The Economist

China's surveillance state

The tragedy of Keir Starmer

Jefferson rolls in his grave

Celebrity entrepreneurs

JULY 5TH–11TH 2025





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The world this week

Politics

July 3rd 2025



The American Senate passed Donald Trump's "big, beautiful bill", a colossal piece of legislation containing trillions of dollars in tax reductions, billions in spending on border security and swingeing cuts to welfare programmes and clean-energy projects. The bill passed by 51-50 votes, with J.D. Vance, the vice-president, casting the tie-breaking vote. Mr Trump then set about cajoling a few wavering Republicans in the House of Representatives who were opposed to the bill because it adds $3.4trn to budget deficits over the next ten years.

Elon Musk, the Republicans' biggest donor, who fell out with Mr Trump over the deficit-busting bill, called for the creation of a new political party to challenge both main parties, and suggested he would fund challengers at primary elections to Republicans who voted for the legislation. "What's the point of a debt ceiling if we keep raising it?" he asked.

The Trump administration piled the pressure on Harvard by informing the university that it had broken civil-rights law by failing to protect Jewish students from a campaign of harassment. Meanwhile, the president of the University of Virginia resigned, after the Justice Department demanded that he step down as part of a settlement over the college's diversity policies.

Mr Trump claimed that Israel had agreed to the "necessary conditions" for a 60-day ceasefire in Gaza. He did not specify what those conditions were but warned Hamas that if it did not agree to the deal, things would "only get worse". Neither Israel nor Hamas said whether they had agreed to the plan. The civilian death toll continued to climb relentlessly.

America is ending sanctions on Syria that were imposed during the rule of Bashar al-Assad. As Mr Trump signed the executive order, the White House said it would monitor Syria's progress on normalising relations with Israel and dealing with terrorist groups.

Iran arrested and executed people suspected of spying for Israel. Iranian officials think that the Iranian security services have been extensively infiltrated by Israeli agents.

France transferred another military base used by its army to Senegal, following a similar handover in March. The change in command is part of a broader withdrawal of French troops from the west African country, which announced last year that France would have to close all its military bases there by the end of 2025.

Narendra Modi, India's prime minister, visited Ghana for talks with John Mahama, the president. The first visit to the west African country by an Indian leader in 30 years comes as India vies with Russia and China for influence in Africa. India is one of Ghana's main trading partners and is one of the main recipients of its gold exports.

Thailand's Constitutional Court suspended Paetongtarn Shinawatra as prime minister while it considers arguments to remove her permanently. A group of 36 senators had petitioned the court, arguing she was not fit for office following the leak of a phone conversation she held with Hun Sen,

Cambodia's still influential former prime minister, during a border dispute. In the call Ms Paetongtarn seemed to criticise the Thai army.

The Dalai Lama announced that his Gaden Phodrang Trust will have the sole authority to select his successor. The announcement by the spiritual leader of Tibetan Buddhism was closely watched by China, which insists that only it has the right to name a successor.

Hugo Carvajal, a former chief of military intelligence in Venezuela, pleaded guilty to being part of a gang that trafficked cocaine to the United States. Mr Carvajal entered his plea days before he was due to stand trial in New York. Reports suggest he has done a deal with the American authorities in exchange for information on Nicolás Maduro, Venezuela's president.

In Chile Jeannette Jara won a national primary to be the left's presidential candidate at an election in November. Ms Jara, a communist, will be backed by the incumbent government currently led by Gabriel Boric, who is not allowed to stand again. Conservative parties did not hold a primary, meaning they won't put forward a single candidate. Each will slog it out with Ms Jara on election day.

The British government was left reeling after it had to perform a U-turn over welfare reforms. The bill passed a crucial stage in Parliament, but only after the main provisions were gutted to quell a backbench rebellion from Labour MPs, leaving the government with a fiscal hole that it will probably have to fill with tax rises. Bond markets wobbled when Rachel Reeves's future as chancellor of the exchequer was thrown into doubt. The day after the vote Ms Reeves cried in Parliament; the prime minister, Sir Keir Starmer, belatedly confirmed his support for her.

Four journalists at LeMan, a satirical magazine, were arrested in Turkey for allegedly publishing a caricature of Muhammad the Prophet. The publication of the image infuriated Muslim hardliners; hundreds clashed with riot police in Istanbul. The journalists insist that the image does not refer to Muhammad.

The Pentagon suspended certain shipments of missiles and ammunition to Ukraine, after a review determined that America's stocks of the weapons

were too low. The shipments were promised during the Biden administration. It is another blow for Ukraine. Russia has intensified its bombardment of the country in recent weeks.



In Hungary up to 200,000 people marched in Budapest's Pride event in defiance to the right-wing government of Viktor Orban, which has banned Pride marches throughout the country. The liberal mayor of Budapest skirted the ban by categorising it as a municipal event.

The centrist government in France survived another vote of no-confidence in parliament. The right-wing National Rally (RN) withheld its support for the measure, though it may vote to bring the government down later this year if budget negotiations don't go well.

Meanwhile, the French government gave an icy reception to a proposal by Marine Le Pen, the RN's leader, to boost the use of air conditioning. France, like many other European countries, swelters in the summer, but, like other European countries, most houses do not have air con. The ecology minister dismissed the idea, linking air con to global warming.

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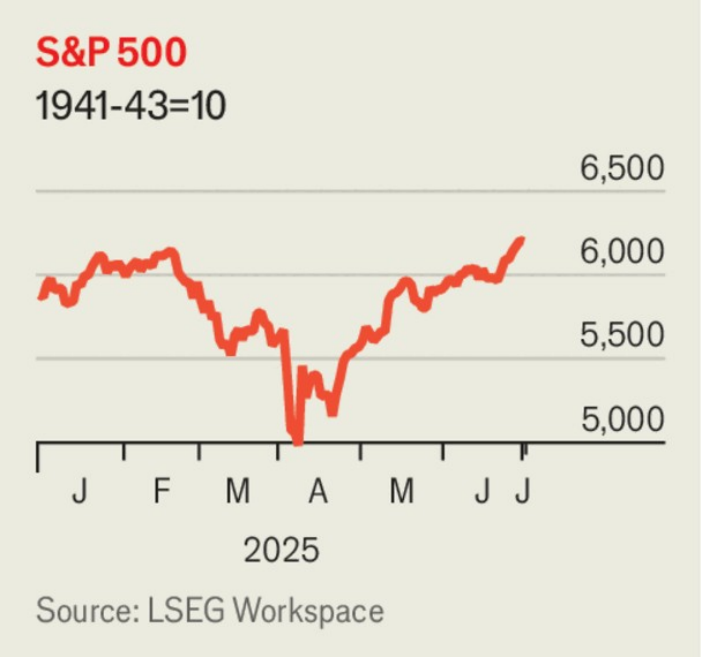
The world this week

Business

July 3rd 2025



Paramount Global reached a settlement with Donald Trump in his lawsuit against CBS News, which it owns. The president had claimed that CBS's "60 Minutes" programme had selectively edited an interview with Kamala Harris in a way that amounted to "substantial news distortion" in the run-up to last year's election. Many legal observers think the case would not have stood up in court, but Paramount has settled for $16m, to be paid to Mr Trump's future presidential library. It also relieves the pressure on the media giant's proposed merger with Skydance Media, which is being scrutinised by the Federal Communications Commission.



The S&P 500 broke a new record, almost five months after reaching its previous peak before it slumped in April amid Donald Trump's trade wars. The index has risen by 25% from that trough. It is being boosted again by tech companies. Nvidia is closing in on a $4trn market value and Oracle's share price jumped to a new high after it announced a cloud-computing contract (said to be with OpenAI) worth $30bn a year, one of the biggest data-centre deals to date. But even Nike's stock has surged, by 15% in a day, amid signs that its turnaround plan is working.

The threat of further tariffs is a big factor that could derail markets. The American government is piling the pressure on countries, including India and Japan, that are hoping to reach a deal on trade and avoid a new round of duties that come into effect on July 9th. Canada dumped its digital-services tax that targeted big, mainly American, tech companies, after Mr Trump threatened to end negotiations with that country. Vietnam did reach a trade deal, but "reciprocal" tariffs of 20% will still be slapped on its goods.

The dollar edged up against other major currencies, after falling to three-year lows as investors assessed the fiscal impact of Mr Trump's tax-cutting jamboree in his "big, beautiful bill". The dollar has had its worst first-half of a year since 1973, falling by 11% against a basket of currencies.

Lululemon launched a lawsuit against Costco for allegedly selling dupes of its yoga and leisure gear. The suit claims that Costco has unlawfully traded on Lululemon's goodwill, reputation and "sweat" by selling knock-off versions of its patented designs, which include the Define jacket (as worn by Kate Middleton) and ABC pants (Barack Obama). Costco didn't comment.

Continuing its drive to reduce the layers of management across the company, Microsoft announced another 9,000 job cuts, or about 4% of its employees, which are in addition to the 6,000 it made public in May (those cuts were mostly in engineering and products). Microsoft says it is streamlining its workforce, but the job losses are also a signal to markets that it is trying to rein in costs as its spending on artificial intelligence balloons.

Tesla reported another drop in sales. It delivered 384,122 vehicles in the second quarter, down by 13.5% from the same three months last year. That follows a 13% decline in deliveries in the previous quarter. Tesla's sales have fallen sharply in Europe, and it faces cut-throat competition in China. Jim Farley, the boss of Ford, said this week that the growth of the electric-vehicle industry in China is "the most humbling thing I've ever seen".

Renault announced that its stake in Nissan will now "be treated as a financial asset measured at fair value through equity", and that the accounting change means it will book a €9.5bn ($11.2bn) loss on the stake in its earnings for the first half. The news comes as the French and Japanese carmakers continue to restructure their alliance, through which Renault will eventually reduce its holding in Nissan to 10%, from 36% today.

Bank of America, Goldman Sachs, JPMorgan Chase, Morgan Stanley and other American banks said they would raise their quarterly dividends to shareholders—Goldman by 33%—after passing the Federal Reserve's latest stress tests. All 22 banks that were assessed by the Fed to see how they would fare in a severely adverse economic scenario passed the evaluation.

The share price of Greggs dropped as fast as sinking dough, after the British purveyor of baked delicacies and sandwiches issued a profit warning. It blamed hot weather for reducing customer footfall in its shops. Despite introducing cooler goodies, such as iced caramelised biscuit lattes, Greggs is best known for its warmer treats, such as sausage rolls and steak bakes.

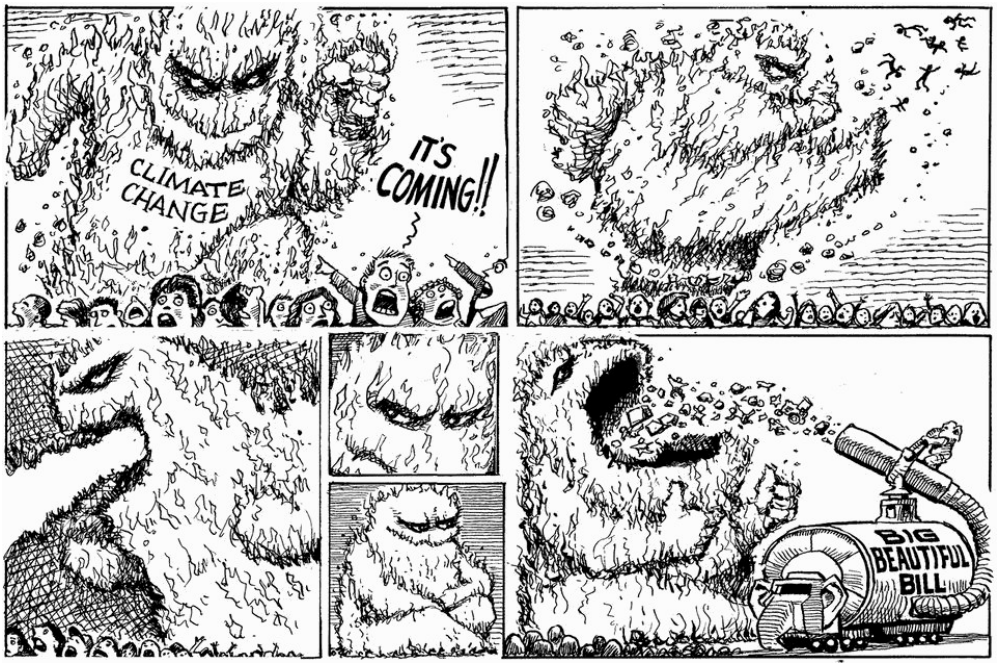
Some analysts wonder if Greggs should still be rolling out quite as many new stores if sales are slowing. It has opened nearly 1,000 in a decade, taking its total to 2,600 across Britain.

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The world this week

The weekly cartoon

July 3rd 2025



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

The big beautiful bill reveals the hollowness of Trumponomics

Ten charts to explain Trump's big, beautiful bill

What Donald Trump's return means for energy policy

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

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Leaders

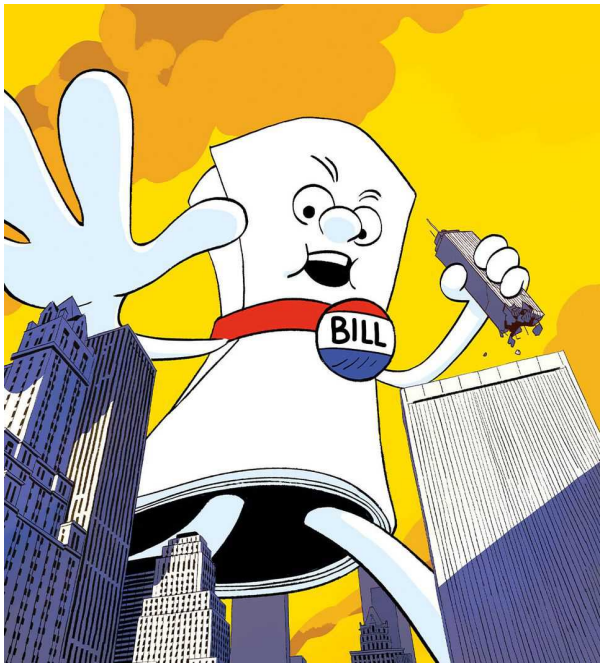
- Trumponomics 2.0 will erode the foundations of America’s prosperity
- Sir Keir Starmer is rapidly losing his authority
- China is building an entire empire on data
- William Ruto is taking Kenya to a dangerous place
- How A-listers are shaking up the consumer-goods business

Leaders | Big, beautiful…bonkers

Trumponomics 2.0 will erode the foundations of America's prosperity

The Big Beautiful Bill is symptomatic of a wider malaise

July 3rd 2025



Was it JUST a false alarm? The panic about the world economy that followed President Donald Trump's "Liberation Day" tariffs in April has given way to growing optimism. Tariffs' inflationary effect has so far been muted. In private, bosses say they now expect trade fights to produce trade deals, not to be an end in themselves. Surveys show that business and consumer confidence, though low, is improving. The S&P 500 index of stocks has hit a record high.

And as we report, the One Big Beautiful Bill act (BBB) that passed the Senate on July 1st and the House on July 3rd looks more like traditional tax-cutting, spending-slashing Republicanism worthy of Paul Ryan or Mitt Romney than it does a MAGA fantasy. Suddenly, business leaders are again

willing to see Mr Trump as the populist from his first term: a man to be taken seriously but not literally.

Unfortunately, the BBB, which Mr Trump plans to sign into law on July 4th, is likely to cast a shadow over this sunny picture. It illustrates the long-term damage Mr Trump is doing to the foundations of America's economy.

The bill's main effect is to extend the tax cuts from Mr Trump's first term which were due to expire. Republicans paint this as an extension of the status quo. Yet they, like the Democrats before them, ignore the fact that the status quo is unsustainable. Over the past 12 months America's budget deficit has been an astonishing 6.7% of GDP. If the bill passes, the deficit will remain around that level and the country's debt-to-gdp ratio will in about two years exceed the 106% reached after the second world war. Revenue from tariffs will help, but not enough to stop the ratio rising—meaning that the drift towards crisis will continue.

To the extent the bill tightens the belt, it does so in the wrong places. As life expectancies rise and the population ages, America should trim handouts to the old, for example by raising the retirement age. Instead, pensioners are getting a tax break and Republicans are cutting Medicaid, health insurance for the hard-up. Some sensible measures include reducing the ability of states to game the system for more federal cash. Yet according to official projections, the overall effect will be to add nearly 12m to the number of Americans without health insurance. That is a scandalous number for the world's richest big country. Many of those who lose coverage will fall foul of new requirements that recipients must work. Such rules have in the past created an obstacle course of paperwork for claimants while failing to boost employment.

More savings come from repealing tax credits for clean energy passed under President Joe Biden. The credits were littered with protectionist "buy American" requirements that this newspaper opposed. But because Congress abhors carbon pricing, nothing will replace them. The country will once again lack a federal policy for decarbonisation, and its greenhouse-gas emissions will be greater than they would have been. Mr Trump's nostalgia for fossil fuels ignores the potential of renewables to make energy much more abundant. That is foolish when the race for artificial general

intelligence is in part a race for the electricity necessary to train massive models.

Even the way the bill was passed reveals America's creeping dysfunction. The BBB is gargantuan because governing parties very rarely get more than one chance a year to pass a tax and spending bill with just 51 votes in the Senate, rather than the 60 needed to circumvent the filibuster. In such a big bill, important reforms are poorly scrutinised, and a lot of pork can be used to buy the support of congressmen.

Optimists acknowledge some or all of this, but argue that economic growth will wipe out all these worries. Faster growth would ease the burden of debt, benefit the poor through more jobs and higher wages and make political dysfunction seem economically irrelevant. Sure enough, the administration projects nearly 5% more output over the next four years.

Yet it is wrong to expect this bill to create a growth boom. The tax cuts in the BBB that are already in effect offer little fresh stimulus, and tariffs are an offsetting force. In any case, interest rates are three times their level when Mr Trump last cut taxes and the Federal Reserve is more likely to balance looser fiscal policy with tweaks to its monetary stance. Supply-side tax cuts will help boost investment, but account for just 8% of the total, by cost. Many new tax cuts, including exemptions for tips and overtime, are gimmicks. The administration's deregulation agenda could help, but only on the margins.

In fact, America's geyser of debt issuance will increasingly harm growth. In normal times public debt crowds out private investment, raising the cost of capital for new projects like data centres. And the costs of a sudden fiscal adjustment, forced on America by bond markets, would be vast. Goldman Sachs, a bank, reckons that if Congress postpones fiscal tightening for another decade, it may then need to cut spending or raise taxes by an annual 5.5% of GDP to stabilise debt-to-GDP. That is more than the austerity endured by the euro zone after its sovereign-debt crisis in the 2010s. If that proved too hard for legislators, America might resort to tactics used after the second world war: inflation and financial repression.

The BBB's neglect of the long term is part of a wider malaise. Riding high on America's economic might and undoubted negotiating leverage, Mr Trump ignores the foundations of America's success. He has renewed his attacks on the Fed, adding another threat to economic stability. His defunding of scientific research will harm American innovation. His cavalier approach to the rule of law makes America a riskier place to invest. And despite the moderation of his trade war, the average tariff rate is still its highest in a century and trade-policy uncertainty is a burden. Even as American assets boom in dollar terms, they have fallen behind when priced in foreign currencies. An 11% fall in the dollar this year reflects long-term risks to the American economy that are real, and growing. ■

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Leaders | The tragedy of Labour

Sir Keir Starmer is rapidly losing his authority

As well as his hope of achieving much in office

July 3rd 2025



The first birthday of Britain's Labour government on July 4th will be a miserable, cakeless affair. The party's polling is dreadful, trailing Reform UK, an insurgency from the right led by Nigel Farage. Promises to cut hospital waiting-lists, build more houses and stop migrant boats are off-track. And on July 1st Sir Keir Starmer was humiliated by a huge rebellion, as Labour MPs gutted a bill to cut sickness and disability benefits. In Parliament the next day his chancellor wept and yields on Britain's debt soared. The prime minister has never looked weaker.

Labour came to power hoping to be a beacon for European and American centrists beset by populist merchants of division and chaos like Mr Farage. Sir Keir boasted that he would attack Britain's structural crises by combining a technocratic cabinet with a mighty parliamentary majority. In

place of Conservative gimmicks, he would engineer deep reforms. Growth would return, public services would stir and Britons' faith in the political system would be restored.

This week's rebellion shows how Sir Keir has failed. True, Britain is more stable than when the Tories culled several prime ministers in a bloodfest to rival "Squid Game". Yet even as Sir Keir has shepherded Britain back into the European fold, nannied President Donald Trump and backed Ukraine and NATO, the crisis at home has only deepened.

Britain is stuck in its longest period of economic stagnation since the 1930s. The public finances do not add up. The cost of servicing debt as a share of GDP is the highest since 1987. In the 1980s only 12% of voters thought the prime minister would put party before country; today only 12% expect Labour to put country first. On election morning Sir Keir called trust in government "the battle that defines our age"; under Labour, trust is at a 40-year low.

One error has been for Sir Keir to court political pain for little gain, as the welfare debacle shows. Britain is suffering a steeper rise in benefits than other Western countries, owing partly to a surge in young claimants citing poor mental health. Labour should have dealt with the fundamental causes and managed the politics by offsetting cuts in one area of welfare with gains in another. Instead, the reforms were a cosmetic measure to flatter the public finances by trimming just £5.5bn ($7.5bn) of annual savings from an expected total of £66bn by 2030. Even that progress has been undone by the rebellion.

Across government, Sir Keir tweaks systems that need reinvention and shores up institutions that should be demolished. Labour's reforms to the planning code, Brexit, the National Health Service, Whitehall and taxation are all too timid. As a result, the government has blown its stock of political capital on measures that are often sensible, frequently unpopular, but invariably too small, shallow and slow to make a difference.

Another of Sir Keir's errors has been to shy away from making the big argument. The case for reforming welfare should come naturally to a leader who has preached blue-collar values of hard graft and minding the pennies.

But the former star barrister instead fell back on the weak, contingent case that his hands are forced by the public finances—only then to destroy his credibility by backing down. Having run a "small target" election campaign that included as few details as possible, Sir Keir has never sought to tell voters why he wants power—at least not beyond saying that it should help him be re-elected.

And a last disappointment has been his failure to equip Labour to grapple with the mood in the country. Britons know that their economy is stagnant, but they also balk at attempts to fix it. They tell pollsters they want higher spending, but oppose higher taxes. They want lower welfare bills in general, but oppose benefit cuts in particular. Naturally, Kemi Badenoch, the Conservative leader, and Mr Farage play into this, with talk of a smaller, leaner state even as they line up to oppose cuts to goodies that voters treasure.

Labour MPs were elected to resolve these contradictions. Under Sir Keir, they have been unwilling to confront their voters. Twice MPs have shown they will not control spending—first by protesting against a cut to heating subsidies, and then by rebelling on welfare. Labour's supposed "iron grip" on the public finances is feeble. Many MPs talk about loosening the fiscal rules again, so as to borrow even more. They have learned the wrong lessons from Liz Truss, whose 49 days as prime minister in 2022 tanked the bond market. The conclusion should not be just that Ms Truss was a fool, but also that Britain, a country with high debt, weak growth and borrowing costs above the G7 average, will struggle to retain the faith of its creditors.

In theory, one year is too soon to write off Sir Keir. Even Sir Tony Blair in his pomp was dealt a bloody nose by backbenchers over welfare reform. The prime minister could yet confront his MPs with the hard truth that, without a transformation in Britain's growth prospects, the social democracy to which they aspire is a mirage. Britain is lucky that the solutions to many of its problems could be fixed by Parliament: deeper welfare reform; a predictable, rules-based planning system; a new property-tax and VAT regime; and visas geared to productive newcomers. Such a course would bring growth and help refute Mr Farage's argument that the old parties are inert in the face of decline.

More probably, Sir Keir will sink further. His government appears to have lost confidence among investors, and his chancellor's credibility has vaporised: it is unclear how long she will survive in office. After this week, the prime minister will struggle to enforce discipline in Parliament. Rather than try to pass ambitious legislation, he is more likely to try to soothe irate MPs and buy off his base with a thin smear of jam today.

A Labour Party that chooses popularity over hard reforms will end up with neither. Deeper crisis could shake Britain out of its stupor, but if the malaise continues it may well be Mr Farage who rides to power promising change. That should be Labour's warning to centrists everywhere. ■

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Leaders | Surveillance state

China is building an entire empire on data

It will change the online economy and the evolution of artificial intelligence

July 3rd 2025



CHINA'S 1.1BN internet users churn out more data than anyone else on Earth. So does the country's vast network of facial-recognition cameras. As autonomous cars speed down roads and flying ones criss-cross the skies, the quality and value of the information flowing from emerging technologies will soar. Yet the volume of data is not the only thing setting China apart. The government is also embedding data management into the economy and national security. That has implications for China, and holds lessons for democracies.

China's planners see data as a factor of production, alongside labour, capital and land. Xi Jinping, the president, has called data a foundational resource

“with a revolutionary impact” on international competition. The scope of this vision is unparalleled, affecting everything from civil liberties to the profits of internet firms and China’s pursuit of the lead in artificial intelligence.

Mr Xi’s vision is being enacted fast. In 2021 China released rules modelled on Europe’s General Data Protection Regulation (GDPR). Now it is diverging quickly from Western norms. All levels of government are to marshal the data resources they have. A sweeping project to assess the data piles at state-owned firms is under way. The idea is to value them as assets, and add them to balance-sheets or trade them on state-run exchanges. On June 3rd the State Council released new rules to compel all levels of government to share data.

Another big step is a digital ID, due to be launched on July 15th. Under this, the central authorities could control a ledger of every person’s websites and apps. Connecting someone’s name with their online activity will become harder for the big tech firms which used to run the system. They will see only an anonymised stream of digits and letters. Chillingly, however, the ledger may one day act as a panopticon for the state.

China’s ultimate goal appears to be to create an integrated national data ocean, covering not just consumers but industrial and state activity, too. The advantages are obvious, and include economies of scale for training AI models and lower barriers to entry for small new firms.

Some of the disadvantages are equally clear, however. The state has a poor record of managing personal data: Shanghai’s police lost 1bn records to a hacker. If private firms lose control over the data they create, profits could suffer, diminishing the incentives to innovate. Although the digital-ID scheme may supersede the existing clunkier online surveillance system, in which low-level enforcers abuse their enormous powers, the new approach looks a lot like a paradise for Big Brother.

Most countries are grappling with how to manage and control data. According to some reports, the Trump administration may consider hiring Palantir, a private tech firm, to consolidate government data pools. The

European Union may have to update its GDPR rules. India's Aadhaar system for IDs emphasises privacy at the possible expense of boosting the economy.

All countries need scale and efficiency in data management. Yet for democracies the task is harder, because they must build in checks and balances that safeguard property rights, privacy and civil liberties. As it embraces its vast experiment, China will put less weight on such things and could build an efficient and dystopian system of surveillance. For decades it has been a "fast follower" of Western innovations. If China now races ahead in showing the financial value of its national data ocean, its method of centralisation will pose not just an economic challenge, but also a political one. ■

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Leaders | Wrong direction

William Ruto is taking Kenya to a dangerous place

The president's authoritarian instincts are propelling a spiral of violence

July 3rd 2025



For the past two decades, if you searched a map of Africa for a country that was relatively stable politically and successful economically, one stood out: Kenya. Home to 57m people from 40 ethnic groups, the east African country has grown steadily and sustained a largely peaceful democracy. But now the picture is looking bleak. Kenyans are increasingly discontented and venting their anger in the streets. President William Ruto, elected in 2022 on a promise to improve the lives of ordinary Kenyans, has responded to demonstrations with brutality and censorship. A spiral of riot and repression is eroding civil liberties and may jeopardise economic reforms. Mr Ruto must change tack.

The latest ominous sign came on June 25th, when 19 people were killed and hundreds injured after police opened fire on protests. The government banned live television coverage of the mayhem, until a court intervened. The protesters were furious at the recent death of an opposition blogger in police custody; they were also marking the anniversary of anti-government demonstrations in 2024, during which at least 63 people were killed and many more arrested or abducted.

Kenyans' fury reflects their country's deeper problems. In contrast with the past, protesters are not divided along ethnic lines, but united by frustration over their poor living standards and their lack of opportunities. Last year's demonstrations were named the "Gen Z" protests because they were led by young people outraged at a planned tax rise by a government that wastes money and creates too few jobs for them.

The official response to bloodshed last year was indifference. Following the latest killings, the interior minister has denounced what he calls a "coup attempt" by "criminal anarchists" and commended the police on their restraint. The more repressive the government grows, the more young Kenyans question its legitimacy. Their country, which once set a fine example to the rest of Africa, now offers a how-to guide on smothering dissent.

It could get worse. Unrest could grow more violent, and be met with more deadly force and more midnight abductions of government critics by hooded men wielding batons and handcuffs. (The police insist they are not to blame, but survivors say they were tortured and questioned about the protests.) Kenya has a reasonably solid judiciary, but such abuses undermine confidence in the rule of law and deter investment. Several global companies have already left or scaled back operations. Worse still, Mr Ruto's inability to create a consensus could delay or derail much-needed economic reforms. After last year's protests, he backed down and scrapped the plan to raise taxes. Yet the state needs more revenues if it is to do its job properly while reducing public debt and promoting growth.

The best way out of the spiral would be to take the protesters' demands seriously. The government should rein in its security forces, ending the abductions of dissidents and prosecuting those responsible for killing

protesters. It should make a visible effort to improve public services, while curbing corruption, state profligacy and ostentatious consumption by the political elite. Kenyans are likely to accept higher taxes only if they feel more confident that their hard-earned cash will not be stolen or squandered.

Given the damage to Mr Ruto's reputation over the past three years, a less tainted successor would have a better chance of getting the reforms Kenya needs. So the president should not stand for re-election in 2027. Alas, he is unlikely to step aside. Kenya does not have a strong opposition candidate to challenge him. Unless one emerges, there is a grave risk that Mr Ruto will continue to take his country backwards. ■

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Leaders | The new star power

How A-listers are shaking up the consumer-goods business

Hailey Bieber, Rihanna and Ryan Reynolds are among a new cohort of celebrity entrepreneurs

July 3rd 2025



Celebrities ARE venturing beyond the billboard and the big screen—and into big business. Hailey Bieber, a model married to Justin, recently sold Rhode, her make-up brand, in a deal valued at as much as $1bn. Skims, a shapewear label founded by Kim Kardashian, a reality-TV star, makes $1bn in annual sales and is expected to list on the stockmarket soon. Rihanna is now a billionaire not directly because of her music, but thanks to Fenty Beauty, her make-up label. Ryan Reynolds, a Hollywood actor, is active in everything from telecoms to online privacy. Surprisingly, many of these superstar businesses have become a source of innovative new consumer products.

Celebrities have long used their fame to peddle things. Michael Jordan, a basketball player, is thought to have made over $1.5bn from his partnership with Nike over the past 40 years. Nespresso has reportedly paid George Clooney more than $40m to have his mug selling its coffee. Two decades ago Hulk Hogan, a professional wrestler, helped market the "Hulkster" cheeseburger, pre-cooked and frozen for your convenience. The practice continues. This week President Donald Trump launched "Victory 45-47", a line of fragrances for men and women priced at $249, having launched "Fight Fight Fight" ($199) last year.

By contrast, the new superstar brands put the A-list into capitalist. Ms Bieber and co are involved in operations and hold equity stakes of varying sizes in the underlying businesses. Many celebs have begun to rethink the value of traditional endorsement and licensing deals. Social media now give them a line straight to their fans. Direct-to-consumer distribution, meanwhile, has made getting a product to market easier than ever. Given that the real money is in building and owning a brand, rather than advertising, why not launch one instead?

This thinking in turn is altering the life-cycle of consumer goods. Just as pharmaceutical giants acquire biotech startups to refresh their drug pipelines, so consumer giants are buying up the most successful celebrity brands. The match makes sense. The hardest part of building a brand is the first 100,000 sales, but the A-list has a fan base that is well disposed towards them and their wares. Once a celebrity brand gets off the ground, a consumer giant has the production and distribution networks to help it grow.

Hence the series of deals. Among the first was Apple's acquisition of Beats Electronics, a headphones and streaming business co-founded by Dr Dre, a music producer. Many were shocked when the tech giant, which prides itself on in-house research and design, paid around $3bn for the brand in 2014. More recently Diageo, a drinksmaker, has bought a tequila firm co-owned by Mr Clooney, in a deal valued at around $1bn, and a gin distiller partly owned by Mr Reynolds, for up to $610m.

Obviously, a famous name is not enough on its own to get a second-rate product flying off the shelves. You need only peer into the bargain bin in any cosmetics shop to spot the remainders of Rosie Huntington-Whiteley's

beauty products, or Sarah Jessica Parker's scents. Some of Mr Trump's newest offerings may soon join them. According to a perfume-review website, Victory 45-47 for men is "not particularly memorable".

Shoppers today are quick to review products on social media. Fans might try a new lipstick or t-shirt produced by a celebrity. But they will not buy it a second time if they are disappointed. At their best, celebrity brands are innovative, creative—and lucrative for their owners. Yet, just like show business, brutal flops are possible, too. ■

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Letters

- Manufacturing remains a core driver of economic growth

Letters | A selection of correspondence

Manufacturing remains a core driver of economic growth

Also this week, illegal drugs, "Jaws", social media and Christianity, inverted commas

July 3rd 2025



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The world must escape "The manufacturing delusion" (June 14th), you say. Yet manufacturing remains a core driver of economic growth and high-quality jobs. Yes, manufacturing is becoming more automated, but this transformation has not diminished its importance. On the contrary, modern manufacturing drives productivity, innovation, exports and the development of complex supply chains. Factory jobs also tend to be higher value, supporting surrounding ecosystems through design, engineering and

services. In Britain a lost manufacturing job often means the loss of a high-wage job outside London. Manufacturing in Britain accounts for the largest share of business R&D investment, boasts the second-fastest productivity growth among industries (3% a year from 2000–23), and remains a leading contributor to capital formation.

It is also a logical flaw to suggest that China's growth slowdown comes from an over-reliance on manufacturing. The real factors behind its slower growth are a weaker global economy and China's transition to a more mature development stage. In fact, China's economic strategy is increasingly centred on spurring "new quality productive forces" through advanced manufacturing, precisely because manufacturing remains vital to innovation and long-term growth. Rather than retreating from manufacturing, China is doubling down on it as the cornerstone of its "high-quality development" agenda.

Showcasing India as an example of where economies can thrive while sidestepping manufacturing is an exercise in cherry-picking that contradicts the lessons of every other industrialised economy. Indian leaders themselves are more cautious. Manmohan Singh, the late former prime minister, noted that "A substantial manufacturing base is essential to absorb the workforce and ensure sustainable growth."

Deindustrialisation is not a strategy, it is a surrender.

Dr Mateus LabrunieDr Carlos Lopez-GomezProfessor Tim MinshallInstitute for ManufacturingUniversity of Cambridge

You see the retreat of industry in rich economies as a benign, inevitable drift toward services. On the ground it looks rather less idyllic. The real delusion is the belief that advanced societies can live off spreadsheets while their physical base erodes. Service innovation is welcome, but someone still has to pour the concrete and draw the wire. Better to recognise that reality now than relearn it in a hot war or a cold winter. Take Ukraine, for example. Western governments discovered that "just-in-time" re-armament is a mirage. After 18 months of emergency spending the European Union and the United States can finally muster roughly 1m 155mm shells a year.

Russian factories were on course for 4-5m in 2024. If that is “remarkably fast” adaptation, one shudders to imagine slow.

Moreover, the notion that manufacturing is now a laggard is out of date. The OECD’s compendium of productivity indicators for 2023 shows manufacturing multifactor-productivity still advancing roughly twice as quickly as market services in the median G7 economy. Deindustrial economies are not more efficient. They are merely importing other people’s efficiency and exporting their own purchasing power.

The lesson is not to seal borders behind tariff walls—Donald Trump’s metals duties in 2018 proved how self-harming that can be—but to run an active, open industrial strategy. Permit planning that allows large plants to be built in years, not decades; use public co-investment where spill-overs are obvious, such as power semiconductors; use trade among allies so that capacity is pooled rather than duplicated.

Dr Wladimir KrausLondon

Manufacturing is not just about jobs, it is a crucial engine for innovation, especially in high-tech sectors. For instance, in space and aeronautics the success of programmes such as Artemis or Ariane hinges on robust, homegrown manufacturing capabilities. Similarly, the energy transition requires the ability to manufacture wind turbines and grid infrastructure domestically to avoid supply-chain disruptions. The pandemic and recent geopolitical tensions have shown that an over-reliance on foreign manufacturing can jeopardise national interests. Countries need to invest in domestic production lines for defence, satellites, and clean-energy hardware to ensure readiness and resilience.

I agree that blanket subsidies are not the answer, but targeted support for these strategic sectors, such as through workforce development, incentives for critical component production, and public-private collaboration, can help maintain a competitive edge without resorting to protectionism.

Adrian Garcia AranyosPresidentThune EurekaVilagarcia, Spain

Strengthening anti-drug law enforcement in Ecuador is good advice ("Busting gangs, keeping the law", June 14th). But the suggestion that legalising drugs (which you admit won't happen) would weaken drug gangs is a fool's errand. This is seen in America, which has in effect legalised cannabis over three decades. The legal cannabis industry has not ended illegal cannabis supply in California. Only 40% of the cannabis bought in California comes from legal suppliers and legal sellers urgently call for more law enforcement to curb their vigorous illegal competitors. The best way to weaken drug gangs is to reduce the demand for drugs. As long as people are willing to pay for drugs, drug-trafficking organisations will continue to thrive and supply them.

Dr Robert DuPontFormer White House drug czarChevy Chase, Maryland

I was a photographer at the Houston Chronicle when "Jaws" opened in 1975 (Back Story, June 14th). There were often long lines at the movie theatres, so long that I was assigned to take a picture of them. At one theatre in the Galleria shopping centre the line extended some 400 feet (120 metres). As a testimony to the movie's popularity, one of those patiently waiting to buy a ticket was a man with a white cane.

Bill CloughVictoria, Texas



You identified covid-19 as a catalyst for renewed faith among Generation Z ("Not losing my religion", June 14th). Another crucial factor is social media's role in normalising Christianity for the young. TikTok and Instagram have become unexpected evangelising platforms, where fitness influencers and "bro-coded" content creators increasingly weave Christian messaging into their posts. These figures, often young and athletic men, present faith as compatible with modern masculinity, countering traditional perceptions of Christianity as feminine or outdated. This digital evangelism helps explain why young men are becoming "particularly keen on God". Algorithms amplify religious content to users who show interest in self-improvement, mental health, or community. Social platforms have transformed religious discourse from institutional to personal, from formal to accessible.

Chase SchaubBoston"Baptism boom" (May 31st) reported on the rise of adult baptisms in France. I noted your suggestion that covid-19 may be one explanation for this trend, and that "an excessive time spent on screens and working from home" may be another. In America an article written by Alec Tyson, Michael Lipka and Claudia Deane in February this year for the Pew Research Centre offers an extensive insight into how the pandemic affected religious life in this country.

As an educator I can honestly say that post-covid-19 students are less engaged and more withdrawn. The question remains to be seen whether they can play catch-up on their human capital, or will the pandemic forever be their Achilles' heel?

Edward LambTexarkana, Texas

Inverted commas to indicate dialogue in writing are falling out of fashion, you report ("Inverted snobbery", June 14th). Samuel Beckett's trilogy in the early 1950s ignored inverted commas altogether. Beckett's hostility to the conventional novel was almost certainly behind his decision. The effect is a unity with the narrator, but which may not work well, or even clearly, with other styles of writing. James Joyce dropped inverted commas in "Ulysses", but this was published under different circumstances. He was subject to French printers whose conventions determined the result, and in the bargain, they made errors in the text.

Guy CranswickSydney

When Joyce wrote a passage of “Ulysses” without any punctuation he was praised as a literary hero. When I wrote an essay without any punctuation all I got was “1/10, See Me”. Joyce’s pernicious influence on writing needs to be expunged, so that we can rightfully consign to the dustbin the most ludicrously overrated author in the English language.

Robert FrazerSalford

Inverted commas may be creatures of fashion but from our furry ancestors onwards, vocal speech between real people has been augmented by gestures. Think of those punctuation marks as signals from author to reader and their importance becomes clearer.

Unlike the novels cited, when it comes to the encyclopedias of knowledge on which we rely for our understanding of the world, these quotation marks retain their central place in distinguishing between the view of the author and that of someone being cited. In a world where truth is at risk, careful use of the old inverted comma will continue to have its place.

Peter TompkinsVice-chairmanKing’s English SocietyLondon

It was with what I now take to be the predictable horror of the over-educated that I read your piece on the decline of the inverted comma. Yet something intrigues me. How do we explain the inverse correlation between said decline and the inexorable rise in people using the “air quotes” gesture in conversation, a polite two-fingered movement that incarnates the textual symbol. If you are right, presumably, and perhaps ironically, our ancestors will one day wonder quite where that gesture came from in the first place.

Tim BaleProfessor of politicsQueen Mary University of London

You say that quotation marks are “inaudible and unpronounceable”. Not so. The great Victor Borge resolved that issue with his invention of phonetic punctuation. Readers will have to search out his actual presentation to get the full flavour, but suffice it to say that inverted commas can easily be

indicated with a kind of double-clicking sound (upward inflected to open and downward to close, of course).

Jack StevensBrookline, Massachusetts

The most accurate term for inverted commas isn't perverted commas by James Joyce but rather (“)air bunnies(”) by Gloria Delgado-Pritchett in “Modern Family”.

Michael Rurik HalabyLondon

FORGETINVERTEDCOMMASWESHOULDRETURNTOTHEANCIENTGREEKWAYSANDWRITEINALLCAPITALLETTERSWITHNOPUNCTUATIONWHATSOEVER

David OpderbeckProfessorSeton Hall University School of LawNewark, New Jersey

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By Invitation

- The best check on Fed politicisation is fear of being judged a failure, says Richard Clarida
- This is Europe's Manhattan Project moment, argues a tech boss

By Invitation | Central-bank independence

The best check on Fed politicisation is fear of being judged a failure, says Richard Clarida

To install a loyalist, Donald Trump will have to overcome barriers in the courts, in Congress and in markets

July 3rd 2025



PRESIDENT DONALD TRUMP has once again been aiming sharp criticism at Jerome Powell, accusing the Federal Reserve chairman of keeping interest rates "artificially high" and being a "bad person". Although in the past Mr Trump has argued that the president can under law "fire" the Fed chair if they disagree over monetary policy, this would almost certainly be fought in the courts, including by Mr Powell himself. Regardless, because Mr Powell's second statutory four-year term as Fed chair ends in May 2026, Mr Trump will soon have a chance to nominate his successor. Given the president's relentless attacks on the Fed chief since retaking office in

January, his nominee's commitment to resisting pressure from the White House is sure to be closely scrutinised by Congress and financial markets.

The Fed operates with what is known as instrument independence, which means that it can raise or lower interest rates or buy and sell Treasuries without interference from the White House or prior approval from Congress, which itself created the Fed with the passage of the Federal Reserve Act in 1913. History shows that central banks that are shielded from the political process produce better economic outcomes—including lower inflation—than those that are more responsive to political pressure.

Fed independence derives from important statutory protections. One of these is the appointment of the central bank's governors for 14-year terms on a staggered basis. Another is the stipulation that governors can be removed by the president only "for cause"—often defined as inefficiency, neglect or malfeasance in office—to ensure that he cannot fire them solely because of policy disagreements. This protection for independent agencies created by Congress was upheld by the Supreme Court in the Humphrey's Executor case in 1935.

By statute, Fed monetary-policy decisions are made not by the chair alone but by a majority vote of the Federal Open Market Committee (FOMC). This key decision-making body, which was also established by Congress, is not a committee in name only; it was designed to limit the power of any one individual in setting policy. The FOMC is composed of seven presidentially appointed and Senate-confirmed governors and five of the presidents of the 12 Federal Reserve district banks—with the latter selected by the commercial banks in their districts, not the president.

The potential threats to Fed independence come from two sources: the courts and the confirmation process for the president's nominees. The Justice Department in Mr Trump's second term is taking a position in numerous cases—including one involving the National Labour Relations Board (NLRB) and another involving the Merit Systems Protection Board (MSPB)—that, in effect, guts the 1935 Supreme Court decision. In the department's view, such protection is an unconstitutional restraint on the "unitary" executive authority of the president.

A Supreme Court decision to overturn the Humphrey's Executor ruling would end Fed independence as we know it, unless the court granted a specific exception for the central bank's governors. Significantly, in a ruling on May 22nd the court allowed Mr Trump to dismiss members of the NLRB and the MSPB without needing to show "cause", but rejected the argument that its decision "necessarily implicates" the Fed. The court wrote that the central bank is a "uniquely structured, quasi-private entity that follows in the distinct historical tradition of the First and Second Banks of the United States".

The second potential threat to Fed independence is that whoever succeeds Mr Powell acts, or is seen as acting, under the influence of the White House. Though it is not unheard of for Fed chairs to politicise monetary policy—such as when the bank under Arthur Burns succumbed to rate-cutting pressure from Richard Nixon when the case for lower rates was unconvincing—there are checks built into the system that limit that risk today. First, because the chair casts just one of 12 votes on the FOMC, he cannot act as an autocrat. If a new chair were to try to pursue a policy demonstrably inconsistent with the congressionally assigned mandate of price stability and maximum employment, he or she could be outvoted, including by Mr Powell himself if he chose to remain on the Fed board until his term as a governor ends in 2028—a possibility with precedent that he has not publicly ruled out.

Moreover, Senate confirmation of the nominee, even under Mr Trump, is not a rubber stamp. Although Republican senators will be inclined to support the president's choice, lawmakers take confirmations of Fed chairs very seriously, and by all accounts there is strong bipartisan support in the Senate for the head of the central bank to remain politically independent.

The bond market will also have a say. Were a Fed nominee to be seen by markets as not fully committed to returning inflation to the 2% target, bond yields would probably rise and market measures of break-even inflation—the difference between the yields on normal and inflation-protected bonds—would soar. That would complicate the confirmation process, to put it mildly.

Last, perhaps one of the most compelling checks is the fear of being judged a flop by future historians and economists. Even a small amount of armchair history reading should convince any prospective Fed chair that they will be judged first and foremost on their success in fulfilling the Fed's price-stability mandate. History would not be kind to them if they failed. ■

Richard H. Clarida is an economics professor at Columbia University and a managing director at PIMCO. He was vice-chair of the Federal Reserve Board from 2018 to 2022.

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By Invitation | The future of warfare

This is Europe's Manhattan Project moment, argues a tech boss

NATO's front line needs more money, says Gundbert Scherf, but just as important is smarter technology

July 3rd 2025



LEADERS OF NATO countries are preparing for tectonic shifts in geopolitics and technology. For European allies, this should be a turning point—when they reset their defence posture to shape, rather than react to, the future of warfare. But only through marrying increases in defence spending with leadership in cutting-edge technologies can Europe achieve the "industrial renaissance" called for by NATO's secretary-general.

Europe has come a long way. It is poised to outspend America on defence this year. Most European allies are moving towards core defence spending of

3.5% of GDP. But Europe lacks a strategic technological concept to guide how the money is used.

For decades America has used “offset strategies”—leveraging technology to maintain military supremacy when outmatched in other ways, including numerically—in support of its geopolitical objectives. It now intends to focus increasingly on China, recent events in the Middle East notwithstanding, and is racing for supremacy in artificial intelligence (AI). As a result, it has pivoted towards a new defence-tech-industrial base that includes large AI labs and a new breed of defence-tech companies such as Palantir and Anduril.

Europe, meanwhile, remains preoccupied with Russia and grounded in a faulty cold-war logic, where deterrence is equated to matching adversaries’ forces: ships, jets, tanks, missiles and warheads. Russia is good at mass-producing such things, Europe less so. If it runs Russia’s race, it will lose.

America is doubling down on the AI offset, convinced that future advantage will come from AI-enabled systems that not only out-sense and out-decide adversaries, but can also overwhelm them with “autonomous mass”, such as affordable yet capable drone swarms. Europe, meanwhile, clings to its old platforms and ways of fighting. Despite all the talk of lessons from Ukraine and the rise of drone warfare, there remains a chasm between what European allies are planning to spend and what their NATO “capability targets” imply they should.

Unless that gap closes, fast, Europe won’t be able to deter Russia, let alone reinvigorate its industrial base and achieve strategic autonomy. Europe must stop treating AI as a novel tool for back-office productivity and start deploying it as a crucial battlefield weapon.

This requires a strategic rethink of the kind last seen with the advent of nuclear weapons. The AI race is, however, accelerating much more quickly than the nuclear one did. The barriers to entry are low and falling. The Chinese DeepSeek model, a project that can almost match the performance of OpenAI’s GPT-4, shows how quickly unexpected breakthroughs can occur. And unlike the tech race during the cold war, there are no exclusive clubs, clear thresholds or red lines. An unanticipated leap in autonomous

targeting, drone swarms or satellite surveillance could tip the balance before governments can respond.

Europe cannot afford to sit this out. It needs its own Manhattan Project for AI defence. It would not cost the Earth: the original American effort to achieve nuclear deterrence and build a platform to deploy it cost the equivalent of €75bn ($88bn) today—less than a fifth of Europe's combined defence budget for 2024 alone.

Unlike its cold-war American precursor, such a European effort should not be the secretive preserve of government. Applied AI research happens almost exclusively in the private sector. Its deployment for national security will require public-private collaboration, just like the partnerships that are flourishing in America.

This collaboration should concentrate on four areas.

The first is to achieve drone mass. Ukraine is proving the concept on Europe's front line. Now it must be applied to NATO's eastern flank. Europe must deploy its own autonomous mass if it is to successfully counter Russia's brutal use of "human mass" and deter its further aggression.

The second is to dominate the air with AI-enabled uncrewed combat aerial vehicles (UCAVs). Fighter jets are costly and vulnerable. UCAVs, deployed in numbers, offer a more scalable path to air superiority.

The third is to illuminate the depths of the seas. Large-scale deployment of AI-enabled sensors would make it possible to deny adversaries stealth in submarine warfare and stop them sabotaging critical underwater infrastructure.

The final priority should be space. Europe must replace its fragmented and ageing constellation of satellites. It needs a truly sovereign, AI-enhanced surveillance and targeting system that allows European allies to identify and neutralise threats in real time.

These are not speculative concepts—they are already shaping conflicts. America, China and regional powers including Israel are making big

investments. Europe is falling behind, not due to lack of capability but because of conceptual inertia and bureaucratic fragmentation.

This is not a call for reckless militarisation of AI. Democratic leadership is needed more than ever to guide the development of AI in ways that are legal and ethical. But leadership requires capability. If Europe doesn't set the terms for defence AI, its adversaries will. Restraint without relevance is just weakness.

The time is right for Europe's more determined and farsighted governments to pool resources and invest in the most operationally relevant AI capabilities. This would strengthen NATO's deterrence posture and restore Europe's credibility.

If, however, they fail to lead this transformation, the continent risks becoming dependent on technologies and decisions made elsewhere. European forces will deploy using algorithms they did not build, acting on commands they do not control. They may be defeated by the very same warfare-defining technology denied to them by European policymakers' lack of vision and urgency.

This need not be the case. World-class European talent in AI has driven many American tech giants' AI labs. What Europe's tech base has lacked is the funding and direction to apply its innovation beyond research. That must change quickly if the continent is to protect itself, and its values. Europe has the brains. It has the budgets. It now needs the boldness to combine them.■

Gundbert Scherf is the co-founder and co-CEO of Helsing, a defence-technology company.

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Briefing

- The big beautiful bill reveals the hollowness of Trumponomics
- The obscure Senate functionary whose word is law

Briefing | The inglorious Fourth

The big beautiful bill reveals the hollowness of Trumponomics

Republicans mark America's birthday with a profligate but insubstantial law

July 3rd 2025



IN GREEK MYTHOLOGY the chimera was part lion, part goat and part snake, but wholly monstrous. Despite its name, there is a chimerical air to the One Big Beautiful Bill Act (BBB), the Republican tax-and-spending plan that lurched through Congress this week. It sutures to a body of government-shrinking Reaganism an appendage of populist Trumpism, both disfigured by carve-outs and fillips for individual lawmakers. It will menace the American economy for at least a decade.

To be fair, getting any legislation through Congress these days is an ugly and ungainly process: a cramming of every possible policy into one "omnibus"

bill, negotiated up to the last minute by congressional leadership and destined to pass largely unread by the rank and file. In addition to institutional sclerosis, however, the BBB is a showcase for fiscal incontinence and ideological exhaustion. It extends existing, lavish, deficit-financed tax cuts well into the future, and adds a few more for good measure, as well as boosting spending on defence and immigration enforcement. It offsets some of the cost by cancelling green subsidies and cutting health care and welfare for the poor, but nonetheless enormously increases America's debt. And to secure enough votes for this unappealing combination it is freighted with pet provisions intended to buy the acquiescence of particular lawmakers, such as a $50,000 tax deduction for Native American whaling captains that is dear to the heart of Lisa Murkowski, a wavering Republican senator from Alaska.

On July 3rd, after days of frantic haggling and two all-night sessions, just in time for the Fourth of July holiday, Congress at last signed off on the BBB. The Senate had approved it by the thinnest of margins on July 1st, with J.D. Vance, the vice-president, casting a tie-breaking vote in favour. The bill had cleared the House of Representatives in May, again by a single vote. But since the two chambers had passed different versions of the bill, the House needed either to approve the Senate's variant or delay until the two chambers could thrash out a compromise. Fiscal hawks in the House grumbled that the Senate had been too profligate (although the House's draft was not exactly parsimonious). But in the end the Republican leadership convinced the recalcitrant representatives to approve the Senate's bill, by 218 to 214. The bill did not receive any votes from Democrats in either chamber.

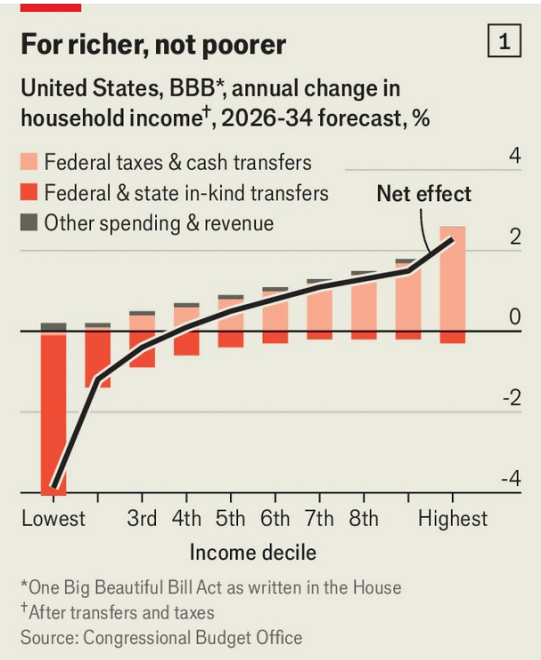
The BBB has been billed as the signature legislative achievement of Donald Trump's second term. That makes its lack of any clear or consistent ideological underpinning all the more striking. Mr Trump has indelibly altered America's politics, but he is failing to reshape its economy to anywhere near the same degree.

To understand how this happened, return to 2017, the first year of Mr Trump's first term. Uninterested in the tiresome details of legislating, and in only jerky control of the reins of the presidency, Mr Trump turned over his congressional agenda to Paul Ryan and Mitch McConnell, at the time the Republican leaders in the House and Senate, respectively. After first trying

and failing to repeal the Obamacare health reforms, Mr McConnell and Mr Ryan, whose passions include deregulation and the libertarian writings of Ayn Rand, resolved to rewrite the tax code, winning approval for the Tax Cuts and Jobs Act (TCJA).

The TCJA was typical, pre-Trumpian Republicanism shepherded into law by two men who today have been largely sidelined in the party (although Mr McConnell cast one of the votes in favour of the BBB in the Senate). It cut corporate-tax rates permanently, from 35% to 21%, and markedly reduced rates for individuals, too, but only temporarily. This was a ruse designed to get around congressional rules: pretending that the tax cuts would expire in theory limited the long-term cost of the bill. But the assumption at the time was that a future Congress would extend the tax cuts rather than allow them to lapse as scheduled. That, after all, is what happened when George W. Bush initiated “temporary” tax cuts in 2001, which Barack Obama subsequently felt obliged to make permanent, for the most part.

By happenstance, Mr Trump, who lost the presidency in 2020 but won it again in 2024, is the president who must catch the fiscal hot potato this time. Extending the tax cuts for individuals in the TCJA is extremely expensive. Some of them, including generous standard deductions and a big credit for parents, are claimed by vast numbers of Americans. But other elements of the BBB, such as keeping top marginal rates at 37% instead of 39.6%, allowing bigger deductions for state and local taxes (SALT) and exempting more wealth from estate tax, benefit the richest. What is more, to the extent the bill makes up for the lost revenue, it does so by trimming Medicaid (government health insurance for the poor) and food stamps (subsidies for food for the poor). An evaluation of the version of the BBB that was ultimately approved with slight amendments estimates that 12m people would lose health insurance through a variety of cuts and the addition of bureaucratic hurdles. The Congressional Budget Office (CBO) calculated that an earlier version of the bill (it has not yet had a chance to analyse the version that passed) would be regressive, with the poorest 30% being worse off than before, while the richest 10% would see their income after taxes and transfers increase by 2.3% (see chart 1).



A big, regressive, deficit-funded tax cut is classic Republican fare: those parts of the BBB resemble the policies of Ronald Reagan and Mr Bush. But all this sits awkwardly with Trumpian populist economics, which has a more progressive streak. Some members of Mr Trump's MAGA coterie, such as Steve Bannon, a close adviser in his first term, have criticised the cuts to Medicaid, noting that they disproportionately affect supporters of the president.

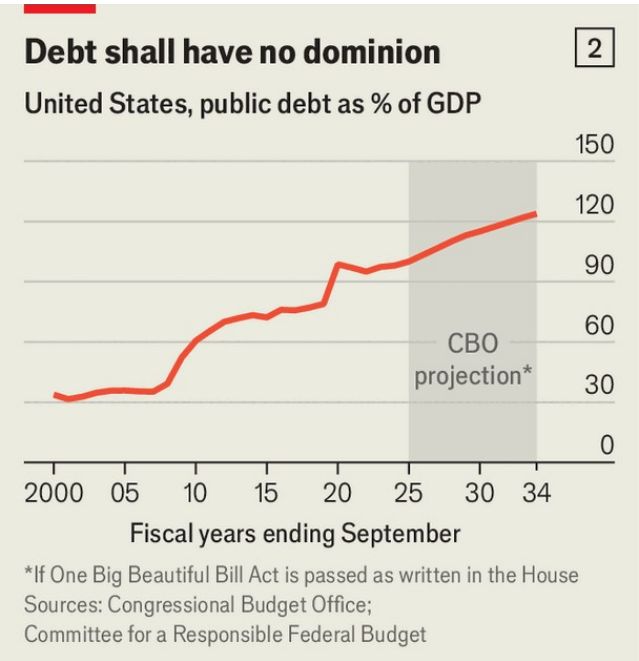
Some of Mr Trump's eye-catching campaign pledges, such as eliminating taxes on tips and overtime pay and introducing a tax break on car loans, are included in the BBB. Arcane Senate rules prevent Mr Trump from exempting Social Security (the state pension) from tax, as he pledged, so the elderly instead get a bigger standard deduction. There is also a plan to create "Trump accounts" for newborns, seeded with an initial payment of $1,000 from the federal government. But all these are set to expire as he leaves office in 2029.

The notional expiry is a repeat of the same gimmick employed in the TCJA: these tax breaks would cost $500bn if they lasted for a decade. But their temporariness is nonetheless telling. Although Mr Trump is enamoured with exercising executive power and has made rank-and-file Republicans submissive to his whims, he shows the same indifference towards legislative

matters as in his first term. He merely wishes to sell whatever is presented to him as, in his words, “arguably the most significant piece of Legislation that will ever be signed in the History of our Country”. He has left the dead hands of the past, in effect, as puppeteers of the BBB. It is zombie Reaganism or perhaps zombie Ryanism, jokes Oren Cass of American Compass, a think-tank that hopes to chart a new course for the right.

As a result, Trumponomics seems unlikely to transform America in the way that Franklin Roosevelt did through the New Deal or Lyndon Johnson did through the Great Society. To enact lasting change requires considered legislation. Mr Trump has shirked that in favour of the more immediate satisfaction of imposing tariffs by presidential penstroke and dispatching lieutenants to say, “You’re fired!” to thousands of federal employees.

That which is done by presidential fiat is easily undone by presidential fiat, however. Mr Trump has dramatically raised tariffs: the average rate on goods imported into America is currently 15.6%, or more than six times the level before he became president in January. But he has raised them unilaterally, through an expansive reading of his emergency powers which is currently being contested in court. When Elon Musk was still within the president’s orbit, he was dispatched to run amok through the federal government. But many of the firings and other cuts the world’s richest man ordained have been reversed by court order. These are not durable ways to implement economic policy. Americans still speak of the Reagan revolution, Bill Clinton’s welfare reform and Obamacare. What programme will they remember Mr Trump by?



They may simply remember his profligacy. Wonks are still crunching the numbers on the final version of the BBB, but preliminary estimates suggest it would add some $4.5trn to American debt over the coming decade. The CBO expects America to run an average annual fiscal deficit of 5.8% of GDP over the coming decade; the BBB would increase that by a further 1.25 percentage points. America would end up with public debt of more than 120% of GDP (see chart 2).

The White House has devised a fiscal fantasyland to dispense with such tiresome facts, in which the BBB initiates such breakneck growth that revenues soar and debt plummets. The Council of Economic Advisers (CEA) put out a report that predicts that the BBB will add more than a percentage point to annual GDP growth and that there would be "$8.5trn to $11.1trn in total offsetting deficit reduction from Trump economic policies anchored by the BBB". Heroically, the council predicts that, by the end of this halcyon era, the national debt will have fallen to 94%.

This is, sadly, preposterous. The BBB is largely a continuation of existing policy, so extending it will not generate a new wave of growth. Some provisions encourage investment: businesses are able to deduct research and development costs from their tax bills in full and depreciate their assets more rapidly. Independent modellers, however, think this would spur a fraction of

the growth the White House is promising. The CEA gets its maths to work by assuming not only that Mr Trump will manage to unleash America's animal spirits through deregulation, but also that he will convince Congress to slash spending (the opposite of what it has been doing this week) and that his tariffs will raise trillions for the Treasury.

It is a big, beautiful fairy tale. A good indication of how much credence Republicans lend these rosy forecasts is the Senate's decision to include a clause in the BBB to raise the cap on the federal government's debt by $5trn. A fiscal reckoning is inevitable, and not that far off. The trust funds that make Social Security and Medicare payments are expected to run out of money in 2032, which would force either cuts to benefits or a hefty new burden on budgets. It will be a daunting fiscal hurdle for Mr Trump's successor.

In the meantime, the spending cuts the BBB does make will foster other problems. Many Medicaid recipients will, for the first time, be obliged to work, under the euphemistic label of "community engagement requirements". When a similar rule was tested in Arkansas in 2018, nearly a quarter of those subject to the new rules lost coverage before a federal judge ended the experiment. People will fall off the rolls not only because they are not in work but also because they do not complete all the necessary paperwork (the BBB also requires states to reassess recipients' eligibility for Medicaid every six months rather than every year). Costs would shift from the federal government onto the states. An early version of the bill would have reduced Medicaid spending by $800bn and resulted in 8m people being uninsured, according to the CBO. Another 3m who obtain health insurance through Obamacare would have lost coverage too, because of new restrictions. The final version, if anything, appears to be even more severe.

Republicans have taken a similar approach to food stamps: states will have to start shouldering some of the cost and recipients will be subject to more stringent work requirements. "The [existing] work requirements have been pretty toothless for the last 15 or 20 years. There was this temporary expansion during the Great Recession, but in some sense, it didn't go away. There was an expansion during the covid pandemic," says Scott Winship of the American Enterprise Institute, a conservative think-tank. The upshot for food stamps may be nearly $300bn in cuts and 1.3m fewer recipients.

Republicans claim that the models are too pessimistic and that the changes will encourage more Americans into employment. But they are also taking the precaution of delaying the start of the work requirements until after the midterm elections next year.

Another big source of spending reductions in the BBB is the abolition of hundreds of billions of dollars' worth of green subsidies enacted by Mr Trump's predecessor, Joe Biden. Mr Biden's main legislative achievement, a climate-spending bill called the Inflation Reduction Act, has been largely rescinded: tax credits for wind and solar energy will soon stop. Subsidies for electric vehicles, heat pumps and other energy-efficient building expenses will also be cut off. This was one of the sources of contention between the House and the Senate, which made the withdrawal of the credits marginally less abrupt. But clean-energy projects will still have to begin construction within a year to receive the tax credits—a tall order given all the permits required.

At the same time the BBB restarts leasing of federal land for new oil and gas projects (and even coal mines). It instructs the interior secretary to conduct at least 30 auctions of offshore oil and gas leases in the "Gulf of America". Zero Lab, a research group at Princeton University, has estimated that the legislation will increase America's emissions of carbon dioxide by 500m tonnes in 2030 (roughly 10% more than would be emitted in the BBB's absence).

The savings from slashing Medicaid and green subsidies are partially redirected to some of Mr Trump's preoccupations. Defence and immigration enforcement will both receive an extra $150bn or so. Some of the added military spending is for long-standing priorities of China hawks, including the modernisation of America's nuclear weapons and shipbuilding. Mr Trump's idea of a "Golden Dome" to shield the continental United States from missile attacks receives $25bn.

The BBB caters to the administration's every whim as far as immigration is concerned. It provides nearly $50bn to pay for the construction of Mr Trump's long-promised wall along the Mexican border. Another $45bn is set aside for new facilities to detain migrants and a further $35bn to recruit and pay bonuses to officers of America's border-patrol and immigration-

enforcement agencies. The administration's talk of deporting 1m migrants a year seemed far-fetched at previous funding levels; this surge in spending may enable Mr Trump to come much closer to accomplishing it.

Every president is entitled to pursue the agenda he campaigned on. And, in the case of Mr Trump in particular, it is better that he do so through the regular channels instead of trying to govern by executive action and raise the spectre of defying the judiciary when it rejects his power grabs. Still, no serious backer of the BBB could dispute its chimerical ugliness. Most tax reforms aim to simplify the tax code; it makes the rules much more complicated, both to fulfil Mr Trump's campaign pledges and to induce reluctant congressional Republicans to vote for it.

The bloating of the deficit—at a time when interest rates and inflation risks are high—is being waved away by a Republican Party that preaches fiscal discipline when out of power, and spends with reckless abandon when in it. The loss of health insurance for millions of Americans will not just be a loss for those affected; it will also be an albatross around the neck of whichever Republican candidate succeeds Mr Trump in 2028 (who will also have to explain the impending insolvency of America's entitlement programmes).

The fevered process of rushing the bill through Congress before the Fourth of July hinted at its flaws and inconsistencies. The Republican leadership kept coming up with fresh sops for wavering senators, only to be told that these bribes broke the Senate's rules. Some lawmakers wanted to make the bill less regressive by softening the cuts to Medicaid; others wanted to make it more regressive by boosting the deduction for SALT. There have been complaints both that green subsidies are being cut too quickly and that they aren't being extirpated fast enough.



Mr Musk, the Republicans' biggest donor at last year's election, declared himself horrified by the bill's profligacy and urged Congress to reject it. He pledged to set up a new political outfit if it passed, the America Party, to try to unseat Republicans who voted for it. Mr Trump was so enraged by Thom Tillis, one of three Republican senators to vote against the bill, that he threatened to drum up a primary challenger to him at the next election, whereupon Mr Tillis announced that he would not seek re-election. Thunderstorms, whether divinely ordained or simply unlucky, prevented several congressmen from flying to Washington to vote on the bill, prompting mad dashes across the country by car.

The frantic manoeuvring was understandable, because Congress had to get a tax bill of some sort approved to avoid inflicting big tax rises on voters when the TCJA cuts expire at the end of the year. But there were many ways to accomplish this, and Republicans have chosen perhaps the most improvident option available. The old saw about bankruptcy is that it comes about slowly and then all at once. The bond markets are not panicking—the dollar's status as the world's reserve currency helps to ward off such a crisis. But in a decade's time, things may well look different. When the history is written then of what went wrong, expect a chapter or two to be devoted to the big, baleful behemoth of the BBB. ■

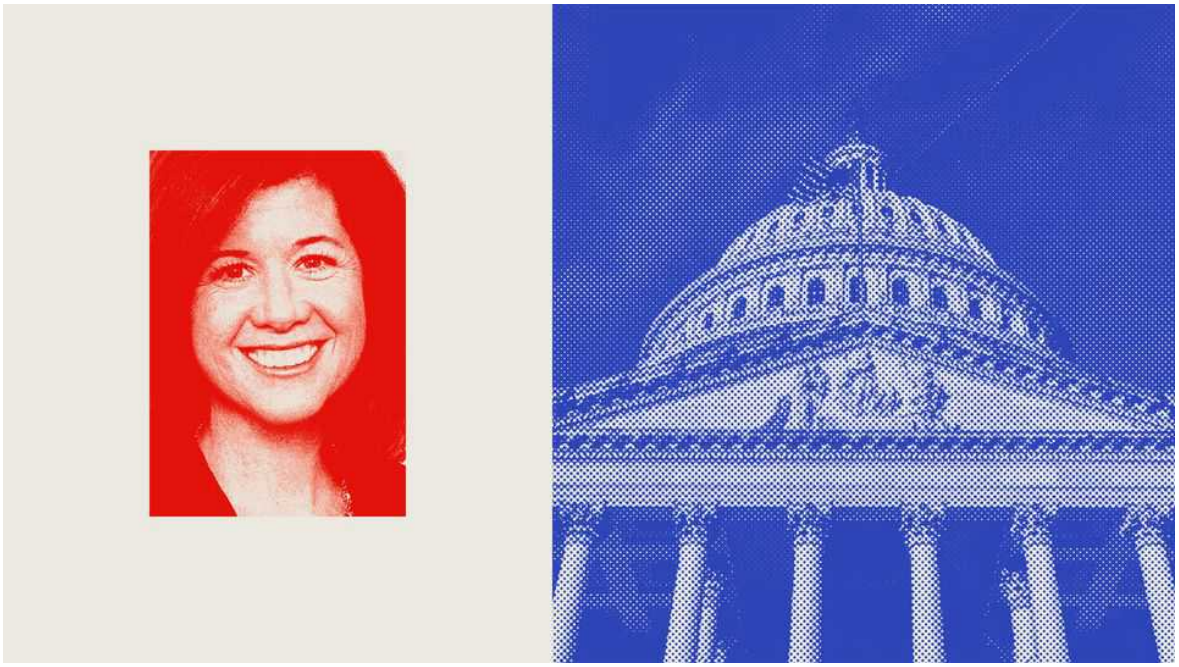
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Briefing | Fiat lex

The obscure Senate functionary whose word is law

Elizabeth MacDonough does more to shape legislation than most congressmen

July 3rd 2025



SENATORS, ALAS, are not much like nuns. But the Senate itself bears a certain resemblance to a convent, with its hushed halls, arcane rituals and air of separation from real life. Above all, it has a Mother Superior, who is a stickler for the rules. She is immune to criticism and flattery. Her work is dull and thankless. In theory she answers to a higher power. In practice she is almighty. She is the Senate parliamentarian.

Elizabeth MacDonough has held the office since 2012. Her job is to interpret the Senate's rules in a scrupulously non-partisan manner. Yet in recent days Republican senators have said some uncharitable things about her, including that she is a woke, radical leftist who should be fired. The president himself

told them to ignore her. Some want to limit her tenure. Through it all Ms MacDonough has stayed characteristically mum. She does not talk to reporters and she does not talk back to senators.

Republicans were angry that Ms MacDonough vetoed elements of Donald Trump's big, beautiful bill, including certain Medicaid cuts and a measure allowing the sale of federal land. Some had to be excised completely and others rewritten before the Senate could pass its version of the bill on July 1st. Her judgments are not enforceable but they almost always hold. Her predecessor called the office a "silent killer".

To win the Senate's nod, most bills need 60 votes—the number required to end a filibuster. But a budget bill can proceed with only 51 votes in a process called "reconciliation". To prevent unscrupulous senators from sneaking all their legislative desires into budget bills, the parliamentarian decides what counts as fiscal using a test called the Byrd rule.

Non-fiscal policies can have big budgetary impacts. In such cases the parliamentarian weighs the nature of the policy against the nature of its effects. This is called a Byrd bath. Whatever she rejects becomes a Byrd dropping.

Sometimes senators do not solicit her opinion, for fear of what she will say. Republicans refused to ask Ms MacDonough about their plan to wipe trillions off the cost of the big beautiful bill by adopting a different definition of the baseline level of spending than had previously been used. They simply waved their wand.

Democrats have been frustrated by Ms MacDonough at times, too. In 2021 she ruled that they could not give legal status to millions of unauthorised immigrants. That same year she rejected their bid to raise the federal minimum wage to $15 an hour. Like the Republicans this time, Democrats made a fuss but ultimately acquiesced.

Senators comply out of self-interest, which takes two forms, says Jonathan Gould, a law professor at New York University. One is risk-aversion. They worry that ditching a constraint while in the majority will bite them next time they are in the minority. The other is that adverse rulings by the

parliamentarian can help avoid intraparty spats, by allowing some members to promote controversial measures while permitting others to escape voting on them.

The office has existed for nearly a century, but it has become much more influential and controversial in recent years owing to intensifying partisanship. Since mustering 60 votes is nearly impossible these days, more and more happens through reconciliation, including all the big laws of the past decade: the tax cuts of Mr Trump's first term, the pandemic stimulus and Joe Biden's Inflation Reduction Act. It is an unholy state of affairs.■

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United States

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United States | Speedy justices

The Supreme Court keeps helping Donald Trump

The president is using emergency cases to expand his power

July 3rd 2025



THE SUPREME COURT decided just 55 fully argued or "merits" cases in the term that ended on June 27th—the lowest total since the civil war, except for the covid-curtailed term of 2020. Yet the justices have been busier than ever. President Donald Trump's use of the court's emergency docket has forced the justices to review extraordinary assertions of executive power on a speeded-up timeline. Of the 15 emergency applications that have been resolved (four are pending), 12 have gone Mr Trump's way.

Last month the court granted the government's plea to deport undocumented immigrants to South Sudan and Libya, without giving them a chance to argue that they would face torture there. It also stopped a government-ethics watchdog from obtaining records of the Department of Government

Efficiency (DOGE) and gave DOGE authority to continue getting access to Americans' Social Security data.

In other cases, the court sided with Mr Trump's decision to freeze teacher grants for DEI-related reasons, bar transgender soldiers and end deportation protections for nearly 1m migrants. The justices did rule against the president on three occasions. They stopped cancellation of a $2bn foreign-aid payment and ordered the return of Kilmar Abrego Garcia, a mistakenly deported Maryland man. They also told the government to give a group of Venezuelan men due process before being removed under the Alien Enemies Act, an 18th-century law.

Mr Trump's emergency strategy at the Supreme Court has buoyed his agenda and authority. He has benefited from the outlook of a conservative majority on the court that promoted executive power before Mr Trump came along. For Kate Shaw, a law professor at the University of Pennsylvania, the court's decisions seem "animated by a virtually boundless conception of executive power—and of the power of the Supreme Court".

Ms Shaw's impression that the justices are arrogating power to themselves and Mr Trump, while stepping on their lower-court colleagues' robes, stems from Trump v CASA—a rare emergency case in which the justices opted to slow down and hold an oral argument. By a 6-3 vote, the court stripped district-court judges of the power to issue nationwide injunctions, the tool they have been using to stymie Mr Trump's most aggressive policies (and policies of Democratic presidents before him). Samuel Bray, a law professor at the University of Chicago, credits Justice Amy Coney Barrett with holding together a "fissiparous majority" to end these potent injunctions.

Jack Goldsmith, a law professor at Harvard, says the emergency docket is likely to remain centre-court for Mr Trump's attempts to keep his agenda moving. As Mr Goldsmith sees it, interim orders have become "the merits docket for presidential power". The high court is defining the contours of Mr Trump's power on a rolling basis and often provisionally—but consequentially. Shunting questions of executive power to the emergency docket, also known as the "shadow docket", may come at a cost. Cases there are often resolved without a word of reasoning. When explanations are included, they can be cursory even when the justices herald a major change.

Steve Vladeck, a law professor at Georgetown University who has written critically about the court's use of the shadow docket, finds "no rhyme or reason" in these rulings other than "enabling lawless behaviour by the Trump administration".

To Mr Vladeck and other critics, the court has too often prioritised outcomes over both principle and established legal procedures. In Trump v Wilcox, for instance, the court considered whether Mr Trump lawfully removed the heads of two federal agencies. The women were protected by laws of Congress barring presidents from removing them without cause and by Humphrey's Executor v United States, a 1935 decision upholding restrictions on presidential firing. Yet in May, the six-justice majority temporarily allowed Mr Trump's move, strongly suggesting this will be their final decision as well. The order in Wilcox acknowledges that the sackings were "prohibited by statute". But it lets the president carry them out anyway because the government "faces greater risk of harm" than the "removed officer". There was no mention of potential damage to Congress's authority as a co-equal branch.

By the numbers, this term looks similar to the previous three shaped by the current 6-3 conservative majority. On the merits docket the justices were unanimous 42% of the time—slightly lower than the average of 44.5% since 2006. Some of these decisions involved controversial matters such as alleged "reverse" discrimination against straight workers and lawsuits against American gun makers. And the ten 6-3 decisions were not all conservative wins. The liberals teamed up with the supermajority's more moderate troika—Chief Justice John Roberts and Justices Barrett and Brett Kavanaugh—four times to, inter alia, save free preventive-care under the Affordable Care Act and preserve the Federal Communications Commission's "universal service fund" for broadband in rural America.

For The Economist, the term was also notable for the debut of our SCOTUSbot, a work-in-progress AI tool that sought to predict outcomes in high-profile cases by analysing briefs and oral arguments, among other data. One of its ten predictions was a case the justices opted to revisit next term. Of the remaining nine, SCOTUSbot was spot on with six. It was equivocal on one, confused about another (it didn't get that Trump v Casa was about injunctions) and wrong on a third. After a summer of study and self-

improvement, we expect our bot to return with the justices on the first Monday in October.

The one case where SCOTUSbot fell down was a curious result. Free Speech Coalition v Paxton involved a challenge to a Texas law that requires age-verification before adults may view online pornography. No justices disputed the importance of shielding children from graphic sexual material. The divide was over whether verifying users' age, with the privacy and surveillance exposures this entails, constitutes a content-based restriction on adults' protected speech that triggers "strict scrutiny"—which requires the state to show that the law is the least restrictive means to reach a compelling state interest. The majority shrugged off several Supreme Court precedents which signal that it does (perhaps confusing SCOTUSbot).

Free Speech Coalition was one of three culture-war cases involving children decided 6-3 along ideological lines. In United States v Skrmetti, the court rejected a challenge to Tennessee's law banning puberty-blockers and hormone therapy for transgender teenagers, finding it is not a sex-based classification that demands heightened scrutiny under the 14th amendment. While Justices Ketanji Brown Jackson and Sonia Sotomayor would have struck down Tennessee's law, Justice Elena Kagan took a more measured approach. Recognising that just because the law classifies by sex does not mean that it—or similar laws in two dozen other states—must fall. It means bans on treatments for trans teenagers must offer proof of an important government interest and a reasonable means of achieving it, she argued.

Perhaps the most notable departure from established law occurred in Mahmoud v Taylor, where Justice Samuel Alito recognised the right of religious parents to take their children out of LGBTQ-inclusive school classes. Under previous high-court rulings, school practices that only incidentally burden religious practice were permitted under the First Amendment. Don Herzog, a law professor at the University of Michigan, warns that Mahmoud may pressure school districts to "get all the LGBTQ+ stuff out of the schools, pronto".

The justices' summer holidays could be busy with the fallout from Trump v CASA as plaintiffs pursue alternative strategies to keep Mr Trump's attack on birthright citizenship at bay and those appeals—plus untold others—

ascend to the Supreme Court. The rolling emergency docket that has become a feature of this law-stretching presidency is not going anywhere. ■

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United States | Shari’s gambit

Will bowing to Trump win Paramount its merger?

Coercion and corporate expedience meet in a $16m settlement

July 3rd 2025



Ancient warlords excelled at ritual humiliation. Their technique was simple: vanquish the enemy, take his loot, build a fort with it, display his impaled head there. Visitors to Donald Trump’s future presidential library will recognise the warlords’ method. There will be no severed heads, and probably few books. But in other respects the building will be a monument to conquest.

The prize this week was CBS News, whose parent company, Paramount Global, agreed to pay $16m to Mr Trump’s presidential library to settle a lawsuit over its editorial coverage. The deal resembles another struck with Disney, which owns ABC News and last year committed $15m to the library to end a defamation case brought by the president. Most legal analysts

thought the Paramount suit was weak. If the plaintiff were anyone else, the firm almost certainly would have fought it.

Yet the plaintiff had the coercive power of the state behind him, and the defendant desperately wants the government to wave through its merger with Skydance Media, a film company. Mr Trump knows where he has leverage, just as he understands ritual humiliation—that has been the hallmark of his ongoing campaign against law firms, universities and the press. In the Paramount dilemma comes the starkest collision yet between corporate expedience on one side and high-minded ideas about editorial independence on the other.

The lawsuit stemmed from an interview that CBS conducted last year with Kamala Harris, Mr Trump's opponent during the 2024 election. Different portions of that interview aired on two CBS programmes, "Face the Nation" and "60 Minutes". In one Ms Harris sounded succinct while speaking on the topic of Israel; in another she sounded muddled. The two clips came from one answer to a single question. Mr Trump alleged that this was distortion in violation of the Lanham Act, which bars deceptive advertising.

He seemed to have forgotten about the First Amendment and its strong protections for the press. The settlement was not really about the suit's legal merits and the money paid was not really a remedy for damage suffered by Mr Trump, who proceeded to win the election. It was about the fact that Shari Redstone, Paramount's controlling shareholder, would very much like Skydance to buy the firm for $8bn. That deal was inked a year ago; she and her family stand to pocket $2.4bn from it. It seems unlikely that better alternatives await should it fall through. Since 2019 Paramount has shed $16bn in market value.

So far the Federal Communications Commission, the agency in charge of approving the merger, has slow-walked its review. Mr Trump has told its chair, Brendan Carr, to punish CBS while arguing that it should lose its broadcast licence. Mr Carr previously said he would not be influenced by the president's lawsuit. But little suggests he is entirely independent-minded: he has been known to wear a gold lapel pin shaped like Mr Trump's profile.

As part of its settlement CBS did not apologise. From now on it will release transcripts of its interviews with presidential candidates. Within the newsroom, Ms Redstone's handling of the lawsuit has been a source of embarrassment and upheaval. She has reportedly sought more editorial oversight in recent months. The head of "60 Minutes" and the boss of CBS both left this spring.

There will be more ructions over the matter. Paramount shareholders are preparing to sue Ms Redstone and other board members for breach of duty. Some have hired Abbe Lowell, a fierce litigator. They will probably demand that she personally cover the payment. Investors in Fox Corporation have made the same charge of Rupert Murdoch regarding that firm's $787m settlement in a case about its coverage of the 2020 election.

Meanwhile, some Democratic senators are calling Paramount's payment a bribe to a government official intended to influence an official act. They contend it should be investigated under anti-bribery law; one has suggested criminal charges. It sounds like they want a head on a stake. ■

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United States | Welcome to Trader Zoh's

Should cities run their own supermarkets?

New York's mayoral front-runner thinks so

July 3rd 2025



Many a New Yorker dreams of not paying rent. So do New York's shops; retail space there is pricier than anywhere else in America, by a lot. Seldom is this wish granted. But for a select few publicly owned grocery stores, Zohran Mamdani, the Democratic nominee for New York City mayor, hopes to do just that. Alongside more typical left-wing fare, like rent controls and free buses, he pitched a more novel idea: a "public option" for groceries in the form of a state-run rival that would undercut existing supermarkets.

Food prices have spiralled, Mr Mamdani argues, and New Yorkers shouldn't "subsidise private grocery-store operators" during their weekly shop. Another problem he flags is that some New Yorkers live in "food deserts", without ready access to fresh produce (the US Department of Agriculture

found that New York had fewer such areas than any other state). The plan is to pilot one store in each of the city's five boroughs, and scale up if those succeed.



This is a curious proposal. Grocery stores have among the lowest margins of any business in America: they generally make 1-2% in profit after tax (see chart). New York City, with a dense population, aggressive competition and high rental and wage costs, is particularly competitive. Mr Mamdani's stores would not pay rent or property taxes—he wants to put them on city-owned land. But denying New York's government the revenue those plots would otherwise have earned amounts to a chunky subsidy. If Mr Mamdani's stores do manage to offer lower prices than privately run peers, it will be thanks to that implicit subsidy, funded by New Yorkers' taxes.

At best, then, these stores might sell groceries a smidge more cheaply than conventional grocers, largely due to back-door taxpayer funding. For a government concerned about affordability for the poorest New Yorkers, indiscriminately part-financing the grocery haul of anyone who steps into one of Mr Mamdani's stores is a curious way to do it.

Worse, private supermarkets could get run out of business, because even squeezing their margins to zero wouldn't be enough to match a competitor

that doesn’t pay rent. All this presumes that Mr Mamdani’s stores are run as well as a conventional supermarket or bodega. But from affordable housing to subway extensions, American cities have a sorry record of letting costs spiral. New York has been trialling a new set of no-frills public toilets, and budgeted about $1m for each one. Rather than creating a cheap and hyper-efficient city-owned grocery chain, a more plausible outcome is that mismanagement will eat up any savings made from not needing to pay rent or turn a profit. ■

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United States | Inside job

Why Thomas Jefferson is rolling in his grave

The Trump administration has taken aim at the University of Virginia

July 3rd 2025



THOMAS JEFFERSON never wanted a president at the University of Virginia (UVA). For 85 years, there wasn't one: along with a governing board, an unwieldy rotation of professors managed the institution, which Jefferson founded almost a half-century after writing the Declaration of Independence. Since June 27th the public university has again found itself without a leader. Facing what looked a lot like an ultimatum from the Trump administration, James Ryan, UVA's president since 2018, said he would step down.

The coerced resignation is a big trophy for the Trump administration in its struggle with universities. But the battle at UVA played out differently from the conflicts involving Harvard and Columbia. Unlike those private

institutions, UVA is a state university and the board that accepted Mr Ryan's resignation is dominated by appointees of Virginia's Republican governor, Glenn Youngkin. Mr Ryan's office was vulnerable to partisan power in a way that constrained his independence.

If UVA had sued, reckons Timothy Heaphy, the university's former top lawyer, it would have won in court. Harvard's litigation challenging the administration's attempt to freeze federal funds and prevent it from hosting foreign students "is a really good road map". But Mr Ryan never had that option: the board did not back him, and the university's counsel works for Virginia's attorney-general, a Republican. Some states, such as Michigan, ensure their public universities have independent lawyers; Mr Youngkin vetoed a similar proposal last year. Perhaps in another state Mr Ryan would have been shielded by "all those layers of governance" that the Trump administration "just sliced through", says Ted Mitchell of the American Council on Education, which advocates for universities, but in this case politicised governance left him exposed.

The drama unfolded largely under the radar and had an intramural angle. The investigation was led by two Justice Department officials: Harmeet Dhillon, the boss of the DoJ's civil-enforcement division, who overlapped with Mr Ryan as a student at UVA's law school; and Gregory Brown, another alumnus who sued UVA in 2023 and 2024 on behalf of students alleging mistreatment. Mr Trump stayed away; UVA was spared the Truth Social treatment.

The DoJ's investigators worked with a UVA board that had been inching right in recent years. Mr Youngkin, elected in 2021, appointed 13 of its 17 members. UVA is hardly known as a bastion of radicalism but it was affected by the same charged years as everyone else. In 2020, after George Floyd's murder, Mr Ryan promised to double down on diversity. Student tour guides emphasised Jefferson the slaveholder rather than Jefferson the founding father. Conservative faculty and students felt outnumbered and unwelcome. A group of alumni, calling themselves the Jefferson Council, criticised these developments.

In March the board voted to dissolve UVA's office for diversity, equity and inclusion (DEI). The university did so, saying it would re-home those

programmes that still complied with federal and state law. The DoJ then demanded information about the former programmes and the employees that had been fired. The Jefferson Council and others insisted the changes were merely cosmetic, and began calling for new leadership. Mr Ryan resigned.

“Almost everything about the approach they’re taking is unprecedented,” says Shaheena Simons, who spent two decades at the DoJ before leaving in April. “I’m hard-pressed to call this an investigation.” Even some of Mr Ryan’s opponents seem uneasy about how the process played out. “Nobody will credit Trump’s people with actually working out of principle,” says James Bacon, a critic of the departed president.

Jefferson’s preference for a group of light-touch governors (they are called, pointedly, the Board of Visitors) stemmed from his fear of “energetic” central government. What would he make of this episode? “Generally, I resist the temptation to channel TJ,” says Peter Onuf, a historian now retired from the university. “But this one’s a no-brainer.” ■

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United States | Unhappy birthday

On its tenth birthday, gay marriage in America is under attack

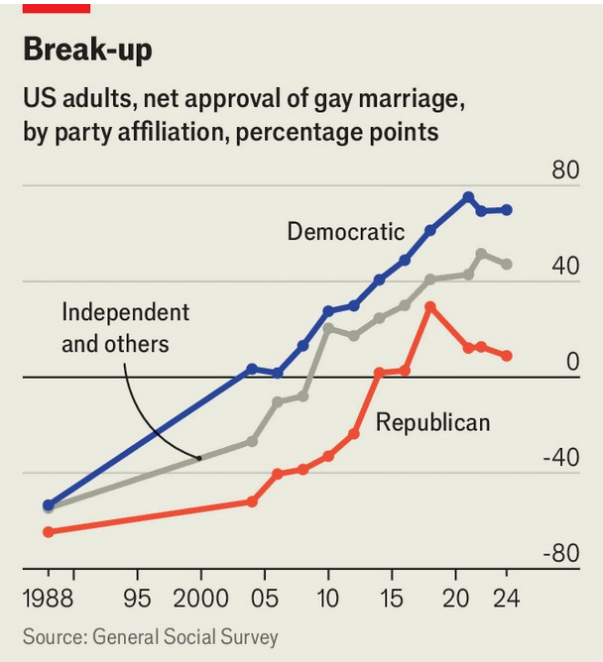
Republican support for same-sex marriage is dropping fast

July 3rd 2025



In 2004 the first legal same-sex marriage in America took place in city hall in Cambridge, Massachusetts. President George W. Bush condemned the development, as did Democratic politicians. At the time most Americans agreed—polls showed nearly twice as many opposed gay marriage as supported it. But public support for gay marriage swelled in the years to come. And what began as a judicial decision championed by Birkenstock-wearing liberals in one of America's most progressive states became the law of the land ten years ago, on June 26th 2015, when the Supreme Court ruled in Obergefell v Hodges that gay couples have a constitutional right to marry.

A decade on, a growing body of survey data points to a reversal of the trend of rising support for gay marriage. The shift is due to a sharp decline in support among Republicans. The General Social Survey (GSS), for instance, shows that since 2018 support among Democrats for gay marriage has grown modestly, from 77% to 80%; Republican support has fallen from 58% to 45% during the same period.



That souring of opinion on same-sex marriage within the majority party is beginning to have real-world consequences in courts and statehouses. In February, for example, a Michigan state representative introduced a resolution urging the Supreme Court to overturn Obergefell. Though it failed, similar proposals from Republican lawmakers have surfaced in Idaho, Montana and elsewhere. This month the Southern Baptist Convention, America's largest Protestant denomination, also called for Obergefell's overthrow. In some states Republicans are advancing "covenant" marriage bills that would create a separate category of unions restricted to heterosexual couples.

Overturning Obergefell at the Supreme Court is unlikely; only Justice Clarence Thomas has suggested he would go that far. Mary Bonauto, the lawyer who successfully argued the landmark case, says the decision is protected by precedent "lifting up liberty, equality and association" rights.

Yet growing opposition to gay marriage worries Leah Litman, a law professor at the University of Michigan. She is concerned that recent Supreme Court decisions allowing business owners to turn away LGBT customers celebrating same-sex weddings on religious and moral grounds could further corrode public support for marriage equality.

Why has same-sex marriage—an issue that seemed destined to become sleepy and settled—returned to the political spotlight? A few theories stand out. One is that the composition of the Republican coalition has changed. The party has gained support among minority groups and less educated voters; both groups are more sceptical of gay marriage. There may be some self-sorting, too, with moderate Republicans fleeing Trumpism while socially conservative Democrats migrate in.

But The Economist's analysis of GSS data shows that these factors alone cannot explain the magnitude of the decline in Republican support for gay marriage. The rate at which it has fallen far outpaces the rate of demographic change within the party. And if self-sorting were the primary cause, support among Democrats should be increasing by a similar magnitude, as socially conservative voters leave the party.

One plausible theory is that the debate surrounding the medical treatment of trans children, and the widespread opposition to the participation of trans girls in girls' sports, has complicated the public's attitudes towards gay rights. Some progressives yoked a popular cause to which many Americans have only recently converted (gay rights) to an unpopular one. And some conservatives have exploited that to attack the argument for same-sex marriage.

Fully 70% of Americans believe that in sports people should compete against rivals who share their biological sex, even if that differs from their gender identification. It is hard to find that level of support for anything in a 50:50 nation. It should have no implications for people's feelings about marriage equality but it seems to. In a YouGov/The Economist survey two-thirds of respondents who say they believe trans rights have gone too far also oppose gay marriage.

Support for gay marriage rose at a fast rate—a swiftness that to political scientists suggests malleable rather than deeply-entrenched attitudes. Views formed quickly may shift just as fast. Politicians play an important role by "help[ing] you understand what your policy position should be", adds Andrew Flores, a political scientist at American University. The trajectory of public support for the trans-rights movement over the last decade offers a cautionary example. In 2016 North Carolina passed its so-called bathroom bill, which required people to use bathrooms that match their biological sex. The issue became a partisan litmus test when Republican politicians positioned themselves as "anti-trans" while Democratic politicians did the opposite. An analysis of survey data in 2018 by Philip Edward Jones and Paul Brewer, political scientists at the University of Delaware, found that voters' opinions on trans issues at the time generally followed the cues set by their party's elites.

And now some Republican leaders, or movements aligned with them, are coming for marriage equality. Even if Obergefell endures, "there are many ways you can stick it to gay couples short of invalidating their marriages," notes Melissa Murray, a law professor at New York University. Justice Neil Gorsuch's dissent from a decision in 2017 requiring states to list both members of a same-sex union on their child's birth certificate could lay the groundwork for future challenges to what states "can and can't do" regarding same-sex families, she notes. For gay Americans, ground that seemed solid a decade ago seems to be shifting beneath their feet. ■

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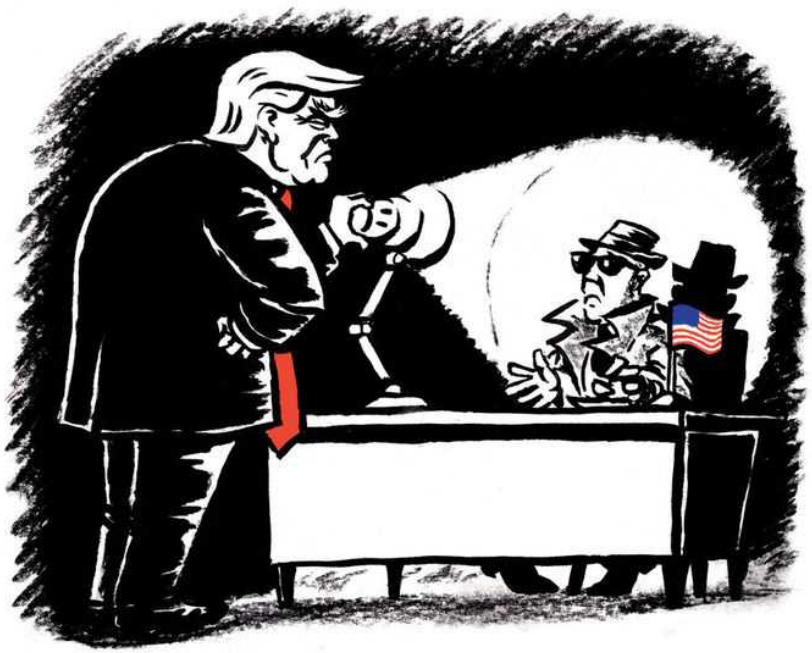
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United States | Lexington

America needs an honest reckoning over its spy agencies

Donald Trump says they missed an existential threat from Iran. Why should anyone trust their findings now?

July 3rd 2025



The question of how far America has set back Iran's nuclear programme clearly matters. That can be far less certain of any of the answers America is coming up with. While the strikes on Iran showed the supremacy of American air power, they also may have revealed a weakness in its national security. According to Donald Trump, the country's spy agencies failed before the assault in a critical mission, assessing the threat posed by Iran's nuclear programme. Mr Trump's claim should heighten doubts now about intelligence reports and White House statements regarding the effectiveness of the air assault. Should anyone trust the conclusions? Which ones? Is the president getting it wrong himself?

Much of the attention about the clash over pre-attack intelligence has focused on whether Mr Trump disdains his director of National Intelligence, Tulsi Gabbard. While that is an interesting question, it is not the most important one. Ms Gabbard testified to Congress in March that Iran had not decided to build a nuclear bomb. But she was merely relaying the consensus of the many intelligence agencies her office was created to oversee, as described in the "Annual Threat Assessment". It read that while pressure had "probably" built on Ayatollah Ali Khamenei, Iran's supreme leader, to build a bomb, "we continue to assess Iran is not building a nuclear weapon and that Khamenei has not reauthorised the nuclear weapons programme he suspended in 2003".

Mr Trump appears to have given far more credence to an Israeli claim that its intelligence showed Iran had reached a "point of no return" in seeking a nuclear weapon. He went out of his way to humiliate Ms Gabbard—"I don't care what she said," he shrugged—but, when reporters correctly described the consensus to him, he also delivered a broad-gauge blast: "My intelligence community is wrong." That was a devastating assessment. Ms Gabbard's office was proposed in the wake of an intelligence failure to stop the attacks by al-Qaeda on September 11th 2001, and it came into existence after another one, to correctly determine whether Iraq was building weapons of mass destruction. For America's spy agencies to have underrated the Iranian threat may well have amounted to an even more damaging failure of intelligence, had the Israelis not stepped in. "Was it really wrong, and if so, why?" asks Paul Pillar, a longtime CIA officer who is now a fellow at Georgetown University. "If that's not the case, why did the president blow it off? This is certainly something both the House and Senate Intelligence Committees should be seized by."

Mr Trump has had a turbulent relationship with America's spies. On his first full day in office in 2017 he visited the CIA and pledged to be "with you 1,000 percent". But he has shown little sign of forgiving the intelligence agencies for concluding that Russia meddled in the American election in 2016. At a meeting in Helsinki in 2018, he indicated that he accepted President Vladimir Putin's denials over the agencies' conclusions. When he swore in Ms Gabbard as director of National Intelligence in February, Mr Trump lamented the "weaponisation of government" by "the very evil regime" of President Joe Biden, and he said she would "restore honesty,

integrity and trust to the national-security state". A former Democratic congresswoman from Hawaii and a presidential candidate in 2020, Ms Gabbard became a Republican in 2024, saying her former party was "led by an elitist cabal of woke warmongers" who "don't believe in freedom".

Ms Gabbard has shown every sign of dedication to Mr Trump's priorities, possibly to a fault: like hunting for moles, hunting for politicians among spies is a good way to polish the halls of mirrors in which they work, heightening suspicions of everyone. This spring an intelligence assessment undercut claims by Mr Trump that Tren de Aragua, a Venezuelan gang, was operating at the behest of the Venezuelan regime. Ms Gabbard fired two senior career officers who oversaw the report. Her office said they had politicised the work, but, given her credentials as a partisan, she was even more vulnerable to accusations of seeking that outcome.

Mr Trump's pattern is to embrace intelligence that supports his view of the world and to demean intelligence that doesn't. It's a damaging approach, and an unnecessary one. When Ms Gabbard relayed the threat assessment in March, she warned that Iran's stockpile of enriched uranium had reached a level "unprecedented for a state without nuclear weapons". A taboo had eroded against discussing nuclear weapons in public, she also said, "likely emboldening nuclear-weapons advocates within Iran's decision-making apparatus". Such findings are not so hard to reconcile with the Israeli intelligence. One could reasonably infer that Iranian engineers were putting the pieces in place to rapidly produce a nuclear weapon, once the decision was made to do so.

Good intelligence is rarely black-and-white, and members of the intelligence community say presidents are right to approach the agencies' work critically, probing for nuances and disagreement. (The FBI dissented from the Tren de Aragua consensus.) That is a way to avoid disasters such as the Iraq war. Approaching intelligence cynically, assuming bad faith or incompetence when it disappoints, is a way to make poorly informed decisions. And trashing the intelligence agencies publicly, without clear cause, is a way to make Americans feel less safe and more cynical about their government. But Mr Trump does not do nuance and good-faith dispute well, at least not in public. It's too bad, including for Mr Trump. Acknowledging that he had to make his decision on whether to bomb Iran on the basis of imperfect or even

conflicting intelligence would not only have honoured Americans' maturity and common sense. It would have made the decision seem even lonelier and braver—that is, more presidential. ■

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The Americas

- Brazil’s president is losing clout abroad and unpopular at home
- Cuba’s leaders fiddle the figures
- Canada makes a first concession to Donald Trump

The Americas | Faded dreams

Brazil's president is losing clout abroad and unpopular at home

Luiz Inácio Lula da Silva put Brazil on the map, but he hasn't adapted to a changed world

July 3rd 2025



On June 22nd, hours after the United States struck Iranian nuclear sites with huge bunker-buster bombs, Brazil's foreign ministry put out a statement. It said that Brazil's government "strongly condemns" the American attack, which it called a "violation of Iran's sovereignty and international law". This strength of language put Brazil at odds with Western democracies, which either supported the strikes or merely expressed concern.

Brazil's friendliness with Iran is set to continue on July 6th and 7th when the BRICS, a group of 11 emerging-market economies including Brazil, Russia, India, China and South Africa, holds a summit in Rio de Janeiro. Iran, which

became a member of the BRICS in 2024, is expected to send a delegation. The club is currently chaired by Brazil's president, Luiz Inácio Lula da Silva, known as Lula. Originally, being a member gave Brazil a platform for global influence. Increasingly, it makes Brazil look hostile to the West.

"The more China transforms the BRICS into an instrument of its foreign policy, and the more Russia uses the BRICS to legitimise its war in Ukraine, the harder it will be for Brazil to keep saying it is non-aligned," says Matias Spektor of FGV, a university in São Paulo.

Brazil's diplomats are trying to avoid the problem by focusing the summit on innocuous themes. These include co-operation on health care; the green-energy transition; and maintaining most-favoured nation status, in which countries treat members of the World Trade Organisation equally, as the basis for international trade. They want to avoid chatter on a subject America's president, Donald Trump, hates: a BRICS-led effort to settle trade in local currencies rather than the dollar. As for the Iranians, Brazil's diplomats would probably prefer it if they stayed quiet. "We are in a moment of damage containment more than a moment of creating new instruments," says a senior one.

Brazil's role at the heart of an expanded and more authoritarian-dominated BRICS is part of Lula's increasingly incoherent foreign policy. He has made no effort to forge ties with the United States since Donald Trump took office in January. There is no record of the two men ever meeting in person, making Brazil the largest economy whose leader has not shaken hands with America's president. Instead, Lula courts China. He has met Xi Jinping, China's president, twice in the past year.

Perhaps Lula's most sensible tack has been an attempt to take advantage of the world's loss of trust in America as a trade partner. He has cosied up to Europe and expanded commercial ties. In March he visited Japan, which imports most of its beef from the United States, to promote Brazilian meat. His ministers have met Chinese bureaucrats to discuss ways to increase Brazilian agricultural imports, probably instead of American ones.

But this comes with grandiosity which outruns Brazil's heft. In May Lula was the only leader of a big democracy to attend Russia's commemorations

of the end of the second world war. He tried to convince Vladimir Putin that Brazil should mediate an end to the war in Ukraine. Neither Mr Putin nor anyone else listened.

There is little pragmatism closer to home either. Lula does not speak to his Argentine counterpart, Javier Milei, because of ideological differences. When he took office for the third time, in 2023, he embraced Nicolás Maduro, Venezuela's autocrat, despite the country having become a full-fledged dictatorship. Having led the UN mission to stabilise Haiti after an earthquake devastated the country in 2010, Brazil now does little as it collapses into a gangster-run hellscape. Lula appears unwilling or unable to rally neighbours to present a united front against Mr Trump's migrant deportations and tariff war.

In a letter sent to The Economist after this story was first published online, Brazil's foreign minister, Mauro Vieira, pushed back on the idea of foreign-policy incoherence. Among other things, he noted that while chairing the G20 last year Lula "succeeded in the daunting task of promoting consensus among its members, while managing to launch a broad global alliance against hunger and poverty". Mr Viera also said that a "bold proposal for taxing billionaires", put forward at the G20, "may have disturbed a few oligarchs".

Navigating the world stage is made harder by Lula's slipping popularity. During his first two terms, from 2003 to 2010, Brazil reaped the rewards of a commodity boom and he was one of the world's most popular leaders. His domestic strength lent him credibility abroad, and many of his peers saw him as a figurehead for fast-developing economies.

Now the country has shifted to the right. Many Brazilians associate his Workers' Party with corruption after a scandal that saw Lula jailed for over a year (his conviction was later annulled). He built the party on support from trade unions, Catholics and poor recipients of government handouts. In Brazil today evangelical Christianity is booming, employment in agriculture and the gig economy is growing fast, and the right offers handouts too.

Lula's personal approval ratings hover around 40%, the lowest at any point during his three terms. Only 28% of Brazilians say they approve of his

government.

Meanwhile, Mr Trump's MAGA movement is closely aligned with Brazil's hard right, led by Jair Bolsonaro, a former president who styles himself a tropical Trump. Mr Bolsonaro is likely to be jailed soon for allegedly plotting a coup to remain in power after losing an election in 2022. He is yet to anoint a successor. But if he does so and the right rallies around that person ahead of the election in 2026, the presidency will be theirs to lose.

Mr Trump freely criticises other leaders who are much friendlier than Lula. Yet he has said almost nothing about Brazil since taking office in January. That may be because Brazil benefits from something no other large emerging economy possesses: a whopping trade deficit with the United States, amounting to $30bn in goods and services a year. Mr Trump certainly likes it when other countries buy more from the United States than they sell into it.

But his silence may also be due to the fact that on the most pressing geopolitical matters, like war in Ukraine or the Middle East, Brazil is simply not very important. Lula should stop pretending that it is, and concentrate on matters closer to home. ■

Editor's note (July 3rd 2025): This article was first published on June 29th. On July 1st, Brazil's foreign minister Mauro Vieira wrote to The Economist to defend Lula's foreign policy and part of his response has been included in this updated version. You can read the original online article here and Mr Vieira's letter here.

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The Americas | Don’t believe the numbers

Cuba’s leaders fiddle the figures

But they can’t avoid the summer heat—and their disgruntled compatriots

July 3rd 2025



Summer is never easy in tropical Cuba. Suffocating heat and humidity conspire with a dysfunctional electricity supply to highlight government inadequacy and incompetence. Patience tends to fray. This year promises to be crabbier than usual. The country’s feeble grid was already stretched to breaking point last winter, when electricity demand was lower. Now blackouts are longer than ever. Most residents of Havana, the capital, count themselves lucky to have power for more than a few hours a day. They complain of food spoiling in fridges and sleepless nights in smothering, breezeless bedrooms. And anti-government protests may be on the way. The last big one, in July 2021, led to hundreds of arrests.

Unmitigated heat is not the only problem. Tourism has fallen by 50% from pre-covid levels and harvests have been poor, leaving the country with an unsustainable budget deficit. “Cuba has become an economy that is essentially unable to produce anything,” says Ricardo Torres, a Cuban-born economist at American University in Washington, who left Cuba in 2021. Even the most hopeful forecasts put the budget deficit at around 10% of GDP this year, one of the highest rates in the world.

Discontent has fuelled another wave of emigration. Cuba’s population has fallen by a fifth in the past two years, from 11m to less than 9m. Most of the leavers are young. Their departure stifles economic activity and increases the burden of caring for the quarter of the population aged over 60, a much higher rate than in most Caribbean countries. “My colleagues and I call it a polycrisis,” says Carlos Alzugaray, a former Cuban diplomat who lives in Havana.

Cuba’s leaders continue to blame America’s decades-old economic embargo for their country’s woes, rejecting all advice to change its rigid socialist economic model. Simultaneously they deny there is a problem at all, with optimistic official forecasts showing a miraculous recovery on the horizon. Earlier this year the government predicted that gdp in 2025 would grow by 1%, contradicting most assessments that the economy is in recession.

The basis of the government’s projections is otherworldly. Officials boast of a tax-relief incentive worth $1bn designed to spur investment by Russia. They ignore the fact that Russia forgave 90% of Cuba’s debt in 2014, but that left $3.5bn still outstanding. At an economic forum on June 27th in Belarus, Cuba’s president, Miguel Díaz-Canel, hailed the juicy opportunities supposedly available in Havana. “That’s not serious,” says Pavel Vidal, a Cuban economist at the Pontifical Xavierian University in Colombia. He says Cuba’s inability to repay its debts is chronic, and notes that in the past foreign business partners have often been expelled.

There is some hope, however, that China, the world’s renewable-energy powerhouse, will help improve the electricity supply. Cuban officials say Chinese firms will have built 55 solar farms across the country by the end of this year, with another 37 to be finished by 2028. Solar-panel imports have shot up in the past year, along with air-conditioning units. If all those farms

are built, Cubans should be able to meet a good chunk of their electricity demand with solar when the sun is high. The government is trying to encourage private use of solar, too. It recently announced that the panels, along with electric-vehicle chargers and other renewable-energy equipment for personal use, could be imported duty-free.

That would be a good start, but will not dig the Cuban Communist Party out of its economic and demographic hole. Few will bet on real change after more than six decades in power. The mass exodus in recent years may have eased some political pressure at home, but now that the United States has clamped down on Cuban immigration it could soon build up again.

If that pressure spills onto the streets, Cubans may once again witness their rulers' only real talent. "The government still has an extraordinary capacity for repression—and the people are scared," says Mr Alzugaray, citing a popular adage in Cuba: "No one can fix this, but no one can bring it down either." ■

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The Americas | Elbows down

Canada makes a first concession to Donald Trump

Mark Carney is hoping it does not lead to more demands

July 3rd 2025



Lately Mark Carney has profited from firmly ditching his predecessors' policies. At the start of the year, during his campaign to run the Liberal Party, he promised to throw out the consumer-facing portion of Canada's carbon tax and backed smoothly away from progressive positions that had been miring the Liberals in culture wars. This made him look pragmatic and serious. It helped him win the party leadership and take the Liberals to an unprecedented fourth term in power.

On June 29th he performed a similar manoeuvre, jettisoning Canada's digital-services tax (DST), enacted in the last parliament, hours before it was due to come into effect. On June 27th Donald Trump had threatened to abandon trade talks if the DST was not dropped. Mr Carney was swift to

oblige. The levy would have collected 3% of local revenue from tech firms operating in Canada, including American giants like Google, Uber, Meta and Amazon. But unlike Mr Carney's previous reversals, scrapping the DST in exchange for the privilege of merely negotiating with Mr Trump may prove costly.

After the fact, Mr Carney suggested he always expected to dump the DST as part of a larger deal with Mr Trump, which he hopes will remove American tariffs of 50% on Canadian steel and aluminium and 25% on cars. But he was surely counting on dropping the DST as part of an agreement that eliminated those tariffs, not as mere table stakes to keep talking.

Other countries have refused to eliminate their digital-services taxes in the face of Mr Trump's demands. The British prime minister, Keir Starmer, was the first leader to make a pact to reduce some American tariffs, but Britain's 2% DST remained in place. France was the first European country to impose a DST, in 2019. It has signalled it will not rescind the tax unless an agreement on the taxation of multinationals is reached by the OECD, a club comprised mainly of rich countries.

Mr Trump's administration was not the first to grumble about the DST. His predecessor, Joe Biden, complained about it to Justin Trudeau, Canada's previous prime minister. So how did Mr Trump's vexation cause a law passed in Canada's parliament to be summarily scrapped?

It was probably the fact that his tariffs are already hurting Canadian workers. Unemployment rose to 7% in May, its highest rate (barring the pandemic years) since 2016, according to Statistics Canada. Exports of cars to the United States fell by 23% month-on-month in April—when Mr Trump's tariffs were first applied to vehicles—following cuts in production. Unifor, the union that represents most of Canada's auto workers, says 6,000 of its members have been laid off due to slowed or halted production. In steelmaking, 1,000 Canadian workers have already lost their jobs. The damage is showing up in the overall trade figures too. Exports from Canada to the United States have been collapsing; goods exports over Canada's southern border are down by 26% since their peak in January.

Mr Trump’s spokesperson, Karoline Leavitt, bolstered his reputation as an ungracious winner after Mr Carney’s concession. “It’s very simple: Prime Minister Carney and Canada caved to President Trump and the United States of America.”

None of this should stick to Mr Carney if he can fashion an agreement with the United States that eliminates or significantly reduces the tariffs by July 21st, the deadline both men have set for their bilateral talks. But there is no guarantee that this concession will stifle further demands. Mr Trump has a record of exploiting weakness, and Canada’s economy is one tenth the size of America’s. He has also offered shifting reasons for crippling Canada with tariffs, from minuscule flows of fentanyl, to a trade deficit built on America’s thirst for Canadian oil, or protectionist measures that insulate Canada’s dairy farmers from American competition.

Nor has he given up his biggest designs on Canada. Canadians can pay tariffs and $71bn for ballistic-missile defence under Mr Trump’s “Golden Dome”, or they could agree to become the 51st state. “It’s up to them,” Mr Trump shrugged, as he left the G7 summit in Alberta on June 16th. ■

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Asia | Mapped, monitored and manipulated

China’s bid to influence the Philippines heats up

Its tactics move from sea to land

July 3rd 2025



They came bearing gifts—cash for poverty-relief schemes and shiny motorbikes for police officers. But the Chinese ingratiating themselves with Philippine officials were also mapping military bases, snapping coastguard vessels and surveying power plants. Since January the Philippines has arrested more than a dozen Chinese nationals and alleged Filipino accomplices on charges of espionage. The arrests point to operations that blur the line between influence-peddling and spying.

The arrests suggest a new front in China’s long campaign to press the Philippines, America’s oldest military ally in South-East Asia, to come into the Chinese orbit. For years, confrontation has played out on the South China Sea, where maritime disputes have escalated. China has occupied

shoals within Philippine waters, blocked resupply vessels, rammed patrol boats and harassed Philippine fishermen. A year ago a Chinese coastguard crew armed with staves and axes boarded small naval boats, severing a Filipino sailor's thumb. Chinese surveillance over the sea, deploying coastguard and maritime militia vessels, drones, satellites and patrol aircraft, is still growing. On July 1st China banned Francis Tolentino, who has just stepped down as the Philippines' Senate majority leader, for proposing bills to delineate his country's maritime claims: China fumes that he has harmed its interests and undermined relations.

Now China is trying new ways to gain sway in the Philippines that include spying, bribery and putting pressure on Filipinos of Chinese descent, who number in the millions. It has forced a local reckoning. The Philippines, says Gilbert Teodoro junior, the defence secretary, "is a naturally hospitable country…a trusting country". But since the Chinese authorities have chosen to abuse that trust, "now we're having to disrupt their operations".

Chinese influence operations are not unique to the Philippines. China's Communist Party has long sought to shape elite opinion in other countries and gain back-door access to key organisations, often through the party's United Front Work Department, a murky entity tasked with building authority abroad, especially among ethnic Chinese. In Australia and America this approach has included attempts to get advanced technology and to stifle voices critical of the party's repression of Uyghurs, Tibetans and democratic Hong Kongers.



In the Philippines, by contrast, the goal has much to do with the country's strategic geography, says Mr Teodoro. Its archipelago lies at the heart of what naval strategists call the "first island chain", running from the Kuril islands north of Japan to the Malay peninsula. Sitting so close to Taiwan and overlooking a key channel into the western Pacific, the Philippines is vital to America's efforts to contain China. The Philippines' closest ties are with America and its allies, such as Japan, in Asia.

Three clusters of arrests have taken place this year. In January Deng Yuanqing, a Chinese national from the Army Engineering University under the People's Liberation Army, was arrested with two Filipinos. They were accused of scouting military bases used by American troops in a defence arrangement known as the Enhanced Defence Co-operation Agreement (EDCA), as well as checking out gas fields, lighthouses and petrochemical plants. Soon after, five men allegedly linked to Mr Deng were arrested for flying drones to snoop on the Philippine navy. Two Chinese nationals and three Filipinos were caught driving through Manila near sensitive sites in the capital, including the presidential palace and the American embassy. They were allegedly using an "IMSI-catcher", a device that mimics mobile towers to intercept data. They harvested thousands of communications before their arrest, according to the country's detective agency.

It is not clear which parts of the Chinese state might commission such spying. Indeed, says Jay Batongbacal of the University of the Philippines, these cases, if proven, may be instances of "crowd-sourced espionage". Those arrested appear to have been sloppy and conspicuous. Rather than working for the party, they may have gathered information off their own bat —for money, or hoping to curry favour with Chinese authority.

To be sure, state-sponsored Chinese bodies take aim at the Philippines. Over several years, Chinese hackers have targeted government agencies, including the president's office. Among other things, they have stolen sensitive military data to do with the disputes in the South China Sea, according to Bloomberg, a news agency. Last year a number of mysterious underwater drones were discovered, which Philippine officials said were Chinese-made, probably used for reconnaissance.

Yet spying is only part of the strategy. China has quietly forged local links. Local governments are especially susceptible to economic inducement and bribery, notes Rommel Ong, a retired rear admiral. Until recently, they could strike deals with foreign actors without central oversight—an opportunity China exploited.

Consider the provinces of Palawan and Cagayan. Both sit in strategic spots: Palawan faces the South China Sea; Cagayan is less than 100km from Taiwan. Both host EDCA bases, have Chinese sister cities and maintain strong economic links to China. While Japan, Taiwan and others also have sister cities in the Philippines, China has turned such arrangements from cultural niceties into strategic footholds, says Aries Arugay of the University of the Philippines.

Cagayan is typical. Its former governor, Manuel Mamba, opposed the opening of new EDCA sites and is critical of President Ferdinand "Bongbong" Marcos's hawkish policy towards China. The two newest EDCA sites are within the Cagayan Economic Zone Authority (CEZA), where Chinese firms predominate. Since 2011, CEZA has attracted $140m in foreign capital, mostly from China. Economic dependence creates a dilemma. In April General Romeo Brawner, chief of staff of the armed forces, warned that "if something happens in Taiwan, inevitably we will be involved." In such a scenario, it is not clear how local leaders like Mr

Mamba (whose hometown has also benefited from a China-funded irrigation project) would respond.

Beyond working at a local level in the Philippines, China has long cultivated links with Filipinos whose ancestors emigrated from China. The Communist Party is "favourably disposed" to work with people with strong ties to mainland China, according to AidData, a research group at the College of William and May in Virginia. Connections can be used as leverage.

Baby Ruth Villarama, a film-maker, experienced this first-hand. She directed "Food Delivery", a documentary about Filipino fishermen facing Chinese obstruction in the South China Sea. The premiere was scheduled for a film festival in March that was sponsored by Puregold, a Filipino-Chinese conglomerate that runs supermarkets selling low-cost products in bulk, some made in China. "Food Delivery" was pulled two days before its debut. The suspicion, says Dr Batongbacal, is that the Chinese embassy applied pressure. As China's influence expands across the Philippines, from local governments to cultural institutions, more Filipinos may discover that speaking out, if China has anything to do with it, comes at a cost. ■

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Asia | Missiles and waterslides

Welcome to North Korea’s Benidorm

The hermit kingdom’s new resort is for its own enjoyment, not foreigners’

July 3rd 2025



LESS THAN a decade ago the Kalma peninsula was still being used to test weapons. But on June 24th the Wonsan-Kalma Beach Resort was at last ready enough for Kim Jong Un to relax poolside. With his wife, daughter and cigarettes by his side, North Korea’s dictator looked on as a man shot out of a waterslide.

Wonsan-Kalma—which boasts 5km of beaches, cinemas, shopping malls, restaurants and 54 hotels—opened to North Koreans on July 1st. A Russian tour company plans to bring a group on July 7th. But those keen to visit shouldn’t pack their bags quite yet.

In 2019 about 350,000 Chinese tourists came to North Korea, according to calculations by NKNews, a South Korea-based outlet. With each Chinese visitor spending around $500, they estimated that the regime would net a tidy $175m in revenues. Some 4,000-5,000 Western tourists also visited every year, paying considerably more per head.

But when covid-19 struck, North Korea sealed itself off from the world. Tourists were not allowed back until February last year. Visits have since been sporadic and mostly for Russians only, though some non-Russian tourists were allowed to visit Rason, in the north, in February 2025. That lasted all of three weeks. A small number of runners from abroad were allowed to compete in the Pyongyang marathon in April.

Mr Kim says he wants to revive international tourism. But even if the borders open wider, tourists have little incentive to flock to Wonsan-Kalma. There are cheaper, easier options for a beach holiday elsewhere. That Russian tour company also offers trips to Weihai, a Chinese beach-resort town of admittedly doubtful charm, for about a third of the price.

Besides, an isolated pleasure resort lacks the feel of a socialism-inflected time warp that Western tourists crave from North Korea, not to mention the embalmed bodies of Kim Il Sung and Kim Jong Il, North Korea's previous dictators, on display in glass coffins in Pyongyang, the capital. "If all you look for in a holiday is hotels along a beach", says Simon Cockerell of Koryo Tours, a company that arranges trips to North Korea, "there is Spain —and they have Wi-Fi."

But attracting foreign tourists is not the point, says Mr Cockerell. Consider the numbers. Wonsan-Kalma supposedly has rooms for 20,000 visitors. Even if Chinese tourism returned to its pre-pandemic heights, and all Chinese visitors travelled to the beach instead of their old haunts, the resort would not fill up. Russian tourism would have to grow enormously to help. Only 881 tourists came between July and August last year.

The rooms on the Wonsan-Kalma strip are for North Koreans. Despite the country's reputation as a joyless place, it has an active domestic tourism industry. Decades of illicit market activity have created a middle class; they need a rest as much as anyone. And the regime often rewards its subjects

with excursions. Employees of “model workplaces”, university students and schoolchildren may all soon enjoy the resort’s amenities.

Mr Kim’s reasons for such beneficence are complex. Building a resort town in “our own style without an equal” feeds the North Korean myth of self-sufficiency and superiority. The despotic regime asks much of its people, so a little break goes a long way. Who knows, maybe even a tyrant enjoys a child’s excitement and trepidation on climbing up his first waterslide? ■

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Asia | Tied down

Thailand’s prime minister has been suspended

And conservatives forces are circling her populist movement

July 3rd 2025



Thailand’s Constitutional Court has suspended Prime Minister Paetongtarn Shinawatra following a petition alleging she breached ethics in a call to Hun Sen, Cambodia’s strongman, which he leaked. Ms Paetongtarn appears to disparage a Thai general for being hot-headed over a border spat between the two countries. The petition, by senators, suggests conservative forces in the army, palace and parliament are calling time on the populist movement long led by Ms Paetongtarn’s father, Thaksin Shinawatra. He, too, is in court on charges of lèse-majesté. In 2008 the generals ousted him in a coup; in 2014 they seized power from his sister. This time the Shinawatras look likelier to be dispatched with a gavel. ■

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Asia | Statues in the Stans

Central Asia still has a complex relationship with Russia

But countries know their neighbour is a crucial partner

July 3rd 2025



Statues commemorating the Soviet Union's long-dead leaders, who once ruled an empire stretching from the Baltic Sea to the Pacific Ocean, have had their ups and downs. A Moscow metro station recently unveiled a frieze glorifying Josef Stalin, now once again feted in Russia as a great leader. Shortly afterwards a gigantic statue of Vladimir Lenin, the Soviet Union's founding father, came toppling down in Kyrgyzstan, one of five former Soviet states in Central Asia. Yet it is still a staunch ally of the Kremlin.

Local authorities in Osh, Kyrgyzstan's second city, said Lenin's removal was for purely aesthetic reasons; they would re-erect him in another, less central spot. Not everyone in Russia was convinced. Russian officials kept quiet,

but pundits saw a betrayal of a shared historical heritage—another sign that Central Asian states are edging out of Russia's orbit.

Many Russians have been bristling at the lack of overt backing by their former Central Asian dominions—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan—for Russia's invasion of Ukraine. Central Asians have been alarmed by Russia's war of expansion against another post-Soviet neighbour, but have been wary of antagonising the Kremlin. So they have sat on the diplomatic fence, neither endorsing nor condemning it.

The war in Ukraine started as a "battle over the Soviet legacy", thundered a Russian MP after Lenin's recent downfall in Kyrgyzstan: let that be a lesson to others, he implied. Many Russians still interpret Central Asian moves to shed the colonial past and assert national identity as perfidy, 34 years after they got independence as the USSR collapsed. Last year the renaming of some railway stations in Kazakhstan with Kazakh names prompted further outbursts from Russian armchair warriors.

Lenin's fall followed a row over the arrest in Kyrgyzstan of a Kyrgyz citizen working for a Russian government agency that promotes Russian culture abroad, on suspicion of recruiting mercenaries to fight for Russia in Ukraine. In retaliation one Russian MP proposed halting migrant workers' remittances from Russia, a reminder that the Kremlin has the means to punish old allies who step out of line. Remittances account for around a fifth of Kyrgyzstan's GDP; last year 93% of them, around $2.8bn, came from Russia.

The Central Asians have also needled Moscow by welcoming overtures from states hostile to Russia amid competition over trade routes and resources such as energy and the rare earths that abound in Central Asia. After Uzbekistan hosted a summit in April for European Union bigwigs to meet Central Asian presidents, Sergey Lavrov, Russia's foreign minister, flew in like a jealous lover to castigate the EU for supposedly interfering in Central Asia's internal affairs and stoking an anti-Russian agenda. He also annoyed Uzbeks by grumbling about the absence of Russian on a war memorial. "We are not their colony!", an Uzbek commentator snapped.

Yet Russia is a constant and often crucial regional partner in geopolitics, the economy and security, whereas Western interest in the area ebbs and flows. Russia is rivalled only by China as Central Asia's main trading partner; 95% of Kazakhstan's oil exports and 95% of its internet traffic pass through Russia, which is also set to build Kazakhstan's first atomic power plant. Kazakhstan, Kyrgyzstan and Tajikistan all have security pacts with the Kremlin, while Kyrgyzstan and Tajikistan host military bases for Russia. America vacated an air base in Kyrgyzstan in 2014 and one in Uzbekistan in 2005.

So a symbiotic relationship between Russia and Central Asia looks likely to endure. Lenin may no longer loom large over Kyrgyzstan, but Russia will loom large over Central Asia for quite a while yet. ■

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Asia | Banyan

Why all Indians are rule-breakers

Because the state makes it impossible not to be

July 3rd 2025



IF YOU HAVE ever relaxed with a cold Kingfisher beer at the end of a long, sweaty day in Mumbai, the party capital of India, you have almost certainly broken the law. Specifically, you violated section 40 of the Bombay Prohibition Act of 1949, under which you must hold a permit to drink booze. A first offence is punishable by a fine of 10,000 rupees ($115) and up to six months in prison.

Welcome to India, where everything is against the law. According to Vidhi, a legal think-tank in Delhi, India has 7,305 crimes at the national level, three-quarters of which attract imprisonment. India is hardly alone in overcriminalisation. But even America, not exactly known as soft on crime, had a more modest 5,199 federal crimes at last count in 2019. China imposes

the death penalty for 46 crimes. In India the number is 301 (though rarely applied).

The central government's ardour for lawmaking and punishment is infectious. India's 28 states, which control vast swathes of policy, are no less assiduous in regulating everyday life. The state of Uttarakhand, to pick one, requires couples in live-in relationships to register (and pay a fee) within 30 days of shacking up. Failure to comply attracts a fine and up to three months in prison. What of love lost? The unhappy couple must de-register (and pay another fee). Uttarakhand is particularly energetic but few states pass up the chance to make citizens visit the registrar.

Then there are tax rules that make almost everyone cower. Renters paying over a lowish threshold must withhold a proportion of the rent from landlords and deposit it with the state as tax, which can involve obtaining a special tax number and hiring an accountant. Some people must pay income tax four times a year. Penalties for errors or delays are high. In June the authorities increased fines for misreported income or false deductions to "up to 200% of the tax due, 24% annual interest, and even prosecution". There is no leeway for honest mistakes.

Businesses have it worse. Companies that grow beyond even a small size must compulsorily register for a goods-and-services tax, disincentivising expansion. They must register in each state in which they have any activity, even if they have no physical presence there. They must also pay taxes withheld from buyers every month, regardless of whether they have been paid. Big companies have legal and compliance departments. Small ones struggle. A convoluted tax code means it is easy to mess up.

Beyond the big-ticket items of crime and tax there exists a third category of rules so baffling it defies labels. Cities build fancy new elevated roads only to set speed limits as low as 30km per hour (18mph). Local authorities brick up entrances to public spaces for "safety reasons". Airport security confiscates packets of spice mixes but allows packets of noodles that contain packets of spice mixes. It is hard to escape the sense that there is no logic behind the rules.

That is because there isn't, say people who have worked with government. Policy can be made just because an official says "I think it's a good idea." To save energy, a central-government minister says air-conditioners should function only between 20°C and 28°C, boasting of a "first-of-its-kind experiment". A minister in Kerala wants to fine people who use their phones while crossing the street. In Goa, a holiday state, a new policy makes it mandatory for beach shacks to serve "freshly cooked Goan cuisine". The tourism minister stipulates that this means fish curry and rice, though there is no such clause.

The usual excuse for India's surfeit of laws and rules is colonialism's legacy. Indeed, in 2023 India decriminalised 183 defunct provisions in 42 laws. The government is working on a second rationalisation and setting up a deregulation commission to ease the burden on business. A tax bill is in the works. These are welcome moves. But the deeper problem lies in the attitudes of politicians and bureaucrats. "We think the state must have a say in every aspect of an individual's life," says Arghya Sengupta of Vidhi. "Everything is game for legislation."

The outcome is to make Indians less law-abiding, not more. Why follow the rules when everything is verboten? Why start a business or expand a successful one if it will only attract attention and more compliance? One high-ranking official complains that the state sets impossibly high standards and then claims that Indians are lawless. But "You have made it impossible for them to follow the law." ■

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China

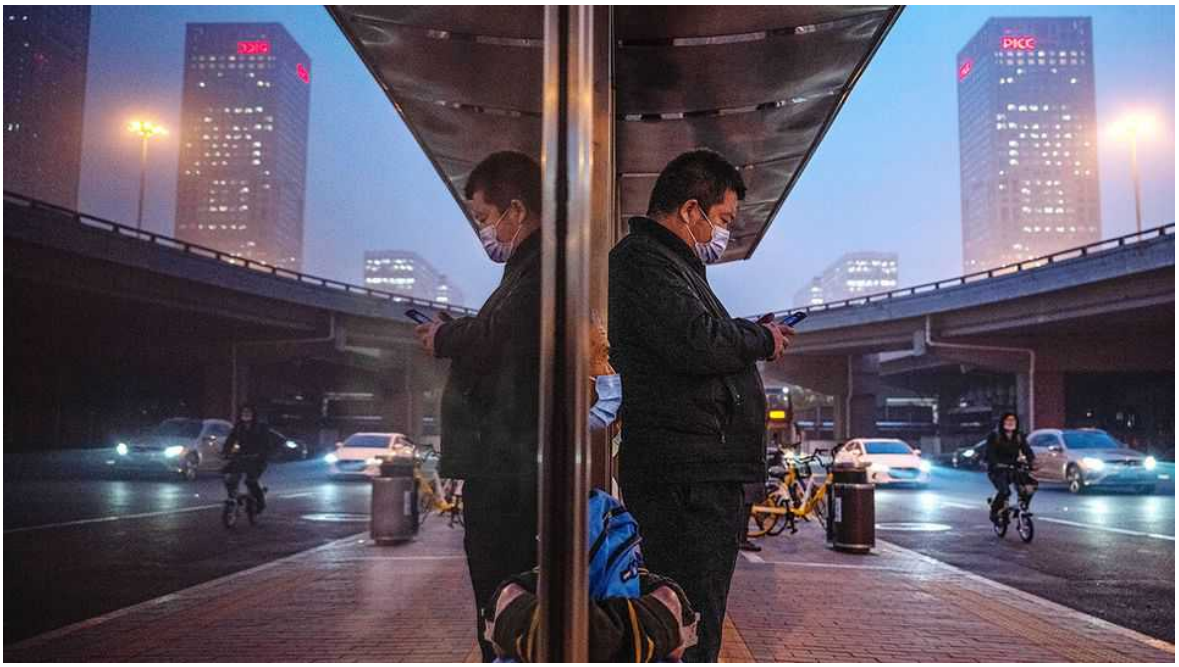
- China’s giant new gamble with digital IDs
- China’s growth targets cause headaches—even when met
- Beware tomes of Chinese political gossip!
- Hong Kong’s last functioning pro-democracy party disbands

China | Big data will see you now

China’s giant new gamble with digital IDs

They could change its internet for good and turbocharge AI efforts

July 3rd 2025



IT WAS IN 1984, of course, that police stations in China started issuing national ID cards to those over the age of 16. Citizens still need them to travel, pay taxes or gain access to public services. Now the Communist Party wants to take the next step. On July 15th the government will launch “digital IDs” for use on the internet, shifting responsibility for online verification from private firms to the government. This is a potentially huge change in the state’s control over data. It augments China’s radically different approach to managing and surveilling the digital lives of its citizens. And it may alter who captures the profits generated from the online economy and even affect the evolution of artificial intelligence (AI) in China.

Under the new scheme people obtain a digital ID by submitting a raft of personal information, including scans of their faces, to the police via an app. They can then use it to register for and log into other apps or websites. A pilot went live a year ago and 6m people signed up. Currently voluntary, it may not remain so. Officials and state-run media are pressing citizens to sign up in the name of "information security". China's 1.1bn internet users are in their sights. Some $1.3trn of market capitalisation is tied up in the big Chinese internet firms that cater to this huge customer base, from Alibaba to Meituan and Tencent.

The state already tries to keep a tight grip on what happens on the web. The government maintains the "great firewall" through its control over telecoms infrastructure. It blocks hundreds of thousands of sites, including foreign news outlets, search engines and social media. But the system is multilayered and fiddly. Before posting a comment, playing an online game or paying for a takeaway, Chinese must register with the company running the service using their real name. This way the state partially outsources the job of surveillance. Last year the police say they punished 47,000 people who spread "rumours". Firms help with gusto. Weibo, an X-like site owned by Sina Corp, uses a combination of blocked keywords and armies of censors to keep its 600m users in line, for example.

The digital ID is an evolution of this set-up. Companies will know much less about who their users are from now on. Instead the IDs will allow people to log in to websites or apps without revealing their personal details to firms, which will see just an anonymised stream of digits and letters. Internet platforms can still censor users and report troublemakers—but only the police will hold all users' details.

In some ways it is surprising that China, a forceful surveillance state, did not roll out digital IDs earlier. Many countries have versions of one, including Australia and Britain, although their IDs are just used for access to government services, and are not run by the police. India began work on its vaunted Aadhaar programme back in 2009.

So why is China doing this now? In the short term the scheme is meant to prevent harm to consumers. Many Chinese are deluged with spam phone calls because their personal details have been sold to third parties. A lot of

data also leak to gangs of telecoms fraudsters, whose scams cost China billions of yuan a year. “It’s like the government has sent us a bullet-proof vest for our personal information!” said one excited state-media journalist, in a video encouraging people to sign up.

Critics fear the ID will turbocharge snooping. It may, for instance, help the police assemble a list of all the websites and apps each person uses. They could probably already get this information with a few phone calls, but the new scheme could make things more convenient. Data from the digital IDs might in the future be plugged into a new, more comprehensive online-surveillance system. When the scheme was first announced last year it created an online backlash.



In the long term the digital ID is part of a far more ambitious vision, with the state taking firmer, more centralised control over the vast data flows the economy creates. In part this is motivated by national-security concerns. In the wrong hands—say, of foreign spies—personal data could be used for disinformation campaigns or cyber-attacks. It could also be used to train AIs to glean insights into China’s population.

Economic opportunity underlies the vision, too. State planners regard data as a factor of production, alongside labour, capital and land. They want to

avoid it being hoarded inside companies and make it available for widespread use. Local governments have built data exchanges to allow it to be monetised and traded between state agencies, state-owned enterprises and private companies. In Shenzhen, a tech hub in China's south, firms can buy data on how consumers use power from the national grid, for example. A national data-exchange is in the works. And in June the State Council, China's cabinet, announced rules to prevent data being siloed by competing government departments.

This all has implications for the rents derived from China's torrents of data and who gets them. In principle the digital ID harms the interests of private-sector internet platforms—not that the stockmarket seems to have noticed. The calm belies the government's capabilities. In recent years it has clobbered data-hoarding titans in other industries. In 2021 Ant Group, a subsidiary of Alibaba, a tech giant, was forced to share its consumer-credit data with China's central bank. That year Didi, a ride-hailing firm, angered regulators by listing on the New York Stock Exchange despite their concerns that its data might be exposed. In 2022 it was fined 8bn yuan ($1.2bn) and forced to delist for "illegally collecting millions of pieces of user information" and processing data in a way that threatened "national security".

Centralised data flows may supercharge China's AI initiatives. Chinese firms are prevented from buying American-designed AI chips, which are the most powerful in the world. But they could still try to find a competitive edge by feeding their algorithms more and higher-quality data, as Lee Kai-fu, a Taiwanese tech investor, has argued. One area where piles of data have already helped Chinese companies become cutting-edge is facial-recognition technology, thanks to the millions of surveillance cameras set up across cities.

For all its techno-optimism, China's government has a poor record of managing data. Officials are often badly paid and can make money by selling valuable information. Other practices can be lax. In 2022 a hacker stole 1bn personal records from an unsecured database run by the Shanghai police. Scandals like this may have made Chinese people more wary of government schemes like digital IDs. Fortunately, China's ever-watchful tech firms stepped in: reports of the theft were censored. ■

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China | The 5%

China’s growth targets cause headaches—even when met

Local officials wrestle with competing incentives

July 3rd 2025



WHEN CHINA’S prime minister, Li Qiang, announced in March that the country’s GDP growth target for the year would be “around 5%”, the number seemed ambitious. After President Donald Trump announced his tariffs in April, the target seemed almost fanciful. Yet China’s economy has done surprisingly well so far this year. Exports have continued to grow and, despite low consumer confidence, retail sales have picked up. A manufacturing index published by Caixin, a business magazine, jumped to 50.4 in June from 48.3 the month before. “We are confident and capable of maintaining relatively rapid growth,” Mr Li trilled at the World Economic Forum’s recent meeting in Tianjin. Citigroup, an American bank, just raised

its 2025 growth forecast from 4.2% in early April to 5%—bang in line with officialdom.

Policymakers are suspiciously good at steering the world's second-biggest economy. GDP growth was off-target by just 0.17 percentage points a year on average between 2012 and 2024 (apart from the covid-19 years of 2020-22). Many economists worry that the government fiddles the figures, tweaking price statistics so that weak growth looks stronger when adjusted for inflation. Indeed the problem with China's targets is not that they are missed, but that officials try too hard to hit them.



A new paper from Jeffery Chang of the Chinese University of Hong Kong and others studies how China's growth targets distort incentives. Targets swell as they pass down the hierarchy of government (see chart). Because higher economic growth improves their chances of promotion, officials inflate targets to beat rivals. This affects all sorts of decision-making. Currently there are worries about local governments causing price wars by duplicating efforts to attract high-tech investment. And money has been poured into infrastructure willy-nilly. Between 2004 and 2022, whenever a province fell 1% short of its economic growth target, it increased infrastructure investment on average by 0.4% of GDP, according to the new paper.

Xi Jinping, China's leader, has long been aware of these distortions. "We shouldn't judge whether a person is a hero simply by the GDP growth rate," Mr Xi said in 2013. Under his leadership, considerations such as environmental care and social stability increasingly matter for promotion. Mere growth is no longer enough; it must be "high-quality", as he defines it.

These days, though growth targets remain crucial, officials don't know exactly how they will be used to judge them. That risks paralysis or merely formalistic compliance. China can ill afford this. After all, despite recent good news, it is still dealing with deflationary pressures, a wobbly property market and Mr Trump's onslaughts. Officials used to worry about missing the target. Now they worry about hitting the right number in the wrong way —alongside everything else. ■

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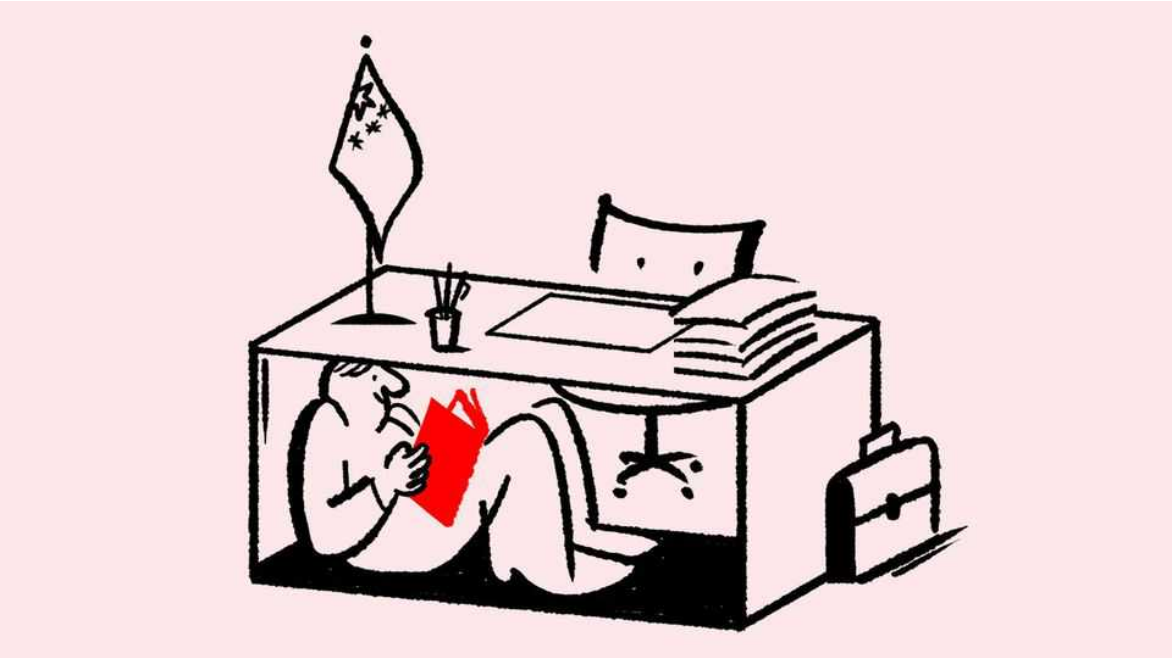
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China | Peruse at your peril

Beware tomes of Chinese political gossip!

Our new number-crunching on reading banned books

July 3rd 2025



“Reading banned books behind closed doors on a snowy night is one of life’s greatest pleasures,” goes a popular saying in China. It is often (perhaps mistakenly) attributed to a 17th-century scholar, but is used to convey a yearning that many relate to today. Surprisingly, Chinese officials are among those who treasure poring over gossipy political works that the Communist Party prohibits. In recent months, numerous high-ranking ones have been accused of keeping secret stashes.

By The Economist’s count, this year the authorities have named at least nine people who have allegedly engaged in “private reading” of printed or online literature containing “serious political problems”. They include a former party chief of a state-owned life insurance firm, a former senior banking

official in the central province of Hunan, and a semi-retired former deputy governor of Jiangxi province in the south. The latter's expulsion from the party was announced last month. As the party usually publicises only a select few cases of wrongdoing by its members, there are likely to be many more of this type.

Reading bad stuff is never the main charge. It is always tagged onto other allegations, usually of corruption. But when reporting on high-level graft, state media mention the reading habits of the accused with growing frequency. Last year two dozen corruption cases came to light that also involved perusing banned materials. That is about twice as many as in 2023. In each year previously, only a handful of this type were publicised. Why such an increase?

It is probably because the party is getting tougher. China's leader, Xi Jinping, is worried about the loyalty of party members—he wages fierce campaigns to keep them in line (at a meeting of the Politburo on June 30th, he once again stressed the need for "unwavering loyalty to the party"). Anyone who reads dodgy stuff is assumed to lack faith in the party's directives. Revised rules for members that took effect on January 1st last year clarify that it is an offence merely to read banned materials, not just produce, transport or distribute them. The maximum penalty is sacking.

Customs officials routinely confiscate any book in Chinese about contemporary Chinese politics that is not published in mainland China. Sadly, however, reports do not specify the titles that appeal to errant officials. Netizens burn with curiosity. Responses to the recent case in Jiangxi were typical. "What books? Can I borrow them to read?" wrote one visitor to Tencent News, an online portal. State media do specify that in many cases the accused had smuggled in the materials. One likely source is Hong Kong, which was once a magnet for lovers of rumour-filled books about the party's machinations.

In recent years such materials have become harder to find. Booksellers have grown more cautious about selling sensitive works. Chinese officials who try to get hold of such material online have a hard time, too. They risk punishment if they tunnel through the Chinese internet's "great firewall". It

is striking, then, that so many bigwigs seem to have found ways to get hold of politically incorrect works, and summoned the audacity to do so.■

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China | Closing time

Hong Kong's last functioning pro-democracy party disbands

A long campaign against dissent crushes a final few democrats

July 3rd 2025



TEARS ROLLED down Chan Po-ying's face at the disbandment of the League of Social Democrats (LSD), the last functioning pro-democracy party in Hong Kong, on June 29th. Ms Chan, the party's leader, spoke of the impossibility of operating amid "the omnipresence of red lines and the draconian suppression of dissent".

The LSD looks like one of the final casualties in the authorities' long campaign against civil liberties. It all began in 2019 after the government sought to introduce a law that would have allowed criminal suspects to be extradited to mainland China. Pro-democracy protests erupted across the city in response and lasted over a year. At their height nearly 2m people, more

than a quarter of Hong Kong's population, took to the streets. Members of the LSD helped prevent a second reading of the extradition bill and it was eventually shelved.

But in 2020 the central government in Beijing introduced a sweeping national-security law that allowed it to dismantle the city's democratic system. Opposition parties were barred from politics in 2021 and have since been forced to disband, along with at least 90 civil-society groups. In February the Democratic Party, the city's oldest and biggest opposition group, said it would dissolve. Almost all prominent pro-democracy activists are now either behind bars or in exile. Fears grow that the Hong Kong Journalists Association, a small but punchy union, is next in the line of fire.

The government wants to show the central authorities in Beijing that it remains vigilant. In a statement for the national-security law's anniversary on June 30th, it promised an "ongoing and endless commitment" to it. John Lee, the first chief executive drawn from the police, warned against lurking "soft resistance". The intensity betrays Beijing's concern. A white paper published by the central authorities in May claimed "external forces" were increasingly using "Hong Kong issues" to meddle in China's affairs amid heightened geopolitical tensions. Hong Kong's democrats may be defeated, but they are not yet dismissed. ■

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Middle East & Africa

- Iran’s “axis of resistance” was meant to be the Shias’ NATO
- Israel’s weird war clock: 12 days for Iran, 21 months in Gaza
- The Israel-Iran war has not yet transformed the Middle East
- Kenya’s president is bad news for Kenya and Africa
- A peace agreement in Africa that will probably not bring peace

Middle East & Africa | The future of political Shiism

Iran's "axis of resistance" was meant to be the Shias' NATO

But today transnational political Shiism is struggling for its survival

July 3rd 2025



The ten days of Shia lamentation for Hussein, the Prophet Muhammad's grandson, end this year on July 6th, with Ashura. They are always filled with anguish but this year that is even more true. In shrines across the Middle East, eulogists lauded the recently dead. Worshippers beat their chests and lashed themselves with chains as the coffins of the hundreds killed in Israeli strikes were paraded past. In the rubble of their southern villages and the suburbs of Beirut, Lebanon's Shias cried for their fallen leaders and footsoldiers. From Lucknow to London, Shias asked whether their brief revival was over, and whether they faced a future, once again, as Islam's oppressed.

Shias comprise a little more than a tenth of Islam's 1.9bn believers. Ever since the Umayyad caliph, Yazid, slaughtered Imam Hussein on the battlefield of Karbala in 680ce, they have largely lived under Sunni rule. Until Ayatollah Ruhollah Khomeini's Islamic revolution in Iran in 1979, they had last held sway in the nearby Arab heartlands more than a millennium ago. He set about changing that, seeding theocratic satellites among Shias in Lebanon, Iraq, Syria and Yemen. The transnational movement he fostered carved a crescent of 2,300km, spanning the Middle East.

Israel's stunning wave of military offensives may prove that movement's undoing. Its attacks on Iran and on its positions in Syria and Lebanon have left gaping holes in Shia power structures and triggered a series of chain reactions. In Syria Sunni jihadists have chased out Iran's satrap, the Assads, and installed a new Sunni leader. President Ahmed al-Sharaa's associates liken him to the Umayyad caliphs, who grabbed power from the Prophet's descendants and butchered their Shia followers.



More setbacks could follow. Bolstered by Sunni Gulf petrodollars, Mr Sharaa's victory in Syria might embolden Sunnis in Iraq to rebel against the Shia-led government in Baghdad again. Shia irregulars, who coalesced to form the Popular Mobilisation Forces in Iraq a decade ago, already

anticipate another retreat from the border with Syria and the mainly Sunni provinces in northern and western Iraq to protect Baghdad. Federalism, so long decried by Shia politicians, now seems like an option for Iraqi leaders on the defensive.

Meanwhile, President Donald Trump is chipping away at Iran's regional influence. He is urging Syria and Lebanon to join the Abraham accords, a pact between Israel and four Sunni states. His sanctions continue to erode Iran's economy.

Weakness within compounds the threats from without. Iran's "axis of resistance" was supposed to be the Shia world's nato; an attack on one implied an attack on all. But over the past year the "unity of fronts" has disintegrated. Iran abandoned its dependants, Hizbullah and the Assads, and left Alawites (who practise an offshoot of Shiism) to be massacred unprotected on Syria's coast. Meanwhile, the odd Houthi missile aside, none of its proxies came to Iran's rescue against Israel. Iraq's Shia warlords had too many business interests to risk entering the fray. Snubbed, Iran has, in breach of agreements, cut gas supplies to Iraq, causing midsummer outages in an effort to meet demand at home.

Shia religious leadership looks even more doddery. Traditionally, Shias follow their marjas, or sources of authority, unquestioningly. But the two leading ayatollahs are old men whose influence is rapidly waning. Iraq's politicians have undermined Grand Ayatollah Ali al-Sistani, the Shia world's pre-eminent cleric, by ignoring his appeals for reform. Rather than expose his dwindling authority, his representatives no longer give Friday sermons. His rival, Ayatollah Ali Khamenei, aged 86, remains Iran's titular supreme leader. But the Islamic Revolutionary Guard Corps that he has empowered over his 36-year-rule called the shots during the war, while he hid in a bunker. "A hidden imam," says a wag, referring to a Shia authority who went into "occultation" in the ninth century.

Some seek to fill the vacuum with redoubled defiance. In Iran a new guard of generals might try to secure their survival by accelerating efforts to build a Shia nuclear bomb. They can threaten the Sunni Gulf capitals that host American bases. Shia politicians in Iraq are stoking sectarian fears, to get out the vote ahead of November's election. America is plotting to replace

Iraq's Shia prime minister with a Sunni, some warn, and relegate Shias to being the Middle East's shoe-shiners again. "Curse the sons of the Umayyads," cried Muqtada al-Sadr, a firebrand politician in Iraq, after reports that Syria's authorities had emptied Sayyida Zeinab, a Shia shrine near Damascus, of pilgrims.

Others think radicalising fellow Muslims, whatever their sect, and recruiting them to the Shia project may rescue their cause. While Sunni leaders have acquiesced to Israel's bloodshed in Gaza, Shia populists hail Iran for standing up to Israel. Their websites celebrate Iranian missiles fired at Israel. And they cheer Iran's self-proclaimed victory in forcing Israel to accept a ceasefire. "The war has revived popular support for Iran in the Arab street from a very low ebb because the Palestinian wound is still bleeding," says Ali Taher, who heads a think-tank in Baghdad.

But many despair of resistance altogether. Azerbaijan, another Shia-majority state bordering Iran, offers an alternative Shia model. It embraced Israel long before Sunni leaders adopted the Abraham accords. In return for supplying Israel with oil, it receives weapons, technology and advice. Some reason that once free of the mullahs Iran's military guard may ditch the religious rhetoric, abandon Shia transnationalism and seek a rapprochement with America. Yet it seems more likely the rot will persist. "We don't have a Shia project that can protect us," says an Iraqi official. "This Shia generation is lost." ■

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Middle East & Africa | A never-ending conflict

Israel's weird war clock: 12 days for Iran, 21 months in Gaza

Making peace with the Palestinians looks much harder than with Iran's regime or Shias in Lebanon

July 3rd 2025



To donald trump, peace seems simple. On July 1st the American president announced on social media that Israel had agreed to the "necessary conditions" for a ceasefire in Gaza. Little matter that neither Hamas, the Islamists who still run parts of Gaza, nor Israel had endorsed the idea. Unless they did, warned Mr Trump, things would "ONLY GET WORSE".

Yet ending the war in Gaza has proved time and again to be far from simple. There have been two temporary truces during 21 months of conflict, but no permanent peace. Israel continues to kill scores of Palestinians every day. Compare that with its recent fights against much mightier enemies. Israel's

war in Iran lasted 12 days; its victory over Hizbullah, the powerful Shia militia in Lebanon, took eight weeks on the ground. But in Gaza the Israeli government cannot even define what an end to the war looks like. Perhaps it is just another episode in a conflict between Jews and Palestinians that is over a century old and will not end with a ceasefire.

Or maybe this time will be different. An adviser to Binyamin Netanyahu, Israel's prime minister, says he is "optimistic". The commander of the Israel Defence Forces (Idf) argues that Israel has all but achieved its war aims in Gaza. The prime minister's far-right allies adamantly oppose ending the war, but the opposition's leader, Yair Lapid, has promised to back a ceasefire. Mr Netanyahu is going to Washington next week to meet Donald Trump, who has made it clear he expects the war to end.

On the ground, though, it continues. The idf controls most of Gaza. It has once again told civilians in Gaza City to evacuate pending more attacks. The death toll climbs relentlessly. Over 500 Gazans have been killed trying to collect food from controversial aid hubs set up by Israel. Its troops are blamed for most of the deaths.

So why is Israel still fighting in Gaza, when it was able to bring its wars against Iran and Hizbullah to swift ends? Those foes presented unique challenges. Iran had thousands of ballistic missiles capable of hitting Israel. Hizbullah had Iranian-supplied weapons, trained fighters and controlled much of Lebanon and swathes of Syria. But the Israeli government had clear and achievable objectives in Iran and Lebanon. It aimed to crush the Islamic Republic's nuclear ambitions, and to end Hizbullah's military presence on Israel's northern border. Using guided munitions and intelligence provided by well-placed spies, Israel was able to achieve its aims in fairly short campaigns.

When Israel launched its war in Gaza it also had clearly-stated goals: to end Hamas's rule; to destroy its military capabilities; and to rescue the 250 hostages held in Gaza. Since then Israel has devastated the coastal strip, assassinated nearly the entire Hamas leadership and killed over 55,000 people (it says a third were combatants). But Hamas still controls parts of Gaza. Its military wing is enfeebled, but there is no shortage of young men prepared to fight. And 50 hostages remain in captivity.

As the war has dragged on, Israel has suffered from mission creep. Its leaders talk vaguely of "total victory". But few in the security establishment think much more can be achieved in Gaza by military means. Five idf divisions are operating there. "We're mainly waiting to see if there's a ceasefire," says an officer. "There's barely any advance on the ground." Most Israelis want a ceasefire. Only a minority think that eradicating Hamas, by depopulating Gaza and leaving Israeli troops there, is viable or desirable. But those who keep Mr Netanyahu in power do.

Israel's decision to continue to batter Gaza goes beyond military tactics and political calculation. "For over half a century Israel has been unable to decide on a national strategy," says Or Rabinowitz at the Hebrew University. "Does it ultimately want to have diplomatic agreements or is it on a messianic quest for the Greater Land of Israel?" Israel's wars with Iran and Hizbullah were "classic counter-proliferation campaigns", she continues, "where your aim is to degrade your enemy's capabilities and force it to accept an arms-control treaty through diplomacy". In Gaza the prime minister and his ultra-religious allies "have been fighting a messianic war that trumps any pragmatic strategy".

Israel was able to reach peace treaties with Egypt and Jordan because those disputes were a matter of agreeing where borders should be, says Tom Segev, a historian. Perhaps such a peace might be possible with Iran. "But with the Palestinians, Israel has a conflict which is about the very roots of each side's national identity." Gaza, whose population mostly descends from the refugees who fled during the nakba (catastrophe), as Palestinians call the war of 1948, "has no solution yet". Even the many Israelis who oppose the far-right's vision of ethnic cleansing in Gaza can see no alternative future relationship with it. "Hamas was prepared to sacrifice over 50,000 of its people on the dream they could one day displace Israel. And Israel was prepared to kill those 50,000 in a delusion that Gaza would no longer pose a threat."

"Unlike Gaza, where we see only hatred, most of the interactions on social media between Israelis and Iranians are very positive," says Sharona Mazalian of Tel Aviv University's Centre for Iranian Studies. The two countries were allies until the Islamic Revolution. "It was an alliance based on their both being non-Arab…outsiders in the Middle East," says Dr

Mazalian. Israelis and Iranians now have a common enemy in the regime, she believes: “They can’t wait to live at peace again.” For Gaza, there seems to be no such hope. ■

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Middle East & Africa | A stubborn status quo

The Israel-Iran war has not yet transformed the Middle East

Peace deals may be elusive, and Gulf states fear the war is far from over

July 3rd 2025



A SINGLE strike took on singular importance. When America attacked Iran's nuclear facilities last month, both supporters and opponents thought it would have outsize consequences. Critics feared it would plunge the Middle East into a wider war. That doomsday scenario has not come to pass, at least for now: Iran made only symbolic retaliation against America; soon after, a ceasefire ended the fighting between Iran and Israel.

With the 12-day war over, proponents of the strike now speak of a region transformed. Donald Trump believes he can find new signatories to join the Abraham accords of 2020, whereby four Arab states normalised ties with

Israel. “I think we’re going to start loading them up, because Iran was the primary problem,” the president told Fox News on June 29th.

Binyamin Netanyahu, the Israeli prime minister, made similar comments, arguing that Israel’s “victory” in Iran “opens an opportunity for a dramatic expansion of the peace agreements”. Yet the mood is less effusive in Arab capitals—even those that have long viewed Iran as an enemy. The fear is that the war was not transformative but merely inconclusive.

That is not to say Mr Trump’s talk of expanded peace deals is a fantasy. It seems plausible that Ahmed al-Sharaa, the interim Syrian president, will sign a pact with Israel in the coming months. If he does, though, it will have nothing to do with the war in Iran. Mr Sharaa wants an end to Israeli attacks on his country, a regular occurrence since the fall of Bashar al-Assad in December. He also wants to bolster his standing in the West. A non-aggression pact with Israel would accomplish both.

The situation is more complicated in neighbouring Lebanon, where Hizbullah, an Iran-backed Shia militia and political party, fought a war against Israel last year. Tom Barrack, the American ambassador to Turkey, has also become Mr Trump’s roving envoy in the Levant. Last month he gave the Lebanese government a deadline: America wants Hizbullah to hand over its weapons by November (a year after the ceasefire that ended the war).

Hizbullah was already under pressure to accede. Until it does, no one will stump up billions for post-war reconstruction. Israel will continue to carry out air strikes against the group, and to occupy five hilltops in south Lebanon. And Iran may now be less able (or willing) to send money and weapons to its Lebanese client, because it needs to bolster its own defences.

None of this guarantees that Hizbullah will disarm, though: some members of the group want to stall for time, hoping events will turn in their favour. Even disarmed, it would still have a say in Lebanese politics as one of the main representatives of the Shias. It would oppose normalisation with Israel —as would many other Lebanese. So a peace treaty may not be imminent.

Iran will have to decide which of its allied militias in Arab countries are worth its continued backing. Some Yemeni politicians think this is the moment for a fresh offensive against the Houthis, the Iranian-backed group that controls much of Yemen. They reckon that a weaker Iran will have to trim its military support.

But Saudi Arabia, which has battled the Houthis in the past, is nervous about renewing a war that could trigger new missile strikes on its territory. A loss of Iranian support would be a blow to the Houthis, but the group still has tens of thousands of fighters and steady sources of revenue. It has also figured out how to produce some crude missiles and drones indigenously.

The Houthis are not the only concern for Saudi Arabia and its Gulf neighbours. They also worry about future Israeli or American strikes on Iran's nuclear facilities. They seem inevitable without a new nuclear deal, which Mr Trump has shown only limited interest (and less skill) in trying to negotiate. Nor does Iran seem interested in making concessions: On July 2nd its president, Masoud Pezeshkian, ordered Iran to suspend co-operation with the un's nuclear watchdog.

Iran might conclude that deterring Israel and America requires more, and more accurate, ballistic missiles, and redouble its efforts to build them. It could reach a different conclusion, though: it is hard to deter far-off adversaries with missiles.

In conversations last month, several diplomats in the Gulf mentioned the example of North Korea. The Kim dynasty shielded itself from American attack by pointing lots of artillery pieces and short-range missiles at Seoul, South Korea's capital. Gulf rulers fear Iran could opt for a similar strategy—deterring Israel and America by targeting Dammam, Doha or Dubai, but not Tel Aviv.

Saudi Arabia is the big prize for Mr Trump: he hopes to persuade the kingdom to normalise ties with Israel, which would probably pave the way for other Arab and Muslim states to do the same. Yet the fear of a cornered, isolated Iran may well make the Saudis more reluctant to do so.

For decades, many Westerners saw the Israeli-Palestinian conflict as the wellspring of the region's woes: solve it, and you would solve a myriad of other issues. "Linkage", as the idea was known, was never popular with the Israelis, nor with the sorts of hawkish Republicans who encouraged Mr Trump to bomb Iran. Yet now those same officials insist that a brief war with Iran has paved the way for regional peace—never mind all the political and military obstacles that still exist. Their theory of "linkage" may prove no more accurate than the one they once maligned. ■

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Middle East & Africa | A downward spiral

Kenya's president is bad news for Kenya and Africa

William Ruto's tenure is a how-to guide for sowing cynicism about democracy

July 3rd 2025



How to tell a genuine protester from a hired goon? The answer matters in Nairobi, Kenya's capital. On June 25th young Kenyans took to the streets to mark the first anniversary of what have become known as the "Gen-Z protests". Initially, they peacefully expressed their anger at William Ruto, the country's president. But by the end of the day much of downtown Nairobi was ablaze. Shop fronts were torn down and windows smashed. At least ten buildings were torched. Peter Ndengwa Mutula, a local tyre trader, says he suffered property damage worth 200,000 shillings ($1,546). Though he cannot be sure who was responsible, he believes the government

deliberately “inserted itself inside the protests” in order to incite violence. The resulting chaos, he adds, was “a prophetic sign of the end times”.

Not all Kenyans would agree with Mr Mutula’s millenarian gloom. But a majority share his deep distrust of Mr Ruto’s government. According to a recent survey by TIFA Research, a pollster, just 14% of Kenyans believe the country is heading in the right direction, down from 37% in early 2023. Half say they have no confidence at all in the integrity of elections scheduled for 2027. Young Kenyans, many of whom voted for Mr Ruto in 2022, are particularly disillusioned. Like their peers elsewhere in Africa, they are fed up with squeezed living standards overseen by self-dealing rulers. Tens of thousands of people protested in at least 27 of Kenya’s 47 counties last week, some of the biggest anti-government mobilisations since multiparty democracy was restored in the 1990s.

Mr Ruto was elected by a thin margin three years ago promising to champion Kenya’s poor and take on its traditional elite. Instead, faced with a ballooning national debt, the wealthy businessman, who had spent the previous nine years as deputy president, moved to raise taxes. A return to fiscal sanity was probably inevitable following the profligacy of Uhuru Kenyatta, Mr Ruto’s predecessor and former boss. But set against a backdrop of high prices, deteriorating public services and the administration’s often blatant corruption, voters revolted. “We want to know how so much money can disappear,” says a local businessman. “If the government says it is spending a billion shillings, I believe a billion shillings has been wasted or stolen.”

The state’s violent response to the unrest has made things worse. When protesters approached the office of the presidency on June 25th, the government ordered all television and radio stations to halt live coverage, forcing at least two off the air. After that, the goons—local thugs paid to smash up demonstrations—moved in, says Gacheke Gachihi of the Mathare Social Justice Centre, a community group. Nationwide at least 19 people were killed. Hundreds more were injured.

The crackdown forms part of a disturbing pattern. In May unknown assailants assaulted and abducted an opposition lawmaker. In early June a blogger died in police custody after Kenya’s deputy police chief accused

him of smearing him on social media; an autopsy found he had been beaten to death. Older Kenyans increasingly recall the dark days of Daniel arap Moi, Kenya's strongman between 1978 and 2002—and Mr Ruto's mentor.

It is not just the violent repression that recalls Moi. In 2022 Mr Ruto successfully campaigned on the basis of class. But he has since revived Moi's exploitation of ethnic divisions to stay in power, says John Githongo, a seasoned analyst. The president's allies have, misleadingly, begun painting anti-government activity as a largely Kikuyu affair, pitting Kenya's largest ethnic group—which has supplied three of its five presidents—against the rest of the country.

Mr Ruto has also weakened Kenya's democratic institutions. The judiciary has been undermined by the government's frequent flouting of court orders, notes Nora Mbagathi of the Katiba Institute, a legal-advocacy group. Kenya's regional standing has been hurt by Mr Ruto's backing for the Rapid Support Forces, a Sudanese paramilitary group that has been accused of genocide. The government's alleged meddling in the process to appoint Kenya's electoral board has further dented Mr Ruto's democratic credibility.

Businesses are spooked. For years Kenya was considered one of east Africa's most attractive destinations for foreign investment. But since 2022 several multinational firms have pulled out, including GlaxoSmithKline and Procter & Gamble. Some of their complaints, such as expensive electricity and erratic regulation, are hardly new. Yet the business environment has become even less friendly.

Local bosses complain of pressure and intimidation by government officials, for instance to hand over stakes in their companies. "You have a regulatory environment driven by extortion," says Aly-Khan Satchu, an investor. Some firms are said to have set up holding companies in Mauritius or Dubai to protect themselves.

It is not too late for Mr Ruto to turn things around. The economy grew by 4.8% in 2024. The shilling has strengthened, thanks in part to a $1.5bn bond sale in February 2024. Inflation has slowed. By dialling down the repression and emphasising reform, Mr Ruto might just regain some of the trust he has lost.

Yet there is little sign that he is interested. Continued repression, combined with the absence of a credible opposition, may help Mr Ruto secure another term in the face of widespread unhappiness. Kenya's reputation as an exemplar of African democracy looks set to suffer further. ■

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Middle East & Africa | Nice deal, on paper

A peace agreement in Africa that will probably not bring peace

The truce signed by Congo and Rwanda leaves out some important details

July 3rd 2025

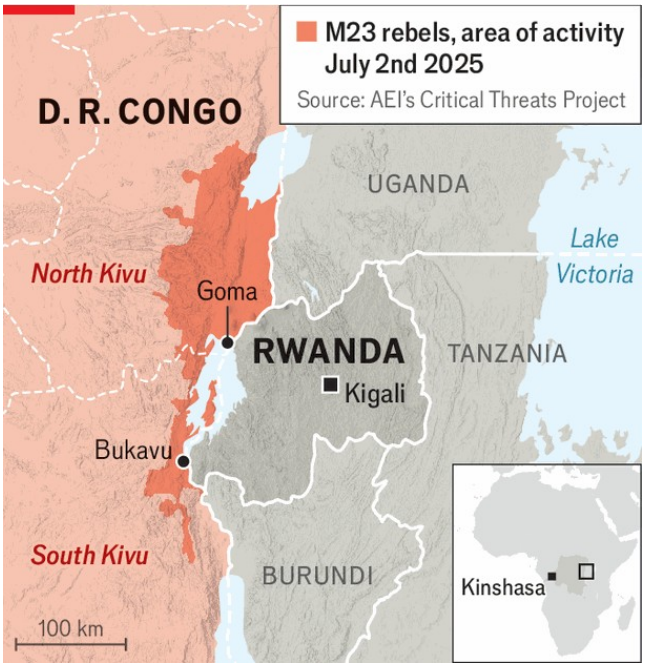


IT WAS AN unlikely picture. On June 27th the foreign ministers of Rwanda and the Democratic Republic of Congo stood in the Oval Office next to Donald Trump, America's president, who hailed the peace deal they had just signed. "We're here today to celebrate a glorious triumph," said Mr Trump. "The violence and destruction comes to an end, and the entire region begins a new chapter of hope and opportunity, harmony, prosperity and peace."

That was, to put it mildly, an overstatement. True, the deal is a sign that the two neighbours, which have been engaged in a long-running conflict in eastern Congo, see benefits in showing they are willing to make up. The prospect of investment by America, which is keen to secure access to

mineral wealth in the region, may have tipped the scales towards an agreement. Yet it is unclear whether the deal will do more than signal goodwill.

The fighting has its origins in the aftermath of the genocide in Rwanda in 1994. Back then, some of those implicated in the slaughter fled to Congo (then called Zaire) to escape troops led by Paul Kagame, now Rwanda's president. In 1996 Rwandan troops and allied militias invaded Congo, claiming it was harbouring génocidaires. That sparked two brutal regional wars that killed millions of people in the late 1990s and early 2000s. The fighting has never stopped completely.



During the most recent escalation, in January the M23 militia, backed by Rwanda, captured territory including Goma and Bukavu, the two biggest cities in eastern Congo (see map). Congo's army found itself outgunned. M23's relentless advance raised the spectre of another regional war.

But a mix of diplomatic and economic pressure by America and Qatar, an important partner for Rwanda, appears to have succeeded in halting the advance and forcing the two countries to the negotiating table. Mr Trump hopes that the new agreement will pave the way for American investors to make money from Congo's vast mineral resources. America is negotiating a

separate minerals deal with Congo's government that could give investors access to Congolese mines.

The deal is similar to an earlier agreement mediated by Angola that fell through in December when Mr Kagame failed to turn up for the signing. It calls for Rwandan troops to leave Congolese territory within 90 days. Congo, for its part, is supposed to neutralise the FDLR, a militia that originally included army officers involved in the 1994 genocide and which Rwanda still sees as a threat.

Will any of this come to pass? The agreement can work, says Joshua Walker of the Congo Research Group at New York University, "but only if the parties engage in good faith, which is far from a given". Congo says the deal at last addresses the Rwandan occupation of the country's east. Thérèse Kayikwamba Wagner, Congo's foreign minister, expects that it will "gradually contribute to defusing tensions".

Rwanda, though, may be happy for M23 to continue occupying eastern Congo, helped by its own troops. It is unlikely to make good on its part of the deal without either significant recompense or the threat of heavy sanctions. Mr Trump has promised "very severe penalties" if either party breaks its side of the bargain. But that may not be enough to sway Mr Kagame.

Just as worrying, the deal is vague on the future of M23, which has never officially admitted that it is backed by Rwanda, and on the fate of the parts of eastern Congo that the militia occupies. A separate set of talks between M23 and Congo, also brokered by Qatar, is proving thorny. On June 28th the group's spokesman said that the rebels were "going nowhere".

In Goma, where human-rights groups have accused M23 of atrocities, including torture and gang rape, residents are hopeful but wary. "We don't want this agreement to be a masquerade like the others," says a 28-year-old student. "What we want is peace, for M23 to leave." ■

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Europe

- In Putin’s Moscow, a summer of death and distraction
- A pragmatic amnesty for separatists benefits Catalonia
- Turkey’s strongman is becoming Donald Trump’s point man
- An infestation of ticks menaces Istanbul
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Europe | Inside Russia

In Putin's Moscow, a summer of death and distraction

Amid festivals and flowers the capital is far from the war

July 3rd 2025



WATCH RUSSIAN television or listen to Vladimir Putin's chilling speeches, and Russia is a besieged fortress, struggling to preserve humanity against the decadent West, defending the traditional values of family life, and defying death by its readiness to sacrifice life. Walk down Moscow streets, however, and it looks nothing like a city in the grip of a death cult. But neither did Berlin in the early 1940s, with its cabarets and heady consumption.

The Russian capital is enjoying a three-month festival called "Summer in Moscow". It has been masterminded by Sergei Sobyanin, the mayor, and implemented by a team of creative young designers. Most of it is free. Pink,

white and blue petunias in pots, amphitheatres of wildflower boxes and exotic plants fill every space. Bridges and terraces are decked with floral displays. “The city looks like one giant flowerbed,” says Tatyana Malkina, a journalist. The centre is a display of paradisiacal life, with gardens, verandas, open-air classes in cooking and painting, artisan ice-cream kiosks and pétanque and tennis. The festival is the culmination of years of renovation and infrastructure improvement. Around the Kremlin a horseshoe ring of boulevards has become a chain of open-air stages: operetta on Tverskoy, art shows on Strastnoy, circus on Tsvetnoy.

All this easy pleasure co-exists with an intensifying ideological campaign. On June 12th, Russia Day and a national holiday, Mr Putin inspected military men and women in the Kremlin’s columned Hall of the Order of St Catherine. “The meaning of today”, he told them, “lies in the immortality of the Russian people, our state, our motherland, Russia. And the road to this immortality lies through the victories you and your comrades-in-arms are blazing.” A female officer replied by extolling “the moral purity of the army and…of the life of our people in the country”.

Repression is tightening, too. On June 29th the Kremlin published a new order which classifies information about any preparations for the mobilisation of society or government institutions as a state secret. It also prohibits sharing data from vast areas of civilian-state interaction, from trade to economics to science. Contact with the West is perilous. Prison sentences of up to eight years chill debate. Economic management as well as technical research are all sure to suffer.

The prominence of ideology in Russia has increased in proportion to the number of Russian casualties from the war in Ukraine. But unlike communism or fascism, the besetting ideologies of the 20th century, Mr Putin’s surrogate offers no vision of the future. It consists of ultraconservative, anti-Western, militaristic and millenarian tenets. The function of this new ideology is to legitimise the war and the growing size of Russia’s cemeteries. Mr Putin argues that a struggle of civilisations is going on against the depraved West. The futile deaths are heroic feats. “Allegiance to ideology is a marker of loyalty to the regime, not a matter of conviction,” one Moscow entrepreneur explains.

The paradox is that, while the war requires ideology, continuing it also depends on distraction. Russia's vast contract army has allowed it to avoid wide-scale conscription so far. For many the war is being fought "somewhere over there" by people who freely signed contracts and have been paid to die, says Alexei Venediktov, the editor of the now-banned Ekho Moskvy radio station. Massive payouts to soldiers and their families drive consumption. With limited options to travel and spend money abroad, Moscow has become a mecca for internal tourism. "Inside the Boulevard Ring, you must not remember there is a war going on and you must see that paradise on earth has already arrived," a 37-year-old Muscovite says. She tells a new joke: "Please God, I don't ask for much—just to be a contractor for Summer in Moscow."

With the outsourcing of the fighting to an army manned by recruits from the poorer provinces, Mr Putin is able to keep his capital free of any sign of war. This allows him to accommodate Russia's bureaucratic elite, which is overwhelmingly concentrated in the capital and has no taste for traditionalism or any militaristic cult of death. Isolated again as it was during the cold war, and with the economy teetering on the brink of recession, the city's glamour symbolises Russia's resilience and its superiority over Europe's capitals, with their dirty streets and crumbling infrastructure. Mr Putin remembers that the elites abandoned the Soviet regime when it failed to provide them with the lifestyle and consumer goods available in the West.



More than ever, consumption, repression and war are simultaneous. Memories of past conflicts have been redacted. Bolotnaya Square, the site of anti-Putin rallies in 2011-12, hosts free creative and sporting events for the young. A statue of Pushkin, a focal point for protests since Soviet times, is fenced off by newly planted cypresses. The shrine to Boris Nemtsov, a liberal politician who was killed in 2015 by the Kremlin, is overwhelmed by a flower arrangement. Muscovites are well aware of the schizophrenia. Alexandra Astakhova, a photographer, says the experience is psychedelic. "You can walk along beautifully decorated streets, then turn the corner and see a line of people outside a prison queuing up to hand parcels to those who have been jailed for protesting against the war."

While some 300,000 have fled the city, most have stayed. Their voices are rarely heard. Dmitry Muratov, a 2021 Nobel peace-prize laureate, says, "People with whom I live and work in Moscow are stripped of their right to protest, other than their last word in court before they are sentenced. They have no possibility to express their repulsion at the bloodshed." One journalist says neither she nor her friends are taking part in the masquerade. But they draw comfort from the fact that the city is full of flowers rather than checkpoints and the swastika-like "Z" symbol of the war. "The mayor could be running around the city with an assault rifle hunting draft-dodgers.

He isn’t. He emphatically chooses life over death—as he understands it, which is pitifully narrow.”

Summers in Russia are short. Come autumn, the stages will be dismantled and the flowers removed. No one knows what next year’s performance will look like. For now, people are living the only life they have and doing their best to ignore Mr Putin’s strange obsessions. ■

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Europe | Catalan calm

A pragmatic amnesty for separatists benefits Catalonia

But it carries costs for the rule of law

July 3rd 2025



BARCELONA is booming, the hotels full and taxis hard to find. The political conversation in Catalonia, one of Spain's largest and richest regions, is about the everyday issues of housing, airport expansion and immigration. The local administration is waging an international campaign to promote Catalan gastronomy on the strength of more than 50 Michelin-starred restaurants in the region. Some of the 4,000 businesses that moved their domicile to other parts of Spain are trickling back. It is all a far cry from 2017, when a separatist Catalan government plunged Spain into turmoil with an unconstitutional referendum on secession and a unilateral declaration of independence, followed by the jailing of nine of its leaders.

Calm has gradually returned, thanks to the passage of time and concessions by Pedro Sánchez, Spain's Socialist prime minister, including pardons for those leaders in 2021. On June 26th this process went a step further when the country's constitutional tribunal endorsed an amnesty law which benefits several hundred people involved in the independence campaign.

In the rest of the country that is controversial. Amnesty wipes away not only the punishment but also the crime, and implies that, despite the separatists' disavowal of the constitution, it was the state that erred. Mr Sánchez was always opposed to it. He changed his mind because he needed the votes of the pro-independence parties in the Spanish parliament to remain in office after an election defeat in 2023.

The secessionist parties have made no apology for violating the constitution. Because they took part in drafting the law, in a deal with Santos Cerdán, Mr Sánchez's disgraced former fixer who was remanded this week on corruption charges (which he denies), it was recently criticised as an illegitimate "self-amnesty" by lawyers at the European Commission. Spain's conservative opposition denounced the tribunal's decision as political rather than judicial.

But many in Barcelona are pleased. Amnesty helps normalise Catalonia, the task that Salvador Illa, the region's newish Socialist president, had set himself. "There have to be forms of generosity and detente," he told The Economist last month. "The underlying motive is to return to the realm of politics things that should never have left it." He sees the past eight years as "a process of digestion" of the failed Catalan bid to secede.

In regular polls taken by the regional government, support for independence has fallen from a peak of 48% in 2018 to 38% (and 28% when respondents are offered a menu of options). The ebbing of that tide brought Mr Illa to office last year at the head of a minority government after an election that deprived the separatist parties of a majority in the regional parliament for the first time since 2010.

Mr Illa aims to make the most of the broad self-government that Catalonia already enjoys. His Catalanism is cultural rather than political and it is not confrontational. For many, his approach harks back to that of Jordi Pujol, the

founder of modern Catalan nationalism, so he may thus win over disillusioned former supporters of independence. In return for the support of Esquerra, the most pragmatic of the pro-independence parties, for his investiture, Mr Illa promised to obtain a better regional financing deal from Madrid. Since other regions are opposed, that is not easy. Without it, he will find it hard to get his budget approved.

The independence movement has problems of its own in a region which it served to divide. Its leaders are discredited. The Supreme Court has ruled that a charge of misuse of public funds against Carles Puigdemont, a former regional president who fled abroad in 2017, is not covered by the amnesty, though that issue will now go to the constitutional tribunal. For the separatists Mr Puigdemont is a symbol. But it is hard to see him returning as an effective leader. Rather, a new hard-right, anti-immigrant Catalan nationalist party formed by a local mayor is gaining support.

The independence movement may be dormant but it is not dead. “It’s resilient,” says a former Esquerra parliamentarian. “If there’s a spark, it will revive.” If a right-wing government comes to power in Madrid, some fear revived confrontation. The Catalan language is losing ground among young people. That raises fears among some that Catalonia’s distinct identity is getting weaker.

For many in the rest of Spain the question is whether Mr Sánchez’s concessions, which also included removing the crime of sedition from the penal code, have deprived the state of the means by which to handle a repeat of the attempt to bounce Catalonia out of Spain. “The state always has tools, and now it has experience,” reassures Mr Illa. “Could it happen again? It depends on what we do.” For now, Mr Sánchez, beset by a corruption scandal, can claim Catalonia as a success. ■

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Europe | Trump’s turn to Tayyip

Turkey’s strongman is becoming Donald Trump’s point man

But renewed war with Iran would put the honeymoon with Recep Tayyip Erdogan to the test

July 3rd 2025



THEY HAVE picked up right where they had left off. Turkey’s president, Recep Tayyip Erdogan, and President Donald Trump were beaming as they shook hands at the NATO summit in The Hague on June 24th. Mr Erdogan seemed equally upbeat after their meeting, the first since Mr Trump’s return to the White House, later that day. The American president, he announced, was warming up to the idea of unblocking the sale of F-35 stealth fighters to Turkey, stalled years ago after Mr Erdogan’s purchase of an S-400 air-defence system from Russia.

Courtesy of Mr Trump and his associates, Turkey's relations with America, having plumbed new depths over much of the past decade, are undergoing a remarkable reboot. The American president's attempts to impose a peace deal on Ukraine, and his decision to bring Russia's dictator Vladimir Putin back in from the cold, have vindicated Turkey, Russia's most trusted partner in NATO, and offered Mr Erdogan a chance to host ceasefire talks. Turkish and American officials suggest a solution to the stand-off over the F-35s is only a matter of time. Mr Trump has already done the Turkish leader a favour by ignoring his autocratic excesses. And he has turned to Mr Erdogan to create a back-channel to Iran. In mid-June, as Israeli missiles pounded Iran, Mr Trump was reportedly prepared to send a delegation of senior officials to Istanbul for talks with the Iranians.

Nowhere, however, has the relationship improved more than in Syria, previously the main source of tension. For years, Turkey has insisted that American troops withdraw from Syria's north-east, where they have teamed up with Kurdish insurgents, and outsource security in the region to Turkey's own army and its Arab proxies. That wish is starting to come true. On June 2nd, Tom Barrack, the American ambassador to Turkey, announced that America would close seven of its army bases in Syria, leaving just one.

That Mr Erdogan has Mr Trump's ear became clear in May, when he eased sanctions against Syria, a key Turkish request, formally ending them this week. That decision has already borne fruit. In late May, America shepherded a $7bn energy deal between Syria and a consortium of American, Qatari and Turkish companies, the latter known to be close to Mr Erdogan's government. "The Turks see Trump as someone who seems to listen to them and who they can strike deals with," says Alper Coskun, a former Turkish diplomat.

Mr Erdogan's critics say the reason why the two NATO allies have begun to find common ground, in Syria and elsewhere, is that Turkey's leader is deferring to Mr Trump, not the other way around. They have a point. Only months ago Turkey was threatening to attack the American-backed and Kurdish-led militia that controls swathes of Syria east of the Euphrates river unless the group, known as the Syrian Democratic Forces (SDF), disbanded and disarmed. American mediation appears to have softened Turkey's stance.

Mr Erdogan has also toned down his criticism of Israel's actions in Gaza and his support for Hamas. A quarrel with Mr Trump, who threatened to bring down Turkey's economy in 2019, also because of a stand-off over Syria, is the last thing Turkey's strongman needs at the moment. "He knows Trump is an unpredictable man, so he needs to accommodate him," says Namik Tan, a former ambassador to America and now an MP for the opposition Republican People's Party (CHP). "The US has the upper hand in this relationship, and we have almost a sort of submission."

But Mr Trump has also indulged Turkey's leader by refusing to condemn, or even to acknowledge, the arrest of his chief opponent, Ekrem Imamoglu, the mayor of Istanbul, and the gutting of his party, the CHP. More than 250 people, including CHP district mayors and businesspeople, have been detained on corruption or terrorist charges since March 19th, the day that the police came for Mr Imamoglu. More repression may be in store.

The relationship is still hardly all roses. There is still no consensus in the State Department and at US Central Command on how to deal with Turkey, analysts say, and even less sympathy there for Mr Erdogan. In Syria America has no plans to break with the SDF, which Turkey considers a terrorist group. Earlier this year, the SDF signed a deal with the government in Damascus, but disagreements remain, especially over the group's integration into Syria's new national army.

Much also now depends on the prospect of renewed war between Israel and Iran. Turkey has benefited so far, especially in Syria, from a weaker Iran. But it has too much to lose, in the form of collapsing trade routes, skyrocketing energy prices and a refugee crisis, from an Iran that goes up in flames. A prolonged regional war, especially one that draws America back into the fray, would put the fledgling honeymoon to its toughest test yet. ■

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Europe | Turkey

An infestation of ticks menaces Istanbul

And mosquitos are a growing problem too

July 3rd 2025



First came the stink bugs, threatening the hazelnut harvest and offending the olfactory senses. Then came the Asian tiger mosquitoes, aggressive biters that can carry viruses including Zika and West Nile. The latest infestation to befall Istanbul is ticks, which have swarmed some neighbourhoods of Turkey's biggest city and sent nearly 8,000 people to hospital with bites so far this year. Thirteen people have died.

Ticks are feared for their propensity to spread infections including Lyme disease and Crimean-Congo haemorrhagic fever, and have been seen scuttling along the pavements in their thousands in the Sultangazi district. They are usually found in rural areas but may have been carried on livestock brought into the city for the Eid al-Adha festival, which fell in early June.

More fundamental factors are also at play. Rising temperatures, falling rainfall, dense population and Istanbul's seemingly unstoppable expansion into forested areas around the Black Sea are bringing the entomological newcomers into the city. These have all "created an ideal environment for tick activation, increasing the likelihood of human-tick contact", says Vedat Turhan, a professor of infectious diseases at Istanbul's Zincirlikuyu Medicana hospital.

Health experts are urging the city authorities to act against the ticks by disinfecting the area and launching a public information campaign. Chemical warfare may no longer be enough against other species, however. Mosquitoes, known to have caused cases of West Nile virus in the city, are becoming resistant to commonly used insecticides, while the alternative solution of draining standing-water sources would further damage Istanbul's already battered ecosystems. One touted solution is to introduce yet more new species into the city—in the form of fish and frogs that eat the mosquitoes' larvae.■

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Europe | Gap on the right wing

Germany's Bundestag bars AfD MPs from its football team

Could the sporting ban precede a political one?

July 3rd 2025



EVERY TUESDAY evening when Germany's Bundestag is in session, a gaggle of cross-party mps discard their suits, clamber into a team bus and decamp to a football pitch in east Berlin where they take on amateur all-comers. Founded in 1961, and open to current and former male and female mps, fc Bundestag's roster has included such luminaries as Joschka Fischer and the late Wolfgang Schäuble. It presents itself as a place where political rivals can set aside their differences in the interests of beating their opponents on the pitch, raising money for good causes in the process. Its website proudly declares the team "Ambassadors of Parliament".

But that noble mission has been upset by the growth of the Alternative for Germany (afd), a hard-right party to which other mps have shown the red card. In 2024 fc Bundestag declared afd mps no longer welcome. In March a court ruled that decision incompatible with the club's statutes. So on June 25th fc Bundestag rewrote its rulebook to place its ban on firmer ground. A Green mp said he could not bear the idea of standing "naked in the shower with right-wing extremists".

fc Bundestag proclaims its fealty to Germany's "free and democratic constitutional order". It celebrates such values as cosmopolitanism and tolerance, and denounces "racism and xenophobic tendencies". These are not just buzzwords. It is the afd's alleged violation of these principles that in May saw it declared "right-wing extremist" by Germany's domestic-intelligence agency. The party is challenging that ruling, but proponents of the ban hope it might bolster their case.

Others doubt it. Jörn König, an afd mp who joined fc Bundestag as a left-back after the 2017 election, says there was once a "good, trusting atmosphere" on the team. Then, he laments, the Social Democrats (spd) and Greens conspired to kick the afd out. Yet Mr König thinks the new rules are so vague that he and his colleagues have a good chance of regaining their places. His assessment is backed by Sebastian Saar, a Cologne-based lawyer. "It's not like an amateur shooting club," he says; fc Bundestag's historical claim to represent Germany's democratic spectrum means courts are likely to frown on any attempt to exclude legitimately elected mps simply by virtue of their party allegiance.

The row encapsulates a deeper debate. Germany is one of a dwindling group of European countries to retain a "firewall" against the hard right. The afd, which has grown steadily more radical over the years, is entirely shut out of government, including in Germany's 16 states. Although it won nearly a quarter of the seats in February's election, other parties have blocked its mps from chairing Bundestag committees or taking one of the chamber's vice-presidencies. Many wish to go further: on June 29th the spd, the junior partner in Germany's ruling coalition, formally lent its weight to the growing calls for an afd ban (Friedrich Merz, the conservative chancellor, is sceptical). The afd fulminates against what it regards as foul play; other

parties say it is playing the victim. Meanwhile, its support climbs and climbs. Another game plan may be needed. ■

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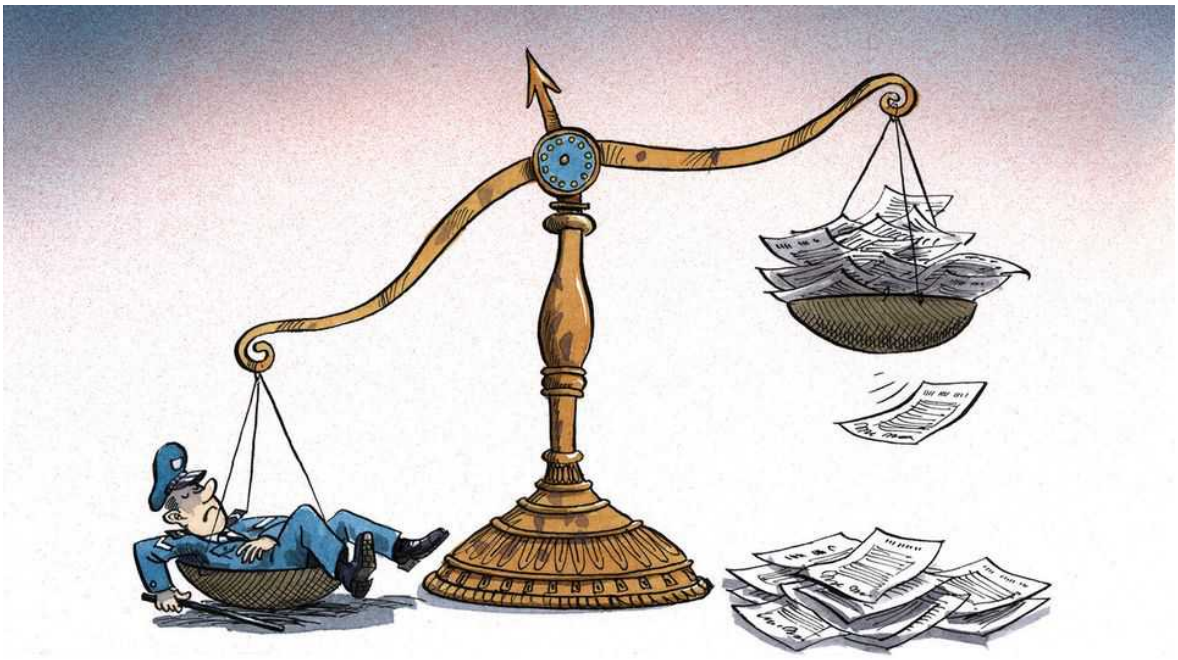
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Europe | Charlemagne

The sleeping policeman at the heart of Europe

Enforcement of EU law has become an afterthought

July 3rd 2025



For a continent with a masochistic penchant for regulation, Europe is oddly not very good at crafting it. Over 2,500 new legal acts come out of the European Union machinery in any given year, or roughly one every hour of every working day (the summer offers some respite, but not much). A belated realisation that this regulatory fire-hose may have dampened growth has resulted in a slew of recently adopted EU rules being sunk before they have even been set afloat—to the delight of companies dreading being submerged in yet more red tape.

But even the stuff already on the statute books poses problems. The club's 27 national governments are sometimes loth to live by EU rules, never mind that they helped craft them. The European Commission in Brussels is meant

to ensure that any such transgressions are punished. Alas, it has all but given up, in the manner of a policeman who would rather doze off than fight lawlessness. As a result, the single market at the heart of the union is misfiring.

Defiance of EU law comes in matters big and small. Remember the edict in European treaties stipulating that national governments had to keep debt to under 60% of GDP? Euro-wallahs don't. Once considered vital to the good functioning of the euro, the so-called stability and growth pact is honoured mainly in the breach these days. Around half the countries, representing three-quarters of EU economic output, merilly flout it, some flagrantly. Take France, which basically met the 60% criterion when the rule was enacted in 1999. Its debt now runs at 114%, with huge budget deficits in coming years (also banned in theory) likely to swell the figure. The commission has found imaginative ways to let this profligacy go unpunished. Sometimes the truth has slipped out. Asked in 2016 why yet another incontinent budget coming out of Paris should be waved through, its president at the time, Jean-Claude Juncker, merely explained: "Because it's France."

Other rules are ignored with just as much aplomb. To avoid illegal migrants submitting asylum applications in many different European countries, the EU member in which they first set foot is meant to process their application for protection. In practice the system hasn't worked in years. Germany made 75,000 requests for other EU countries to take back asylum-seekers for processing in 2023, but managed to offload just 5,000 or so. This is largely because places like Greece in effect refuse to take migrants back, fearing no consequence for their defiance. The response from Brussels has been an ear-shattering shrug.

The EU project that requires most rule-crafting—and thus enforcement—is the single market. In theory it should allow the free movement of goods, services, labour and capital across the bloc. Not so in practice. National capitals often do a shoddy job of "transposing" the laws into their domestic statute books; authorities in each member state later enforce them differently. It ought to be possible, say, for a tin of paint made for the Spanish market to be sold in France, much as one made in Ohio can be sold in Michigan. But national regulation around recycling labels to be included on each tin—different in Spain and France, for no good reason—means that

in practice each place needs its own tin design. A compendium of such cross-border niggles compiled by the European Round Table for Industry, a business lobby group, runs to 290 pages of undiluted frustration.

It is the commission's job to crack down on such misbehaviour. It bills itself as "guardian of the EU treaties", a sort of lesser superhero in the Marvel universe. It can embarrass governments by publicly airing their dodgy ways and apply to EU courts to levy fines. Two decades ago it used to bring several thousand "infringement proceedings" every year against countries disobeying rules. Now the figure is down to the mere hundreds and still falling. Enforcement of single-market rules is down by 75% since 2011.

What happened? Flagging enforcement is not likely to be down to less rule-breaking. Instead, the commission is less interested in playing bad cop. Once a proudly technocratic body happy to enforce EU rules without fear or favour, since Mr Juncker the body has refashioned itself as a "political commission" (his successor Ursula von der Leyen speaks even more grandly of a "geopolitical commission"). Launching infringement proceedings annoys the national governments that decide how much power to cede to EU bodies. The commission partly sacrificing its role as guardian of the treaties is thus a calculated gambit, posit R. Daniel Kelemen and Tommaso Pavone, two academics: a little forbearance when it comes to enforcing existing rules buys goodwill from national governments, and lets the Brussels machine propose yet more legislation. One mustn't mind it will probably, in turn, be ignored.

Commission types insist that enforcing the rules remains a priority, just that it is sometimes done behind the scenes. A recent blueprint to complete the single market promised "proactive and fast legal action" against EU states that flout the law.

Alas, the reality of lackadaisical enforcement is clear for all to see. Letting countries like Greece defy the rules on migrants has resulted in Germany (among many others) reinstating border controls with other EU countries. Unchecked fiscal profligacy was at the root of the euro-zone crisis starting in 2009. Most irksome of all to a continent on the economic skids, the single market doesn't work well: administrative barriers to trading services between EU countries are equivalent to a tariff of 110%, according to the

IMF. Trade between EU countries is only half the level of that between American states. “For the single market to function, member states have to feel the commission breathing down their neck,” says Luis Garicano, an economist and former member of the European Parliament. That would require waking it up, first. ■

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Britain

- Starmer’s wasted first year
- Labour is bungling its growth “mission”
- Measuring Sir Keir Starmer by what people actually care about
- Britain’s draconian approach to pro-Gaza activism is likely to backfire
- A quiet education revolution in England’s secondary cities
- Britain’s least controversial national treasure
- Britain is already a hot country. It should act like it

Britain | One year of Labour

Starmer’s wasted first year

By its own yardstick the government has squandered its first year in office

July 3rd 2025



When Sir Keir Starmer’s Labour Party was in opposition, policy-watchers hunted for a glimmer of ideology. They saw little of the intellectual ferment behind Sir Tony Blair’s “third way”. Sir Keir’s diagnosis of Britain’s problems was unflashy: under the Tories, he said in 2023, there was a “sense that nothing works, that we’re going backwards, a country in decline”. Under Labour, an orderly government would restore Britons’ faith in the system. He articulated a set of “foundations” and “missions”, which included promises both vague and precise.

This modest pitch earned Labour a landslide victory last July. Sir Keir then refined the package into a “Plan for Change”, with “milestones”. The jargon is uninspiring but provides a means to measure the government’s

performance. After a brutal week, in which a backbench rebellion forced him to abandon welfare cuts and his chancellor, Rachel Reeves, was reduced to tears in Parliament, Sir Keir wants people to look beyond the drama and judge him by what he's achieved. We have. The verdict, so far, is that he is making dreadfully slow progress, which helps explain why Labour's support has fallen from 34% last July to 24%, five points behind Reform UK. The Economist's "Starmer tracker", described in this section, finds much the same.

The first "foundation" is economic stability: low inflation, stable public finances and an end to policy flip-flops. Yet inflation remains 1.4 percentage points above its target rate of 2%, ten-year gilt yields have risen to a 17-year high and Labour has made painful U-turns on welfare and pensioners' winter-fuel allowance.

The second is secure borders. Net migration (inflows minus outflows) fell by half in 2024, to 431,000. Yet a drop was always expected after a sharp rise in 2023. Sir Keir has adopted a tough tone and introduced visa restrictions. According to Brian Bell of the Migration Advisory Committee, an independent body, net migration will probably drop by half again next year before stabilising around 300,000 a year.

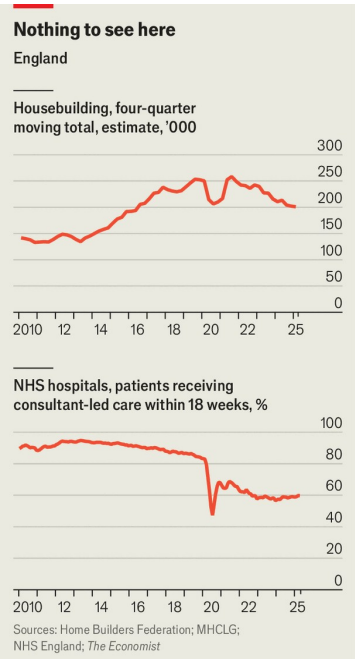
Sir Keir has pledged to cut the backlog of asylum-seekers waiting for their cases to be assessed (down by 7% to 110,000 over the past year); by 2029 he wants to end the use of hotels to house them (down by 6% to 32,000); and return more of those whose cases fail (up by 20% to 35,000). But efforts to "smash the gangs" of people-smugglers have proved fruitless: 43,000 migrants arrived in dinghies over the past year, a 38% increase on the previous 12 months.

The final foundation is national security. Here Sir Keir has demonstrated a degree of statesmanship. He has charmed Donald Trump, warmed relations with Europe and completed a strategic defence review. Britain will increase defence spending from 2.3% to 2.6% of GDP by 2027 and aim to spend 3.5% of GDP by 2035 (5% including spending on "resilience and security") in lockstep with NATO allies.

Sir Keir's main mission is to kickstart economic growth, which totalled just 4% in the five years to July 2024, compared with 13% in America. The aim is to have the "highest sustained growth in the G7". Growth since the election has amounted to 0.8%, ranking Britain about third in the G7. The decision in October by Ms Reeves to raise employers' national-insurance contributions—a tax on payroll costs—angered businesses. So has a workers' rights bill. According to the Institute for Chartered Accountants, in the first quarter of this year business confidence turned negative for the first time in 30 months.

By the next election the government wants "higher living standards", as measured by both real GDP per person and real take-home pay, in "every part" of the country. For context, only twice over the past 60 years has GDP per person failed to grow over a full parliamentary term, and pay has never failed to rise. Growth in real wages has been buoyant lately, helped by some hefty pay settlements.

Labour set a target of adding 1.5m homes to England's stock over five years. That isn't credible. According to our estimate, net additions—housebuilding less demolitions—amounted to just 201,000 in the year to March, the lowest in nine years. A planning bill crawling through Parliament is expected to boost housebuilding by 25% over the long run—but not enough to make up the current shortfall.



A critical mission concerns the National Health Service (NHS). The government has sensibly said the NHS should prevent illness, not just treat it, get people out of hospitals sooner and adopt AI. Its milestone is to ensure that 92% of people referred for consultant-led care are seen within 18 weeks. Despite stepped-up efforts, 6.2m people—one in ten of the population—are waiting to see a specialist, and the share seen within the 18-week target, only 60%, has barely budged.

On crime, the government set a milestone of adding 13,000 bobbies on the beat, without being sure how many there were (17,000 after a recount). Whether it is making progress will become clear this month, when data are released. Reallocating roles, rather than hiring anew, will be part of the answer. The government has promised to crack down on shoplifting (up by 15% over the past year) and anti-social behaviour (down by 2%), as well as halving knife crime (no change) and violence against women (down by 2%).

The government's most nebulous mission is to break down the barriers to opportunity. By 2028 it wants 75% of reception-class children "ready to learn", as measured by their ability to sit still, interact with classmates and apply basic numeracy. To reach the milestone, some 40,000 additional five-year-olds will need to pass muster. Nick Davies from the Institute for

Government, a think-tank, says this milestone is his favourite, because it is a proxy for a broad range of desirable social outcomes.

The energy secretary, Ed Miliband, lifted a de facto moratorium on onshore wind turbines, approved some big solar projects and established GB Energy to help make Britain a clean-energy superpower. Mr Miliband's milestone is that 95% of electricity should be generated from low-carbon sources by 2030. The current figure is 58%. The National Energy System Operator, a quango, has said the milestone will "push the limits of what is feasibly deliverable".

Sir Tony also came to power on a manifesto of retail pledges. With a buoyant economy and a strong grip on government, he smashed through them—only to conclude, a year in, that they were too small. "I laughed at their modesty. New Labour, New Britain? It was ridiculous." Only then did he become radical about reform. Given the collapse in Sir Keir's authority this week, he will be desperate to show progress to save his government. The problem for Britain is that even if, somehow, he managed, his targets are still too small.■

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Britain | The British economy

Labour is bungling its growth “mission”

Blame poor preparation and a habit of picking the wrong fights

July 3rd 2025



One of Britain’s few growth industries of the past few years has been the study of why the economy isn’t growing. Analysts have produced forests of papers about the problem. Few economic maladies have been so exhaustively examined.

That ought to have left the Labour Party in an enviable position after winning power last July, with economic growth atop its list of “missions”. Plenty of fresh growth-boosting policy ideas had been cooked up already, yet few had been tried—the Conservatives had been too distracted. All Labour needed to do was pick some off the shelf.

Instead, the party's first year of economic policymaking has been listless. Rachel Reeves, the chancellor, set out an agenda that, while broadly sensible, failed to meet the urgency of the problem. Economists' forecasts of GDP growth picked up a touch after Labour's victory, but have now slumped (see chart). Angst in the gilt market has picked up again, as the government failed to push through even small cuts to Britain's ballooning working-age welfare bill.



Of Britain's growth blockages, the most important—and the one where Labour has put in the most effort—has been the planning system, which has long deterred housebuilding and inflated infrastructure costs. The government's rhetoric was promising. Commendable steps followed, such as ending England's ban on onshore wind power, approving a third Heathrow runway and resuscitating a planned railway between Cambridge and Oxford. (Neither the runway nor the railway will see passengers until the mid-2030s.)

But Labour has shied away from the tougher task of reforming Britain's veto-friendly planning system wholesale. Rather than shift to a zoning system, where projects that meet a pre-specified code are automatically approved, Labour has opted for top-down housing targets. Sadly, these are

skewed away from London and the south-east of England, where both the need for housing and the economic impact of building are greatest.

Even less progress has been made on trade, probably Britain's next-largest growth obstacle. Before coming to power, Labour said it would match the Conservatives' "red lines" on the EU. That ruled out most options, such as rejoining the customs union or single market, which could have materially helped unwind the economic hit from Brexit. The government has opted for closer integration in the few areas the red lines did permit, including food standards and mobility for young people. But the economic return is trifling. The impact of other deals that Labour has trumpeted—a trade agreement with India and a muddled arrangement to soften tariffs with America—is similarly small.

Least impressive has been the government's approach to tax reform. Britain's tax system is stuffed full of provisions that distort the economy and block growth. Top offenders are stamp duty (which gums up the property market by penalising moving house), the VAT threshold (which deters small businesses from expanding) and the structure of national insurance (a payroll tax which deters work by taxing only labour income, and hits employees much harder than the self-employed). Ms Reeves did not make even a token effort to tackle those problems in her first budget, and instead raised stamp duty on second homes.

Still, for most of its first year, the government—and particularly Ms Reeves—has stuck to a sensible diagnosis of Britain's growth woes: that the main issues are on the supply side. But as growth has continued to falter and Ms Reeves's authority has been shaken, willingness to do more seems to be waning. Matthew Pennycook, the housing minister, says the "major planks" of planning reform will be finalised by the end of the year. The industrial strategy announced on June 23rd was given a supply-side sheen, but amounted mostly to a bundle of demand-boosting giveaways. That is a pity. Before pronouncing supply-side reform futile, Labour should first give it a proper go. ■

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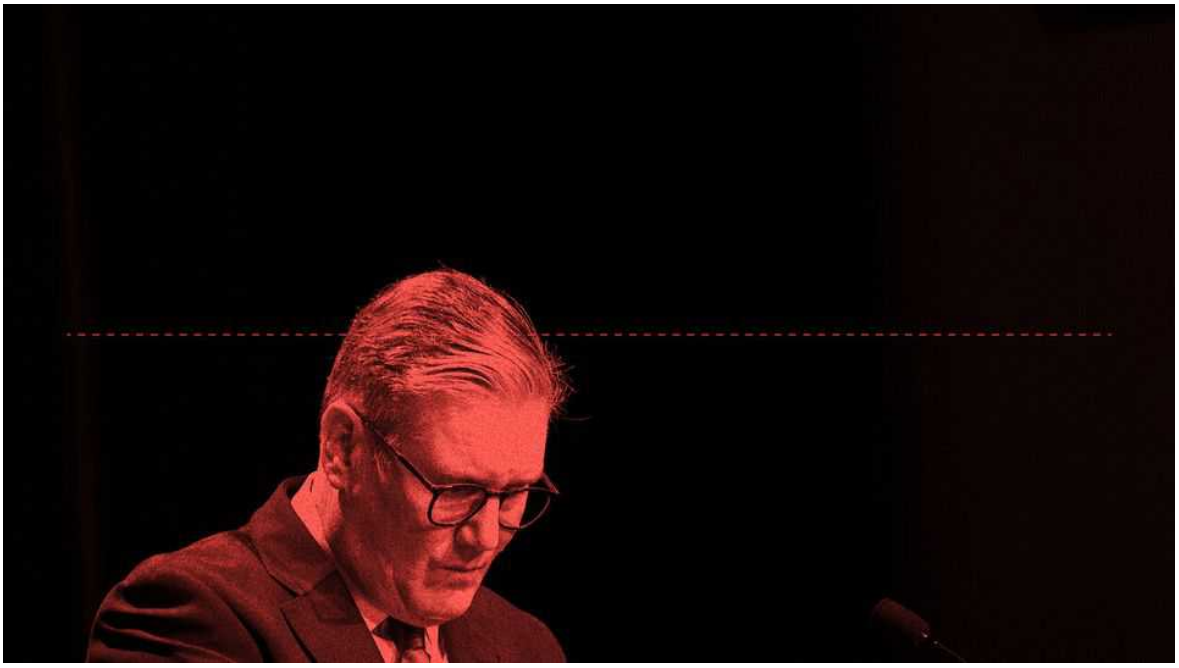
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Britain | Our Starmer tracker

Measuring Sir Keir Starmer by what people actually care about

Introducing a set of targets that resonate with voters

July 3rd 2025



The LABOUR government has a confusing set of foundations, missions and milestones. Might other targets do a better job of tracking its progress in the eyes of voters? The Economist has worked with More In Common, a polling firm, to find out.

First we ran a focus group with eight Labour voters to discuss what they thought about the government's six priorities: raising living standards in every part of the Britain; building 1.5m homes; ending backlogs for specialist health care; 13,000 extra bobbies on the beat; 75% of five-year-olds "ready to learn" when they begin school; and putting Britain on track

for 95% clean power by 2030. Few could recall any of these milestones and nearly all thought they were too abstract.

Next we ran a nationally representative survey that asked respondents to select a single target from a suite of options that, if achieved, would increase their propensity to support Labour at the next election. This yielded a set of metrics (see charts) that we think have greater political salience than the government's own targets. For example, the biggest vote-swinger is lower energy bills: 54% of adults of all stripes said they would be more likely to support Labour if prices fell; just 13% said a clean-power target would increase their support.

By our own metrics, the government is not thriving. Waiting times at emergency (A&E) wards may be falling, but at a glacial pace. The number of migrants crossing in small boats has risen by 38% over the past year. Housebuilding is moribund and crime incidents, although relatively low, have increased by 10%.

On the bright side, inflation-adjusted average pay has risen at a decent clip in recent months, and energy bills have fallen. According to the Automobile Association, vehicle breakdowns caused by potholes fell by 7% in the year to June.

Rating each metric on a scale of 0 to 100 (where zero is the worst value), and taking the average, gives an overall score of 30 out of 100. That is just two points above the index's nadir in September 2023, when Rishi Sunak was picking up the pieces after the disaster of Liz Truss, and more than 30 points below its peak in 2021, when pandemic-era restrictions reduced pressure on public services.

Between now and the next general election we will keep track of our Starmer metrics. And our polls will show whether voters notice any progress.■

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Britain | Hot protest summer

Britain’s draconian approach to pro-Gaza activism is likely to backfire

Heavy-handed use of anti-terror laws may amplify provocateurs

July 3rd 2025



IN EARLY 1977 the Sex Pistols were mostly known, if at all, for having sworn on television. Then came the punk band’s second single, “God Save the Queen”, with such lyrics as “The fascist regime” and “She ain’t no human being”. MPs boiled with outrage; tabloids screamed treason. In forcing the BBC to ban all airplay, they only increased the song’s allure. The record sold 150,000 copies a day, reaching number two during the week of Queen Elizabeth II’s Silver Jubilee, its place in the charts marked with a blank line.

This paradox—that the attempt to squash or censor information often spreads it—was later dubbed the “Barbra Streisand effect”, after the singer

tried to suppress the publication of a photo of her Malibu mansion. Today it is visible in Britain in relation to increasingly combative pro-Gaza activism. Politicians are grappling with the boundaries of speech and direct action. Yet in both the furore over performances at Glastonbury, a music festival, and the proscription of Palestine Action, an activist group, heavy-handedness looks like just the wrong response.

Glastonbury's organisers and the BBC—which broadcasts the festival almost incessantly—were prepared for rabble-rousing from Kneecap. A year ago the abrasive Irish hip-hop trio had a niche following. They have since become a lightning rod for activism, partly thanks to one member being charged with terror offences for displaying a Hizbullah flag (he claims to have unwittingly picked it up after it was thrown onto the stage). Such controversies have been "overwhelmingly positive", admits Daniel Lambert, the band's manager.

In the end, the Irish provocateurs were upstaged by Bobby Vylan, a rapper from Ipswich, who led a chant of "Death, death to the IDF", referring to Israel's army. It was an ugly spectacle. And it was reasonable for politicians to ask why the BBC did not halt the stream (a subtitle merely warned viewers of "very strong and discriminatory language"). Mr Vylan is being investigated by the police, though it is not clear that a court will think he crossed the threshold of inciting violence, which depends on proving likelihood and intent.

In both cases, politicians have fallen into old traps. Before the festival many, including the prime minister, said Kneecap should be pulled. The band consequently dominated the airwaves and attracted a huge audience. Afterwards MPs fell over themselves to condemn Mr Vylan and demand a speedy prosecution. The result was to lavish him with the attention he craves. A good rule for politicians might be not to have opinions about punk musicians.

Much more significant was the move by the home secretary, Yvette Cooper, to proscribe Palestine Action as a terrorist organisation. The ban, which would make membership or support of the group illegal, was due to be approved in Parliament and come into effect as early as next week, though on July 4th the group will have the chance to appeal against it in the high

court. Given the broad powers afforded by anti-terror laws, legal experts think that will at most delay enforcement.

It would be a landmark moment. There are currently 95 proscribed groups in the United Kingdom, including Hamas, Hizbullah and the IRA. But this is the first time these laws have been used against a group that primarily targets property, not humans. Established in 2020, Palestine Action is behind a string of attacks on defence manufacturers, which it says assist Israel's war in Gaza. In June it embarrassed Britain's armed forces by breaking into RAF Brize Norton, an Oxfordshire airbase, and spraying a plane with red paint.

The state has already charged participants for crimes including trespass and criminal damage. But it also seems bent on calling them terrorists. Jonathan Hall KC, who reports to the government on terrorism, says the case for doing so rests on the high degree of damage, the impact on national security and activists' willingness to resort to violence (in one attack a police officer was reportedly injured with a sledgehammer). Ms Cooper frames Palestine Action as a new and distinct threat: highly organised, lurking all over Britain and willing to go to extremes. Yet the powers she is using were designed to target IRA bombers who hit empty buildings, not what Julian Lewis, a Conservative MP concerned by the change, calls "performative" acts.

The move could be seen as a continuation of a crackdown on direct-action groups, in response to bolder and more disruptive tactics. Under a 2022 law, members of Just Stop Oil and Extinction Rebellion have been handed lengthy prison sentences for blocking motorways. Yet Ms Cooper's decision is a risky escalation that could put police in an invidious position and undermine the application of anti-terror laws. "It's like using a sledgehammer to crack a nut," says Tim Squirrell, a counter-terrorism expert.

Like other direct-action groups, Palestine Action has many supporters who sympathise with its goal. A majority of Britons oppose Israel's war; most of those see it as a genocide and hold the British government partially responsible. The police could face ridicule if they enforce the law, and the charge of selectiveness if they don't. "Are we saying they should arrest thousands of people for wearing a Palestine Action T-shirt?" asks Mr Squirrell. "Is Sally Rooney a terrorist?" ■

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Britain | Schools in cities

A quiet education revolution in England's secondary cities

Not just a London effect

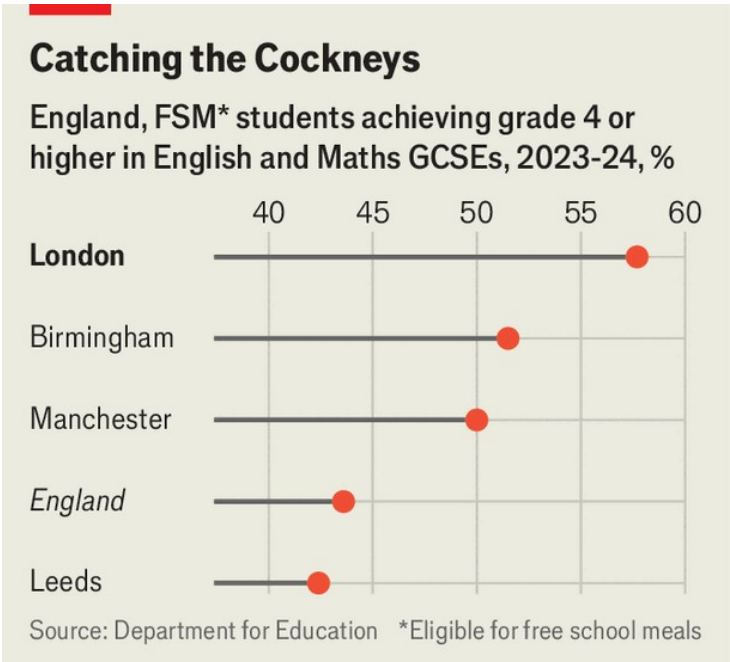
July 3rd 2025



England's teenagers are in limbo. They have sat their gcse exams, which most take at 16, and will receive the results on August 21st. If they are nervous, they should be. Good gcse grades open doors to colleges and universities, whereas bad grades shut them. But teenagers in big cities should worry less. They are likely to do better than their peers elsewhere, and better than their predecessors.

"We were known for having pretty terrible schools," says Bev Craig, the leader of Manchester City Council. In 2005 just 27% of gcse takers in the city's state schools got five grades C or above in English, maths and three other subjects. In England as a whole, 43% did. Pupils who were entitled to

free meals because of their parents' poverty fared worse. Only 15% of Mancunians from that deprived group cleared the bar, compared with 18% across England.



Over the past two decades numbers have replaced letter grades, and the conventional benchmark has changed. It now measures English and maths alone. Still, the change in Manchester is plain. Pupils entitled to free school meals (which, because Manchester is poor, is almost half of them) now outperform their peers in England as a whole. Poor pupils in Birmingham and London are even further ahead. In Leeds, results have gone from appalling to average (see chart).

The success of poor pupils in London is well known. It was already evident two decades ago; later it was dubbed the "London effect". Together with a booming economy, the capital's growing educational success helped turn it into a thriving and confident global city, the envy of the rest of Britain. Several other big cities are now faring better in part because they have come to resemble London.

The capital has long been more ethnically mixed and more foreign-born than the country as a whole. That helps because almost every group does better at school than poor white Britons. Simon Burgess, an economist at the

University of Bristol, showed in 2014 that the success of secondary-school pupils in London could be explained by the fact that so many were from ethnic-minority groups.

Mr Burgess thinks that ethnicity itself is immaterial, and that the important thing is being the offspring of immigrants. Migrants' children and grandchildren have the good fortune (which may not always feel like good fortune) of being nagged by parents who were driven by ambition to uproot themselves. In another study, Mr Burgess found that whereas native English-speaking children did better in maths exams when they were offered financial rewards, English learners did not. They were already motivated.

London is still one of Britain's most diverse cities, but the field is closing. Between the censuses of 2011 and 2021, the share of foreign-born people in Birmingham and Manchester grew faster than in London. Slough, west of the capital, has a larger share of immigrants in its population than any other town or city in England. Probably not coincidentally, poor teenagers in Slough did better in their gcses last year than their counterparts anywhere, excepting the tiny Scilly Isles and some London boroughs.

Big cities may have got better at teaching, too. Since the late 2000s schools in Greater Manchester have been encouraged to learn from each other. Mel Ainscow, an educationalist who drove that process, says that headteachers took to it more readily than their counterparts in some towns and rural areas. In a small place where everyone knows everyone, criticism can feel personal.

The fact that cities tend to have growing populations, and need new schools, can be another advantage. New schools are often fired by a sense of mission. Star Academies, a particularly successful group of schools, has opened 21 "free" schools across England—free from local-authority control, that is. Sir Hamid Patel, its chief executive, says it has been easier to find sites in cities like Birmingham and Manchester than in smaller towns, where local politicians may worry about drawing pupils away from existing schools.

Pupils in big cities are close to diverse job markets, universities and cultural institutions. In Birmingham, Star Academies has formed a partnership with Mercedes-amg petronas, a motorsport outfit. Their schools can hire young,

keen teachers. Perhaps the wonder is not that urban teens fare well, but that it was ever otherwise.■

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Britain | The Shipping Forecast at 100

Britain’s least controversial national treasure

Though it is increasingly redundant at sea

July 3rd 2025



THE daily schedule of the Shipping Forecast is etched on the mind of nearly every British sailor, starting at 48 minutes past midnight. The BBC has broadcast it for 100 years, interrupted only by war or pandemic. Always that calm, clear voice telling of what comes next—when a bout of weather is to arrive, or when it is to leave.

The voice gives the general synopsis and then moves in clockwise fashion around the sea areas of the British Isles. The litany is cryptic, but once you understand the key it is a supremely concise way to convey wind strength, sea state, weather (ie, rain or snow) and visibility. There is lyricism: seas go from “smooth” (wave heights of less than 0.5 metres) to “phenomenal” (more than 14 metres).

“Forecast” was a word invented by a Victorian naval officer, Robert FitzRoy. He collected past weather data from ships’ logbooks and barometer readings from stations around the coast, thanks to the new telegraph. His weather charts provided a “synopsis”, after the synoptic gospels of Matthew, Mark and Luke that shared a common overview. Using the past to predict the future has saved countless lives at sea.

In essence, today’s Shipping Forecast is the same, though with an accuracy that comes from satellites and powerful computer models. Technology, though, has also made spoken bulletins increasingly redundant: ships download data and forecasts. So four daily bulletins were cut last year to two, or three at weekends. The BBC intends eventually to phase out longwave broadcasts, those that distant vessels can pick up, entirely.

Yet the BBC knows that an end to the Shipping Forecast altogether would cause national outrage. The seas around Britain mean different things to different people, even landlubbers. To some, they are the conduit to the world: in the past, to empire, rich fishing grounds and, more recently, oil and gas; in the present, the seas link Britain to the continent. To others, the seas are England’s moat, safeguarding the blessed plot. The Shipping Forecast embraces the contradiction—guaranteeing its role as a national treasure.■

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Britain | Bagehot

Britain is already a hot country. It should act like it

A land of long holidays, cool homes and tree-lined streets awaits

July 3rd 2025



Stepping off the 9.10 from London Victoria to Whitstable was akin to disembarking from a Ryanair flight in Alicante rather than a former oyster port in Kent. A little before midday, the temperature was creeping towards 30°C. As a wall of heat hit her face, one pensioner despaired: “It’s unBritish.”

Increasingly, it is nothing of the sort. Summer days of 30°C are now common in southern England. Occasionally the heat is extreme. Britain hit 40°C for the first time in 2022. In some scenarios, it could hit 45°C, according to the Met Office. Britain is becoming hotter. Each summer brings

an annual farce, in which an increasingly hot country pretends it is anything but.

Britain's image of summer has not caught up with its sweaty reality. To Britons, summer is still a season for suffering, stoically, in the rain. Glastonbury, a music festival which kicked off on June 25th, is still written about as a mudfest even though sunstroke has been a far bigger risk than trench foot for years. Wimbledon is portrayed as a rain-addled fortnight, rather than a tournament that has had to introduce ten-minute breaks for players when temperatures reach 30.1°C.

Pretending Britain is still a cool country leads to strange policy. Adapting to the heat is often illegal. Strict planning laws limit how shops can install awnings. Building regulations limit air-conditioning in new homes. This leads to the ridiculous summer spectacle of a plastic nozzle of an ac unit poking haphazardly out of the window of a well-insulated £600,000 ($822,000) new-build flat. Parts of the media, particularly hand-wringing writers at the Guardian, paint air-conditioning as an absurd luxury. It is English exceptionalism for earnest liberals. Other hot countries rely on air-conditioning to survive the summer. Why is Britain special?

If there is a conspiracy against air-conditioning in Britain, it goes right to the top. The government offers subsidies worth £7,500 to people replacing a gas boiler with an electric heat pump, but only if it produces solely heat. A system that can heat in winter and cool in summer receives nothing. Mercifully, Labour is considering extending the subsidies, yet that is not guaranteed to happen. A puritanical streak in British policymaking runs deep. Only the most banal conspiracies turn out to be true: the Deep State exists and it tries to keep you warm on summer nights.

Summer denial means that serious problems caused by heat are dealt with in silly ways. Britain is now a country that suffers from regular drought, particularly in its south-east. Yet the politics of water are almost solely the politics of poo, with Britain's growing band of wild swimmers annoyed that the country's waters endure sewage spills after heavy rain. Sewage has been mentioned over 2,000 times in Parliament since 2020. "Water security"? A mere 41, or one fewer mention than for "wild swimming". Some concerns are heeded by Britons when asked about the climate. Animal suffering

comes top, according to More In Common, a pollster. Forget the Englishmen, what about the mad dogs?

Ignoring the heat leads to odd working patterns. When the summer heat arrives, the French leave their humid cities, much of the country shutting down for all of August. Britons stay put, trying to work through what was once a temperate season, engaging in an unproductive waltz of out-of-office emails. Should Britons learn to enjoy their long, hot summers, it would become a boomtime for domestic tourism. Why travel to continental Europe when its former climate has arrived here?

Unfortunately, while mitigating the effects of hotter summers is often banned, so is reaping the benefits. In England, local authorities are not allowed to levy tourist taxes. A change in climate has led to a boom in English wine. Yet vineyards are sometimes banned from expanding on their own land. Restrictive planning laws stop developers turning places such as Whitstable into the Costa del Kent; the fact that councils retain so few taxes locally gives them little incentive. The result? A dearth of accommodation makes domestic tourism expensive. In Whitstable, a night in a fishing hut—a glorified shed—can cost £375. The housing crisis attracts much comment; the hotel crisis less so.

Ensuring Britain's summers are pleasant will fall on councils. But they do not always have the cash to turn exposed roads into shady tree-lined streets or transform high streets with tasteful awnings. Almost every problem in Britain—from the state of the nhs to Britain's knackered public realm—can be dragged back to its underfunded and underpowered local councils, the only part of the state that voters interact with most days. The increasingly warm British summer is no exception.

All sides of politics are tempted to ignore the reality of Britain's summers. For the right, nostalgia clouds people's thinking. Was it not roasting in 1976, when a heatwave turned the country feral? Rose-tinted memories of long, hot summers past clash with the realities of longer, hotter ones today. For the left, it is an inconvenient truth that Britain will in summer suffer less than close European neighbours, never mind people at the equator. The idea that climate change can, with effort, lead to a more pleasant summer—of tree-lined avenues, cool homes and long holidays pootling around the

countryside—is anathema to people for whom only suffering can lead to salvation.

Reality will sink in eventually. Until it does, expect to see the same old scenes on the Kent coast, as Britons gorge on the hot sun they still think of as an aberration rather than the norm. In Whitstable, a defeated beachgoer staggered past a pile of shucked oyster shells on an unshaded concrete path by the beach, her shoulders bright red: “I’m done with the sun.” The sun is not yet done with Britain.■

For more coverage of climate change, sign up for the Climate Issue, our fortnightly subscriber-only newsletter, or visit our climate-change hub.

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International

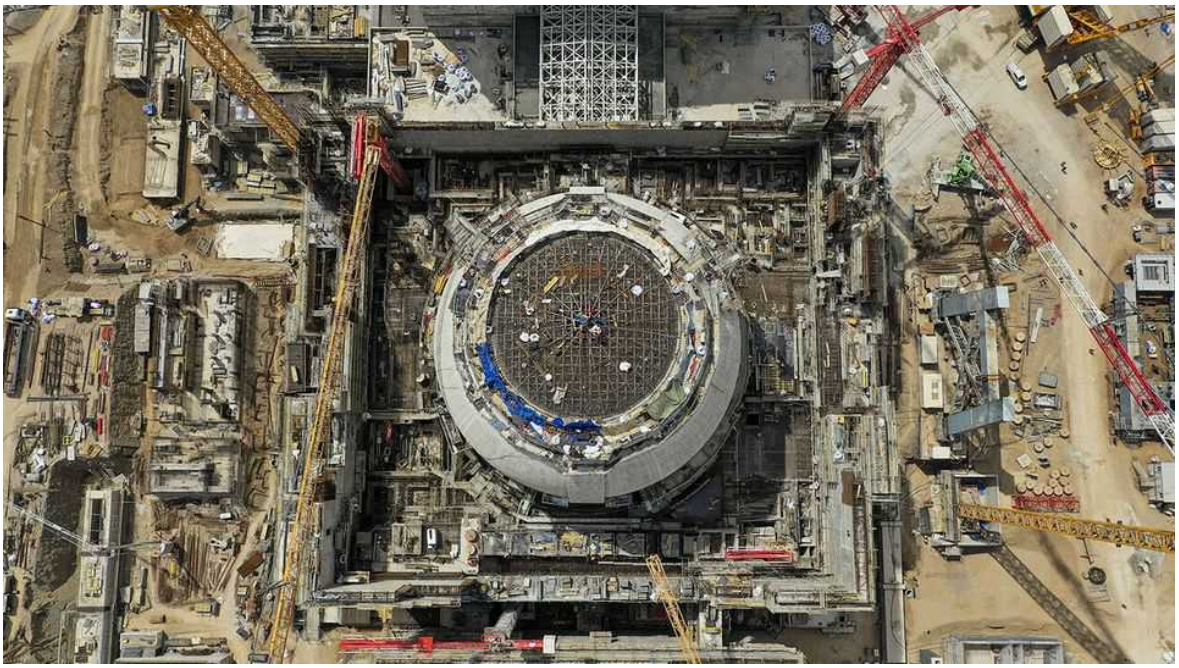
- Putin’s radioactive chokehold on the world
- How South Africa could harness Donald Trump’s wrath

International | Nuclear power for civilian use

Putin’s radioactive chokehold on the world

The Kremlin dominates the cross-border business of nuclear fuel and technology

July 3rd 2025



DURING THE brief war between Israel and Iran, the world’s attention was focused on Iran’s nuclear programme. Yet out of the spotlight another geopolitical struggle is being waged—over the international trade in nuclear technology and enriched uranium. Though far less explosive than the situation in the Islamic Republic, the stakes involved are nonetheless high.

The civilian nuclear industry can be broadly divided into two main markets: the building of nuclear power stations; and the production and supply of enriched-uranium fuel. The first is dominated by countries with big domestic fleets of nuclear power plants, such as America, China, France and South Korea. They tend to build these themselves. Yet there is also a significant

export market for reactors. The fuel market is even more lopsided, with just a few countries able to enrich uranium.

Whoever dominates these export markets gains not just geopolitical heft and economic and soft power, but also influence over the policing of nuclear proliferation and safety standards. One sign of the growing importance of this contest can be seen in four executive orders signed by President Donald Trump in May. These are aimed at re-establishing America "as the global leader in nuclear energy", as well as securing America's supplies of enriched uranium. Both are ambitious goals, given that American firms have long struggled to build reactors on time and on budget, and because America and Europe rely on imported enriched uranium, much of which comes from Vladimir Putin's Russia.



Customers shopping for nuclear reactors can, in theory, get the technology from seven main countries: America, Canada, China, France, Japan, Russia and South Korea. But Russia is far in the lead when it comes to exporting them. Rosatom, its state-owned nuclear firm, has about 65% of the global export market for nuclear reactors in power stations, according to the World Nuclear Association.

Russia dominates not only the international market for new-build nuclear power stations, but also the market for enriched uranium, which is used to fuel them, controlling 44% of the world's uranium-enrichment capacity, according to the most recent data (see chart 1). Last year the European Union imported a quarter of the enriched uranium it needed from Russia, much of which went to the five countries that have reactors designed in Russia: Bulgaria, the Czech Republic, Finland, Hungary and Slovakia. And in 2023 America bought roughly a quarter of its enriched uranium from Russia.



Russia's sales of enriched uranium and reactors are dwarfed by its gas and oil exports, though nuclear fuel is not as easily substituted as oil. Using World Bank trade data The Economist reckons that in 2023 Russia earned about $2.7bn from exporting enriched uranium—mostly to America and the EU, and another $1.1bn from exporting reactors and components, such as the fuel-assemblies that hold the enriched uranium. Rosatom itself reported that its foreign operations generated revenue of more than $16bn in 2023, including more than $7bn from building new power plants, many of them funded by Russian state-backed loans. This figure has risen since Russia's invasion of Ukraine, from almost $9bn in 2021.

Perhaps more important than money is the diplomatic leverage Russia gains through its customers' reliance on it for fuel or nuclear technology. In May the European Commission pledged to release plans the following month to introduce taxes or levies on Russian enriched uranium, with the aim of gradually phasing out its use (alongside measures to halt imports of Russian gas by 2027). It soon relented, delaying the uranium plans. Behind the U-turn was lobbying from Slovakia and Hungary, which both have Russian-designed reactors and complained that it would lead to higher prices. Many believe that Hungary's pro-Russian stance is cemented by contracts it awarded to Rosatom in 2014 (without going through tenders) to build two nuclear reactors.

Similarly a deal signed by Turkey in 2010 for Rosatom to build and operate four nuclear reactors in the country deepened its ties to Russia. It may also have contributed to Turkey's decision to buy S-400 anti-aircraft missile batteries from Russia, according to Jane Nakano of the Centre for Strategic and International Studies, an American think-tank. The arms deal soured relations with NATO: America halted the sale of F-35 fighters to Turkey (though Mr Trump may soon relent) and kicked it out of a programme to help build them. The nuclear project, meanwhile, has been beset by delays and financing problems, partly because of financial sanctions on Russia; this week Rosatom said it was in talks to sell a 49% stake in the $25bn plant.

In Bangladesh, Rosatom is building two reactors that will add about 10% to the country's generating capacity. This will put Bangladesh alongside the likes of Belarus, Hungary and Slovakia, which are assessed to have a "high" dependence on Russian-built or -operated nuclear power plants, according to Kacper Szulecki and Indra Overland, researchers from the Norwegian Institute of International Affairs, another think-tank. This dependence makes these countries vulnerable to supply disruptions, sabotage and other sorts of malign influence, they argue.

That worry seems plausible enough, at least in the short run. Russia has used energy as a weapon before, typically through cutting off natural-gas supplies. But its ability to use uranium as an energy weapon is more tightly constrained. Many of Rosatom's European customers have signed contracts with alternative suppliers since 2022, or have built up fuel stockpiles to last several years. And wielding it would impose considerable costs on Russia,

since doing so would spook other potential customers, which may explain why Russia has not halted uranium supplies to Europe. (Last year it restricted exports to America in response to American import curbs.)

Rosatom is successful partly because it offers an attractive all-in-one package, says George Borovas, a lawyer who advises governments on nuclear programmes. “They say ‘Hey, we’re going to give you everything’,” including fuel and training for local engineers. Strong state backing helps Rosatom take on the big financial and hard-to-insure risks of nuclear projects. Russia is reportedly lending around 90% of the estimated $12.6bn cost of building Bangladesh’s first set of nuclear reactors.

Projects like the one in Bangladesh also establish “a long-term relationship” that gives Russia a foothold in South Asia, says Ali Riaz, a political scientist from Illinois State University. It can take up to 80 years from starting construction to decommissioning a nuclear reactor, which can bind clients into agreements covering maintenance, spare parts, training and technical assistance for decades. Bangladeshi politicians would struggle to ditch the deal even if they wanted to, because they would be tied into loan agreements.

Western governments are taking a two-pronged approach to weaken Russia’s nuclear diplomacy. The first involves reducing their own reliance on enriched uranium, fuel assemblies and other services provided by Rosatom. The second is trying to compete more vigorously with Russia in selling reactors abroad. In 2023 America, Britain, Canada, France and Japan formed the “Sapporo Five” group to collaborate on at least $4.2bn-worth of investments in new enrichment.

There are already some signs of progress. Last year Europe’s reliance on Russia’s enriched uranium fell sharply, to 24% of its needs, from 38% the year before. This share should fall further, though demand among Western countries (including America, Canada, Japan and South Korea) will probably outstrip friendly supply, even after new capacity has come online.

EU members with Russian reactors are also moving to reduce their reliance on Rosatom. Westinghouse, a firm based in America, has developed nuclear-

fuel assemblies that fit Russian VVER reactors and has agreements to supply them to Bulgaria, the Czech Republic and Ukraine.

Western governments also hope to challenge Rosatom in the reactor export market. Yet toppling it will not be easy. In order to win foreign orders, Western companies first need to show they can build on time and stick to budgets at home, says Chris Gadomski of BloombergNEF, a research firm. EDF, France's state-backed electricity firm, has faced long delays and cost overruns at its three recent nuclear projects in Britain, France and Finland. Only one nuclear plant has been built in America since 2017. It reportedly cost around $35bn, more than double the initial estimate, and was finished seven years behind schedule. One reason for such delays is that construction skills have atrophied. Strict regulations and onerous planning rules have also slowed the deployment of reactors in the West.

In the decades after the second world war, when America had a clear lead in civilian nuclear power, it set international standards and enhanced safety through, for instance, its push to set up the International Atomic Energy Agency, the UN's monitor. In 1978 America required countries to sign the Nuclear Non-Proliferation Treaty (NPT) before gaining access to its technology. Russia, however, has a chequered record on non-proliferation: since 2022 it has "become markedly counterproductive, and outright obstructive", argues Darya Dolzikova of the Royal United Services Institute, a think-tank in London.

There is, some might argue, a glimmer of good news in that a plausible rival to Russia is emerging. Unlike most Western nuclear firms, it has an experienced workforce, a solid pipeline of projects, a track record of building reactors in as little as six years, and it can offer clients state-backed financing. The bad news is that it is China, which also has wobbly credentials on non-proliferation. For decades it denounced the NPT as unfair. In the 1970s and 1980s it helped Pakistan with its nuclear-weapons programme, providing it with blueprints for a bomb. China has come a long way since then, acceding to the NPT in 1992 and eschewing sales to rogue states. But it remains selfish, recently weakening scrutiny of bomb-making by North Korea, a regime it sees as a useful buffer state.

Until now it is largely the West that has been concerned by Mr Putin's vigorous nuclear diplomacy. But the prospect of an international nuclear market dominated by not one but two autocracies ought to trouble the entire world. ■

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International | The Telegram

How South Africa could harness Donald Trump's wrath

Talk of "white genocide" is baseless. But some American pressure could be helpful

July 3rd 2025



NO SAILOR LIKES a hurricane. But if the alternative is drifting in the doldrums without hope, even vicious gales have their uses. As South Africa is buffeted by criticism from President Donald Trump and other American conservatives—some of it unfair and pushed by bad-faith actors—centrist business and political leaders dream of riding that storm to hasten reforms.

In February Mr Trump issued an executive order suspending American aid to South Africa, including funding for HIV medications that keep millions alive. His order accused South Africa's government of fuelling violence against the country's white minority and condemned a new law that, on

paper, allows land to be taken without compensation. It said this was an attack on white South African farmers known as Afrikaners. These whites, of mostly Dutch, French and German descent, are invited to apply for asylum in America. For good measure the order called South Africa's foreign policies "aggressive" towards America and its allies, notably Israel, which South Africa has accused of genocide before the International Court of Justice in The Hague.

On May 21st South Africa's president, Cyril Ramaphosa, a glad-handing but paralysingly cautious stalwart of the ruling African National Congress (ANC), stepped into the tempest's eye. Invited to the White House with government ministers, a trade union boss and Mr Trump's golfing buddies, Mr Ramaphosa was ambushed in the Oval Office. He had hoped to lobby for his country to remain in the African Growth and Opportunity Act (AGOA), a trade deal that gives many African countries preferential access to American markets. After Mr Trump gave the word, video screens showed footage of a radical opposition leader chanting anti-white slogans. "Officials" in South Africa are saying "kill the farmer and take their land," Mr Trump baselessly claimed.

America's direct leverage is not what it was. After years of deepening ties with China and the rest of Africa, South Africa sent just 13% of its exports to America in 2023, of which about a quarter were covered by AGOA. Business groups estimate that between 200,000 and 300,000 jobs depend on AGOA, mostly in carmaking and farming. AGOA is formally in the gift of America's Congress, and long before Mr Trump's re-election Republicans and Democrats in Washington grumbled about South Africa's closeness to China, Iran and Russia, and its expressions of sympathy for Hamas, the Palestinian terrorist group.

The port city of Cape Town faces "quite concentrated AGOA risks" as a centre for exporting citrus fruit, wine and car engines, frets its mayor, Geordin Hill-Lewis. He is from the Democratic Alliance (DA), a business-friendly party and junior partner in Mr Ramaphosa's coalition government. Mr Hill-Lewis says South Africa has behaved "appallingly" to America for years: "If there were a textbook for alienating friends, we have written it." He suggests big American firms have long chafed at post-apartheid laws that oblige many foreign firms to set up licensed local subsidiaries, then sell 30%

stakes in them to black business interests, under a system known as Black Economic Empowerment (BEE).

Critics charge that BEE-related equity transfers enrich a few, well-connected black executives. There have already been reforms in several sectors, allowing firms to invest in community projects and employ local suppliers, rather than hand over ownership stakes. In the words of an insider, previous governments hesitated to allow such workarounds in the digital-services industry, fearing a "backlash" from ANC hardliners about watering down BEE. Now the government is asking regulators to allow Starlink, the satellite-internet firm owned by Elon Musk, a South African-born billionaire, to give free broadband services to 5,000 rural schools instead of sharing ownership rights. That responds to pressure from Mr Musk, who says BEE laws are racist.

"Hardball" American lobbying is unhelpful. But some pressure "allows those who have pushed for reforms to say, you see, there are negative consequences" to rigid versions of BEE, says the DA leader, John Steenhuisen.

Songezo Zibi leads Rise Mzansi, a small centrist party. He says fears about the expropriation law are exaggerated: it is a compromise that mirrors language in the constitution. Radicals wanted something harsher. In contrast, he worries that even old friends from the Democratic Party in Washington were confounded by South Africa's go-it-alone Gaza campaign. Mr Zibi would like his country to act in concert with China, Brazil and others.

Weighing America's clout in South African public debate is not simple. For one thing, its former generosity was not always noticed. Sikelela Dibela serves tasty, home-roasted coffee in his café in Khayelitsha, a black township outside Cape Town. He learned that American aid part-funded a local HIV clinic only when doctors talked of job losses over coffee. Mr Dibela credits Mr Ramaphosa with keeping his cool in the Oval Office, so that "it was not an embarrassment like with Zelensky". Still, he says that talk of a "white genocide" is false and inspires widespread anger. Colin Mkosi, the founder of a bicycle-delivery service in Langa, a nearby township, defends BEE rules that hand equity to black executives. Without ownership,

people “can be sidelined”, he says. He objects to foreign investors trying to “dictate how we do things”.

Importantly, foreign criticism is prompting self-reflection. Several South Africans welcomed Mr Ramaphosa’s delegation acknowledging their country’s appalling crime rates in the Oval Office, as they tried to convince Mr Trump that white farmers are less likely to be murdered than poor blacks. American hostility will not make South Africa change course entirely. But if it puts wind in reformers’ sails, this tempest might yet do some good. ■

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Business

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Business | Fame and fortune

Kim Kardashian, Ryan Reynolds and the age of the celebrity brand

Stars are using their fame to build thriving businesses

July 3rd 2025



Kim Kardashian launched Skims, her shapewear brand, in 2019 after spending years dabbing other undergarments with teabags to "nail the perfect nude shade". "It's deeply personal to me," says the reality-television star. It has also been tremendously lucrative. Skims now makes some $1bn in sales a year.

From fizzy drinks and footwear to fragrances, over the years celebrities have peddled them all. In the past, most stars were happy simply lending their faces to ad campaigns in return for a bit of extra pocket money. A few more entrepreneurial ones went a step further, involving themselves in the design of the products they endorsed. In the 1980s a chance encounter on an

aeroplane between Jane Birkin, a British actress, and a senior executive at Hermès, a luxury brand, led to the creation of the Birkin bag. Around the same time Michael Jordan, a basketball star, teamed up with Nike, a sports brand, to launch the Air Jordan line of trainers.

More recently, however, a growing number of celebrities have opted to build consumer enterprises of their own. Over the past decade or so, A-listers from Beyoncé and Rihanna to George Clooney and Harry Styles have launched beauty ranges, booze brands, fashion labels and more. A study in 2023 by JLL, a property firm, found that around three-fifths of celebrity retail brands in America had been founded in the preceding six years. Since then the trend has continued apace, with stars from Dwayne "The Rock" Johnson (men's skincare) and Emma Watson (gin) to Sir David Beckham (supplements) and Wiz Khalifa (mushroom-growing kits) all taking part. In May Hailey Bieber, wife of Justin Bieber, a pop star, sold her make-up brand Rhode to e.l.f. Beauty, a cosmetics firm, for as much as $1bn. As the boundary between retail and social media blurs, celebrities are reshaping the world of consumer goods.

The proliferation of celebrity brands is partly a reflection of changes in the media industry. In decades past, the business of communicating with consumers was largely intermediated by a handful of television channels, radio stations and print publications. No more. These days, says Douglas Holt, a marketing guru, every social-media account is a channel of its own. That has allowed celebrities to engage directly with their fans. Ms Kardashian has over 350m followers on Instagram. She frequently wears and talks about Skims online. "Kim is a phenomenal creative director," says Jens Grede, her co-founder, "but she's also a one-woman media powerhouse." According to Launchmetrics, an analytics firm, Skims last year generated more than $600m in "media impact value", a gauge of the monetary benefit of online posts, press coverage and other media exposure. That was eight times as much as for Spanx, a rival shapewear brand.

Not only are celebrities now able to communicate directly with their fans. They can sell directly to them, too. Fledgling brands no longer need to sell via big retailers, who take a cut of profits, or to open physical stores, which involves enormous upfront investment. To sell online, they do not even need to go through e-commerce platforms like Amazon. Tools such as those

offered by Shopify, a Canadian software firm, have made it easier than ever to build an e-commerce site or mobile app. Social-media platforms such as TikTok now allow brands to sell directly to users, too. Direct-to-consumer sales have risen to account for around one-seventh of e-commerce globally, according to NIQ, a data provider. Anita Balchandani of McKinsey, a consultancy, reckons they make up as much as 100% of revenue in the early days of a typical celebrity brand, dropping to 30-60% as firms expand and add third-party distribution.

Of course, not every celebrity brand takes off. The Honest Company, a maker of baby and beauty products co-founded by Jessica Alba, an actress, has lost three-quarters of its market value since listing its shares in 2021. Alex Griffin, marketing chief for On, a sportswear brand worn by tennis player Roger Federer and actress Zendaya, says there is a reason many stars still opt for endorsements instead of starting their own brands: “It’s not that easy.”

Picking the right type of product matters. Clothes and booze are things people often buy for what they symbolise, rather than their functionality, says Sandra Cariglio of ReD Associates, an advisory firm. That makes them safer bets for celebrities. Attractive stars may naturally find it easy to sell beauty products, too. It helps that the production of cosmetics is easy to outsource to white-label manufacturers, as it is for fragrances.

Jill Avery of Harvard Business School adds that products need to “fit” the celebrity’s own brand. Fans buy make-up from Ms Bieber because she has long shared beauty tips online, and shapewear from Ms Kardashian because she is known for her curves. Asked why he is launching a running app, Mo Farah, an athlete with four Olympic gold medals to his name, tells The Economist simply: “That’s all I know.”

Still, some celebrities appear able to sell anything. Ryan Reynolds, a rom-com star turned potty-mouthed superhero, became the face of Mint Mobile, a telecoms firm, in 2019 after he acquired some 25% of the business. Last year T-Mobile, a bigger rival, bought Mint’s parent company for around $1.3bn. In 2021 Mr Reynolds snapped up Wrexham A.F.C., a struggling Welsh football team, for £2m ($2.7m) with a fellow actor. The team’s improving performance—and an Emmy-award-winning documentary co-

produced by Mr Reynolds—have significantly raised its profile. The club is now said to be raising money at a valuation of up to £350m.

For celebrities who stick to consumer goods, having a decent product is essential. The online attention enjoyed by celebrity brands comes with added scrutiny. Goop, a lifestyle brand founded by Gwyneth Paltrow, an Oscar-winning actress, has been pilloried for making unscientific claims about its wares. (It sells a jade egg customers are told to insert in their vaginas.) Last year it sacked almost a quarter of its employees. Wrestler Hulk Hogan's line of frozen cheeseburgers were a flop mostly because they were awful.

Picking the right business partner can help. Stars may have plenty of experience with publicity, but they often need help with the nitty-gritty of running a business. Idris Elba, a British actor, co-founded his wine business, Porte Noire, with David Farber, a Frenchman with over a decade of experience in the industry. While Mr Elba is heavily involved in the business, it is Mr Farber who takes the lead in finding producers and selecting the best blends. "I've got a lot on my plate with film, music and other projects, so I knew I needed the right partner," says Mr Elba.

Various incubators now help celebrities build their own companies. United Talent Agency, based in Los Angeles, has a venture arm that helped comedian Seth Rogen launch a cannabis brand and actress Elizabeth Banks get into canned wine. Creative Artists Agency, another Hollywood talent manager, has backed a similar incubator, called Caravan. Last month Universal Music Group, a record label, announced a partnership with the co-founder of WME, one more talent agency, to help its musicians get into new lines of business, including fashion and other consumer goods.

Building a celebrity brand may be easier than ever. But maintaining one is still hard. Celebrities wax and wane, even more so in the age of social media. It is not a coincidence that Skims is only obliquely named after its famous co-founder. Reflecting on what they are trying to achieve with the business, Mr Grede recalls a photograph he recently came across of a young boy sporting Air Jordans and a pair of Beats headphones, a brand co-founded in the 2000s by Dr Dre, a rapper and music producer, which was later bought by Apple. The boy would have been far too young to have ever

seen Mr Jordan shoot hoops or heard Dr Dre top the charts. For celebrity brands, the hardest test will be the test of time. ■

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Business | Tragedy, then farce

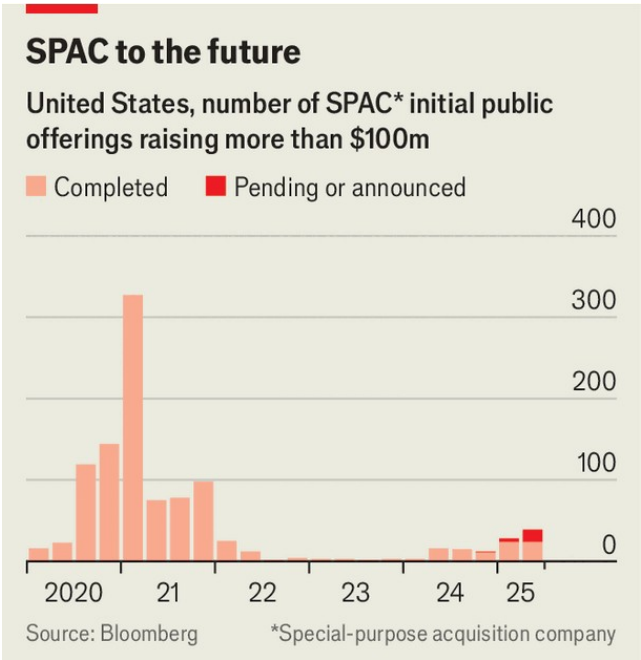
A Wall Street wheeze makes a surprising comeback

SPACs are back in favour

July 3rd 2025



THE SPecial-purpose acquisition company (SPAC) was Wall Street's favourite get-richer-quicker scheme during the pandemic. First, some big-shot investor raises capital by listing a shell company on the stockmarket. The big shot then calls around other big shots, looking for a moonshot. When a captivating private company is found, it merges with the shell, whose investors choose either to redeem their shares or own part of the resulting business. SPACs can be a wheeze for the sponsors who set them up (in return for a cut) and the investment bankers who advise them, but have tended to be less good for investors who pay these costs.



Central banks raised interest rates in 2022, ending a party that was already flagging. Most thought SPACs were gone for ever. Yet there will be more new listings this year than in 2023 and 2024 combined (see chart). Is history repeating itself? Perhaps as farce. The spac revival will be smaller, but even more speculative—and infused with MAGA energy.

Plenty of investors were burned last time round. An index which tracked the performance of the biggest firms that went public through a spac shut down last year. Of the 25 firms it contained in mid-2021, only one is worth more than it was back then. Six have gone bankrupt.

For some financiers, the memory of this might be too fresh. But not all. Chamath Palihapitiya, a boosterish Silicon Valley podcaster once known as the "SPAC king" for his many vehicles, has said he will "probably" raise a new one. Some private companies and investors might decide to play along. Many venture capitalists are struggling to return cash to their backers, creating pressure to push the startups they have invested in onto public markets.

The sorts of buzzy firms turning to a SPAC as a short-cut to listing will differ from last time. Whereas delivery apps and electric vehicles were the stars of the first wave, cryptocurrency and artificial intelligence are the rage

these days. Both industries have their fair share of chancers. In April Twenty One Capital, whose main objective is the accumulation of bitcoin, announced plans to merge with a SPAC connected to Cantor Fitzgerald, the Wall Street bank which has been busily underwriting recent SPAC deals and, until earlier this year, was owned and run by Howard Lutnick, now the commerce secretary.

Trumpworld has always been beguiled by SPACs. Before Donald Trump's recent adventures into crypto and ETFs, the president took Truth Social, his social network, public by merging with a SPAC. Others in his orbit are now cashing in. Devin Nunes, boss of Truth Social and an adviser to the president, launched a SPAC of his own in May. GrabAGun, an online arms dealer, will soon combine with a SPAC run by Omeed Malik, another Trump acolyte. When the deal closes, Donald Trump junior will join the board. GrabAGun's prospects are bright given "the insanity that's going on in the world", he recently told CNBC. You can say that again. ■

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Business | A fruity business

Would you pay $19 for a strawberry?

The rise of luxury fruit

July 3rd 2025



SIX LARGE strawberries are neatly wrapped in what looks like a fancy chocolate box. The Omakase berries—a Japanese variety, grown by a company called Oishii in New Jersey—are softer and sweeter than those found in most supermarkets. You would hope so: they cost around $14 a box, roughly three times the price of a punnet at Walmart.

Fruit has a luxurious history. Pineapples were prized by British aristocrats. Japan is one of several Asian countries where premium fruits are bought as gifts; in 2016 a bunch of Ruby Roman grapes was sold at an auction for $11,000—around $350 each.

Now foodies and social media are turning America into a growing market for luxury fruit. Last year Fresh Del Monte, an American food company, began selling a $395 Costa Rican pineapple at home, after selling out in China.

It is Japanese fruit, however, that has caused the biggest sensation. Erewhon, a posh grocery chain in Los Angeles, recently went viral for importing and selling individually wrapped Japanese strawberries for $19. Japanese Crown melons, grown in limited quantities, can sell for hundreds of dollars.

Specialised businesses are sprouting up to meet the moment. Ikigai Fruits, a Tokyo-based exporter that launched in 2023, sells everything from boxes of persimmons for $128 to $780 sets of strawberries. The company flies produce across from Japan. But lately it has had to contend with tariffs and an increasingly unpredictable growing climate.

Oishii dodges these challenges by relying on vertical farming, which allows it to grow its berries in America by tightly controlling the climate. Sleek branding and influencer marketing have made its strawberries a social-media hit. “Anyone can tell that it’s a different product”, reckons Hiroki Koga, Oishii’s boss. The company secured $150m in its most recent funding round in November.

Oishii recently launched a new strawberry, marketed as its most affordable yet ($8 a box). It has branched out into tomatoes, too; a packet of 11 or so costs $10. Mr Hiroki recommends bringing three boxes to a party in lieu of a bottle of wine. “I’m sure you’ll be able to impress the host much more.”■

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Business | A developing divide

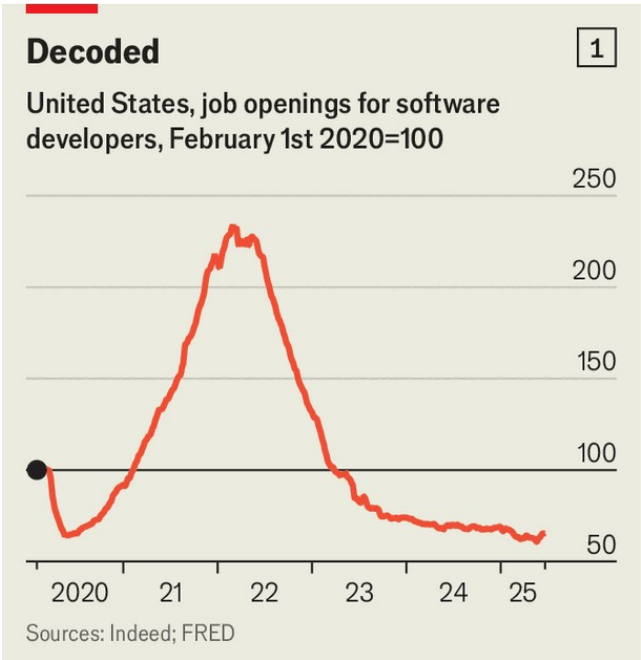
Superstar coders are raking it in. Others, not so much

For a few AI whizzes, pay is going ballistic

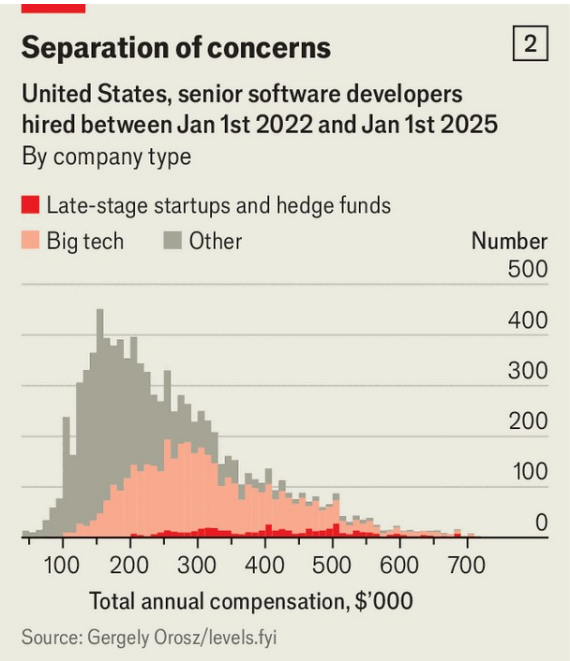
July 3rd 2025



Lucas Beyer is not a celebrity. But in Silicon Valley's rarefied world of machine-learning talent, he is seen as one. A former researcher at OpenAI, Mr Beyer announced last month that he was leaving the artificial-intelligence (AI) lab behind ChatGPT to join Meta, a social-media giant with big AI ambitions of its own. With rumours swirling that Mark Zuckerberg, Meta's boss, was offering packages worth $100m to poach AI whizzes, Mr Beyer clarified that he had not secured a nine-figure deal. That he needed to say so at all reflects the extent of the frenzy.



Yet the race for a handful of superstar software engineers masks a slump for everyone else. As ChatGPT-like generative AI changes how code is written, companies are rethinking how many programmers they need. In America job postings for software developers have dropped by more than two-thirds since the beginning of 2022, according to data from Indeed, a recruitment site. In January Marc Benioff, the boss of Salesforce, a maker of business software, said his firm will not add any more software engineers this year, owing to productivity gains from AI tools. On July 2nd Microsoft, a tech giant, said it would cut some 9,000 jobs, on top of 6,000 announced in May. Many will be coders.



The upshot has been a divergence in pay. Gergely Orosz of The Pragmatic Engineer, a newsletter, and levels.fyi, a website that tracks employee pay, analysed compensation for software developers in America with at least five years of experience who began their roles between the start of 2022 and the start of 2025. At the top of the pay scale were elite AI labs such as OpenAI, as well as hedge funds such as Jane Street that are also betting heavily on machine learning. In this tier, median pay exceeded $400,000 a year. Below that were tech giants including Alphabet, Microsoft and, until recently, Meta, where median pay was closer to $300,000. Experienced developers at most other companies earn much less, with a median of around $180,000 (see chart 2).

The top tier of coders is tiny. One recruiter estimates that only a few hundred people globally have the right mix of mathematical fluency, research chops and engineering experience to develop leading-edge AI models. They tend to have cut their teeth at the same handful of AI outfits, including OpenAI, Anthropic and Alphabet's DeepMind lab. Some, like Mr Beyer, have worked at more than one of them. Most live in a few tech hubs, especially San Francisco and London. Hiring is clubby. Mr Orosz says that the top firms mostly recruit from each other and rarely consider outsiders. Top AI engineers also do more than code. They must be able to explain their work to product teams and help shape business strategy.

Life is very different for the mere mortals. During the pandemic, tech companies swelled their engineering ranks to meet booming demand for digital services. When interest rates rose, they retrenched just as fast. Lay-offs peaked in early 2023, and hiring has yet to recover. Partly that reflects caution. But the change is also structural. Generative AI is automating the drudgery of programming. Microsoft claims Copilot, its AI assistant, boosts developers' productivity by 10-30%, particularly on repetitive tasks. Many developers now use AI tools to autocomplete functions or suggest bug fixes. Others let AI agents write entire chunks of code, then polish the output.

As a result, businesses may need fewer software engineers to build and maintain products. Many firms are pausing hiring altogether while they take stock. "Most companies want to see what they can do with their current workforce," explains Zuhayeer Musa, co-founder of levels.fyi. For firms at the AI frontier, he adds, engineers are viewed as an investment, worth tens of millions of dollars if they can help make more efficient use of computing infrastructure that costs billions. For other companies, programmers are often seen simply as another cost to be cut.

Dario Amodei, the boss of Anthropic, has predicted that AI could soon be writing all code. That is probably optimistic. But the direction of travel is clear: the future of programming will belong less to those who write it, and more to those who build the systems that do. ■

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Business | Horse power

Ferrari is looking less like a carmaker and more like Hermès

But will it thrive in the electric age?

July 3rd 2025



The workaday town of Maranello, near such architectural jewels as Bologna and Modena, shares little of their charm. Nevertheless, its main attraction is a centrepiece of Italian culture. A statue of a prancing horse on a roundabout reminds visitors that this is the home of Ferrari. Italian design, exclusivity and racing heritage have made the company both a champion of the car industry and something altogether different.

There are staggering dissimilarities between Ferrari and the dowdier end of the industry. Compare it with Stellantis, a mass-market carmaker created by the merger in 2021 of Fiat Chrysler, which sold Ferrari in 2016, and Groupe PSA, home of the Peugeot and Citroën brands. Ferrari and Stellantis have in

common Exor, the investment company of Fiat's founding Agnelli family, which owns a stake in both firms (as well as The Economist's parent company). The commonalities stop there. Last year Stellantis sold 5.7m vehicles; Ferrari fewer than 14,000. Yet Ferrari's market capitalisation, at €76bn ($90bn), dwarfs that of Stellantis, at €25bn. Among carmakers, only Tesla, Toyota and BYD are more valuable. Ferrari, which has an order book that is full for two years, had an operating-profit margin of 28% last year, compared with low single digits for most big mass-market carmakers.



The company has grown impressively since it was unshackled from Fiat Chrysler. Last year it sold almost twice as many cars as in 2015, and generated more than twice as much revenue. Its market value is around nine times higher than when it went public (see chart).

Much of Ferrari's recent success is down to the stewardship of Benedetto Vigna, its ebullient boss, appointed in 2021. In a break from tradition in an industry where insiders usually get the top job, he previously ran part of STMicroelectronics, a chipmaker. Mr Vigna's background as a theoretical physicist is apparent as he illustrates his thinking with diagrams sketched on pieces of paper like a professor at a blackboard. His contention is not just that Ferrari is a luxury-goods company, comparable in some ways with

France's Hermès, the most valuable firm in that industry—but that it is a unique one.

The maker of high-end sports cars has succeeded in boosting sales while adhering to the maxim of Enzo Ferrari, who founded the firm in 1947, that it should sell "one less car than the market demands". Despite its expansion, Ferrari insists that it is as exclusive as ever, having grown fastest in places such as the Middle East where sales were once small. In recent years it has also raised prices at a far faster pace than in the past. As Stephen Reitman of Bernstein, a broker, points out, the price of new models used to be 3-5% higher than those they superseded, whereas the new 12Cilindri is a whopping 30% more than the 812 Superfast it replaces.

That is also true for Ferrari's hugely profitable flagship cars, which arrive at irregular intervals, justified by improved technology learnt from racing. Deliveries of the latest, the F80, which costs €3.6m, will begin soon, 12 years after the launch of the LaFerrari, which set owners back a mere €1m or so. Total revenue from the F80 will exceed €2.3bn, says Jefferies, a bank. To plug the gap between launches of these moneyspinners, Ferrari has started to make special limited-edition cars, such as the Daytona SP3 unveiled in 2021 (price: €2m), which are high-margin styling exercises underpinned by existing models.



Ferrari also now offers far more opportunities for personalisation, from custom paint-jobs to added carbon fibre and lavish interiors. These can add 20% to the price of its cars, which Barclays, a bank, reckons will set back buyers an average of more than €500,000 next year.

The firm is able to charge such eye-watering prices thanks to the devotion of its loyal fans. Some 80% of customers are already owners. Many make a pilgrimage to the factory; some, overcome by emotion, are said to shed a tear. Judging the mood of its customers by keeping in close contact with around 180 dealerships worldwide allows Ferrari to draw its most avid collectors into an inner circle. Tariff-induced price rises have made no difference to orders from America.

Sales of the F80 (of which Ferrari is making just 799) were three times oversubscribed. Getting chosen for one required buying several other Ferraris and acting as an ambassador, including turning up at car shows organised by the firm (and paying for the privilege). Even that was not a guarantee. Customers accept that Ferrari cannot serve everyone, explains Enrico Galliera, its marketing chief, dubbed “Mr No” for frequently rejecting requests from would-be buyers. They may fear that any sign of disgruntlement will mean being bumped down future waiting lists.



All this sounds similar to how ultra-luxe fashion brands such as Hermès operate. Yet Mr Vigna reckons Ferrari has even more going for it than the maker of pricey leather goods. His firm combines heritage with cutting-edge technology. It takes part in racing events such as the British Grand Prix on July 6th, which are central to the brand's marketing. (Hermès organises a show-jumping tournament—classy, but less adrenaline-fuelled.) Chinese consumers, who have lately tightened their purse strings, account for just 8% of Ferrari's sales, compared with as much as two-fifths at Hermès. And Ferrari relies almost exclusively on the very rich, who are more insulated from downturns. A good chunk of revenue at Hermès comes from cheaper goods such as scarves, ties and perfume, much of which are sold to consumers who are wealthy, but not outrageously so.

What could go wrong for the car industry's ritzy star? Some say that its price rises are already too aggressive. Further increases in production may eventually threaten the brand's perceived exclusivity. Revenue from personalisation has its limits.

Ferrari also has one thing in common with more mundane car firms: the transition to battery power. The Elettrica, its first foray into that segment, will hit the road next year. The company recently doubled the size of its factory in Maranello, which will give it flexibility to make the electric vehicle without producing fewer of its current models. Yet other electric super-cars have been met with indifference. If Ferrari's fails to impress, the carmaker's pristine image could be damaged. Worryingly, on June 17th reports emerged that it would delay a second electric model by two years, to 2028. Mr Vigna still has to solve his trickiest problem yet. ■

Correction (July 3rd): An earlier version of this article misquoted Benedetto Vigna. Sorry.

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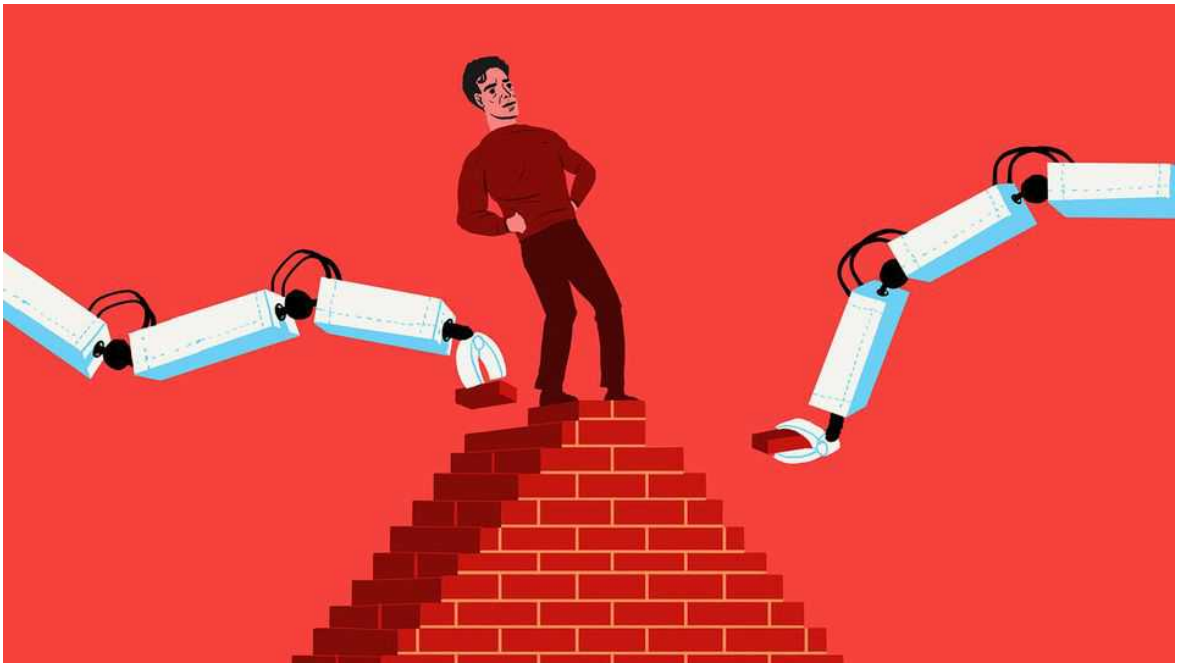
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Business | Bartleby

Are startup founders different?

The best entrepreneurs ask themselves a particular question

July 3rd 2025



When you think about your next career move, you may well have your sights set on a higher salary, a new skill or just a shorter commute. When Salar al Khafaji, a Dutch entrepreneur, was thinking about his next venture, he had slightly different criteria.

Mr al Khafaji had already founded a data-visualisation startup and spent time working at Palantir, after the Silicon Valley tech firm had bought that business. For his next act he wanted to work on a chunkier challenge, something big enough to show up in GDP statistics. His choice was construction, a huge industry with a long-standing productivity problem. The upshot was Monumental, a bricklaying-robotics firm co-founded by Mr al Khafaji that is profiled in our latest Boss Class podcast.

The case that founders (or at least the successful ones) are different rests in part on stories like this. Other people want to pay the mortgage; founders want to change the world. Before he started ushering in the singularity as the boss of OpenAI, Sam Altman was one of the people in charge of Y Combinator, a hothouse for startups. In a blog post in 2020, musing on the qualities that unite the best entrepreneurs and the best researchers, Mr Altman wrote that they "spend a lot of time reflecting on some version of the Hamming question".

If you think this is something to do with sandwiches, there's probably no hope for you. It is named after Richard Hamming, a mathematician who famously asked chemistry fellows at Bell Labs what the most important problems in their field were, then what they were working on at the time, and then why they were working on things that were unimportant. This may not have been the best technique for making friends, but asking what was the most important problem he could be working on is pretty much exactly what Mr al Khafaji did before founding Monumental.

There have been more systematic attempts to work out the ways in which founders are different. In a recent study, Paul McCarthy of the University of New South Wales, in Australia, and his co-authors infer some common personality traits by analysing the tweets of a large cohort of entrepreneurs. They find that these characteristics do a good job of predicting whether someone was an employee or a founder. As you might expect, founders tend to be more adventurous and open to novelty than the population at large, and less modest.

In a review of the literature on entrepreneurial traits, published in 2017, Sari Pekkala Kerr of Wellesley College and her co-authors cite research suggesting that business founders tend to have an internal "locus of control". Psychologists use the idea of a locus of control to distinguish between people who think they are authors of their own destiny and people who think that external forces, such as luck or other people, are more responsible for the events in their lives. Risk appetite also tends to be higher among founders, at least among those who start a business out of choice rather than because they lack alternatives.

But personality is not destiny. Startup success depends on many factors. Researchers in entrepreneurship talk about “rates” as well as “traits”; variations in the rate of new-business formation, and differences between male- and female-founded firms, can be traced to the availability of capital, for example.

And even if many founders share common characteristics, they still come in all shapes and sizes. Despite the mythology of the genius founder, Mr McCarthy and his co-authors find that a venture’s chance of success doubles if it has three or more founders, as opposed to just one, and that greater diversity in personality types is a reason. Another paper, by Brandon Freiberg and Sandra Matz of Columbia Business School, suggests that certain traits, like conscientiousness, matter more at different stages of a tech startup’s life.

Founders should not be fetishised: people derive meaning and create value from all sorts of work. But some entrepreneurial behaviours are worth copying. You don’t have to have a certain personality type to ask yourself the Hamming question. Founders may be different, but they are not another species. ■

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Business | Schumpeter

Jeff Bezos 2.0: new wife, newish job, old vision

The Amazon founder's semi-retirement plan

July 3rd 2025



JEFF BEZOS lives by a simple precept: limit the number of things you would wish you had done differently when you are 80. He calls it, with habitual nerdiness, the "regret-minimisation framework". In 1994 it led him to forsake cushy work at a hedge fund to start Amazon. It is behind the big bets, from the Prime subscription service to AWS cloud computing, that have made the company into a technology titan valued at $2.3trn—and himself into one of the world's richest people. It also explains why six years ago Mr Bezos left his first wife of 25 years for a former TV presenter, Lauren Sánchez. And why he blew, on some estimates, $50m to rent out Venice for three days for their opulent nuptials starting on June 26th—the predictable antiplutocrat pushback be damned.

The 61-year-old Mr Bezos presumably has an even better idea today of what his octogenarian self might regret than he did at 31, 41 or 51, when his 80th birthday was far off. To get an inkling of his current calculus, look at how he spends, first, his time and, second, his $240bn fortune.

Once the billionaire is back from his honeymoon, details of which are as hush-hush as the wedding was loud, he will return to his other love—Blue Origin. Mr Bezos has been a card-carrying space cadet since watching the Apollo 11 moon landings in 1969, when he was five. In 2000 he founded the rocketry firm—credo: "gradatim ferociter" (step by step, ferociously)—to make space travel cheaper with reusable craft. The ultimate goal is to enable humanity to keep growing in resource-rich and unpollutable space while letting Earth thrive as a planet-sized nature reserve.

Until he retired as boss of Amazon in 2021, he blocked out the same half-day every work week (plus Saturday mornings) to turn this science-fiction into business fact. One of the reasons for quitting Amazon was, Mr Bezos has confessed, that Blue Origin was going about its mission too gradatim and not ferociter enough. SpaceX, a rival two years its junior, was sending dozens of payloads a year into orbit. Blue Origin had yet to launch any.

So in the past four years he has, by his own admission, been devoting 90% of his time to Blue Origin. He wholly owns the company but does not run it day to day. That is the job of David Limp, whom Mr Bezos pinched from Amazon in 2023, where he oversaw various device-related projects, including the Alexa digital assistant, the Kindle book-reader and Project Kuiper, a satellite-broadband initiative to challenge SpaceX's Starlink system.

According to people in the know, though, Mr Bezos is a de facto co-CEO, as well as troubleshooter-in-chief. He is constantly on the lookout for ways to make Blue Origin's four factories and seven field offices around America run more efficiently. It is hard, for instance, not to see his ruthless hand in the firm's decision in February to lay off a tenth of its 14,000-strong workforce. No regrets there, at least not for Mr Bezos.

There have been fewer of them elsewhere in the business lately, too. Two years ago Blue Origin was awarded the contract to develop a lander for

NASA's planned crewed return to the moon. In January it pulled off the long-delayed virgin voyage of its New Glenn rocket. It reached orbit on the first try (though the reusable first stage was not recovered in the manner that SpaceX now routinely deploys). A second launch is planned for August. More federal contracts may be coming Blue Origin's way. Elon Musk, SpaceX's combustible boss, is blowing up his friendship with America's president, even as Mr Bezos has buttered him up with a wedding invitation (declined) and softened the anti-Trump tone of the Washington Post, a newspaper Mr Bezos owns.

What about the tenth of Mr Bezos's week not taken up by Blue Origin or schmoozing on its behalf? Amazon, of which he remains executive chairman, is booming under his handpicked successor, Andy Jassy. The Washington Post seems more and more like a distraction. Instead, Mr Bezos's main side-hustle these days is the Bezos Earth Fund. If Blue Origin is contributing to making space habitable in the future, the $10bn charity is meant to keep Earth that way in the present.

This long-standing dual desire also increasingly colours Mr Bezos's financial investments—albeit less lopsidedly than his time. Mr Bezos's fortune comes mostly from his 8.6% stake in Amazon, worth just shy of $200bn. It is managed partly through his family office, Bezos Expeditions. According to PitchBook, a data-provider, the vehicle oversees $108bn in assets. That is roughly as much as Ohio's state pension fund.

In the past Bezos Expeditions' portfolio included early wagers on Airbnb, Twitter (as X used to be known), Uber and several other startups that became household names. Mr Bezos may have secured a tidy return by cashing out while they were still private, but their ho-hum subsequent combined stockmarket performance—better than the S&P 500 index but not the tech-heavy NASDAQ, let alone Amazon—doesn't scream adventurous.

Bezos Expeditions' current wagers look more swashbuckling—and useful for a spacefaring species with a soft spot for its home world. It has backed startups developing robots' artificially intelligent brains (Skild AI, Physical Intelligence) and their mechanical brawn (RIVR Technologies) and interfaces to connect human minds to artificial limbs (Synchron). It has funded General Fusion, working to harness sun-like energy on Earth, and

NotCo, which uses AI to produce plant-based meat. It is an investor in Atlas Data Storage, which wants to pack information in synthetic DNA rather than silicon. And, of course, Mr Bezos has poured undisclosed billions into Blue Origin. To some all this may smack of a mogul past his peak, casting around for ways to splash his cash. It is better understood as living a childhood dream, without regrets. ■

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Finance & economics

- Xi Jinping wages war on price wars
- How to strike a trade deal with Donald Trump
- Big, beautiful budgets: not just an American problem
- Can Trump end America’s $1.8trn student-debt nightmare?
- Vanguard will soon crush fees for even more investors
- Inside Iran’s war economy
- India’s Licence Raj offers America important lessons

Finance & economics | Involutionary road

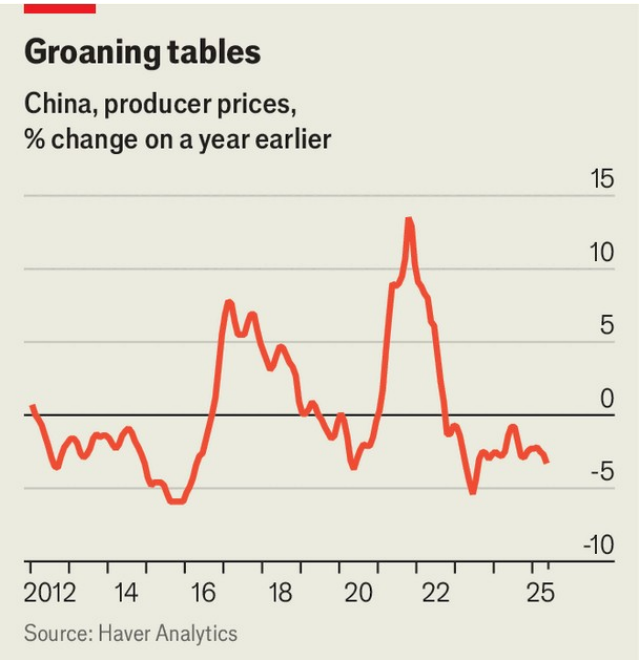
Xi Jinping wages war on price wars

Unfortunately for China's leader, his own policies are often to blame for them

July 3rd 2025



When firms raise prices, "gouging" their customers, many governments complain. Some cannot resist intervening. But in today's China, the opposite is happening. In May the state reprimanded carmakers not for raising prices, but for cutting them. "There are no winners in this price war," it said, blithely ignoring the happy customers who can now buy a zippy electric car for less than $8,000.



In wars, the methods are sometimes as shocking as the results. Many Chinese manufacturers sell cars cheaply to dealers, who resell them as "used" vehicles, even though they have zero miles on the clock. The ploy, perverse as it sounds, lets carmakers split their market, offering pre-owned but undriven vehicles to price-sensitive customers, and identical, higher-priced vehicles to everyone else. "This disguised method of reducing prices disrupts the market order," complains the People's Daily, an official newspaper. Carmaking is not the only part of the economy suffering: factory-gate prices fell year on year in May in 25 out of 30 major industries. In eight, including coal-mining and steelmaking, the drop was even steeper than for cars. Across China's vast industrial machine, average prices have now fallen for 32 months in a row (see chart).

Manufacturing investment, especially in high-tech ventures, has been a bright spot for China's struggling economy in recent years as it weathers a prolonged property crisis. But the rapid decline of industrial prices and profits has raised doubts about the sustainability of even this capital-expenditure boom. Industries such as electric cars, lithium-ion batteries and solar panels were supposed to be new engines of growth that would fill the yawning gap left by the property sector. Now they have also become engines of deflation.

The government has a new word for the problem: neijuan, or “involution”. This has long referred to arms races between students or workers, for whom extra effort brings no additional reward, because everyone else has to try harder, too. In the past year it has been applied to cut-throat competition between firms. It appeared in a statement from the Politburo, which comprises the 24 most powerful people in the ruling Communist Party, in July 2024. In December it reappeared in the conclusions of the Central Economic Work Conference, which sets the tone for economic policy. “‘Involutionary’ competition has caused great harm,” said Qiushi, a party journal on July 1st, “and urgently needs to be effectively rectified.”

Which industries are most involutionary? According to Zhao Wei of Shenwan Hongyuan, a Chinese securities firm, the problem most severely afflicts electrical machinery, steelmaking and products such as cement, ceramics and glass, where prices fell faster than the national average last year. These parts of the economy also suffer from unusual amounts of idle capacity. And, by his reckoning, another 15 industries, from cars to tobacco, show some involutionary tendencies, such as weak profit growth, rapid increases in debt, falling prices or low rates of capacity use.

Although the term “involution” is new, the problem is not. From 2012 to 2016 China suffered four and a half years of falling factory-gate prices. In response, Xi Jinping, China’s ruler, introduced a policy called “supply-side structural reform”. Its original aim was to raise prices and restore profitability, not by increasing demand, but by curbing supply. China had prepared two tables of food for only one table of guests, according to an unnamed source in the People’s Daily. However hard the guests ate, they could not finish it all.

To clear the tables, China’s planning agency imposed production quotas and capacity cuts on oversupplied industries such as steel. It sought mergers and acquisitions to reduce competition. Coal mines were instructed to operate for only 276 days a year. Officials also strictly enforced standards for energy efficiency and pollution, forcing older, dirtier plants to shut. The policy is considered a success. Steel prices and profit margins increased. Across industry as a whole, factory-gate prices stopped falling in September 2016 and rose by more than 7% in early 2017.

Is the government trying to repeat this trick? At a meeting on July 1st, Mr Xi promised to regulate "disorderly competition" and "promote the orderly withdrawal of backward production capacity". As well as rebuking carmakers for giving customers too good a deal, the government has told the solar-panel industry to exercise "self-discipline". At the end of last year, 33 panelmakers duly pledged to set a ceiling on production and a floor under prices. The government has also tried to prevent the "blind expansion" of steelmaking by insisting on the "three don'ts": don't produce anything without an order, don't sell at a loss and don't ship without sure payment. Local governments have also been told not to go too far in their efforts to promote investment or shield local champions from competition. According to Thomas Gatley of Gavekal Dragonomics, a consultancy, listed firms on China's mainland (which number over 6,300) reported receiving 195bn yuan ($27bn) in subsidies last year, some 13% less than the year before.

These interventions are less bold than those of the 2010s. The campaign may be more tentative because many of its targets are different, says Robin Xing of Morgan Stanley, a bank. In 2015-17 the industries suffering from excess capacity were dominated by large state-owned enterprises. They were easy to boss about. And they were often the biggest winners from the eventual shake-out, emerging with a bigger share of a less crowded industry. The smaller enterprises squeezed out by production limits and pollution standards were often scrappy private firms, relying on cheaper, dirtier technologies.

Many industries now suffering from involution are led by less biddable private firms. Electric cars and solar panels, for example, are dominated by sophisticated commercial enterprises, using cutting-edge technology. Some of the industries, indeed, represent the new engines of growth for which the original supply-side reform was meant to make room. "New driving forces are being strengthened," said the anonymous sources interviewed by the People's Daily in 2016. But "if the old does not go, the new will not come".

Moreover, some excess capacity is an inevitable result of Mr Xi's desire to maintain China's industrial might. He wants to preserve manufacturing's share of China's output, whether or not anyone wants to buy it all. The problem is made worse by local governments scrambling to fulfil his wishes, thereby duplicating each other's efforts. At a symposium of economists and

business leaders held last year, Mr Xi was warned that his call to cultivate "new productive forces" could result in involution, as each local government strove to ensure the cultivation happened on their patch.

Some of China's struggles with involution also reflect a persistent shortfall of demand in the economy. Consumer confidence is low; the household saving rate (more than 31% of disposable income) is high; and a smaller share of that saving is flowing into the property market. In the first five months of this year households spent less than half as much on new homes as they did in the same months of 2021.

Mr Xi's successful reforms a decade ago owed a lot to other policies that lifted demand. These included an expensive effort to replace so-called shantytowns in Chinese cities with modern flats. If the government could once again stabilise the property market, restore consumer confidence and lift spending, some of China's overcapacity problems might disappear. Others would be easier to bear. Rising prices in booming industries could offset deflationary pressures elsewhere, and hiring in sunrise sectors could ease the pain of firings in industries that overextended themselves. "Without a strong demand-side anchor, even the best-designed supply-side measures risk falling short of delivering reflation," argues Mr Xing. Many Chinese industries have prepared two tables full of food. The government needs to invite more guests to the party. ■

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Finance & economics | The tariff show

How to strike a trade deal with Donald Trump

Vietnam is the latest country to secure concessions

July 3rd 2025



Another agreement, another personal triumph. “It is my Great Honor to announce that I have just made a Trade Deal with the Socialist Republic of Vietnam,” President Donald Trump wrote on July 2nd. “Dealing with General Secretary To Lam, which I did personally, was an absolute pleasure.” The deal showed countries were caving in to his threats, he said.

It is Mr Trump’s second such claim—the first was after an agreement with Britain in May—following his decision on April 9th to delay America’s sweeping “reciprocal” tariffs for 90 days. Officials promised “90 deals in 90 days” by July 9th, but progress has been slow. Mr Trump has said that Canada and the European Union have been “very nasty” and Japan “very spoiled”. The aim now is to secure minimal “frameworks” with ten or so

countries. It is unclear whether the deadline will hold, and what will happen if it does not. Mr Trump has threatened to send letters declaring talks over and tariffs back on.

How are America's trading partners navigating the chaos? Mr Trump has earned the nickname TACO—Trump Always Chickens Out—among some on Wall Street. Yet his counterparts are playing a similar game. For them, the risk of all-out conflict is too great. Most, aside from China, have chosen a strategy that could be called DOVE: Diplomacy Over Visible Escalation. Canada dropped its plan to tax American tech firms after a furious response from Mr Trump. The EU removed bourbon from its retaliation list after he threatened tariffs of 200% on French wine. Even though the bloc is preparing a package of retaliatory measures covering €95bn ($112bn) of trade to present a "credible threat", internal divisions and fear of escalation will probably hold it back from ever putting the measures into practice.

Britain's and Vietnam's deals were narrow, involving only modest concessions—including pledges to curb Chinese influence—in return for targeted relief. Britain won a reprieve on car levies and future taxes on plane parts by granting American beef and ethanol access to its market, and pledging limits on Chinese supply-chain involvement, while leaving thornier matters for another day. Vietnam agreed to open up to SUVs and to accept higher tariffs on Chinese packages stopping off in the country on the way to America. It now faces levies of 20% on most goods, down from the 46% threatened in April.

Others are following a similar script, hoping to swap meagre concessions for exemptions. The EU is reportedly willing to accept an overall tariff of 10% in exchange for relief on cars and pharmaceutical products. It is also willing to buy more American weapons and natural gas, and address shared concerns over China. India is on track for an interim deal after doubling oil imports from America and indicating it will purchase more liquefied natural gas, fruit and nuts. Japan has proposed a gradual reduction in auto tariffs tied to direct investment in America's car industry.

But even such limited deals face obstacles. Domestic politics often makes capitulation impossible. India insists on protecting its dairy and wheat markets. Japan has ruled out accepting tariffs of 25% on cars or making

concessions that might anger farmers ahead of an election to the upper house of parliament on July 20th. Uncertainty over America's sectoral probes, including into medicines and semiconductors, which could result in more tariffs, chills negotiations further. Lee Jae-myung, South Korea's president, has emphasised China's importance as a trading partner—an example of the regional balancing act many countries face.

As Mr Trump's deadline approaches, expect a few more "agreements in principle". Many tariffs will remain, and the stickiest disputes—over agriculture, cars and digital-market rules—will stay unresolved. The ensuing months will then bring more mini-deals and market jitters.

It is unclear what America gains from this. Any attempt to bring back industry is undermined by carve-outs. Levies to extract concessions produce only token purchases. Instead of disciplining trade partners, tariffs have created a fragmented system that leaves everyone guessing. ■

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Finance & economics | Fiscal foie gras

Big, beautiful budgets: not just an American problem

Across the rich world, governments are splashing the cash. What could go wrong?

July 3rd 2025



LAST YEAR America ran a budget deficit of 7% of GDP. It may soon be even bigger. President Donald Trump's One Big Beautiful Bill Act, working its way through Congress, permanently extends tax cuts introduced in 2017, offers more to hospitality workers and old folk, and boosts payments to poor children. The proposed legislation amounts to trillions of dollars of extra borrowing over the next decade.



Mr Trump's showmanship attracts attention—but America is not alone. Governments across the rich world are increasingly profligate (see chart 1). This year France will run a deficit worth 6% of GDP; Britain's will be only a little smaller. The German government will borrow the equivalent of 3% of GDP. Canada's budget balance is also moving into the red. Jean-Baptiste Colbert, a bureaucrat under Louis XIV, remarked that the essence of tax policy involved "plucking as many feathers from the goose with the least hissing". Today's governments do not pluck the goose. Like producers of foie gras, they stuff it.

Governments have long run deficits. France, the land of foie gras, has not seen a surplus since 1974. And a government can simultaneously borrow money and become less indebted, if the economy grows faster than debt accumulates.

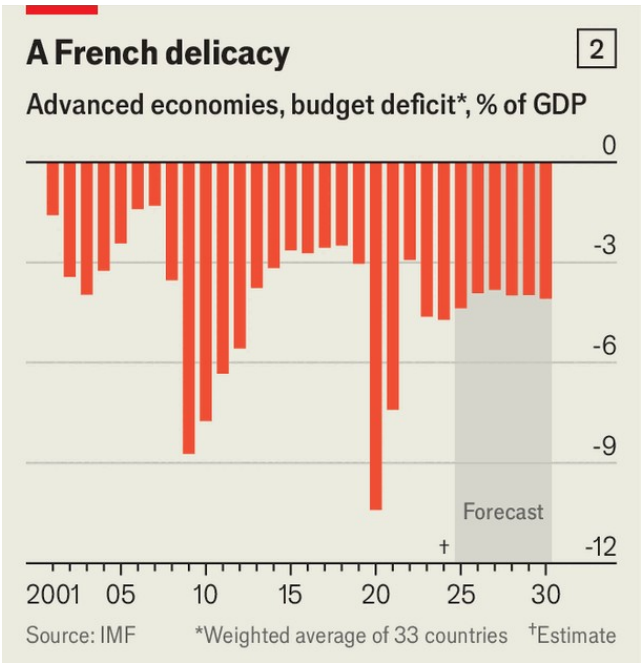
What is happening today, however, is unprecedented. Deficit levels would not be unusual if the economy were in recession. In fact, rich-world GDP is growing decently. The unemployment rate is near an all-time low. Corporations' profit growth is healthy. Meanwhile, borrowing costs have jumped. The average rich-world government, weighted by GDP, now borrows for ten years at a 3.7% annual interest rate, up from 1% during the covid-19 pandemic.

In these circumstances, textbooks would advise, at the very least, cutting your deficit. Today's governments prefer to double down. Many are promising to raise defence spending. Although that may be unavoidable, the same is not true of other decisions. In Japan political parties are offering fiscal sweeteners, ranging from cash handouts to consumption-tax cuts, ahead of an election to the upper house of parliament. The British government has been forced to reverse its plans to cut spending on disability benefits and on payments to old folk to help cover fuel bills. South Korea is cutting inheritance tax. Australia is cutting income tax.

Even once-prudent countries are getting in on the act. The German government is planning to borrow €800bn ($940bn) to invest in defence and infrastructure. "By German standards, this truly is 'whatever it takes' fiscal policy," say analysts at Deutsche Bank. Switzerland, which before the pandemic ran a significant budget surplus, now has a small one. Next year the country will introduce a 13th month of state-pension payments. The silver-haired folk enjoying a late lunch on the banks of the Rhine do not appear to be on the breadline. That does not matter, for these days everyone gets a handout.

Why are governments so spendthrift? During the pandemic politicians developed a habit of bailing out businesses and households. Inflation then spurred demands for payments to alleviate a "cost-of-living crisis". Today incumbents hope to ward off populists by throwing money around. When a politician suggests a cut, 24-hour news and social media ensure that everyone hears a sob story. Fiscal responsibility is more toxic than ever before.

Until recently, it was painless for governments to run loose fiscal policy. In 2021-23 nominal GDP was growing reasonably fast, inflation was high and interest rates were low. Under these conditions, the average rich-world government could run sizeable primary deficits (ie, before interest payments) and still cut their debt load. Some countries, such as Japan, could reduce their debt-to-GDP ratio even if they ran a primary deficit of 12% of GDP. As such, two-thirds of rich-world governments are less indebted today than five years ago. Japan's debt-to-GDP ratio has fallen by 24 percentage points. Greece's has fallen by 68 points.



Now growth and inflation are down, and interest rates are up. As a result, we calculate that, for the average rich country to cut its debt, it must balance its primary budget. For some, the fiscal arithmetic has radically altered. Italy's debt-reducing primary balance has swung from a deficit of 3.1% of GDP in 2023 to a surplus of 1.3% of GDP. The Italians are shrinking their budget deficit, but not by enough. With many other governments making even less progress, and a trade war promising a growth slowdown, rich-world public debt is likely to start rising (see chart 2).

This is bad timing. Demographers have known for decades that the mid-2020s would be the point at which baby-boomers would begin to retire in droves, prompting demand for health care and pensions to surge. In 2015 Britain's Office for Budget Responsibility, a watchdog, suggested that even under benign conditions, now was the point at which the government would struggle to avoid accumulating debt.

A demographic crunch and free-spending fiscal policies are therefore about to interact in unpleasant ways. No one can predict if or when investors will lose patience, forcing interest rates much higher. Yet there must be a limit to the debt binge. As any lover of foie gras knows, overfeeding even the greediest goose can cause its liver to explode. ■

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Finance & economics | First-class mess

Can Trump end America's $1.8trn student-debt nightmare?

The Biden administration added to the problem. Now the "Big, Beautiful Bill" could help solve it

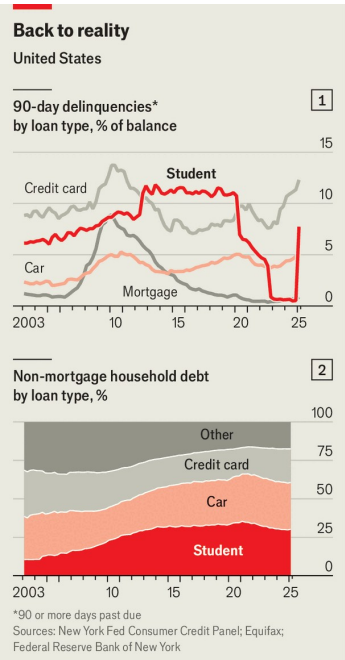
July 3rd 2025



In recent years, America's student-loan policy has come to resemble an alphabet soup. During the covid-19 pandemic, relief came from the CARES, ARPA and HEROES acts. Repayment plans ranged from the appropriately named (SAVE and PAYE) to the less so (PSLF and TEPSLF); even seasoned bureaucrats at the FSA will have struggled to keep track. As a result of these various policies, some $189bn in student debt was forgiven and more than $260bn of payments waived.

Such relief may have been welcome at the time, but America is now waking up to reality. The last of the pandemic-era forbearance ended in September

2023; defaults began to appear on credit records in the first quarter of this year. And the picture that is emerging is not pretty. Delinquencies are spiking (see chart 1). According to TransUnion, a credit-reporting bureau, some 21% of federal student-loan borrowers are in default, the most ever, up from 12% in February 2020. More difficulties may lie ahead. On May 5th President Donald Trump instructed the Treasury to resume collections from borrowers in default; by the end of the year loan forgiveness, which often occurs automatically after two decades of repayments, will once again be taxed at a federal level.

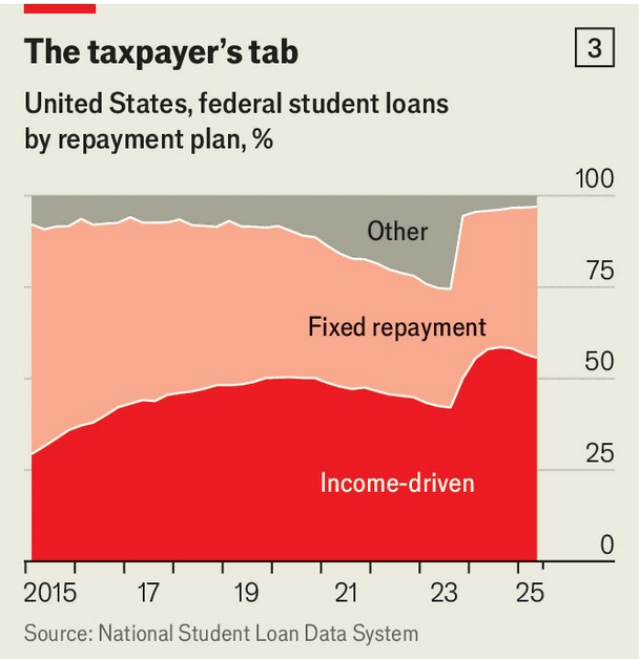


America's repayment woes are the culmination of a trend that has been building for decades. In the 20 years before the arrival of covid, student loans were among the fastest-growing forms of household borrowing, having swollen from 10% of non-mortgage debt in 2003 to 33% by 2020 (see chart 2). By 2010 they had overtaken credit cards and car loans as the largest single slice of household liabilities. By 2012 they led in delinquencies, too. When covid struck, student debt was an obvious—if controversial—option for federal relief.

The Biden administration's acronym barrage stopped delinquencies from rising still further. Defaults on federal student loans fell to nearly zero, and monthly payments to the Treasury fell by more than half. At the same time,

the debt burden continued its relentless upward march. The federal student-loan portfolio has grown to $1.8trn; the average borrower balance sits at $40,000, according to the Education Data Initiative, a research group.

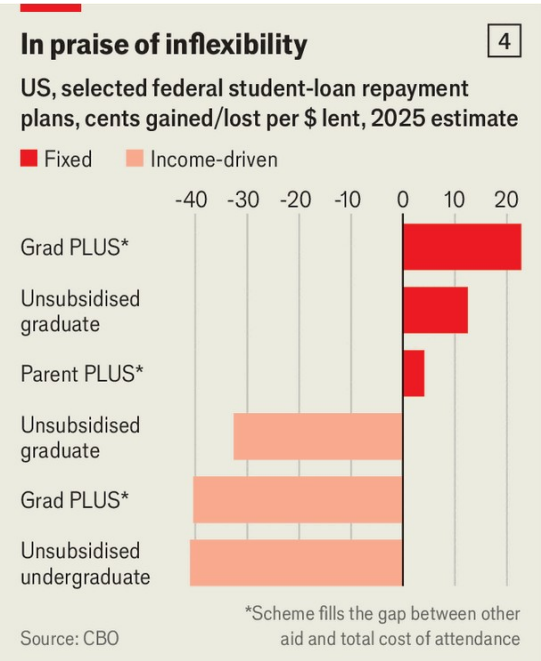
If the picture appears bleak for America's graduates, it is bleaker still for Uncle Sam. Student lending was once profitable for the federal government. Now it loses 25 cents on every dollar lent. All told, officials expect their student-loan portfolio to cost around $450bn in the next nine years.



Why the shortfall? Graduates are doing worse, and so are less likely to repay their loans. They are also more likely to have borrowed for postgraduate courses, a growing number of which seem to provide poor value for money. Yet perhaps the most important factor is an underappreciated one: a shift from fixed repayment schedules to income-driven plans (see chart 3). Although these take various forms, with different repayment schedules, payment periods and more, all set payments as a share of wages. First introduced in 2009, such plans have surged in popularity and now account for 56% of outstanding federal student-loan balances. For borrowers, they offer the promise of payments that are less likely to become unmanageable. For taxpayers, though, they are a burden. According to the Congressional Budget Office, a watchdog, the government earns a return on most fixed-

repayment loans, but loses money on every dollar lent with such flexible options (see chart 4).

In part, this may reflect adverse selection: borrowers who expect low wages are more likely to opt into an income-based plan. Australia and England avoid this dynamic by mandating a single repayment structure. However, America's income-driven borrowing plans are also expensive for the taxpayer by design. Balances are forgiven after 20 or 25 years, regardless of the repayment progress, compared with a 40-year write-off period in England. And the required payments, which can be as little as 5% of discretionary income, were lowered by the Biden administration in lieu of outright debt forgiveness.



If there is a glimmer of hope, it may lie in—of all places—Mr Trump's free-spending "Big Beautiful Bill", which is making its way through Congress. The versions drawn up by the House of Representatives and Senate may differ in important respects, but they share the makings of sensible student-loan reform. Rather than maintaining the Biden administration's alphabet soup, the draft legislation proposes a streamlined system where students can choose between two options: fixed or income-driven. This would cut administrative costs and limit carve-outs currently to the advantage of everyone from married couples to public-sector workers.

There is bipartisan consensus on another front: the need to hold universities to account for student outcomes. Both bills include penalties for colleges that produce graduates with low earnings relative to their debts. Both also take steps—albeit cautious ones—towards curbing runaway balances for graduate students. Although such students represent just a fifth of borrowers, they account for half of outstanding debt. Much of that reflects pricey tuition at law and medical schools, where subsequent salaries often justify the cost. But a growing share stems from expensive, low-value courses that arguably should not qualify for federal lending.

Both bills have room for improvement. Some of the accountability measures do not adequately target shorter courses that are often money-spinners for colleges; their loan limits for graduate students may be too stingy for those studying for professional qualifications. And even if the legislation rightly limits costs for the government, whatever emerges will be tougher for many borrowers. Yet streamlining repayment, limiting borrowing and cracking down on predatory courses could be a rare bipartisan achievement. After decades of drift, America's student loan system may be approaching a graduation of its own. ■

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Finance & economics | Copper-bottomed

Vanguard will soon crush fees for even more investors

Pity the firm's rivals

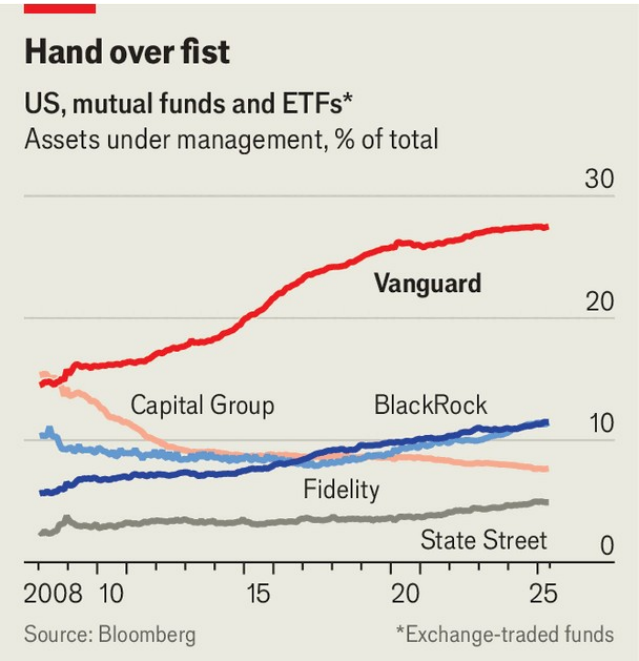
July 3rd 2025



The town of Malvern is a 45-minute drive north-west of Philadelphia. It has a population of 3,400 or so, and was the site of a minor drubbing for George Washington's continental army in 1777. It is, in many ways, a fairly unremarkable, affluent corner of the American north-east. But Malvern stands out in one way: it is home to $10trn in assets under management.

In 1975 Jack Bogle set up Vanguard in the town, launching the first index-tracking funds for ordinary savers soon after, with a focus on driving down the cost of investing. It worked. Today Vanguard manages both the world's largest mutual fund and its largest exchange-traded fund (ETF). The firm hosts 28% of American mutual-fund and exchange-traded-fund assets, a

share that has climbed by seven percentage points in a decade. In America, though not around the world, Vanguard boasts as many assets as BlackRock, Fidelity and State Street combined. Its devotion to low fees has given it a cult-like following. Some call themselves Bogleheads.

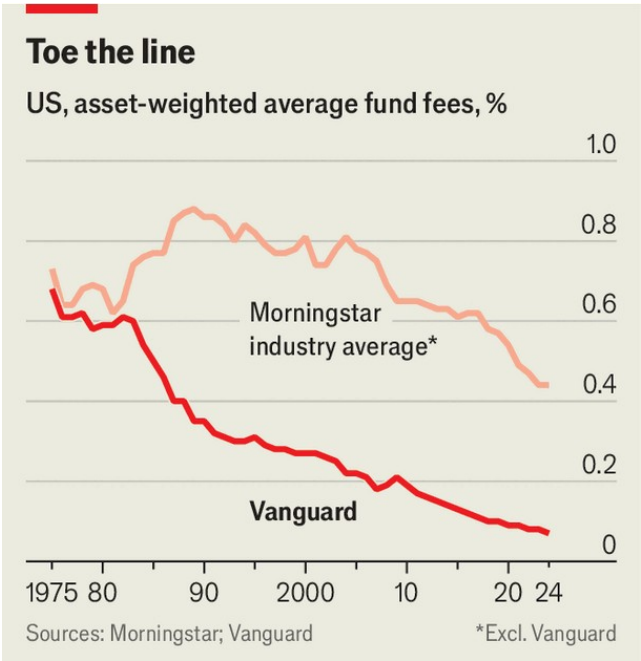


On June 26th The Economist sat down for an interview with Salim Ramji, Vanguard's boss. Mr Ramji joined the firm a year ago from BlackRock, where he oversaw index investments, making him the first outsider to have led Vanguard. He aims to apply what he calls the "industrial logic" of Vanguard—lower fees combined with better returns—more thoroughly in advice, bonds, wealth management and even private markets. At the same time, he must navigate growing political scrutiny.

Vanguard is a strange financial firm. It is a kind of co-operative, owned by its funds, which are in turn owned by their investors. Rather than raising the value of the company, Vanguard focuses obsessively on driving down fees, forcing the rest of the industry to follow suit. This downward ratchet, the "Vanguard effect", has saved investors trillions of dollars since the firm's inception. On February 3rd Vangaurd announced that it would trim its average fee from 0.07% to 0.06%. BlackRock's share price fell by 5% on the same day.

Mr Ramji's focus on fixed-income markets is clear from Vanguard's new offerings. All of the six ETFs it has launched in America this year are bond funds. "The fixed-income market is twice the size of the equity market. It is far more inefficient than the equity market…It is far less understood," says Mr Ramji. Vanguard is renowned for passive, index-tracking investment, but he argues that some of its best opportunities are in actively managed options, where there is more of a chance to bring down unreasonable fees.

Many of Vanguard's customers are heading into retirement, explaining its new focus on financial advice. In January the firm established a separate advice and wealth-management division, which now oversees a little under $1trn in assets. Vanguard is pitching its services at a less prosperous market than rivals. Mr Ramji notes that the median Vanguard client has assets with the firm of under $100,000. The goal, he says, is to "democratise advice, just as we have democratised investing".



In April Vanguard announced a tie-up with Blackstone, a private-markets giant, and Wellington, an asset-management firm. A month later the trio announced an "all-markets fund" blending public and private assets. "Private markets, if they are well designed, if they are well managed by the right kind of firm or firms, if they are well priced, can be additive from a risk-return point of view, for certain clients' portfolios," Mr Ramji argues. He recalls an

old Bogle saying: rather than looking for a needle in a haystack, investors should simply buy the haystack. “Today the haystack includes private as well as public markets.”

To purist Bogleheads some of this is close to heresy. Fees of any kind eat into returns. Private assets with higher fees and management costs are another drag. The die-hards will stick to bread-and-butter options: broad investments in stocks and bonds, with the lowest possible fees.

But the expansion into new markets matters for Vanguard. Athanasios Psarofagis of Bloomberg Intelligence, a research outfit, estimated that the firm, even before its recent cut in fees, accounted for just 9% of American ETF revenues—far behind BlackRock’s 28%, even though the two manage a similar volume of assets. Unlike its profit-driven competitors, the firm has few high-fee options to fund investment.

One area of expense is technology upgrades, which are another priority for Mr Ramji. Some are unsexy. Vanguard has spent lots on cloud computing. At the end of last year, it announced a new technology-development office in Hyderabad, India. The next step, Mr Ramji says, will be AI-based assistance for clients, which should start to arrive next year.

Mr Ramji will have to oversee such changes while fighting off political attacks. The size of Vanguard means it has long faced criticism for its dominance of the market. More recently, it has been lumped in with other asset managers by Republican lawmakers, who believe the firms have pushed green dogma onto the American companies they own. The criticism is relatively flimsy: Vanguard left the Net Zero Asset Managers initiative in 2022, over two years before BlackRock and many of its rivals, who bailed out only after President Donald Trump was re-elected.

All the same, Vanguard faces a court case in Texas, along with BlackRock and State Street, filed by the state’s Republican attorney-general and supported by a dozen other states. It accuses the firms of colluding to reduce production by coal miners. If it is successful, more could follow.

The company should be able to withstand even fierce shots across the bow. Employees are referred to as crew, owing to Bogle’s obsession with the

Royal Navy. The Malvern canteen is “the galley”. Campus buildings—Defence, Goliath and Orion among them—are named after ships of the Napoleonic Wars. Vanguard itself is named after Horatio Nelson’s flagship. Perhaps more importantly, the company shows no sign that it is faltering under bombardment. This year it has attracted 29% of American etf inflows, as well as 41% of those into stockmarket funds.

Bogle’s ambition for Vanguard was as unique as its corporate culture. In his view, if a day came when his firm’s market share began to tread water, putting its fee-cutting model in jeopardy, it would be a mark of success, for it would be proof that rival firms had been pushed into following Vanguard’s lead. Mr Ramji takes inspiration from his illustrious predecessor, but in this sense he departs from Bogle’s example. Vanguard’s current boss wants his firm to rule the waves for a long time to come. ■

To listen to our interview with Mr Ramji, visit economist.com/vanguardpodcast

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Finance & economics | The bomb squad

Inside Iran’s war economy

Airstrikes and sanctions leave the country poor. They do little to halt its nuclear development

July 3rd 2025



Even before the bombs began to fall, Iran’s economy was in a bad way. Six in ten working-age people were unemployed. Prices had risen by 35% in the past year. Some 18% of the population was living below the World Bank’s poverty threshold. Despite exporting gas and oil, Iranian officials had to burn mazut, a low-grade refining byproduct, to keep the lights on. Binyamin Netanyahu, Israel’s leader, then went after economic targets. Amid attacks on military bases and nuclear facilities, Israeli planes bombed at least two gas fields, a few oil fields and a car factory.

The idea behind the airstrikes was similar to the thinking behind international sanctions already applied to Iran. Hitting the economy will in

time reduce the regime's tax revenues, which should be a blow to its nuclear ambitions. The problem is that the Islamic Revolutionary Guard Corps, the country's security service, plays a crucial role in the development of Iran's nuclear programme. And the IRGC's financiers have nurtured a secretive commercial empire, which benefits from measures that hammer the wider economy.

Iran has long faced some of the world's toughest sanctions. Led by America, the West eased their severity after Iran agreed to wind down its nuclear programme in 2015, before once again tightening them when President Donald Trump withdrew from the agreement in 2018. The most recent measures were applied in response to Iran's support for Russia's war against Ukraine, and then after Mr Trump's return to the White House. Companies in the West are banned from buying Iranian oil, the country's biggest export, and from dealing with its banks.

In 2018, the last time that Iran allowed the IMF to inspect its finances, the country exported $46bn of oil, counting for around half its total exports. American officials think the share is closer to a third today. This year Iran is believed to be exporting 1.7m barrels a day (b/d), about the same as last year, even if production may have fallen during Israel's recent attacks.

Moreover, sanctions apply well beyond oil. A "blacklist" of targeted individuals, kept by America's Treasury, is thousands of people long. It grows every month. Western companies are banned from trade with counterparts in nearly every Iranian industry, including cars, metals, mining and textiles. Only farmers and pharma firms supplying Iran's population are exempt; they still face off-putting paperwork.

The result is that next to no business is done between the West and Iran. Iranian firms, cut off from the international banking system, which often settles transactions in dollars using SWIFT, a Europe-based payment system, must resort to subterfuge to pay trade partners even in China and Russia. This distorts Iran's economy, which is set to shrink by 1.6% in the next 12 months, according to the World Bank. Unable to export, new companies mostly sell services to the domestic market.

All of which inflicts a toll on the government's finances. In 2018 revenues from oil and taxation came to about 17% of GDP. Today they are worth 11%. Iran's fiscal deficit was roughly 3% of GDP in 2024. Unable to borrow from private creditors, policymakers have resorted to raiding the sovereign-wealth fund and printing cash. As a consequence, inflation is soaring.

A closer inspection of Iran's accounts reveals that little funding for Ayatollah Ali Khamenei, the country's supreme leader, or the IRGC, comes from official sources. Instead, they rely on their own financial empires. For its part, the IRGC has three sources of income. The first is a range of local companies and foundations. Each of the organisation's five branches has control of an astonishing array of banks, factories and startups. Their portfolios include Persian Gulf Petrochemicals, Iran's biggest refiner of petrochemicals; Hara, a tunnelling business; and Bahman, once the manufacturer of Mazda cars in Iran.

Many fall under Khatam al-Anbiya, a conglomerate formed in 1990 to pool the IRGC's resources. It is now the country's biggest construction contractor. A Western official suggests Khatam is worth $50bn but, he adds, that is only a rough estimate because it holds stakes in so many smaller firms. He reckons that half of Iran's registered firms are owned, at least in part, by the security service.

Most of the IRGC's money, though, comes from abroad. Indeed, its second source of income is the oil trade. Historically a portion of Iran's budget has each year been allocated to the security service. But in recent years the treasury has been short of cash, so has offered oil in lieu. Before the war about 500,000 b/d of crude, equivalent to a quarter of Iran's exports, was going to the security service.

The IRGC then sells its oil via a fiendishly complex network of exchanges and shell companies. Buyers are mostly Chinese. According to American officials, the system is both cheaper and more adroit than that used by Iran's government.



Security-service businesses also have a line in illicit imports and exports—their third source of income. America has long accused the IRGC of funnelling drugs that are destined for Europe from Afghanistan to the Middle East. The IRGC is also responsible for most of Iran's imported weapons, charging a premium for those it passes on to the armed forces. Within these shipments, it sneaks through cigarettes, consumer electronics and food, all of which fetch a high price among Iran's increasingly treat-starved population.

These varied sources of income leave Western policymakers with a headache. Iran's economy is suffering under sanctions. But if they tighten the screws in order to reduce tax revenues, the goods that the IRGC's smugglers import are worth even more. One official says that, since Mr Trump's most recent round of sanctions, other recipients of oil payments from the government have asked the IRGC to sell on their behalf, since the security service's network is so sophisticated.

Should Iran and Israel return to hostilities, Israeli generals might well target IRGC sites. The military locations they have already destroyed, which are suspected also to be nodes in the IRGC's distribution network, will carry a hefty repair bill. However, the recent history of oil sanctions has demonstrated that tighter restrictions do not prevent Iranian trade—they only

temporarily slow shipments until exporters find a way around them (see chart). And as inflation spirals and shortages abound, the Iranian population will continue to pay the price for their security service's misadventures. ■

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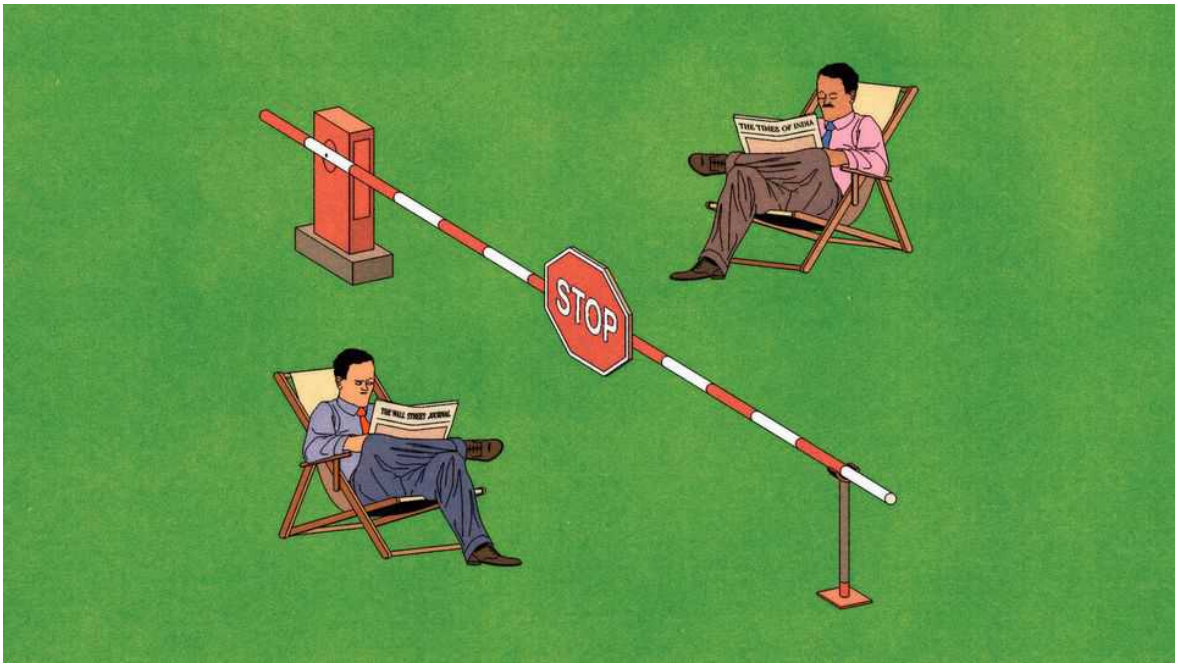
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Finance & economics | Free exchange

India’s Licence Raj offers America important lessons

Even when a protectionist system is dismantled, its problems can endure

July 3rd 2025



Jawaharlal Nehru, India’s first prime minister, and Donald Trump, America’s president, do not share many similarities. Nehru was an erudite product of Harrow School and Trinity College, Cambridge; Donald Trump, for all his expensive education, is ultimately a rough-and-tumble graduate of New York real estate. A freedom fighter before becoming prime minister, Nehru spent nine years in British-run jails having campaigned against imperial rule; Mr Trump’s tangles with the law have involved hush money for a porn star. Nevertheless, Nehru’s Fabian socialism—a patrician distrust of commerce mixed with an intellectual love of scientific progress—means his views on trade are, many years later, mirrored by Mr Trump’s America-first instincts.

On July 9th Mr Trump's 90-day tariff pause for countries that have not negotiated a trade deal with America will expire. India is among those scrambling for an agreement. Yet the Trump administration has another reason to pay attention to the South Asian giant. The Licence Raj—as Nehru's system of import permits and promotion of domestic industry would come to be known—holds important lessons for America's inward turn.

Under Nehru, India's government hoped that state-owned chemical refineries, hydroelectric dams and steel plants would create a modern, socialist economy. However, India ran a current-account deficit, and the government was unwilling to devalue the rupee to make exports more competitive, leaving the country short of the currency needed to purchase capital goods from abroad. The "solution" was to restrict imports. Firms that wanted to buy foreign kit or parts needed a permit. Consumer imports were in effect banned; they were unnecessary for development.

The example of the Licence Raj suggests that damage from trade restrictions goes far beyond just losing benefits such as cheaper imports and new export markets. Restrictions allow new distortions to proliferate: companies devote their efforts to tilting the playing-field in their favour, officials discover new ways to benefit at the public's expense and smugglers profit from breaking the law. All this has an insidious effect on the economy, politics and society, which runs far beyond the sizeable damage resulting from lower economic growth.

In 1974 Anne Krueger, then of the University of Minnesota, coined the term "rent-seeking" to refer to the way companies in developing countries compete to secure licences that offer the chance to form monopolies or oligopolies selling pricey imports. Instead of devoting resources to production, firms use them, legally or illegally, to secure permits. "Some means of influencing the expected allocation—trips to the capital city, locating the firm in the capital, and so on are straightforward," she wrote. "Others, including bribery, hiring relatives of officials or employing the officials themselves upon retirement, are less so." India's import-permit regime was the perfect example. She calculated the country's rents were worth 7% of GDP in 1964—a time when the government was spending 1.5% of GDP on education.

Similar opportunities for cronyism abound in Mr Trump's trade war. Consider Apple. The tech giant won an exemption from a higher rate of tariffs on Chinese-made smartphones after a phone call between Tim Cook, its chief executive, and Mr Trump. As Mr Trump told journalists afterwards: "I helped Tim Cook recently, and that whole business."

Jagdish Bhagwati of Columbia University, whose work helped inspire the dismantling of the Licence Raj that began in the early 1990s, wrote of "directly unproductive, profit-seeking activities", which included rent-seeking, but also smuggling, lobbying for a share of tariff revenue and pushing for extra tariffs. Although criminality of any kind carries a potential economic cost, dodging tariffs, even illegally, can improve economic welfare owing to the damage inflicted by the policies. "Tariff-washing", whereby Chinese exporters move products via another country to disguise their true origin, will undoubtedly help American consumers. Mr Cook buttering up the president for a tariff exemption is better for iPhone buyers than the alternative, even if it is less desirable than him spending his time actually running the business.

Nehru may have been a socialist, but the Licence Raj created an economy that was unequal, and tilted towards the interests of the few conglomerates that best played the system. Consumers lacked choice, even when it came to products as uncomplicated as fizzy drinks. Coca-Cola pulled out of the country in 1977 after the government told it to hand over its recipe. For his part, Mr Trump has suggested parents should buy their children fewer dolls.

Despite such flaws, the Licence Raj endured for four decades. In 1978 Raj Krishna, then of the Delhi School of Economics, coined the term "the Hindu rate of growth". Only those expecting several cycles of reincarnation, he suggested, would put up with dismal advances of 3-4% a year. The assassination of Rajiv Gandhi, Nehru's grandson and a candidate for prime minister, in 1991 set off a chain of events that, along with an IMF bail-out, led to the system's demolition. Manmohan Singh, a reforming finance minister, scrapped import licensing and slashed tariffs. Since these changes, growth has been closer to 6% a year.

Dismantling the Licence Raj did not bring an end to corruption, however. Singh's own government, after he became prime minister in 2004,

culminated in a scandal over telecommunication licences and coal concessions. Moreover, families that built wealth under the Licence Raj had a headstart when public assets were privatised. The legacy of the Licence Raj, in other words, proved sticky. Americans can only hope that the same is not true of Mr Trump's protectionism. ■

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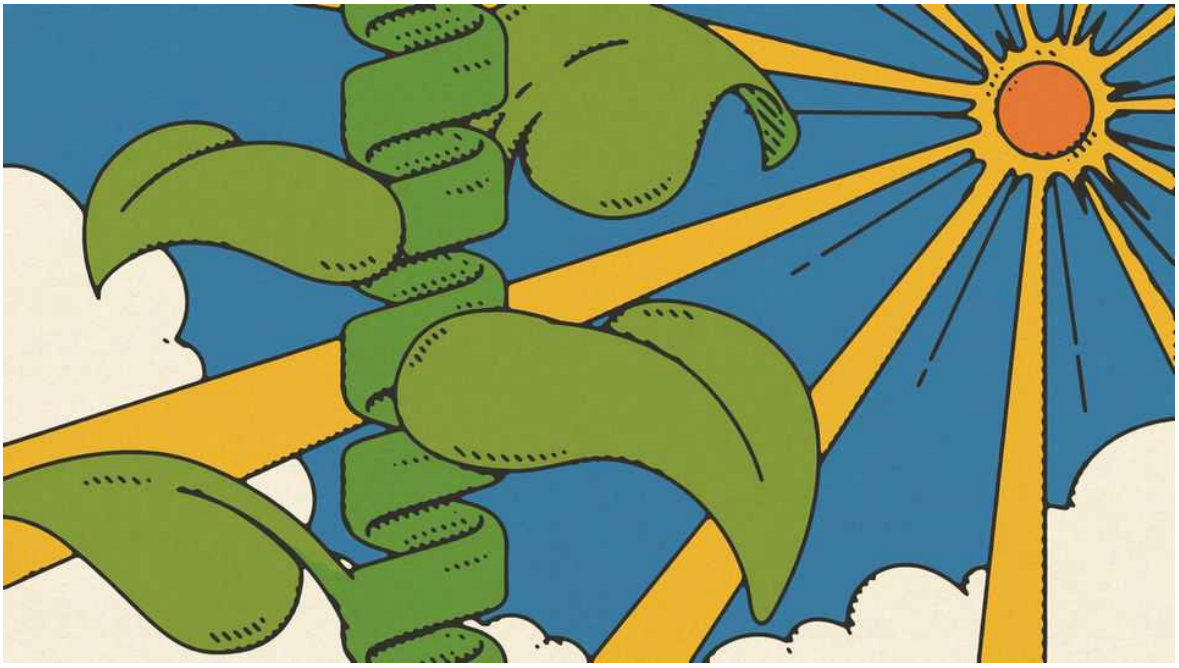
Science & technology

- Synthetic proteins are being built with the help of AI models
- A new project aims to synthesise a human chromosome
- How sea slugs give themselves superpowers
- Is being bilingual good for your brain?

Synthetic proteins are being built with the help of AI models

They could treat diseases, test drugs and boost crop yields

July 3rd 2025



Making biofuels is messy, inefficient and expensive. Vast quantities of crops such as maize and soyabeans must be grown, harvested and processed before their energy, accumulated slowly through natural photosynthesis, can be put to use. Nate Ennist of the Institute for Protein Design (IPD) at the University of Washington, in Seattle, thinks that synthetic proteins can boost the rate of return.

His target is the crops' photosynthetic machinery: first simplifying it as well as broadening its range, allowing it to make use of light beyond the red and blue that are naturally preferred. On longer timescales, he and his colleagues

plan to redesign the way the captured energy is employed, using it to generate hydrocarbons rather than sugar.

Tweaking proteins to do human bidding is nothing new. Enzymes and antibodies, for example, have long endured such outrages. But that is not what Dr Ennist is up to. Rather than modifying existing proteins, his versions are being designed from scratch, using artificial-intelligence (AI) models, to be optimised for the task at hand. To start with, they would be inserted into a suitable organism, such as a plant or bacterium, to do their thing there. But eventually they could, he hopes, operate independently and thus form the basis of a new type of solar cell—one that turns out petrol rather than electricity.

With this and other projects, ranging from artificial noses to covid-19 vaccines, the IPD, run by David Baker, joint winner of last year's Nobel prize for chemistry, is taking the much-hyped but under-delivering field of nanotechnology back to its roots. The future it once heralded of useful molecule-size factories has dwindled over the decades into a marketing gimmick for sunscreen ingredients and tennis-racket frames. Now, though, the original promise is back with a vengeance.

The new nanotech relies on three things. One is an ability to work out how a protein's structure affects its function (Dr Ennist is hunting ones capable of holding together the pairs of chlorophyll molecules that are the nub of photosynthesis in ways well-suited to capture light and transfer its energy to electrons). A second is to devise chains of amino acids (the building blocks of proteins) that would be expected to fold into the desired structure. And the third is to check computationally, before making them for real, that chains thus devised will indeed assume the target shape.

For the first of these tasks Dr Baker and his colleagues use RFdiffusion, an AI model they have developed to predict a protein's function from its structure. It does this in a similar manner to image-generating diffusion models, but with a training database of more than 200,000 natural proteins rather than photos and artwork.

For the second, their tool is ProteinMPNN, also trained in-house, which draws on databases of how amino acids interact with each other in protein

chains and with other molecules that those chains encounter. And for the third they employ RoseTTAFold, a machine-learning model similar to software originally written by Dr Baker in the mid-1990s. So influential was this precursor that it inspired the creation of AlphaFold, a protein-folding AI model now backed by Alphabet's billions, and whose creators carried off the other half of the 2024 chemistry Nobel.

Once a design has been through this virtual mill, scientists can conjure it into existence by synthesising appropriate DNA and putting that into a bacterium or yeast. It can then be tested to see if it is truly up to the job.

Besides redesigning photosynthesis, groups at the IPD are working on a mind-bending array of other projects. These include circular protein fibres that could be linked up like mail armour to make novel fabrics; hybrid organic-inorganic materials (think snazzy versions of bone and mother-of-pearl); enzymes to digest hard-to-dispose-of plastics such as PET, thereby turning them into useful chemicals; and chip-based sensors that run molecules through protein pores to determine what they are. Technology of this kind already exists for DNA and its cousin RNA, but Dr Baker believes it can be applied to a far wider range of substances, creating devices that are, in essence, artificial noses. And these are just the non-medical applications.

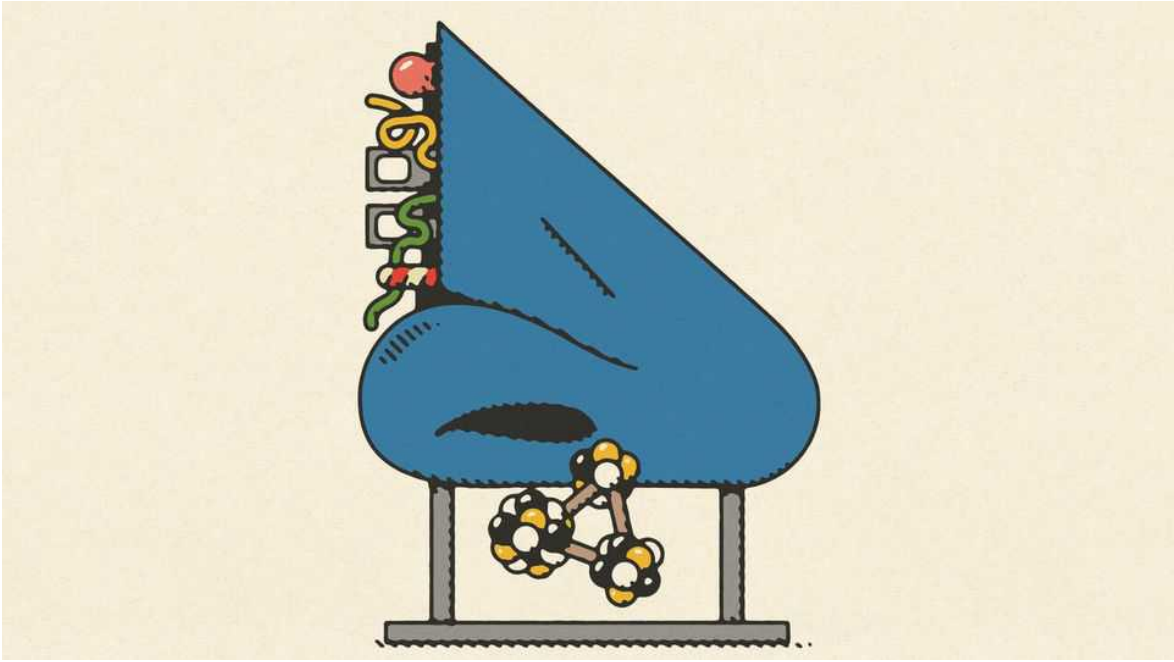
In the field of health care, the opportunities are vast. The institute's covid vaccine, SKYCovione, for example, works by displaying synthetic copies of parts of the SARS-CoV-2 spike protein in a way that attracts the immune system's attention. IPD researchers have also created proteins they hope will transform the treatment of snake bites. These lock onto and neutralise venom molecules in the blood in the way that the antibodies now employed for that task do, but are smaller and easier to make.

Dr Baker and his colleagues have plans to attack Alzheimer's disease using a similar approach—making proteins that bind to the molecular precursors of the neuronal plaques and tangles found in the brains of those afflicted. And they hope to improve the field of gene editing with custom-targeted nucleases, the "Cas" part of the CRISPR-Cas complexes which are gene-editing's molecular scissors. These would be designed to bind to particular DNA sequences, increasing the range of DNA that can be edited and reducing the risk of off-target edits.

Where Dr Baker has led, others are following. Alphabet has two ongoing protein-design projects spearheaded by Sir Demis Hassabis, one of AlphaFold's Nobel-winning inventors. One, Isomorphic Labs, in London, is a spin-out that has contracts with the pharmaceutical firms Eli Lilly and Novartis to test candidate drug molecules' interactions with target proteins. The other is AlphaProteo, a system developed by Google DeepMind to design proteins to bind to specified targets.

Others are taking a slightly different tack. Profluent, in Emeryville, California and EvolutionaryScale, in New York, are building protein-design AI models that resemble not image-generating software, but large language models (LLMs) of the sort that power the world's chatbots. These firms' models treat the amino-acid sequences in protein chains like the words in a piece of text—analysing relationships found in zillions of exemplars to design novel useful structures.

According to Ali Madani, Profluent's chief executive, the firm is particularly focused on creating new CRISPR-Cas gene-editing tools. Here, its USP is a curated database of around 5m CRISPR-Cas protein complexes on which its AI model has been trained in order to design new versions.



EvolutionaryScale is pushing the LLM approach still further. Its version, ESM3, takes into account a protein's structure and function as well as its amino-acid sequence. And its training database is huge. Alex Rives, the firm's chief scientist, says it contains 2.8bn entries. He also talks of going beyond working with individual proteins and creating a first approximation to a virtual cell, within which these proteins interact with one another.

In EvolutionaryScale's case, the model itself is the product, to be licensed to firms that plan to make protein-based drugs and materials. But many of its peers are pursuing innovation themselves. The consequences of this new approach to nanotech are as yet only dimly discernible. Redesigning photosynthesis, for example, would surely have consequences far beyond biofuels, particularly if the new approach could be made to work in existing plants. That, with due caveats for safety and customer acceptance, could boost crop yields. There is also huge scope for improvements in the yields of chemical processes: many enzymes are more efficient than conventional catalysts. And, as with any technology, less obvious breakthroughs may be possible, too.

One that excites Dr Baker is the idea of protein equivalents of the logic gates in silicon chips. These might be used to control gene expression in cells. In the longer term, he thinks, such gates could more easily be stacked in 3D arrays than their silicon counterparts, allowing for more compact designs. How that would work out in practice, who can say? One way or another, though, the curtain seems to have risen on nanotechnology's second act. ■

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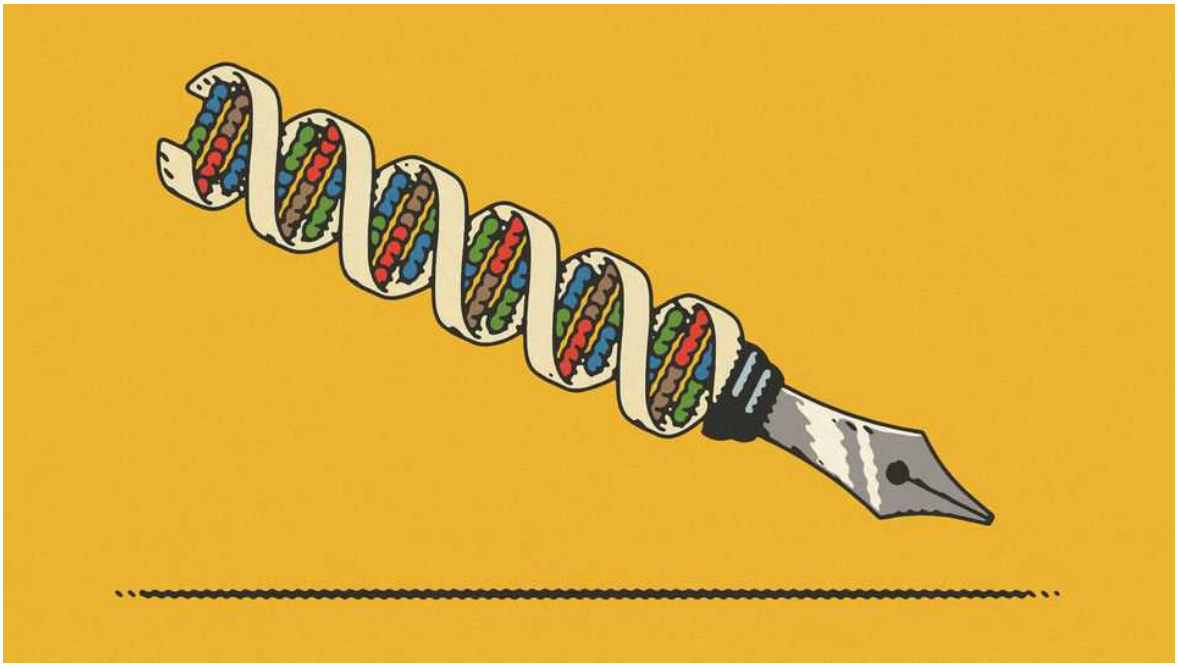
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Science & technology | Life drawing

A new project aims to synthesise a human chromosome

The tools developed along the way could revolutionise medicine

July 3rd 2025



WHEN THE first draft of the DNA sequence that makes up the human genome was unveiled in 2000, America's president at the time, Bill Clinton, announced that humankind was "learning the language with which God created life". His assessment was a little quick off the mark. For one thing, the full sequence would not be completed until 2022. For another, whereas scientists can use sequencing tools to read DNA, and CRISPR technology to make small edits, actually writing the genomic language has proved trickier.

The Synthetic Human Genome, or SynHG, a project launched on June 26th, aims to change that. Funded partly by Wellcome, a charity, and including members from a handful of British universities, its goal is to develop the

tools needed to create a human chromosome from scratch. Jason Chin, who is based at the University of Oxford, is the project's lead. He believes its work will help scientists understand better how the sequence of a gene affects its function inside a living cell.

Geneticists have long dreamed of such power. The first synthetic gene was created in the 1970s, and the field has advanced since then. The genomes of the bacteria Mycoplasma genitalium, Mycoplasma mycoides and Escherichia coli were synthesised in 2008, 2010 and 2019, respectively. Attempts to recreate the genome of baker's yeast, an organism genetically much closer to animals than bacteria, have been ongoing since 2006. A paper published in January 2025 announced the last of its 16 chromosomes had been synthesised.

At the same time, giant artificial-intelligence (AI) models, fed on growing troves of genomic data, promise to help guide DNA design. In February the Arc Institute in Palo Alto released Evo 2, a generative AI model, capable of devising new genomes based on short DNA sequences it is given as prompts. Then on June 25th Google DeepMind, an AI lab, launched AlphaGenome, a deep-learning model that can predict how small genetic changes will affect cell function. Hani Goodarzi, one of the scientists at Arc who developed Evo 2, says that the two models could, when combined, allow scientists to produce new designs for human DNA that would enable specific cellular functions.

It is a tantalising vision. If it comes to pass, biologists would be able to predict and test the effect of any change to the genome. Cell therapies, in which healthy or engineered cells are injected into people's bodies to fix a genetic disease or a faltering liver or heart, could be designed to react only with the intended tissues, making them safer and more efficient. Cells, tissues or organs could also have their DNA redesigned ahead of a transplant to make them impervious to viruses.

The most daunting challenge is scale. DNA is made up of building-block molecules known as nucleotides, which each contain one of four chemicals known as bases. In the double-stranded DNA helix, the bases bond together into base pairs. Scientists build the strands individually, one nucleotide at a time, before bringing the strands together. This process reliably creates small

bits of DNA, but longer stretches (made by combining short ones) are more difficult and costly to produce accurately. The largest completed synthetic genome so far—that of yeast—is 12m base pairs (bp) long. The smallest human chromosome—number 21—measures 45m bp.

Cost is another issue, says George Church, a biologist at Harvard University who has tweaked E. coli genomes to avoid viral infection and is hoping to do the same with pigs (he is the co-founder of eGenesis, a company that rears gene-edited pigs for organ harvesting). He estimates that synthesising an entire human chromosome may cost more than $20m.

Finding ways to overcome such challenges is exactly what Dr Chin hopes to achieve (his own cost estimate is closer to $650,000). For all his ambition, though, it is not clear that building genomes will ever become routine. Gene editing may become a cheaper and more reliable alternative to full-blown synthesis. CRISPR techniques are now capable of making several simultaneous edits to a given chunk of genome, and new alternatives are allowing ever-longer stands of DNA to be edited.

Then there is the question of ethics. Hank Greely, a lawyer and bioethics expert at Stanford University, believes that testing whether a synthetic human chromosome functions normally would require putting it into babies, which would be illegal in most countries, including Britain. Dr Chin stresses he has no plans to do this, and points out that a programme within SynHG called Care-full Synthesis will investigate the ethical dimensions of human synthetic genome research.

Even the production of a human chromosome in a Petri dish would be a significant achievement—confirmation that scientists had learned not just to read the language of life, but to write it. ■

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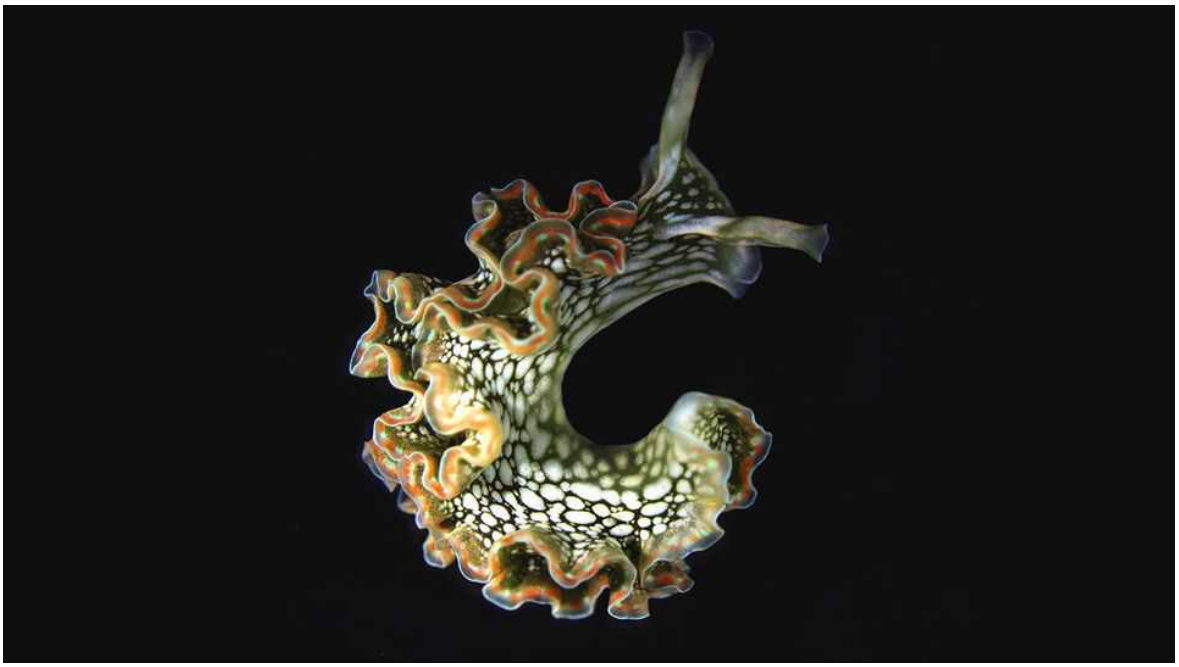
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Science & technology | Kleptoplasty

How sea slugs give themselves superpowers

Their slimy shenanigans might have applications for humans, too

July 3rd 2025



SOME SEA slugs are kleptomaniacs. Elysia crispata, a species of these marine molluscs found in the western Atlantic and the Caribbean, is among the most notorious. When the slugs eat algae, their bodies pinch bits of the algae's cells, known as chloroplasts, that enable photosynthesis. These are put to good use, giving the slugs their verdant hue which, along with their frilly back, earned them the moniker "lettuce slug" (see picture). They also continue to function inside the slug for about a year, providing them with photosynthetic energy. Scientists have known about this process, termed kleptoplasty, for decades. But how the heist was pulled off remained a mystery.

A recent paper published in the journal Cell sheds light. The study, led by biologists at Harvard University, found that the slugs build sac-like structures known as kleptosomes out of their own cells in which the chloroplasts are stashed. The kleptosomes stop the slugs from immediately digesting the stolen chloroplasts, but allow them to draw on this store of food in times of scarcity. It is like “a living larder growing on their back”, says Corey Allard, the study’s lead author.

To reach this conclusion, the scientists fed slugs that had recently consumed algae a chemical tag designed to identify any new proteins created within their bodies. Following a six-hour incubation period, the researchers extracted the stolen chloroplasts and analysed the tagged proteins within them. Among them were signs of Rab7a, a protein that is usually found in processes where cells engulf foreign bodies. This led the scientists to suspect that the chloroplasts were held inside structures made by the slug. Observation under a powerful microscope confirmed that each stolen chloroplast was indeed wrapped in just such a membrane.

The researchers then investigated what the sea slugs do with the kleptosomes. They did this by comparing the starvation resistance of E. crispata with that of Aplysia californica, a sea slug that feasts on algae but stows no chloroplasts. While A. californica died after about four weeks, E. crispata survived for up to four months. They found that when subject to a period of starvation the slugs switched from storing the chloroplasts to digesting them, turning a tell-tale orange as the chlorophyll depleted, much like autumnal leaves.

Although kleptoplasty has been observed in a handful of other creatures (single-celled protists and marine flatworms), these are much less studied and the processes involved may be entirely different. What’s more, chloroplasts are not the only goods that sea slugs steal. Some in the Berghia genus have innards that snatch the stinging cells off ingested sea anemones, storing them within appendages on their backs. When a predator threatens they hurl these stolen barbs, which Dr Allard describes as bombs that fire harpoons when they explode. Another (as-yet unnamed) species glows after feasting on fluorescent corals. Dr Allard is studying the whole gang and hopes to work out their respective modi operandi.

Such slimy shenanigans have exciting implications for humans' own evolutionary history. Kleptoplasty is thought to be a precursor to endosymbiosis, a process in which one single-celled organism lives inside another cell. Endosymbiosis was fundamental in the evolution of eukaryotic cells, the cells that make up all complex life. Cell components such as chloroplasts and mitochondria were once free-floating bacteria until they were engulfed by a host cell. That process took millions of years: sea slugs offer an analogue that takes place within a single lifetime, says Nicholas Bellono, a biologist at Harvard University and co-author of the latest study.

There could be practical applications, too. Understanding how the cells of one organism incorporate the components of another to acquire novel functions could inform medicines that grant human cells new disease-fighting abilities. Dr Allard is particularly excited about the potential for treatments for neurodegenerative and metabolic diseases. In the natural world, it appears, theft pays handsomely. ■

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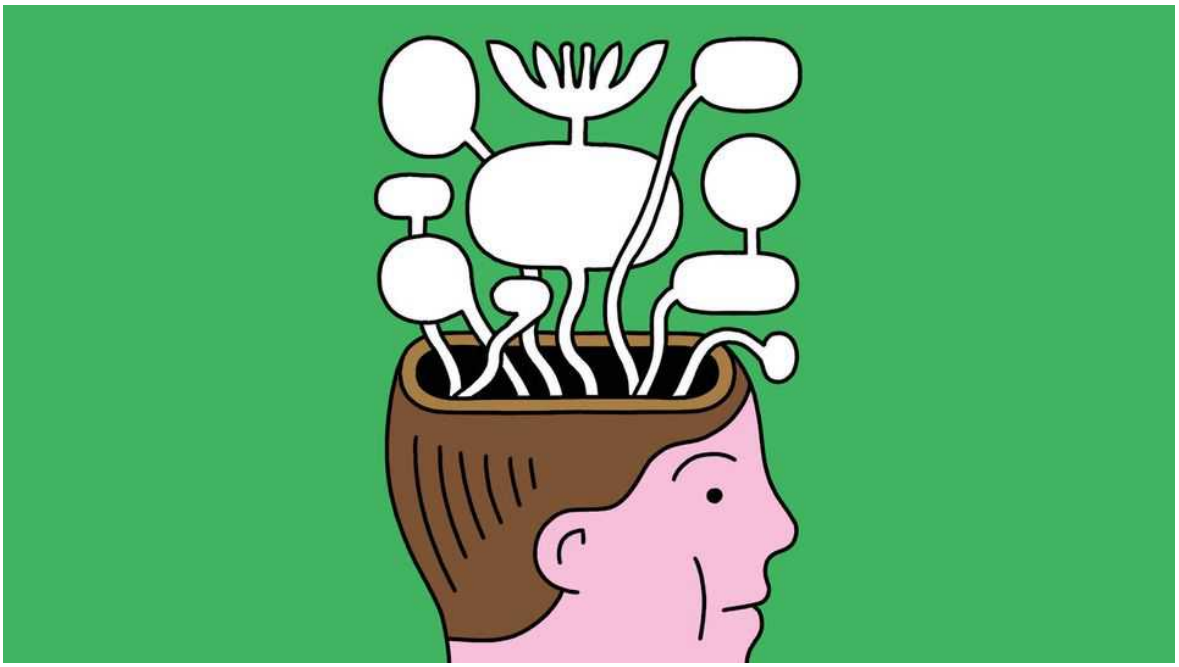
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Science & technology | Well informed

Is being bilingual good for your brain?

Perhaps. Learning languages offers other, more concrete benefits

July 3rd 2025



Reams of papers have been published on the cognitive advantages of multilingualism. Beyond the conversational doors it can open, multilingualism is supposed to improve "executive function", a loose concept that includes the ability to ignore distractions, plan complex tasks and update beliefs as new information arrives. Most striking, numerous studies have even shown that bilinguals undergo a later onset of dementia, perhaps of around four years, on average. But some of these studies have failed to replicate, leaving experts wondering whether the effect is real, and if so, what exactly it consists of.

The good news is that it is never too late to start learning a new language, if you want your brain to benefit. A study from 2019 showed that although a

moderate amount of language learning in adults does not boost things like executive function, it does mitigate age-related decline.

The biggest benefits seem to come to those who master their second languages fully. That in turn is usually because they speak the two as natives, or at least have spoken them on a near-daily basis for a long time. A bit of university French does not, unfortunately, convey the same advantages as deep knowledge and long experience. Switching languages frequently in the course of a day (or conversation) may be particularly important. Studies of interpreters and translators have provided some of the strongest evidence for a bilingual advantage. For example, they are faster at repeatedly jumping back and forth between simple addition and subtraction problems than monolinguals, suggesting generally better cognitive control.

But elsewhere is “a forest of confounding variables”, says Mark Antoniou of Western Sydney University. Bilinguals are not like monolinguals in lots of ways. The child of diplomats, raised in a foreign language abroad, may have cognitive and educational advantages that have nothing to do with bilingualism. At the other end of the socioeconomic ladder, though, studies have found striking evidence that in poorer parts of the world multilingual people show the strongest advantages from speaking several languages. Where schooling is scant, researchers surmise that bilingualism exercises children’s brains in a way that their schooling may not.

Age plays a role, too. Studies suggest that the effects of languages on the brain are stronger for young children and the old than they are for young adults. Bilingual tots seem to outperform in cognitive development in the early years, but their monolingual classmates may catch up with them later. One meta-analysis on the topic revealed that 25 studies out of 45 found a bilingual advantage in children younger than six, while only 17 found them in children aged 6-12.

At the other end of life, Ellen Bialystok of York University, in Canada, the godmother of the field, has compared the cognitive protection bilingualism offers to the coverage of a piece of bread afforded by a slice of holey Swiss cheese. Doing other things that are good for the brain, such as exercise, is akin to stacking the slices. Their holes occur in different places, and thus collectively offer greater protection.

But all these studies take for granted the uncontroversial mental superpower that you get from language study: being able to talk to people you could not have spoken to, or understood, otherwise. Even if you cannot pick your parents and be fluent from infancy, that should be more than enough reason to give it a go. ■

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Culture

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Culture | Fatal attraction

The TV shows people risk death to watch

Why fluffy, glossy K-dramas tempt North Koreans to brave the firing squad

July 3rd 2025



In most countries, good television is cheap. A monthly Netflix subscription costs less than a takeaway pizza. In North Korea, by contrast, watching a gripping TV drama can cost you your life.

Under the "Anti-Reactionary Thought Law" of 2020, no North Korean may consume, possess or distribute the "rotten ideology and culture of hostile forces". That means K-dramas and K-pop, as well as South Korean books, drawings and photographs. The penalties range from forced labour to prison camp to death. Human-rights groups report multiple executions. In 2022 a 22-year-old farmer was executed for listening to 70 South Korean songs and watching three South Korean films, which he shared with his friends.

Yet despite the danger, North Koreans avidly tune in to K-dramas. A survey of defectors in 2016-20 by South Korea's unification ministry found that 83% had watched such shows before defecting. The rate among other North Koreans may not be as high. But Kang Gyu-ri, who defected in 2023, says of her millennial peers in the north: "They might not say it [publicly], but I didn't know anyone who hadn't watched a foreign video."

What kind of TV shows are worth the risk of death? To answer this question, consider the clunky, earnest fare that North Koreans are supposed to watch. In "A Flower in the Snow" (2011), a North Korean movie, the female lead polishes her fiancé's shoe at a train station—right before she breaks up with him to commit herself to reviving an old blanket factory and raising orphans. Ultimately, she succeeds in restarting the factory; her ex-fiancé tragically dies while delivering equipment to it.

South Korean dramas offer a less totalitarian take on romance. Ryu Hee-jin, a former swimmer from Pyongyang, has explained the difference: "In [South] Korean dramas, you can see people saying 'I love you' so freely. In North Korea, you could only say that you love Chairman Kim Jong Un and his father."

Ms Kang's favourite K-drama was "May Queen" (2012). She first watched the melodrama on a smuggled SD card in the middle of the night—and re-watched it 20 times. Over the course of almost 40 episodes, a plucky protagonist, Chun Hae-joo, overcomes poverty and family intrigue to become a ship designer. She eventually meets the love of her life and, rather than ditching him to work at a grotty state-owned blanket factory, takes her rightful place as the head of the family business and escapes her shadowy past.

"Watching it gave me strength," recalls Ms Kang. She, too, worked in the ship business and had to overcome adversity, dealing with corrupt officials and disrespectful customers twice her age. "[Chun] was a role model to me, the way she kept holding on and pushing through truly difficult circumstances at a young age," she says. "I felt like that was me."

For North Koreans, "Media isn't just entertainment, it's information," says Lee Kwang-baek of Unification Media Group, an NGO that produces

content specifically designed to be smuggled into the north. A seemingly shallow show can offer a window into otherwise inaccessible worlds, he argues. North Korean propaganda once claimed that the south was an impoverished, crime-ridden hellscape. South Korean dramas—with background shots of streets full of cars, meaty meals and luxurious apartments—offer a rebuttal. Ms Kang remembers how even mundane elements revealed how much more freely South Koreans live, such as the diversity of hairstyles. She can't remember the male lead's name in "Boys Over Flowers" (2009), a pan-Asian hit, but she remembers his distinctive "pineapple" cut.

Both South Koreans (legally) and North Koreans (illegally) fell head over heels for "Crash Landing on You" (2019), a fish-out-of-water romance. A South Korean heiress finds herself stuck in the north after a tornado catches her paraglider and blows her over the border. A handsome northern soldier finds her while on patrol and agrees to help her get back home. As well as squeal-inducing romance, the show offers fairly accurate depictions of life in both Koreas, giving audiences on both sides of the 38th parallel some valuable perspective.

For North Koreans, South Korean dramas are both familiar and exotic. The actors look and sound Korean, obviously, but big budgets and whizzy special effects make them seem far more glamorous than their North Korean counterparts. Fans tacitly emulate them. Enterprising barbers in North Korea have learned to mimic southern hairstyles; young people often imitate the South Korean way of speaking. To crush such filthy capitalist subversion, the government passed another law in 2023, the "Pyongyang Cultural Language Protection Act", which bans women from referring to their boyfriends or husbands as oppa (literally: "older brother", a common form of address in South Korea).

North Koreans go to great lengths to watch their favourite shows. Some live close enough to the border to jailbreak their televisions and pick up broadcasts from China or South Korea. (Ms Kang did this.) Others watch shows smuggled in from China on flash drives or SD cards. Some borrow the memory cards from friends. The lucky few with money buy them on the black market.

Though the K-dramas popular in North Korea are largely apolitical, the regime sees them as a growing threat—hence the harsher punishments. In the past, the death penalty was reserved for distributors of film and tv. Now it can be imposed for mere possession.

Kim Jong Un, the north's hereditary despot, is correct that fluffy K-dramas undermine loyalty to his joyless regime. North Koreans are constantly told that they live in a people's paradise thanks to the godlike leadership of the Kim family. Depictions of the vastly better lives of their southern cousins remind them that they do not. That is why the regime not only surrounds the country with razor wire to keep people in, but also sends the relatives of defectors to labour camps.

Ms Kang says that glimpses of the south on screen helped inspire her to defect. She and her family crammed into a small fishing boat and evaded coastguards before being rescued by a fisherman in South Korean waters. It was a daring escape worthy of "May Queen". ■

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Culture | Fair use on the internet

A YouTuber kicks up a stink over a flatulent “reaction” video

Copyright lawyers debate the transformative power of passing gas

July 3rd 2025



“Reaction” clips are a staple of the online world. After one person makes a viral video, others film themselves responding to it, riffing on the original with commentary, quips or funny expressions. Derivative as they may sound, such videos are big business: Khaby Lame, the most followed person on TikTok, uses the reaction format in most of his clips, which have been liked 2.5bn times.

Now the genre faces a legal challenge. On June 19th Ethan Klein, an American YouTuber and podcaster (pictured), sued three streamers who had broadcast lengthy reactions to one of his videos. Mr Klein alleges that they reproduced so much of his work, and added so little of their own, that it

amounted to copyright infringement. One defendant is accused of adding little more to Mr Klein's video than "loud gastral intestinal emissions".

The question of how much you may borrow from another's work long predates the internet. America's courts established the concept of "fair use" in 1841, when they ruled against an author who had copied 353 pages from a 12-volume biography of George Washington. The fair-use test, which takes into account questions such as whether the market for the original work has been harmed and whether the new work is truly transformative, has since been applied to everything from music sampling to computer programming.

Reaction videos won some protection from a case in 2017—in which, curiously, the same Mr Klein featured as a defendant. Matt Hosseinzadeh, another YouTuber, had sued Mr Klein and his wife for reproducing (and ridiculing) a video in which the plaintiff used his parkour skills to woo a woman. The judge ruled that the Kleins' video did not infringe Mr Hosseinzadeh's copyright because it constituted critical commentary and did not function as a substitute for the original. But, the judge added, "The court is not ruling here that all 'reaction videos' constitute fair use," noting that some are "more akin to a group viewing session without commentary".

That is roughly the charge that Mr Klein levels at the streamers. He claims that the three women—who broadcast on Twitch, a live-streaming site, under the names Denims, Kaceytron and Frogan—provided such minimal commentary that their work was not transformative. Denims, who paused Mr Klein's video as she aired it to add commentary, allegedly let it run uninterrupted for stretches of half a minute or more on 74 occasions, adding up to over 70 minutes of its 100-minute runtime. Kaceytron spent much of the time smoking marijuana; Frogan left the video playing while she went to the toilet. What's more, Mr Klein claims, they deliberately tried to harm the market for his own work. Denims told viewers they should consider subscribing to her channel if they "enjoyed not giving any views to that terrible video".

There is bad blood between the parties, who are on opposing sides of various online arguments, including about the Arab-Israeli conflict. The streamers say that Mr Klein has in the past encouraged reactions to his videos. They consider the claim a harassment campaign against them because of their

opinions. Mr Klein denies this, but has said that he produced the original video to tempt serial copyright-infringers to react. Denims says that she intends to fight the case. All three women have set up fundraising campaigns online in anticipation of their legal costs.

Creators are watching the case with interest. A decision in Mr Klein's favour would force makers of reaction videos to think about what they are bringing to the material. If commentary like hers "doesn't constitute fair use", Denims warns, "then virtually every participant in this media space…could be claimed a copyright infringer and effectively sued into silence."

Streamers who add little to the source material may nonetheless struggle to convince a judge that their output is truly transformative, writes Aaron Moss, a lawyer and the author of Copyright Lately, a blog. "If your entire contribution to someone else's video is a toke, a cough and a trip to the fridge, you might not be a commentator. You might just be a very chill copyright infringer." ■

Clarification (July 3rd 2025): This article has been updated with more specific details of the format of Denims's video.

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Culture | Dastardly, deadly and digital

Hollywood's new favourite villain

In films from "Mission Impossible" to "M3GAN 2.0", AI is the bad guy

July 3rd 2025



YOU CAN glean a lot about America and the world from whom Hollywood chooses as its baddies. During the cold war, the villains were often rogue Russian generals; during the war on terror, they were jihadists from the Middle East. Lately, however, Tinseltown has turned its attention to technology. It seems Hollywood's screenwriters are "doomers" when it comes to artificial intelligence, believing it poses an existential threat to humanity.

In the past only a few big movies grappled with the idea of monstrous tech —among them Stanley Kubrick's "2001: A Space Odyssey" and the "Terminator" and "Matrix" franchises—but now lots do. In the two most recent "Mission: Impossible" instalments, Tom Cruise's indestructible

(human) secret agent tangled with an evil AI called “The Entity”. Films such as “Afraid”, “Companion” and “The Creator” have debated whether real humans or simulated ones are deadlier. Even “Wallace & Gromit: Vengeance Most Fowl”, a claymation caper from Aardman, featured a sinister robotic garden gnome.

Ask anyone in the TikTok generation to name their favourite AI baddie, though, and they are bound to pick the titular anti-heroine of “M3GAN”, a tongue-in-cheek science-fiction slasher film about a sentient life-sized doll. Much of the film’s macabre appeal comes from the contrast between the robot’s innocent appearance and its capacity for gruesome murder. This contrast was encapsulated in a clip of M3GAN dancing before grabbing a blade. The scene went viral and helped the film to box-office success in 2023: it grossed more than $180m worldwide, from a production budget of $12m. A sequel was inevitable. So was its title: “M3GAN 2.0”.



The conceit of the first film was that a product designer, Gemma (Allison Williams), built M3GAN as a playmate for her orphaned niece Cady (Violet McGraw). Programmed to protect Cady, the android took the task to homicidal extremes, and so, one killing spree later, it was consigned to the scrapheap. In the sequel, Gemma’s technology has been stolen by a defence contractor and used to develop another, even more destructive, military-

grade robot called AMELIA. The only person—or non-person—who can defeat it is a refurbished, upgraded M3GAN.

"M3GAN 2.0" (pictured) is something of an upgrade, too. Both films are written and directed by Gerard Johnstone, but he does not repeat the first film's creepiness, nor its meme-worthy dancing. Instead of turning out another horror film, he has made an over-the-top satire, skewering the world's dependence on technology.

The sequel finds sly humour in everything from mobile-phone apps to self-driving cars and voice-activated virtual assistants in the home. (A sequence in which a squad of armed robbers is foiled by automated kitchen drawers may yet go viral.) It is gleefully silly, but also one of the only Hollywood films this year to take a clear-eyed look at humans' reliance on tech. Viewers will not want to live with M3GAN. But, this film implies, they cannot live without her either. ■

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Culture | Take their word for it

Before there was Oprah's Book Club, there was the Book Society

Celebrities have been in the business of recommending books for nearly a century

July 3rd 2025



These days it seems every celebrity wants to put their name to a book club: among the rich and famous, they are as common as private jets, non-disclosure agreements and Ozempic. Reese Witherspoon, an actor, wants women to read—or, to be more precise, she wants them to embrace the power of "book joy". Oprah Winfrey, a media personality, hopes her recommendations will "spark enlightenment". Dua Lipa, a pop star, wants people to "read the world differently". Kaia Gerber, a model, strives to create "rage readers". (She does not explain what those are, nor why they would be desirable.)

Celebrity book clubs may be a feature of 21st-century fame, but they have a long lineage. The first such club in Britain, the Book Society, began in 1929.

It featured recommendations from intellectuals such as Hugh Walpole and J.B. Priestley and had a practical aim: to enable "the discovery of notable new writers" and to get people to buy books. As similar clubs sprang up in America and Europe in the early 20th century, there was "a quiet revolution" in book-buying habits, writes Nicola Wilson, an academic, in "Recommended!".

From the outset the Book Society was ridiculed in some circles. Its judges were mocked as "middlemen" with "a taste for the second-rate"; their recommendations, detractors proclaimed, flattened culture and encouraged idleness. (This attitude persists today, as critics lampoon "the celebrity book-club mafia" for discouraging "serious readers" and "original thought".) Yet the Book Society endured for almost 40 years. It promoted a new title each month, guiding and entertaining readers through the Depression and the second world war.

Before the Book Society most Britons believed, as H.G. Wells, a writer, put it, "that it is extravagant and wrong to own books". Even well-to-do readers used lending libraries to borrow desired titles. The club suggested books were an investment and that it would help you assemble a "library for yourself and your children".

At its peak the club had more than 10,000 members across 33 countries—including five queens. Its selections spanned genres including memoir, thrillers and political fiction. It helped make bestsellers of Francis Hackett's "Henry the Eighth", a hefty history book, and novels such as Evelyn Waugh's "Brideshead Revisited".

When the Book Society folded in 1968 after financial difficulties, its records were lost. The author has meticulously parsed private papers and publishers' archives to piece together the club's forgotten history. Her effort is commendable, but at times the reader wishes that the material had been more judiciously edited.

Though the book is closed on the Book Society, its influence is everywhere. Curated reading lists are more popular than ever: people get recommendations not only from celebrities, but from bestseller lists and literary influencers on TikTok. The Book Society won over the sceptics. "I

hate you so much that I am beginning to like you," a member confessed in the 1930s. Now that's what you call a rage reader. ■

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Culture | Brothers in arms

Inside the uneasy, incongruous coalition of the Big Three

A new book traces the wartime relationship between Winston Churchill, Franklin Roosevelt and Josef Stalin

July 3rd 2025



The destruction of the French fleet at Mers el-Kébir, Algeria, by the Royal Navy in July 1940 was both Britain's first victory of the second world war and its most distasteful. Winston Churchill had decided that, unless French officers scuttled their ships or sailed them to British or American ports, they must be destroyed. If the collaborationist Vichy government handed the fleet over to the Germans, the consequences would be disastrous. Almost 1,300 French sailors died in the attack.

As Tim Bouverie shows in his masterful new diplomatic history of the war, the prime minister was right, both in his assessment of Vichy and in his

calculation that such ruthless action would convince the world—and especially still-neutral America—that Britain was determined to fight on despite the fall of France.

Franklin Roosevelt would later tell an adviser, Harry Hopkins, that Churchill's actions persuaded him Britain would continue the war, "if necessary for years", Mr Bouverie says, and "if necessary alone". It was a vital corrective to the defeatist dispatches of Joseph Kennedy, the American ambassador in London, "a bumptious, ignorant Irish-Bostonian". Two months later, in September 1940, America agreed to send 50 destroyers to Britain in exchange for leases to British-owned army bases.

Then, in March 1941, at the president's urging, Congress approved $7bn-worth of Lend-Lease aid for Britain (the equivalent of around $160bn in today's money). Lend-Lease was "neither an act of unalloyed altruism…nor a plot to strip Britain of her resources," Mr Bouverie argues, but the policy "would make an inestimable contribution to Allied victory".

Lend-Lease was extended to the Soviet Union in June after Adolf Hitler had turned on his former ally. Yet it was not until the Japanese attack on Pearl Harbour in December, and Hitler's declaration of war four days later, that America joined Britain and the Soviet Union as a co-belligerent.

The story that Mr Bouverie tells of the improbable alliance between "the Big Three" of Roosevelt, Churchill and Josef Stalin is familiar, but packed with fresh detail and gossipy anecdotes. Its judgments of their decision-making are shrewd and fair. Each leader had differing priorities and aims. Churchill was determined to save the British Empire while forging a "special relationship" with anti-colonialist America. Churchill and Roosevelt hoped for a Europe of democratic sovereign nations. Stalin was intent on subjugating the lands of eastern and central Europe.

That they managed to work together to defeat the common enemy was remarkable, and dependent on the establishment of genuine mutual respect between them. Even the cynical Stalin could claim in 1944 that "the alliance…is founded not on casual, transitory considerations but on vital and lasting interests."

Perhaps Stalin felt he could say that because he was so adept at handling Roosevelt, who had only a naive understanding of Bolshevism. During the first meeting of the Big Three at the Tehran conference in 1943, Stalin proposed that "50,000, perhaps 100,000" German officers should be shot at the end of the war. An appalled Churchill declared he would rather "be taken out into the garden here and now and be shot myself". Roosevelt turned it into a joke, suggesting a compromise figure of 49,000. But the joke was on Churchill.

From then on, Roosevelt tilted towards Stalin rather than Churchill, even coming to believe that the Soviet Union would be America's essential partner in the post-war world. Churchill lamented after Tehran that Britain was a "poor donkey" beside the "big Russian bear" and the "great American elephant".

Almost the only thing that Stalin failed to get from the Allies was the opening of a second front in either 1942 or 1943 to relieve the pressure on the Red Army. Mr Bouverie believes that it was Churchill's greatest achievement to persuade the president to ignore the wishes of his own military advisers and wait until 1944. In doing so he prevented a massacre on the beaches of northern France.

But even that delay played into Stalin's hands. Such was the momentum of the Red Army by late 1944 that, short of going to war with the Soviet Union, neither America nor Britain could do anything to stop Stalin erecting an Iron Curtain, as Churchill later put it, across Europe.

Despite these strains, there were hopes the Grand Alliance would continue after the war. "We seemed to be friends," said Churchill after the Yalta conference in 1945. Yet, as the author observes, for all its achievements the alliance "was permeated by lies, suspicions, secrets and spats".

The British, the Americans and the Soviets were either ideological antagonists or imperial rivals. They came together to defeat a common enemy. Each brought strengths of their own: the British, strategic insight; the Americans, industrial muscle; the Soviets, military scale and sacrifice. That they then reverted to the status quo ante should have surprised nobody. ■

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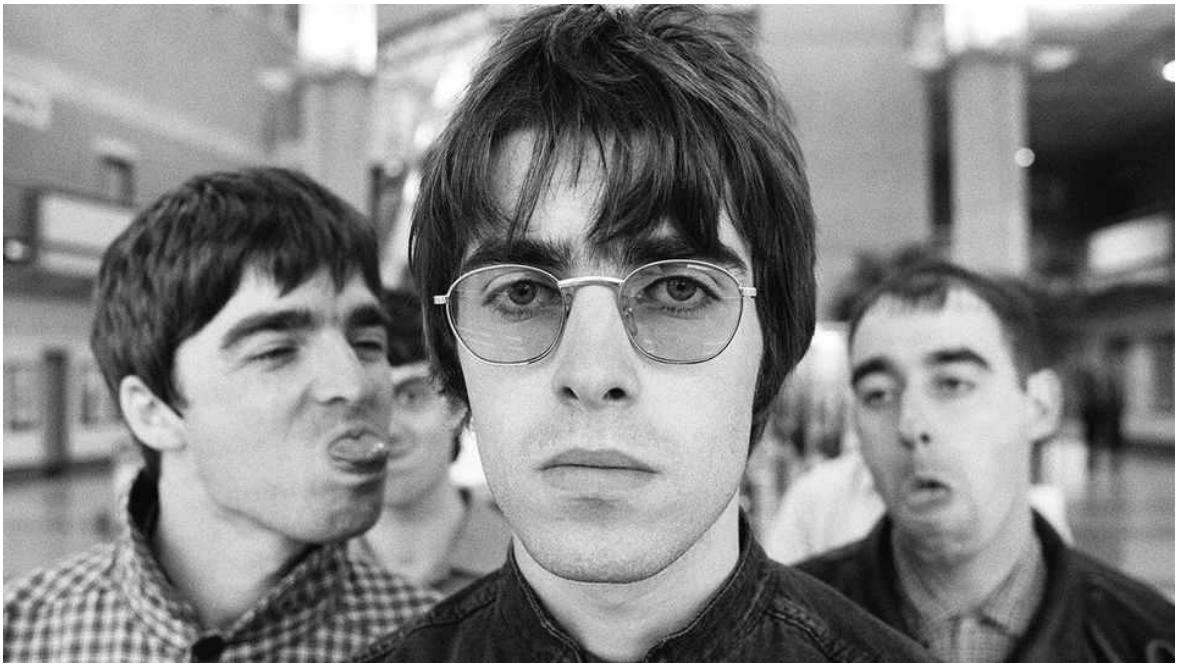
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Culture | Please, brother, take a chance

Stop crying your heart out—for Oasis have returned to the stage

They are much more popular today than their Britpop peers

July 3rd 2025



IT IS THE moment rock fans thought would never happen. On July 4th Oasis, the greatest British band of their generation, will go on stage for the first time in 16 years. Such a thing seemed impossible given the group's spectacular combustion in 2009, after a fight between Liam Gallagher, the lead singer, and his brother, Noel, the main songwriter. In the intervening years the siblings fired shots at each other in the press and on social media. (Noel famously described Liam as "the angriest man you'll ever meet. He's like a man with a fork in a world of soup.") But now, they claim, "The guns have fallen silent."

The global stadium tour is a reflection of the band's longevity and fans' refusal to slide away. Tickets sold at supersonic speed. Fans were furious at the use of "dynamic pricing", in which prices of tickets adjust in response to demand—so much so that Sir Keir Starmer, Britain's prime minister, promised to look into the practice.

Oasis may be electric now but, like any band, they had their fair share of dud gigs. One, in May 1993, was attended by only a dozen punters. Oasis had been a late addition to the line-up at King Tut's Wah-Wah Hut, a music venue in Glasgow. After some negotiation, the staff agreed to let the band play a four-song set.

Yet Alan McGee was watching—and he owned Creation Records, an independent label. To anyone listening casually, the band from Manchester sounded like umpteen others making raw post-punk, all cigarettes and alcohol. But Mr McGee heard potential. The band had a propulsive energy. They were not polished, but they played well together. The lanky singer had swagger, loutish charm and a seductive drawl. Mr McGee signed Oasis soon after.

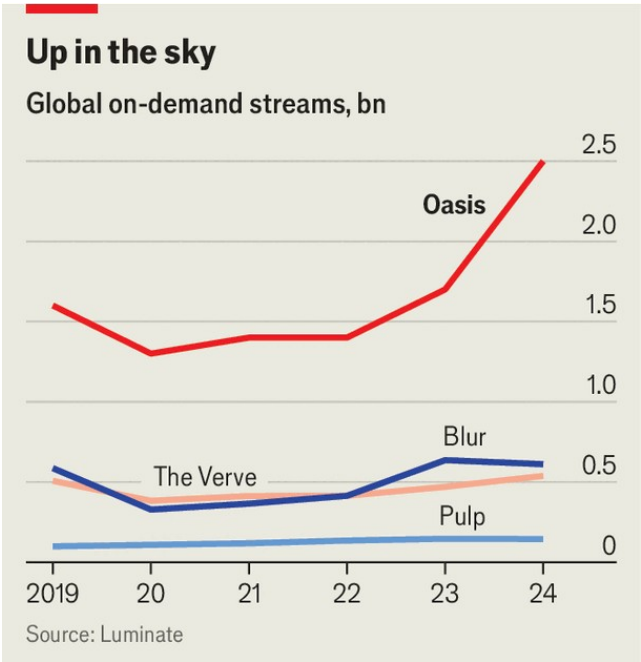


It was the right decision: Oasis became rock'n'roll stars and one of the defining acts of the 1990s. Their first album, "Definitely Maybe" (1994),

sold 86,000 copies in a week: more than any other British debut. "(What's the Story) Morning Glory?" (1995), their follow-up, has sold more than 22m copies. One of the record's singles, "Wonderwall", is the third-most-streamed song from the 1990s on Spotify, after "Iris" by the Goo Goo Dolls and Nirvana's "Smells Like Teen Spirit".

Oasis were part a crop of young bands including Blur, Pulp and The Verve who reinvigorated British pop music. Blur—with whom they had a long-running feud—made music that was more winkingly clever than Oasis's; Pulp's was more try-hard experimental. The Verve had an orchestrated, psychedelic charm. But, more than any of their rivals, Oasis wrote well-crafted, classic rock anthems that left listeners humming them for days.

Their debt to The Beatles is obvious. (Liam once claimed to be a reincarnation of John Lennon.) The piano in "Don't Look Back in Anger"—one of the group's biggest hits—sounds like a hard-rock reworking of the opening bars to "Let It Be". The line "I'm gonna start a revolution from my bed" pokes fun at the interviews given by Lennon and Yoko Ono from their hotel room in Amsterdam, where they said they would remain in bed for a week to protest against the Vietnam war. Critics may call Oasis derivative, but there is something to be said for emulating the best.



And, derivative or not, it worked. To date Oasis have sold more than 70m albums, compared with Blur's 17m. Between 2019 and 2024, Oasis's songs accrued 10bn streams globally, compared with 2.9bn for Blur, 2.7bn for The Verve and 750m for Pulp. The tour has given Oasis renewed relevance, propelling the band to 2.5bn streams last year (see chart): their highest annual total on record. TikTokers also love the band. This year Oasis-related videos have drawn more than 2bn views.

Part of Oasis's appeal has always been their rough-hewn vibe. Blur's frontman, Damon Albarn, is a drama-school dropout whose parents were bohemian artists in London. The Gallaghers, by contrast, grew up in a down-at-heel part of Manchester, brought up by a single mother who left her abusive husband. They were self-taught: the first time Noel saw Liam's band play, he had no idea his brother could sing. As Andy Bollen writes in "Definitely Maybe", a new history of the band, they "looked like the common man".

Oasis had hits with tracks such as "Roll With It" and "Let There Be Love", but the band never followed their own advice. Liam and Noel were constantly fighting with each other: Noel once attacked Liam with a cricket bat during a recording session. During the blow-up in 2009, before a show in Paris, Liam lobbed a plum and swung a guitar around. Noel stormed out of the dressing room and released a statement announcing the end of Oasis. The brothers each went on to have successful solo careers, but attempts at rapprochement failed. Until now.

Many are sceptical that the brothers can keep it amicable for the next five months. ("This is the first and only time that you should pay the $47 for event insurance," one social-media user said.) If all the concerts do go ahead, expect a sing-along: there will be no new music and plenty of old classics. That will suit fans just fine—the word is on the street that the fire in their hearts is not out. ■

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Economic & financial indicators

- Economic data, commodities and markets

Economic data, commodities and markets

July 3rd 2025

Economic data

1 of 2

	Gross domestic product, % change on year ago: latest		quarter*	2025†	Consumer prices, % change on year ago: latest		2025†	Unemployment rate, %	
United States	2.0	Q1	-0.5	0.5	2.4	May	3.2	4.2	May
China	5.4	Q1	4.9	4.7	-0.1	May	-0.3	5.0	May‡§
Japan	1.7	Q1	-0.2	0.6	3.4	May	3.2	2.5	May
Britain	1.3	Q1	3.0	1.0	3.4	May	3.4	4.6	Mar††
Canada	2.3	Q1	2.2	0.7	1.7	May	2.3	7.0	May
Euro area	1.5	Q1	2.5	0.9	2.0	Jun	2.1	6.3	May
Austria	-0.5	Q1	0.6‡	0.1	3.3	Jun	2.7	5.3	May
Belgium	1.1	Q1	1.6	1.0	2.8	Jun	3.0	6.5	May
France	0.6	Q1	0.5	0.6	0.8	Jun	0.9	7.1	May
Germany	nil	Q1	1.7	0.3	2.0	Jun	2.3	3.7	May
Greece	1.8	Q1	0.2	2.2	3.3	May	2.6	7.9	May
Italy	0.7	Q1	1.1	0.5	1.7	Jun	2.0	6.5	May
Netherlands	2.2	Q1	1.5	0.9	2.8	Jun	3.6	3.8	May
Spain	2.8	Q1	2.3	2.6	2.2	Jun	2.3	10.8	May
Czech Republic	2.4	Q1	2.8	1.9	2.4	May	2.0	2.5	Q1§
Denmark	2.6	Q1	-5.0	2.6	1.6	May	1.8	2.9	May
Norway	-0.4	Q1	-0.3	1.3	3.0	May	2.3	4.5	Apr‡‡
Poland	3.2	Q1	2.8	3.0	4.1	Jun	4.0	5.0	May§
Russia	1.4	Q1	-2.3	1.1	9.9	May	8.6	2.2	May§
Sweden	1.0	Q1	-1.0	1.8	0.2	May	2.2	9.7	May§
Switzerland	2.0	Q1	2.1	1.3	0.1	Jun	0.1	2.9	May
Turkey	2.0	Q1	4.0	2.9	35.4	May	32.8	7.6	May§
Australia	1.3	Q1	0.8	1.7	2.4	Q1	2.1	4.1	May
Hong Kong	3.1	Q1	7.9	1.5	1.9	May	1.6	3.5	May‡‡
India	7.4	Q1	9.8	6.2	2.8	May	4.0	7.5	Jun
Indonesia	4.9	Q1	4.8	4.7	1.9	Jun	1.5	4.8	Feb§
Malaysia	4.4	Q1	5.1	4.0	1.2	May	1.8	3.0	Apr§
Pakistan	4.8	2025**	na	3.0	3.2	Jun	4.8	6.3	2021
Philippines	5.4	Q1	4.9	6.1	1.3	May	1.6	4.1	Q2§
Singapore	3.9	Q1	-2.6	1.7	0.8	May	0.5	2.0	Q1
South Korea	-0.3	Q1	-0.9	0.6	2.2	Jun	1.8	2.8	May§
Taiwan	5.5	Q1	7.2	3.8	1.5	May	1.8	3.3	May
Thailand	3.1	Q1	2.8	1.9	-0.6	May	0.2	0.8	May§
Argentina	5.8	Q1	3.4	5.7	43.5	May	41.1	7.9	Q1§
Brazil	2.9	Q1	5.7	2.2	5.3	May	5.3	6.2	May‡‡
Chile	2.3	Q1	2.8	2.8	4.4	May	4.3	8.9	May‡‡
Colombia	2.7	Q1	3.2	2.3	5.1	May	4.9	9.0	May§
Mexico	0.8	Q1	0.8	-0.2	4.4	May	3.9	2.7	May
Peru	3.9	Q1	5.1	2.8	1.7	Jun	1.7	5.7	May§
Egypt	4.8	Q1	-23.0	3.2	16.9	May	16.9	6.3	Q1§
Israel	1.5	Q1	3.7	2.8	3.1	May	3.4	3.1	May
Saudi Arabia	2.0	2024	na	3.4	2.2	May	2.6	2.8	Q1
South Africa	0.8	Q1	0.4	1.1	2.8	May	3.6	32.9	Q1§

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

Economic data

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	Current-account balance, % of GDP, 2025†	Budget balance, % of GDP, 2025†	Interest rates, 10-yr gov't bonds, latest, %		change on year ago, bp	Currency units, per $, Jul 2nd	% change on year ago
United States	-3.7	-6.0	4.3		-13.0	-	
China	1.7	-5.9	1.5	§§	-48.0	7.17	1.4
Japan	2.7	-4.8	1.4		33.0	144	12.1
Britain	-2.9	-4.5	4.4		25.0	0.74	6.8
Canada	-0.3	-1.9	3.4		-25.0	1.36	0.7
Euro area	3.0	-3.3	2.6		3.0	0.85	9.4
Austria	1.6	-4.5	3.0		-9.0	0.85	9.4
Belgium	-0.1	-4.4	3.2		-3.0	0.85	9.4
France	-0.1	-5.7	3.3		2.0	0.85	9.4
Germany	5.3	-2.6	2.6		3.0	0.85	9.4
Greece	-5.9	-0.2	3.4		-38.0	0.85	9.4
Italy	0.8	-3.6	3.5		-50.0	0.85	9.4
Netherlands	8.4	-2.4	2.8		-7.0	0.85	9.4
Spain	2.4	-3.2	3.2		-20.0	0.85	9.4
Czech Republic	0.5	-2.4	4.2		2.0	21.0	11.8
Denmark	12.9	1.6	2.5		-9.0	6.34	9.5
Norway	14.1	9.4	3.8		8.0	10.1	5.6
Poland	0.1	-6.1	5.3		-41.0	3.63	10.8
Russia	2.1	-2.6	14.6		-51.0	78.8	11.6
Sweden	5.8	-1.4	2.2		-4.0	9.55	11.1
Switzerland	6.3	0.6	0.4		-23.0	0.79	13.9
Turkey	-1.7	-3.6	28.4		216	39.8	-18.1
Australia	-0.9	-1.8	4.1		-8.0	1.52	-1.3
Hong Kong	11.6	-5.4	3.0		-69.0	7.85	-0.5
India	-0.4	-4.4	6.3		-72.0	85.7	-2.6
Indonesia	-0.9	-3.3	6.6		-50.0	16,240	0.9
Malaysia	1.8	-3.9	3.5		-44.0	4.23	11.6
Pakistan	-1.5	-5.2	12.3	†††	-177	285	-2.4
Philippines	-3.1	-5.4	6.2		-41.0	56.4	4.3
Singapore	16.7	-0.2	2.2		-112	1.27	6.3
South Korea	2.9	-2.3	2.8		-45.0	1,359	2.2
Taiwan	13.8	nil	1.4		-39.0	29.0	12.7
Thailand	1.8	-5.8	2.1		-48.0	32.4	13.6
Argentina	-1.0	0.4	na		na	1,238	-26.1
Brazil	-2.4	-8.1	13.5		99.0	5.45	4.0
Chile	-1.9	-2.0	5.7		-60.0	926	2.2
Colombia	-2.7	-7.2	12.2		160	4,008	3.2
Mexico	-0.2	-3.5	9.1		-83.0	18.8	-2.9
Peru	2.1	-2.8	6.3		-89.0	3.56	7.6
Egypt	-5.1	-7.7	na		na	49.3	-2.3
Israel	3.4	-5.7	4.1		-109	3.37	11.9
Saudi Arabia	-3.0	-4.0	na		na	3.75	nil
South Africa	-1.4	-4.8	9.8		-11.0	17.6	5.5

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Markets

In local currency	Index Jul 2nd	% change on: one week	Dec 31st 2024
United States S&P 500	6,227.4	2.2	5.9
United States NAS Comp	20,393.1	2.1	5.6
China Shanghai Comp	3,454.8	nil	3.1
China Shenzhen Comp	2,065.0	0.6	5.5
Japan Nikkei 225	39,762.5	2.1	-0.3
Japan Topix	2,826.0	1.6	1.5
Britain FTSE 100	8,774.7	0.6	7.4
Canada S&P TSX	26,869.7	1.1	8.7
Euro area EURO STOXX 50	5,318.7	1.3	8.6
France CAC 40	7,738.4	2.4	4.8
Germany DAX*	23,790.1	1.2	19.5
Italy FTSE/MIB	39,785.3	1.2	16.4
Netherlands AEX	910.5	-0.8	3.6
Spain IBEX 35	14,044.6	1.7	21.1
Poland WIG	104,587.9	3.3	31.4
Russia RTS, $ terms	1,127.6	0.3	26.2
Switzerland SMI	11,992.2	0.9	3.4
Turkey BIST	10,189.0	8.2	3.6
Australia All Ord.	8,828.7	0.6	4.8
Hong Kong Hang Seng	24,221.4	-1.0	20.7
India BSE	83,409.7	0.8	6.7
Indonesia IDX	6,881.2	0.7	-2.8
Malaysia KLSE	1,550.2	2.0	-5.6
Pakistan KSE	130,344.0	6.2	13.2
Singapore STI	4,010.8	2.2	5.9
South Korea KOSPI	3,075.1	-1.1	28.2
Taiwan TWI	22,577.7	0.7	-2.0
Thailand SET	1,115.7	0.7	-20.3
Argentina MERV	2,063,027.0	1.9	-18.6
Brazil BVSP*	139,050.9	2.4	15.6
Mexico IPC	58,346.7	2.5	17.8
Egypt EGX 30	32,820.5	-0.6	10.4
Israel TA-125	3,078.7	3.5	26.9
Saudi Arabia Tadawul	11,129.6	1.4	-7.5
South Africa JSE AS	96,609.4	1.4	14.9
World, dev'd MSCI	4,036.3	2.2	8.9
Emerging markets MSCI	1,230.2	0.8	14.4

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	100	95
High-yield	359	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist **commodity-price index**

2020=100	Jun 24th	Jul 1st*	% change on month	% change on year
Dollar Index				
All items	131.7	131.0	-1.5	-1.4
Food	147.0	143.8	-4.7	1.9
Industrials				
All	119.1	120.4	1.9	-4.4
Non-food agriculturals	120.8	122.8	0.1	-9.4
Metals	118.7	119.7	2.4	-3.0
Sterling Index				
All items	124.3	122.7	-2.9	-8.9
Euro Index				
All items	129.6	127.0	-4.7	-10.1
Gold				
$ per oz	3,302.1	3,342.6	-0.2	43.5
Brent				
$ per barrel	67.3	67.1	2.3	-22.9

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

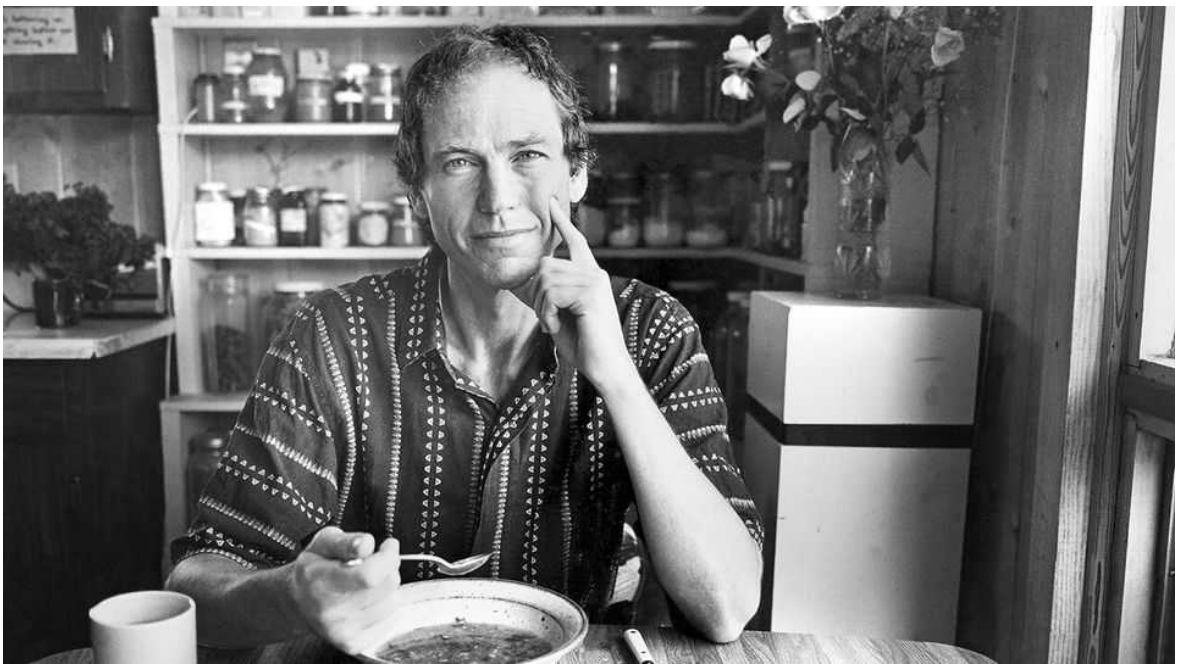
- John Robbins had serious doubts about the family business

Obituary | Ice cream: good or bad?

John Robbins had serious doubts about the family business

The campaigner for healthier living who spurned a fortune died on June 11th, aged 77

July 3rd 2025



What could be nicer, as the mercury climbs, than eating ice cream? First, the anticipation, weighing up pistachio versus hazelnut, or praline beside salted caramel, assessing the gooiness or chunkiness of each, before the pleasingly heavy cone is put into your hand. Then that first freezing, caressing tongue-feel, the plunge of the lips into a pure indulgence of creaminess, chocolate swirls, soft biscuit pieces and whatever else you asked for, cooling and satisfying all at once.

This was the fever-dream John Robbins grew up in. His father Irv had set up an ice-cream business in 1945, in partnership with his brother-in-law Burt

Baskin. The Baskin-Robbins selling-point was fun. They offered 31 flavours, one for each day of the month. Pink and brown polka dots danced over the stores. There were clowns, and little pink tasting-spoons for customers to dare to depart from their usual vanilla, chocolate or strawberry. Irv himself fooled around for the camera, brandishing a three-scoop cone or tucking into a six-scoop tub. Flavours were named after Beatlemania (Beatle Nut), James Bond (0031) and the moon landing (Lunar Cheesecake). In the Robbins house in North Hollywood ice cream was served at breakfast as well as lunch and dinner. Like all the family, young John ate a seriously excessive amount of it. And as the only son, the company was all his—if he wanted it.

But he didn't want it, and at 21 he abandoned it. He became famous for promoting a very different kind of happiness: simple living, vegan eating, respect for Earth and compassion for the animal victims of inhumane food production. He preached oneness with, and care for, all creation, starting with ethical meals. His first book, "Diet for a New America" (1987), was dense with charts and tables of the shocking levels of fat Americans ate, the cholesterol that clogged their arteries and the death rates that followed. Ice cream was right there among the baddies, loaded with sugar and saturated fat. The book caused a stir across the country; though not in one mansion in North Hollywood with an ice-cream-cone-shaped swimming pool outside, where the autographed copy he sent to Irv remained resolutely unread.

His father's expectations had increasingly weighed him down. All through his boyhood he had enjoyed the business of ice cream, even inventing Jamoca Almond Fudge (coffee ice cream with a chocolate fudge ribbon and toasted almonds, 260 calories, 18% fat, of which saturates 50%) all by himself. But unlike his worryingly overweight Uncle Burt, felled by a heart attack at 54, he did not want ice cream to become a fixation. And unlike his father he had no wish to parade in a tuxedo at whites-only country clubs, or own a yacht called The 32nd Flavour. Wealth left him cold. The momentary pleasure of ice cream, that instant gratification, paled beside the sweeter and deeper joy of saving the planet.

So after graduation he fled away with his wife Deo to Salt Spring Island off British Columbia, where he built a one-room cabin. There, part-imitating Henry David Thoreau, he grew as much food as he could, taught yoga and

lived for a decade on $500 a year. When he returned to California, to become a psychotherapist and write his books, he still lived with the utmost frugality in a dowdy 1950s house. His vegetable diet, combined with vigorous exercise, made him lean, strong and athletic: no mean feat, when polio had crippled his lower body as a child. He became an ideal advocate for healthy living. Where once he had posed with mouth poised to devour an improbably large vanilla cone, he now embraced the leafiest cabbage he could find.

His uncle's death had shocked him. Even more, however, he was shocked by his father's furious denial that ice cream might have been in part to blame. He spent his life correcting that taboo. It was not a matter of simply proving that meat and dairy could be dangerous; he had to prove that vegetables, grains and pulses could provide between them all the protein and iron Americans required. They did not need to drink milk every day, or feast on ground-up cows and stressed-out chickens, to live healthily and well. They did not need to eat ice cream at all.

Such views ran expressly counter to the Great American Food Machine he had once been heir to. He was up against the ruthless lobbying of the meat and dairy industries, which insisted that both meat and milk came from happy cattle. He knew well, from the commercial dairies he had seen, that these were not green pastures but dirt lots; that the cows, permanently pregnant, were treated as four-legged milk pumps; and that their calves were removed at birth for milk-white veal. This became another cause, as did his belief that grazing was reducing America's forests. The non-profits he founded, EarthSave and the Food Revolution Network, were stretched thin. Luckily his son Ocean had not inherited his anti-paternal gene, but energetically took his missions on.

As those grew, so too did Baskin-Robbins, soon becoming (as it remains) the biggest ice-cream company in the world. Although it kept the "31" logo, its flavours (now including vegan) ran into the hundreds. His father no longer controlled it, having sold it in 1967 to United Fruit. But there was no denting the appetite of humans for ice cream. Even the non-prodigal son himself confessed he had a vegan one occasionally. The flavour he liked best (carefully concocted from almond butter and coconut milk) was the one that came closest to Jamoca Almond Fudge, his and his father's pride.

He and Irv had not spoken for years. By his 70s Irv was seriously ill with type-2 diabetes and heart disease, as his son could have predicted. One day his cardiologist, in lieu of yet more treatment, handed him a book. It was “Diet For a New America”. His father opened it at last, read it, began to improve, and two years later called to say “It turns out you were right.” As joys went, this was not on the level of enlightening the whole country. But it was worth quite a number of Rocky Roads. ■

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