come in. Really big extinctions, such as those at the end of the Permian and Cretaceous periods, have big, sudden causes (huge volcanic eruptions and collision with an asteroid respectively). But these are interspersed by numerous smaller catastrophes that particularly affect the oceans, and are associated with reduced levels of oxygen.

This reduction of oxygen seems to happen because organic matter is being created in greater than normal quantities, and then decomposing, sucking that element out of the water. Dr Gernon thinks this is a result of pulses of erosion caused by plateau uplift fertilising the oceans with phosphorus. That causes life to bloom, increasing the amount of organic matter available for decomposition. He argues, in particular, that the pattern of these mini mass extinctions during the Jurassic and Cretaceous periods supports his hypothesis.

It all, then, fits very nicely together. Geology's Theory of Everything continues successfully to defend its title. ■

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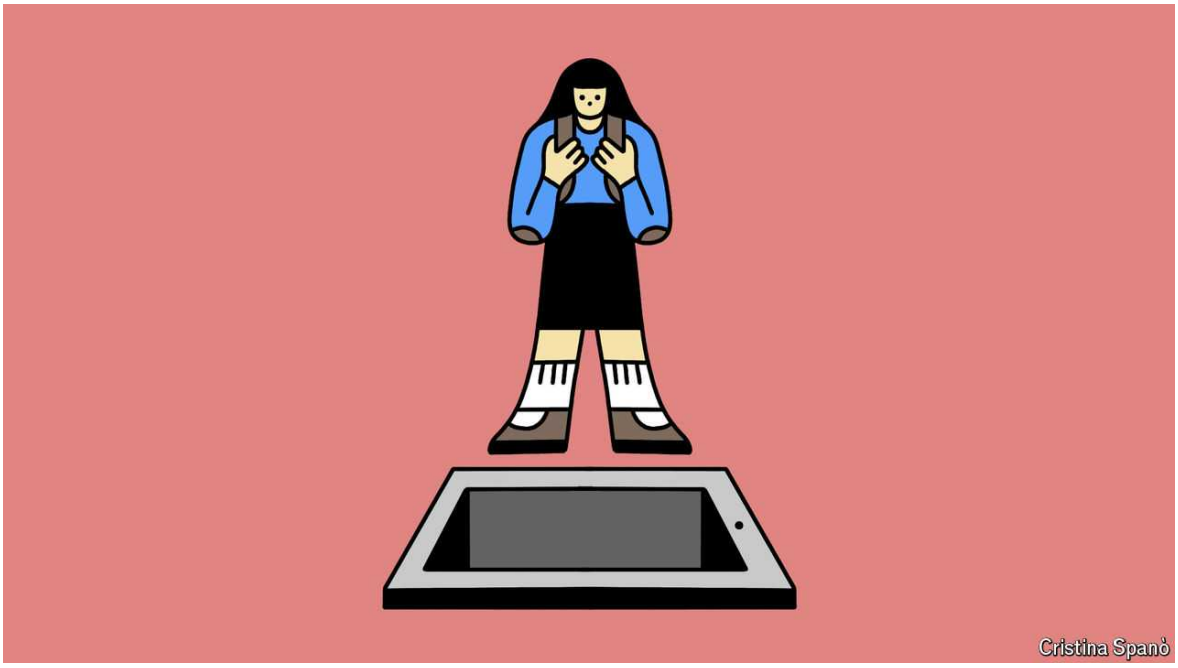
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Science & technology | Well informed

Do bans on smartphones in schools improve mental health?

What the early evidence suggests about the effect on students

February 14th 2025



France has not allowed smartphone use in primary or secondary schools since 2018, claiming that it would help children focus, reduce their social-media use and mitigate online bullying. The Netherlands initiated a similar ban in January 2024. Hungary followed suit later that year. Legislators in Britain are considering similar measures. The key question facing them is whether banning smartphones in schools offers any benefits to mental health.

That there is a problem seems clear. In 2021 America's surgeon general compiled a report revealing that persistent feelings of hopelessness climbed by 40% among American high-school pupils between 2009 and 2019. The

number who seriously considered killing themselves went up by 36%. What makes these findings all the worse is that 48% of mental-health problems (like depression and anxiety) that emerge during adolescence will plague people for the rest of their lives.

It is tempting to connect these trends with the increased availability of smartphones, but establishing a causal connection is difficult. Part of the problem is that smartphones contain multitudes. Using a smartphone to solve crosswords or read the news may well have markedly different psychological effects from intensive social-media use.

Children are no less varied. The brain undergoes profound changes during puberty, meaning that any research on the effects of smartphone use needs to consider the developmental age of the children being studied as well as their precise smartphone habits.

No studies have got this specific. Those that have come close, however, reveal that unfettered access to social media on smartphones during puberty, especially at critical moments when the brain is changing, may cause problems. One study, led by Amy Orben at the University of Cambridge, asked 17,409 people between the ages of ten and 21 how satisfied they were with their lives and how much they used social media. The findings, reported in 2022 in *Nature Communications*, show that girls who increased their social media use over the course of a year were significantly less satisfied with their lives if the increase took place when they were between 11 and 13. Boys showed the same trend when increases took place when they were 14 or 15 years old.

How much of this will change by banning phones in schools is unclear. In a paper published in the *Lancet* in February, Victoria Goodyear at the University of Birmingham compared the mental well-being of students in schools that implemented restrictive smartphone policies with those with relaxed policies. She also monitored overall screentime. Her results show that, though those who spent more time on a smartphone overall did have a decline in mental well-being, there was no difference between the two groups. She and her colleagues argue that setting up policies at schools alone is simply not enough.

Researchers are trying to paint a complete picture with both hands tied behind their back. According to Dr Orben, social-media companies routinely refuse to give independent researchers access to detailed data on the behaviours of their users. This forces researchers to rely on less accurate proxy measures, like overall screentime. It also means that children playing educational games are being put in the same analytical bin as children who are on social media. A more nuanced picture of the effects of smartphones needs to be drawn.■

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Culture

- Han Kang is South Korea’s pride—and its conscience
- British football hooligans are on the offensive once again
- Why are pop singers popping up in films?
- Escapism and fear made “The White Lotus” a pandemic-era hit
- The Louvre is hosting its first fashion exhibition

Culture | Ghost writer

Han Kang is South Korea's pride—and its conscience

The Nobel-prizewinning novelist chronicles shameful episodes in the country's history

February 20th 2025



We Do Not Part. By Han Kang. Translated by e. yaewon and Paige Morris. *Hogarth; 272 pages; $28. Hamish Hamilton; £18.99*

Most visitors to Jeju island arrive by plane. The sea foams as you descend onto the runway, close to the black basalt coast. More than 13m people come to this island, south of South Korea's mainland, every year; many will not be aware of what lies beneath the tarmac. Between 2007 and 2009 investigators dug up part of the airport and uncovered the bodies of hundreds of people massacred there by government forces some 60 years earlier.

“We Do Not Part”, Han Kang’s latest novel, probes the killings that took place on Jeju in 1947-54. The author has made the violence humans inflict on each other a theme of her books, including “The Vegetarian”, which won the International Booker prize in 2016, and “Human Acts”, about the killing of student protesters in 1980 in her hometown of Gwangju. In October Ms Han became the first South Korean author to win the Nobel prize in literature: the committee praised her “intense poetic prose that confronts historical traumas and exposes the fragility of human life”.

The story in “We Do Not Part” revolves around the friendship between two women. One, Inseon, is a lapsed documentary film-maker. She moves to Jeju to look after her ageing mother, who survived the slaughter. The other, Kyungha, a writer in Seoul, suffers from migraines and haunting dreams after writing a book about “the massacre in G—”. (Ms Han has also long suffered from debilitating migraines.)

Inseon summons Kyungha to a hospital where doctors are trying to reattach the tips of her fingers, which she sliced off while trying to bring one of Kyungha’s dreams to life on film. She asks Kyungha to travel to her village in the mountains of Jeju to feed her pet bird before it starves. Kyungha lands on the island in a blizzard. Her harrowing journey to the house becomes a surreal voyage through the island’s tragic past.

Following the end of the second world war and Japanese imperial rule, the Korean peninsula was cut in half. On April 3rd 1948 a group of leftist rebels on Jeju staged an uprising to protest against the division. That autumn Rhee Syng-man, the first leader of South Korea, unleashed a brutal crackdown; American advisers lent tacit approval, if not outright support, to what their own reports later described as “an indiscriminate reign of terror”. Hundreds of villages were burned down; as many as 30,000 residents were killed, some 10% of the island’s population at the time.

Jeju was a portent for how the division of the Korean peninsula would fuel division within South Korea itself, and for the fraught nature of South Korea’s relationship with America. But South Korea’s rulers suppressed any mention of the killings for decades. Sustained public discussion became possible only when the country democratised in the late 1980s; it took until the 21st century for a complete official inquiry to be conducted. The

memory of state-sanctioned violence is one reason why South Koreans responded fiercely when Yoon Suk Yeol, the president, attempted to impose martial law last December; he was impeached and is currently on trial at the constitutional court.

What happened on Jeju remains largely unknown beyond east Asia: the events are a forgotten horror from the periphery of the cold war. Literature has played an important role in raising awareness. One of the first accounts came in "Death of a Crow", a novel published in Japanese in 1957 by Kim Sok-pom, a Korean writer whose parents were from Jeju. "Sun-i Samch'on" ("Aunt Suni") was the first work published in South Korea to address the tragedy. After its release in 1978 the novel was banned and its author, Hyun Ki-young, arrested and tortured.

Ms Han's book and her Nobel prize are "catalysts" for renewed interest in the tragedy, says Chon Yeong-mi of the Jeju History and Culture Research Society. The peace memorial museum on Jeju now features a wall dedicated to Ms Han.

The power of "We Do Not Part" comes from Ms Han's masterful fusion of the literary and the documentary. She spent seven years working on the novel, living part-time on Jeju for two of them. Scenes from the book gesture towards real people and locations. Inseon's mother finds her younger sister, bloodied and barely alive, her jaw shattered by bullets—much as one prominent real-life survivor had her jaw blown apart.

Ms Han incorporates quotations from archival materials and descriptions of photographs into her novel. Inseon reflects on seeing a picture of the airport excavation, in which a set of bones is arrayed sideways: "Their knees were drawn up to their chest, just as we curl up when we're unwell, or have trouble sleeping, or can't quieten our minds." Inseon takes to revisiting the image and assuming the same posture. The ritual warms her, "much like the lingering soft feel of cotton, feathers or baby skin". Ms Han's writing conjures a similar sense of seemingly incongruous feelings, at once unsettling and soothing.

The daughter of a novelist, Ms Han has been honing her lithe, lyrical prose since childhood. She draws inspiration from Korean modernists such as Yi

Sang, a poet, and from other accounts of atrocities, such as Primo Levi's work on the Holocaust. Her writing moves effortlessly between naturalistic descriptions of the massacre and spectral scenes where the boundaries between living and dead melt away. Beauty endures alongside tragedy.

Symbols recur throughout her work, building networks of associations. The colour white, which in Korean culture is associated both with birth and with mourning, plays an important role. (Another of her books, an elegy to a dead older sister, is called "The White Book"; it was also shortlisted for the International Booker prize.) Snow becomes a metaphor for trauma, the way it accumulates, disperses and changes form. Inseon's mother recalls her sister wiping the snow from the faces of bodies while searching for their parents. "Who's to say the snow dusting my hands now isn't the same snow that had gathered on their faces?" Kyungha wonders in turn.

Back at the airport, Ms Chon of the research society laments that remains may still be trapped beneath the runway. Then she gestures toward the horizon, to Hallasan, the island's largest peak. "They're so beautiful, the snow-capped mountains," she sighs. It is a Hanian vision: admiring beauty through tears. ■

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Culture | Attacking play

British football hooligans are on the offensive once again

Arrests at stadiums have been increasing

February 20th 2025



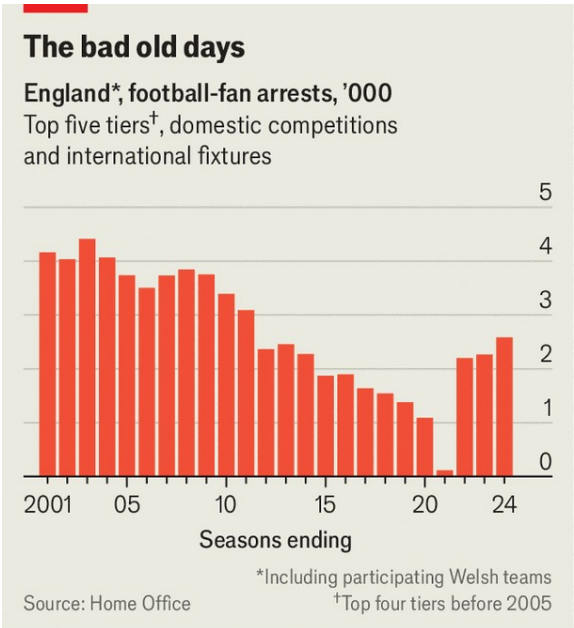
THE CONTEST between Arsenal and West Ham on February 22nd will be fierce. Probably not on the pitch: Arsenal is the strong favourite to win the fixture. The Gunners are second in the Premier League, while the Hammers are languishing in 16th. Instead, the battle will be in the stadium grounds. When the teams met in November, fans could be seen brawling in the stands. Both clubs rank in the top five in terms of supporter arrests and banning orders, with 85 and 103 respectively last season. The "English disease", as football hooliganism is known, is flaring up again.

As prime minister, Margaret Thatcher was troubled by football thuggery. She considered it a threat to British society as grave as the IRA and miners'

strikes. In 1985, 39 people died at the European Cup Final as Juventus fans, fleeing an assault from Liverpool supporters, were crushed when a wall collapsed. English clubs were subsequently prohibited from European club competitions for five years.

Fans focused their violent energies on local games instead. During the 1987-88 season, there were an estimated 6,150 fan arrests across the top four divisions. In a crackdown dubbed "Operation Fulltime", the police arrested club ringleaders.

The British government passed various acts to stamp out hooliganism in the 1980s and 1990s: measures included a stronger police presence, more surveillance, better-designed stadiums with seating and bans for the worst offenders. Fans were prohibited from drinking alcohol anywhere with a view of the pitch. Clubs also increased ticket prices. According to History & Policy, an academic group, ticket prices for the Premier League went up by more than 300% between 1989 and 1999.



The Economist

These measures helped. By the 2000-01 season, the number of football-related arrests had fallen to 4,200 across the top four divisions as well as domestic tournaments and international fixtures (see chart). Arrests

continued to trend downwards for the next 20 years. In 2018-19, the last full season before the pandemic, there were 1,400 arrests.

But since then, hooliganism has surged—though it is some way off its high point. In 2021-22 there were 2,200 arrests. (Many were apprehended as a result of the European Championship final at Wembley, when more than 2,000 people forced their way into the stadium without tickets.) In subsequent seasons, arrests increased to almost 2,300, then 2,600. Police reports mention violent disorder, hate crime and the throwing of missiles.

This is not a uniquely English problem, despite the moniker. Hundreds of French fans clashed in May. At the end of 2024 fights between rival clubs in Germany left 79 injured, including ten police officers. But detailed data in Britain provide the clearest picture of a problem that is worsening once more.

Football hooliganism is a heady brew of tribalism and testosterone; there is a "historical alignment with working-class masculinity", according to Paul Davis, a sports sociologist at the University of Sunderland. In "Among the Thugs", a book published in 1990, Bill Buford, a journalist, sought to understand why "young males riot every Saturday". A straight answer eluded him—he found that it was often gainfully employed fans that enjoyed the fighting—but he likened it to other rebellious outlets such as drink and drugs. "Violence is their antisocial kick, their mind-altering experience."

In fact, drugs have always been part of the problem, but now they are widespread. After America, Britain has the highest rate of cocaine use. In 2021 a study of 1,500 fans in Britain found that 30% had witnessed cocaine use in stadiums. New regulations were introduced in November 2022, stating that any fans caught with Class A drugs (including cocaine, ecstasy and heroin) could be banned for up to ten years and receive a criminal conviction. Yet arrests continued to rise. Compared with the same November-May period in the 2022-23 season, arrests for drug-related offences in 2023-24 increased by nearly 60%.

In response, police officers are bringing sniffer dogs into grounds and can administer drug tests on arrest. Clubs are also increasing awareness of the

health risks of combining cocaine and alcohol (such as a higher chance of heart attacks).

Stadiums could be even stricter, particularly on alcohol consumption: sports venues in France, for instance, have to get a legal exemption to sell it. Research is also ongoing as to the impact of kick-off times on individuals' propensity to kick off. In 2021 researchers studying the relationship between domestic violence, alcohol and football fixtures argued that weekday matches and later kick-offs would help mitigate abusive behaviour, as "Early games lead perpetrators to start drinking alcohol earlier and continue to do so through the afternoon and evening."

Yet for miscreants, the goal is to feel the thrill of violence. Mr Buford observed that, for men who had never been to war, football bust-ups offered something akin to combat. "They talk about it with the pride of the privileged, of those who have had, seen, felt, been through something that other people have not," he wrote. His subjects reflected on the pleasure of nastiness, "about the crack, the buzz and the fix. They talk about having to have it, of being unable to forget it when they do, of not wanting to forget it —ever." The majority of football fans, however, would prefer it if hooliganism were a distant memory. ■

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Culture | Aim for the stars

Why are pop singers popping up in films?

Ariana Grande and Selena Gomez both appear in Oscar-nominated movies

February 20th 2025



YOU COULD tune out for a few seconds and miss it. There is a brief moment in “Popular”, one of the song-and-dance numbers in “Wicked”, when Ariana Grande (pictured) delivers a riff that sounds more like something from one of her hit pop songs than the operatic trills typical of Glinda the Good Witch. The movie musical has grossed over $725m and is up for ten Academy Awards on March 2nd, including Best Supporting Actress for Ms Grande. On social media her fans, who call themselves “Arianators”, have fixated on that moment. It was, one user said, “just the touch of Ari we needed”.

Ms Grande is not the only pop princess to grace the silver screen of late. Selena Gomez (pictured below) plays the tragic, chaotic wife of a Mexican cartel boss in “Emilia Pérez”. (Reviled by the public but beloved by critics, the trans-narco-musical is nominated for 13 Oscars.) SZA, an R’n’B singer, stars in “One of Them Days”, a comedy that follows two friends trying to scrabble money together to pay their rent. In 2024 Dua Lipa had a headline slot at Glastonbury, the world’s most famous music festival. She also starred in “Argylle”, the world’s most forgettable spy film.



For decades talented folk have moved between the recording studio and the studio lot. In Hollywood’s Golden Age, many performers were a “triple threat”—ie, they could act, dance and sing. Bing Crosby, Judy Garland and Frank Sinatra all released umpteen albums while acting in scores of films. Others have followed their example. Barbra Streisand has several Grammys and Oscars. Will Smith was in a hip-hop duo before he was in blockbusters.

As Hollywood seeks to lure audiences to cinemas, producers will be thinking more strategically about casting. Increasingly your favourite singer may also be your favourite movie star. Studios should be warned, though: results will vary.

Some musicians have been revelatory on screen. David Bowie was suitably ethereal as an alien in "The Man Who Fell to Earth" (1976). "Moonstruck", a sometimes silly melodrama, was redeemed by Cher's naturalistic turn as Loretta Castorini; she won the Oscar for Best Actress in 1988. Lady Gaga shone in "A Star Is Born" (2018), a film about fame and addiction.

But many musicians have flopped. Madonna floundered in "Swept Away" (2002), a dreadful shipwreck romance. More recently, Harry Styles of One Direction fame has had a go at being an actor, starring in films including "Don't Worry Darling" (2022). He might have worried about taking the part: that he is revealed to be a villain is surprising only because it is easy to forget that he is in the film at all.

Box-office receipts are studio executives' primary concern. Cinemas have struggled since the pandemic. Many people would rather watch videos on TikTok or YouTube at home, or wait for a film's release on streaming services, than rush out to see a new title. Cast a famous musician, however, and the equation changes.

Singers are in their fans' ears every day. Gayle Stever of the Empire State University of New York says that this intensifies the one-sided connection: "More frequent contact does foster a closer parasocial relationship." In 2024 a study by Deloitte found that, across every generation, individuals are more likely to say that their support of a particular musician—as opposed to a film franchise or video game—is an important part of their identity.

Gen Z, in particular, takes fandom seriously. As a way of proving their fealty to celebrities, many youngsters make videos about their work. Clips tagged #fancontent have almost 60m views on TikTok. These videos—such as the analyses of Ms Grande's "Popular" riff—are free marketing for film studios.

Fans also discuss what roles their favourite hitmakers could take on. Recently Sabrina Carpenter's acolytes have been abuzz at the prospect of the "Espresso" singer starring in Disney's live-action remake of "Tangled". Casting chart-topping musicians is one way for the film industry to stay in tune with the times. ■

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Culture | Back Story

Escapism and fear made “The White Lotus” a pandemic-era hit

Now the show about obnoxious American tourists has become a drag

February 14th 2025



Television dramas always reflect the mores and preoccupations of their eras. A few boast strong enough plots or performances to endure; most are soon outdated. “The White Lotus”, a hit that returned for a third series on HBO on February 16th, is ostensibly about the spite and delusions of rich American tourists. At heart, though, the show and its popularity are artefacts of the pandemic, with all its anxiety and itchy-footed frustration. What made it a sensation has become a drag.

Filmed in Hawaii in lockdown conditions, the first season was released in 2021, when overseas travel was still onerous. Staying at a luxury hotel in the titular chain, the characters bickered about privilege and inequality; both the

right-on youngsters and complacent oldies were nicely insufferable. Set in Sicily and out in 2022 as the world opened up, series two focused on sexual urges, insecurities and betrayals, featuring a pair of improbably happy hookers.

The latest instalment moves to Thailand. After the trademark kooky theme tune and credits, it again combines satire with the arc of a murder mystery: gunshots ring out in a flash-forward opening before the story rewinds a week. This one is about sex, too. Another theme is religion and spirituality, from the hypocrisies of avowed Christians to wellness babble and Buddhism, with its apt teaching that greed is no path to happiness.



Once more Mike White, the writer and director, assembles an ensemble cast of haves, have-nots and have-yachts. The guests include a middle-aged actor and her two childhood friends, a misanthrope and his younger, chirpier girlfriend, and a high-rolling couple from North Carolina with three grown-up children. The credo of their eldest, Saxon, a resplendent jerk played by Patrick Schwarzenegger (pictured), is "Get laid—get everything." Lalisa Manobal, a K-pop star, perks up a thin romantic subplot.

Superficially, then, the action bears no trace of the coronavirus. Yet it is still detectable in the setting, rhythm and mood.

First, the claustrophobia. Established in the first season, the hotel format retains a whiff of lockdown (even with a side-trip to Bangkok). As people did in quarantine, guests get to know each other better than may be advisable. Stripped from their usual routines, they stand exposed, sometimes literally. Affection curdles into annoyance, then hostility. The three friends' mutual barbs are more venomous than the Thai snakes.

As well as too little privacy, characters in "The White Lotus", like people in lockdown, have too much time on their hands, too much of which they use thinking about the past. Old sins and grudges rise up and gnaw them. Timothy (Jason Isaacs), the Southern family's patriarch, is stalked by shady business dealings. Belinda (Natasha Rothwell), a sweet spa manager from season one, turns up on an exchange junket. She is haunted by a guest she dimly recognises. Belinda knows what he did last summer.



Alas, the viewer's experience also mimics lockdown. In "The White Lotus" formula, each episode rotates among different configurations of holidaymakers, as in a soap opera or a reality-TV contest that plonks buff strangers on a tropical island. In this season the repetitious dialogue—about phone addiction, tranquillisers and a noisy kitchen blender—reinforces the circularity, as do the endless cutaways to monkeys and statues. The sense of

moving forward while going nowhere recalls the woozy timelessness of the pandemic.

Above all, “The White Lotus” is stamped with the ambivalent view of travel that covid-19 cultivated. With those infinity pools and azure lagoons, the exotic resorts are alluring. Yet they are also perilous. In this series, as before, motives for murder proliferate, as do guns. Secrets emerge with the bare flesh. (Since almost no one uses sunscreen, you worry about sunburn as much as death.) You want to escape to a White Lotus—and avoid them like a plague. This one-two of fantasy and fear encapsulated the queasy yearning of audiences caged by the virus. Now it feels tired.

The drowsy pace picks up in the middle of the season; risqué stuff happens, not all of it predictable. The first two series were so popular that this one may yet become water-cooler TV, a feat in an age of fractured audiences and half-deserted water coolers. The story shows, once again, how flawed and fragile seemingly golden people, families and marriages can be. Underneath it is a monument to the era it emerged from, with all its longings and longueurs.■

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Culture | Of muses, museums and money

The Louvre is hosting its first fashion exhibition

There is more to it than meets the eye

February 18th 2025



NO ONE IS quite sure how the Louvre, the world's most-visited museum, got its name. One theory goes that the area was an ancient hunting ground for wolves (*lupi* in Latin), which used to roam near the Seine. Recently the museum has again become a hunting site, this time for more funds and new donors. To better accommodate the nearly 9m visitors who traipse through its galleries each year, it must raise around $800m for a renovation.

That may seem like a lot, but the museum is vast. According to one estimate, it would take 18 eight-hour days to see the more than 400 rooms of the Louvre if you were to stop at each work for 15 seconds. (Though that is rarely anyone's ambition: 80% of visitors come primarily to see the "Mona Lisa".) "It may well be the best-known and yet least understood museum in

the world," writes Elaine Sciolino, a journalist, in a forthcoming book, "Adventures in the Louvre".

Against this backdrop, the museum has opened the first fashion exhibition in its 231-year history. It brings together around 100 outfits and accessories from 45 fashion houses and places them alongside the Louvre's decorative-arts collection, which includes furniture, objects and more.

Hundreds of years divide the museum's works from the couture creations, but they are intriguingly, and playfully, matched. Leather gloves from Hermès share a case with reliquaries from the 1300s in the shape of saints' hands. A Balenciaga chrome-plated dress is placed next to a suit of armour from around 1560. A white-and-gold trouser suit by Givenchy, including a handsome sash featuring bumblebees, stands near a throne which belonged to Napoleon. He chose the industrious insect as his emblem.



The show's aim is to entice new visitors to discover a different wing of the museum, after they have elbowed their way for a selfie in front of Leonardo da Vinci's famous work. "The Louvre is very diverse, much more than only one painting and a few other ancient sculptures," says Olivier Gabet, the curator, who thinks the exhibition has already helped people "rediscover parts of the collections they don't know".

Fashion is “attracting new audiences, yes, but it’s also attracting new donors”, points out Aurelie Cauchy of the Twentieth, an art-advisory firm. The Louvre did not seek sponsorship from fashion brands for the exhibition, which meant the museum retained critical and curatorial control. Instead, on March 4th the Louvre will host its first fashion gala, modelled after the Met Gala in New York, where impractically dressed celebrities swarm and help raise vast sums to support the institution. At the Louvre’s *soirée* every fashion house involved in the show, and even some that were not, have bought pricey tables.

Fashion shows are the blockbusters of the museum world, selling out tickets. On view until July 21st, the Louvre’s couture show is one of the best focused on fashion ever staged by a museum. That is because it does not come off as nakedly commercial. Here the relationship between fashion and objects feels intellectual and authentic. About a third of the couture pieces were directly influenced by the museum’s collection, according to Mr Gabet.

For example, Karl Lagerfeld, a longtime designer for Chanel, asked a textile producer to mimic the pattern of a blue-and-white chest for a blazer he designed in 2019; the outfit is on display next to the chest that inspired it. Lagerfeld, Hubert de Givenchy and Yves Saint Laurent were frequent visitors to the Louvre, a reminder that an industry known for ditz and glitz is knitted to high culture and history.



To see how a fashion show can go awry, however, you do not need to travel far. Just trot across the Tuileries gardens and Place de la Concorde to the Grand Palais, where a crassly commercial exhibition devoted to Dolce & Gabbana is on view. The Italian fashion label has erected what feels like a cross between a shrine and a stage (each room has spotlights and its own soundtrack). The firm is peddling brightly patterned coffee pots while trying to position itself in the company of high art and religion—Botticelli paintings are embroidered onto garments, sequinned mosaics of Jesus are stitched onto sweatshirts.

The crowds of visitors jostling to take photos on a recent afternoon would assume the museum complex had staged the show. But in reality the fashion label has simply rented the space and curated the show itself as a branding exercise. As more cultural institutions "link themselves with what is trendy and what society is doing", it is important to retain "the critical voice" rather than just "the Instagram factor and the spectacle", says Federica Carlotto of Sotheby's Institute of Art.

Having at last conquered the Louvre, fashion is likely to strut into even more museums. Designers, of course, have every incentive to collaborate. Compared with seasonal runway shows that last less than ten minutes, museum shows enable a designer's work to "take on a new life" with a

“wider audience”, says Erdem Moralioglu, who has a piece on display in the Louvre’s exhibition. Audiences like the shows, too. “Fashion tells us as much about the world we live in as other areas of human ingenuity,” says Tim Marlow, chief executive of the Design Museum in London. You may not be able to envision yourself lounging on Napoleon’s throne, but there is something about couture that is, perhaps surprisingly, accessible. Everyone —even, despite rumours to the contrary, the emperor—wears clothes. ■

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Economic & financial indicators

- Economic data, commodities and markets

Economic data, commodities and markets

February 20th 2025

Economic data

1 of 2

	Gross domestic product, % change on year ago: latest		quarter*	2024†	Consumer prices, % change on year ago: latest		2024†	Unemployment rate, %	
United States	2.5	Q4	2.2	2.8	3.0	Jan	2.9	4.0	Jan
China	5.4	Q4	6.6	5.0	0.5	Jan	0.2	5.1	Dec‖§
Japan	1.2	Q4	2.8	-0.2	3.7	Dec	2.7	2.4	Dec
Britain	1.4	Q4	0.4	0.8	3.0	Jan	3.3	4.4	Nov‖§
Canada	1.5	Q3	1.0	1.3	1.9	Jan	2.4	6.6	Jan
Euro area	0.9	Q4	0.2	0.7	2.5	Jan	2.4	6.3	Dec
Austria	-0.6	Q3	-0.5‡	-1.0	3.4	Jan	2.9	5.3	Dec
Belgium	1.1	Q4	0.8	1.0	4.4	Jan	4.3	5.8	Dec
France	0.7	Q4	-0.3	1.1	1.8	Jan	2.3	7.8	Dec
Germany	-0.2	Q4	-0.8	-0.2	2.8	Jan	2.5	3.4	Dec
Greece	2.5	Q3	1.1	2.2	3.1	Jan	3.0	9.4	Dec
Italy	0.5	Q4	-0.1	0.6	1.7	Jan	1.1	6.2	Dec
Netherlands	1.8	Q4	1.6	0.9	3.0	Jan	3.2	3.7	Dec
Spain	3.5	Q4	3.1	3.0	2.9	Jan	2.9	10.6	Dec
Czech Republic	2.1	Q3	2.1	1.0	2.8	Jan	2.4	2.7	Dec§
Denmark	2.9	Q3	3.6	1.8	1.5	Jan	1.3	2.9	Dec
Norway	-0.3	Q4	-2.5	1.7	2.3	Jan	2.2	4.0	Nov**
Poland	3.2	Q4	5.3	2.9	5.3	Jan	3.8	5.4	Jan§
Russia	3.1	Q3	2.7	3.7	9.9	Jan	8.4	2.3	Dec§
Sweden	1.0	Q4	0.8	0.5	0.9	Jan	1.9	10.4	Jan§
Switzerland	2.0	Q3	1.7	1.2	0.4	Jan	1.1	2.7	Jan
Turkey	2.1	Q3	-0.8	3.1	42.1	Jan	58.5	8.7	Dec§
Australia	0.8	Q3	1.3	1.0	2.4	Q4	3.2	4.0	Dec
Hong Kong	2.4	Q4	3.2	2.6	1.4	Dec	1.7	3.1	Jan**
India	5.4	Q3	3.0	6.3	4.3	Jan	5.0	7.9	Jan
Indonesia	5.0	Q4	5.5	5.0	0.8	Jan	2.3	4.9	Aug§
Malaysia	5.0	Q4	2.2	5.1	1.7	Dec	1.8	3.1	Dec§
Pakistan	3.2	2024**	na	3.2	2.4	Jan	12.6	6.3	2021
Philippines	5.2	Q4	7.4	5.6	2.9	Jan	3.2	3.9	Q4§
Singapore	5.0	Q4	2.0	4.0	1.6	Dec	2.4	1.9	Q4
South Korea	1.3	Q4	0.4	2.1	2.2	Jan	2.3	3.7	Jan§
Taiwan	1.8	Q4	2.1	5.0	2.7	Jan	2.2	3.4	Dec
Thailand	3.2	Q4	1.5	2.6	1.3	Jan	0.4	0.8	Dec§
Argentina	-2.1	Q3	16.4	-2.4	84.5	Jan	220	6.9	Q3§
Brazil	4.0	Q3	3.7	3.4	4.6	Jan	4.4	6.2	Dec§‡‡
Chile	2.3	Q3	2.7	2.3	4.9	Jan	3.9	8.1	Dec§‡‡
Colombia	2.4	Q4	2.5	1.6	5.2	Jan	6.6	9.1	Dec§
Mexico	0.6	Q4	-2.4	1.5	3.6	Jan	4.7	2.6	Dec
Peru	3.8	Q3	2.8	3.1	1.9	Jan	2.4	7.8	Jan§
Egypt	3.5	Q3	38.0	2.4	23.9	Jan	28.3	6.4	Q4§
Israel	6.8	Q4	2.5	0.4	3.8	Jan	3.1	2.8	Jan
Saudi Arabia	1.3	2024	na	1.3	2.0	Jan	1.7	3.7	Q3
South Africa	0.3	Q3	-1.4	0.8	2.9	Dec	4.4	31.9	Q4§

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. Note: Euro area consumer prices are harmonised.

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Economic data

2 of 2

	Current-account balance, % of GDP, 2024†	Budget balance, % of GDP, 2024†	Interest rates, 10-yr gov't bonds latest, %		change on year ago, bp	Currency units, per $ Feb 19th	% change on year ago
United States	-3.4	-6.6	4.5		23.0	-	
China	2.1	-5.0	1.5	§§	-81.0	7.29	-1.2
Japan	4.2	-4.7	1.4		70.0	151	-0.8
Britain	-2.8	-4.5	4.5		37.0	0.79	nil
Canada	-0.5	-2.3	3.2		-40.0	1.42	-4.9
Euro area	3.2	-3.2	2.5		13.0	0.96	-3.1
Austria	2.3	-3.7	3.0		2.0	0.96	-3.1
Belgium	-0.3	-4.5	3.1		14.0	0.96	-3.1
France	-0.4	-6.1	3.2		35.0	0.96	-3.1
Germany	5.8	-1.8	2.5		13.0	0.96	-3.1
Greece	-6.7	-1.4	3.5		1.0	0.96	-3.1
Italy	1.3	-4.2	3.7		-24.0	0.96	-3.1
Netherlands	9.5	-0.7	2.7		6.0	0.96	-3.1
Spain	3.1	-3.2	3.1		-18.0	0.96	-3.1
Czech Republic	1.6	-2.4	4.1		39.0	24.1	-1.6
Denmark	10.8	2.1	2.3		-19.0	7.16	-3.2
Norway	17.3	12.5	3.9		14.0	11.1	-5.8
Poland	0.6	-5.7	5.8		29.0	4.00	0.5
Russia	2.5	-1.7	15.8		361	89.4	3.5
Sweden	6.6	-1.2	2.3		-15.0	10.7	-3.0
Switzerland	7.0	-0.9	0.5		-38.0	0.90	-2.2
Turkey	-1.1	-4.8	26.0		256	36.3	-15.0
Australia	-2.1	-1.0	4.5		30.0	1.57	-2.5
Hong Kong	12.0	-3.2	3.8		-2.0	7.78	0.5
India	-0.5	-4.8	6.7		-42.0	87.0	-4.5
Indonesia	-0.2	-2.4	6.8		26.0	16,332	-4.3
Malaysia	1.6	-4.4	3.8		-5.0	4.44	7.9
Pakistan	0.2	-6.8	12.2	†††	-224	279	nil
Philippines	-2.4	-5.6	6.1		-24.0	58.1	-3.5
Singapore	19.7	0.2	2.9		-18.0	1.34	nil
South Korea	4.1	-1.8	2.9		-59.0	1,439	-7.2
Taiwan	13.5	0.5	1.6		37.0	32.8	-4.2
Thailand	2.4	-5.7	2.3		-27.0	33.7	6.9
Argentina	0.4	0.3	na		na	1,059	-21.0
Brazil	-2.6	-7.5	14.4		367	5.70	-13.0
Chile	-2.5	-2.5	6.0		55.0	952	1.4
Colombia	-2.8	-5.7	11.3		179	4,096	-4.5
Mexico	-1.1	-4.9	9.9		65.0	20.4	-16.3
Peru	1.8	-3.6	6.5		-28.0	3.68	3.0
Egypt	-6.3	-3.7	na		na	50.6	-38.9
Israel	4.1	-7.0	4.3		10.0	3.54	2.5
Saudi Arabia	-0.5	-2.5	na		na	3.75	nil
South Africa	-2.1	-5.3	10.6		45.0	18.6	2.3

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

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Markets

In local currency	Index Feb 19th	% change on: one week	Dec 31st 2024
United States S&P 500	6,144.2	1.5	4.5
United States NAS Comp	20,056.3	2.1	3.9
China Shanghai Comp	3,351.5	0.2	nil
China Shenzhen Comp	2,045.6	0.6	4.5
Japan Nikkei 225	39,164.6	0.5	-1.8
Japan Topix	2,767.3	1.2	-0.6
Britain FTSE 100	8,712.5	-1.1	6.6
Canada S&P TSX	25,626.2	0.2	3.6
Euro area EURO STOXX 50	5,461.2	1.0	11.5
France CAC 40	8,110.5	0.8	9.9
Germany DAX*	22,433.6	1.3	12.7
Italy FTSE/MIB	38,348.2	2.2	12.2
Netherlands AEX	942.3	nil	7.2
Spain IBEX 35	12,929.4	0.1	11.5
Poland WIG	93,461.3	1.8	17.4
Russia RTS, $ terms	1,137.5	12.2	27.3
Switzerland SMI	12,798.5	0.7	10.3
Turkey BIST	9,763.7	-0.2	-0.7
Australia All Ord.	8,699.1	-1.1	3.3
Hong Kong Hang Seng	22,944.2	5.0	14.4
India BSE	75,939.2	-0.3	-2.8
Indonesia IDX	6,794.9	2.2	-4.0
Malaysia KLSE	1,580.9	-1.4	-3.7
Pakistan KSE	113,342.4	0.4	-1.6
Singapore STI	3,934.0	1.5	3.9
South Korea KOSPI	2,671.5	4.8	11.3
Taiwan TWI	23,604.1	1.3	2.5
Thailand SET	1,262.3	-1.7	-9.9
Argentina MERV	2,401,580.0	5.1	-5.2
Brazil BVSP*	127,308.8	2.4	5.8
Mexico IPC	54,110.2	0.1	9.3
Egypt EGX 30	30,875.3	4.1	3.8
Israel TA-125	2,602.6	2.9	7.2
Saudi Arabia Tadawul	12,317.6	-0.5	2.3
South Africa JSE AS	88,341.9	0.5	5.0
World, dev'd MSCI	3,906.8	1.5	5.4
Emerging markets MSCI	1,136.9	2.3	5.7

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	94	95
High-yield	313	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

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Commodities

***The Economist* commodity-price index**

2020=100	Feb 11th	Feb 18th*	% change on month	% change on year
Dollar Index				
All items	141.5	143.0	3.8	12.0
Food	161.2	163.0	5.0	23.7
Industrials				
All	125.2	126.5	2.5	1.7
Non-food agriculturals	134.2	139.6	3.8	4.6
Metals	122.9	123.2	2.1	0.9
Sterling Index				
All items	146.6	145.7	1.2	12.4
Euro Index				
All items	156.4	156.2	3.1	15.8
Gold				
$ per oz	2,905.5	2,928.2	6.9	44.5
Brent				
$ per barrel	77.5	76.3	-4.1	-7.3

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

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Obituary

- Pableaux Johnson, peerless host and chronicler of New Orleans

Obituary | Bean there, done that

Pableaux Johnson, peerless host and chronicler of New Orleans

The photographer, cook and food writer died on January 26th, aged 59

February 20th 2025



THERE were rules at Pableaux Johnson's Monday dinners. No phones: pay attention to the people around you. Don't sit next to someone you know. Bring something to drink if you must, but Mr Johnson provided the food, and the menu never changed. He served red beans and rice, which is traditionally a Monday dish in New Orleans, because the ham bones from Sunday dinner could lazily simmer away in a pot of red kidney beans while the city's cooks and matrons did laundry for the week. The only other dishes were cornbread with butter, or on lucky occasions, sweet, earthy sorghum syrup, and bourbon for dessert.

The formica-topped oval table came from his grandmother, and he was quick to point out that it was not the formal dining-room table. It sat in the kitchen, where Mr Johnson and the 23 other grandchildren crowded around for meals, as did his mother and her generation. Tables have souls, after a fashion; they retain the traces of all those who have gathered, and this one, he said, "needs to be fed at least twice a week". And so every Monday, between eight and 12 people showed up, and though there were regulars, he never fed the same group of people twice.

Guests included friends, friends of friends and friends of theirs, neighbours and out-of-towners, musicians and lawyers, journalists and chefs, doctors and teachers, young and old, a mix of races and backgrounds and social classes, all gathered around bowls of rice topped with Mr Johnson's creamy, smoky beans studded with half-moons of spicy andouille sausage. First-timers felt instantly welcome; Mr Johnson was warm, disarming and impish, with twinkling brown eyes and a ready smile (he often called himself a "Cajun grandma with a beard").

The meal, he said, was "just supper": an unfussy, serve-yourself sort of meal, with spoons and a roll of paper towels at the centre of the table, designed to put people at ease and get them talking to each other. But in New Orleans, supper is never just a meal. Nomenclature aside, nowhere do Louisiana's French roots show as deeply as in the centrality of food to its social life.

New Orleans has a reputation for sybaritism, but that is a judgment imposed by people who come from elsewhere. Locals take a more sensible view: if you're going to go to the trouble to cook, you might as well make something delicious; and if you're going to make something delicious, you might as well eat it in good company. Recipes tend to feed a lot of people because families were large and good food attracts crowds: bars often prepare red beans and rice on Mondays to attract patrons on otherwise slow evenings. John Thorne, a food writer from New England, fell in love with this aspect of the city: "People [in New Orleans] like to hang out—talk and dance and eat and drink—and do it in a way that suggests that this isn't something they're going to regret or swear off or think better of the next morning…The next morning they may even be right where they are now."

Sometimes it takes an outsider to fully appreciate a place's ethos, and like Mr Thorne, Mr Johnson was not native to the city. He was born in New Jersey and moved as a child to New Iberia, which is deep in Cajun country, around 200km west of New Orleans. He then attended university in San Antonio, Texas, where he changed his first name from Paul to Pableaux, symbolising the connection he felt to that city's Latinos, and honouring his Cajun heritage with the ersatz French spelling (Cajuns being the French-speakers who populate Louisiana's bayous). He moved to New Orleans in 2001, but really it was impossible to imagine him anywhere else. He cooked gumbo for crowds while living in Texas, and eventually wrote four books, all of which are about food and/or New Orleans.

The qualities that made him a peerless host—curiosity, attentiveness, the ability to put others at ease—served him well in his career as a photographer. He specialised in Black Masking Indians, which are societies of African-American New Orleanians who parade in colourful, intricate, handmade costumes to honour the Native American tribes that in the 19th century sheltered runaway slaves; and also in second lines: brass-band processions most common at weddings and funerals.

He was a familiar figure around the city, flitting at the edge of a scene, dressed in black with cameras slung over his shoulder. Parades centre around movement, yet at the heart of many of his pictures sit a pensive stillness and dignity, revealing the person behind the costume. His portrait work has a similar intimacy. He often took pictures from just inches away, the better to capture the joy, wariness or playfulness in his subjects' eyes as they reacted to him: a reminder that photographers often say they "make" rather than "take" pictures.

Masking Indians and second-line clubs can be suspicious of outsiders with cameras who show up to take pictures of the colourful proceedings that they then publish and sell, without sharing the money with the people in the photographs. And indeed, Mr Johnson struggled for years with the question of how to ethically commercialise his work. But when someone he'd photographed died, Mr Johnson invariably showed up at the funeral bearing an immense, framed image of the deceased as a gift for the family. And when he sold one of his pictures, the subject got half the proceeds.

Mr Johnson collapsed after going into cardiac arrest while photographing a second line; after he died, some paraded in a celebration of his life, which is a rare honour for an outsider. And in the days that followed his death, people around the world who had been lucky enough to be his guests in New Orleans made red beans and rice themselves, and invited friends and strangers alike to partake. They may even have raised a glass or two with one of Mr Johnson's favourite phrases, that came, like his table, from his grandmother: "Ain't we lucky." ■

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The Economist
Europe's worst nightmare
Meet Generation Hustle
China's Silicon Valley
Management consultants and DOGE
FEBRUARY 22ND–28TH 2025
The would-be king

Table of Contents

The world this week
- Politics
- Business
- The weekly cartoon
- This week's covers

Leaders
- How Europe must respond as Trump and Putin smash the post-war order
- Donald Trump: the would-be king
- Reciprocal tariffs really mean chaos for global trade
- How to help young Africans thrive
- Xi Jinping wants the private sector to thrive again

Letters
- Letters to the editor

By Invitation
- Now is the time for Europe to show strength, not division, argues Sanna Marin
- Donald Trump is taking presidential power to alarming places, writes Jack Goldsmith

Briefing
- Donald Trump is a reckless president, but not yet a lawless one

United States
- Is Elon Musk's war on fraud just cover for a power grab?
- DOGE attacks a bastion of Republican internationalism
- Donald Trump's foreign-aid cuts threaten his rural voters
- In Texas, vaccine-choice activists are ascendant
- Why so many children in America have ADHD
- For Donald Trump, the resignations are the point

The Americas
- Argentina's Javier Milei is betting big on an oil gusher
- Javier Milei's crypto misadventure
- An Oscar-nominated film sparks a reckoning with Brazil's dictatorship

Asia
- Only Asia can help America counter China's shipbuilding prowess

- India's other, little-known infrastructure revolution
- The US-Russia dogfight to sell India fighter jets
- Singapore's leader of the opposition is convicted of lying

China

- Behind DeepSeek lies a dazzling Chinese university
- China's alarming sex imbalance
- Chinese authorities try to stop parents gaming the exam system (again)

Middle East & Africa

- Africa's young "generation hustle" hits the big time
- Sudan's national army is on the brink of retaking the capital
- Rwanda tightens its grip over eastern Congo
- Egypt and Jordan are struggling to make themselves useful to Donald Trump
- Syria's next steps towards a new order

Europe

- How Vladimir Putin plans to play Donald Trump
- Team Trump wants to get rid of Volodymyr Zelensky
- Germany's mind-bending electoral maths
- Can Europe withstand four years of Trumpian assault?

Britain

- Why Britain has so far dodged Donald Trump's tariffs
- Britain's government can ignore objections to its asylum policies
- Rachel Reeves is not alone in inflating her résumé
- Should all knives with pointed ends be banned?
- Shein attempts to mend its public image before its London debut
- Right-wing Britons are turning to e-petitions
- How Britons became happy hawks on Russia

International

- Donald Trump is junking the transatlantic alliance
- Will it be Ukraine today, Taiwan tomorrow?
- Australia prepares for a lonelier, harsher world

Business

- Elon Musk spells danger for Accenture, McKinsey and their rivals
- Europe is set to start cutting red tape—lightly
- Why Xi Jinping is making nice with China's tech billionaires
- It's not just AI. China's medicines are surprising the world, too
- Leaving the seat of power

Hollywood's Trump-baiting Oscars
Finance & economics
Investors fear inflation is coming back. They may be right
American inflation looks increasingly worrying
Why American credit-card delinquencies have suddenly shot up
To spend big, Germany's next government may need EU help
Will Europe return to Putin's gas?
China's leaders look to have blinked in their property face-off
Donald Trump's reciprocal tariffs are absurd
Science & technology
How the Trump administration wants to reshape American science
New research uncovers polygamy and intermarriage in ancient Eurasia
Another win for geology's Theory of Everything
Do bans on smartphones in schools improve mental health?
Culture
Han Kang is South Korea's pride—and its conscience
British football hooligans are on the offensive once again
Why are pop singers popping up in films?
Escapism and fear made "The White Lotus" a pandemic-era hit
The Louvre is hosting its first fashion exhibition
Economic & financial indicators
Economic data, commodities and markets
Obituary
Pableaux Johnson, peerless host and chronicler of New Orleans