The Economist

Socialists in America

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SEPTEMBER 13TH–19TH 2025

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The world this week

Politics

September 11th 2025



Poland shot down Russian drones that had entered its air space, the most far-reaching intrusion ever into NATO territory. The Netherlands assisted Poland. Donald Tusk, the Polish prime minister, said the incursion brought NATO closer to "open conflict" with Russia. Poland had earlier decided to close its border with Belarus while Russia conducts its Zapad war games there, which simulate an attack on NATO. Analysts think the previous Zapad manoeuvres in 2021 were a training ground for Russia's invasion of Ukraine. Mr Tusk said a Belarusian spy had been arrested and a diplomat would be expelled.

At least 24 pensioners queuing to collect their benefits were killed by a Russian air strike on a village in Ukraine's Donetsk region. Russia has carried out its largest attack across Ukraine since the start of the war, hitting

the north, south and east of the country with a blitz of drones and missiles and setting the government's main building in Kyiv on fire.

Emmanuel Macron appointed Sébastien Lecornu as the next prime minister of France, after François Bayrou lost a vote of confidence in the National Assembly over his plans to cut spending. Mr Lecornu, previously the armed-forces minister, is Mr Macron's seventh prime minister since 2017. Adding to the upheaval, "Block Everything" protests broke out across France. Markets are unimpressed. The government's borrowing costs on ten-year bonds continue to hold above those of Greece, as investors bet that Mr Lecornu will also struggle to get a grip on France's fiscal crisis.

Sir Keir Starmer, Britain's prime minister, found himself on the back foot again about his political judgment. He was forced to sack Peter Mandelson as Britain's ambassador to America after more revelations emerged about a past friendship with Jeffrey Epstein, a deceased sex offender. The opposition Conservatives had raised questions about why Lord Mandelson was appointed in the first place. A few days earlier Angela Rayner resigned as deputy leader of the Labour Party for underpaying tax on a new home—she had been in charge of the government's housing policy.

Norway's Labour Party won another term in office in an election, at which the anti-immigration Progress Party doubled its number of seats in parliament and support for the centre-right collapsed. The prime minister, Jonas Gahr Store, will now rely on an alliance of smaller left, green and agrarian parties to pass key legislation.

Israel bombed a villa in the Qatari capital, Doha, where it said senior Hamas officials were meeting. Six people were killed but their identities remain unclear; Hamas insists none of its leaders was among them. Qatar, which hosts an American base and has been facilitating talks over a ceasefire in Gaza, said Israel's attack was "state terrorism". American officials denied they knew about the strike in advance. Donald Trump said that he felt "very badly" about the attack and that it did not assist Israel's or America's goals. Meanwhile, Israel carried out further strikes on the Houthis, an Iranian-backed militia in Yemen.

Israel ordered all residents of Gaza city, around a million people, to evacuate ahead of its anticipated ground offensive, Gideon's Chariots II. Binyamin Netanyahu said recent air strikes on the area, which have killed scores of Palestinians, were only the beginning of the main "intensive operation" to capture what he says is Hamas's last stronghold.

Palestinian gunmen killed six people at a bus stop in Jerusalem. The Qassam Brigades, the military wing of Hamas, said it was responsible for the attack.

The UN atomic agency claimed to have reached a deal with Iran that would give it access to Iran's main nuclear sites. Doing so might allow international inspectors to assess the damage done by American and Israeli air strikes in June and check Iran's stockpile of enriched uranium, according to the agency. Iran's foreign minister said that it had not yet agreed to allow inspectors to visit the sites.

Jihadist terrorism continued to plague Africa. The Allied Democratic Forces, which is linked to Islamic State, killed at least 50 mourners during a vigil at a church in eastern Democratic Republic of Congo. In Mali an al-Qaeda-linked group tried to block fuel from reaching Bamako, the capital; the military responded with air strikes. In Mozambique a wave of Islamist attacks in the Muidumbe district of Cabo Delgado province has displaced 1,319 people since August. Almost 100,000 have fled the violence so far this year.



Charlie Kirk, a conservative podcaster and activist in America, was shot dead at a college event in Utah. He was 31. Police hunted for the killer, a lone shooter. Utah's governor called it a political assassination. Donald Trump, who has faced two assassination attempts himself, blamed the rhetoric of the radical left for comparing "wonderful Americans like Charlie to Nazis and the world's worst mass murderers".

America's Supreme Court decided that immigration officers could continue their expansive raids in Los Angeles, lifting a lower court's blocking of the operations because of concerns over racial profiling. Other litigation is pending, but one of the justices on the Supreme Court said that for now, the officers could use ethnicity as a "relevant factor" in whom they decide to question.

Ishiba Shigeru resigned as Japan's prime minister. His position had become untenable following the loss of the upper house in an election in July. He was in the job for less than a year. The ruling Liberal Democratic Party will hold an election probably on October 4th to decide who Japan's fifth prime minister in five years will be. The front-runners include Takaichi Sanae, hoping to become the country's first female leader, and Koizumi Shinjiro, the son of a former prime minister.

At least 19 people were killed during anti-corruption protests in Nepal. K.P. Sharma Oli resigned as prime minister, but that did little to quell the violence. The palace that houses the prime minister's office was set on fire and senior politicians were physically attacked. A curfew was imposed in Kathmandu, the capital.

Anutin Charnvirakul was elected as Thailand's new prime minister by parliament following the dismissal of Paetongtarn Shinawatra by the Constitutional Court. Mr Anutin leads the Bhumjaithai party and must call an election within four months, according to the agreement with the opposition People's Party that pushed him into power. Thaksin Shinawatra, father of the ousted Paetongtarn, was sentenced to a year in prison after the Supreme Court decided that his spell in a police hospital did not count towards his previous sentence for corruption.

In Argentina, Javier Milei's Libertarian party was trounced in a legislative election in Buenos Aires province by the Peronist opposition, indicating that the president faces a tricky midterm congressional election on October 26th. Stockmarkets fell and the peso slumped, as investors fretted that Mr Milei's tough-love reforms may be in jeopardy. Acknowledging the defeat, Mr Milei vowed to "accelerate" his programme of fiscal rectitude.

Forty-five soldiers who had been taken captive in Colombia were released without harm. It was the latest incident of troops involved in anti-drug operations being held by locals, often under pressure from dissident rebels who are involved in trafficking. In August 34 soldiers were snatched and also set free without incident.

The final results from an election in Jamaica showed that the Labour party had won another term, though the opposition People's National Party doubled its seats in Parliament. Andrew Holness, who has been prime minister since 2016, campaigned on a platform of reducing taxes, increasing the minimum wage and reducing crime.

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The world this week

Business

September 11th 2025



The Murdoch family reached a settlement on who will head Rupert Murdoch's media empire when he dies, bringing an end to a decades-long succession battle. Lachlan Murdoch, Mr Murdoch's eldest son, emerged as the winner. He will take a controlling stake in Fox, which covers television and broadcast news, and News Corp, which publishes the Wall Street Journal, the New York Post, and in Britain the Sun and the Times, when his father, who is 94, passes away. Lachlan already runs the companies, but formally handing him the reins fulfils the elder Murdoch's wish that they continue to promote a "conservative voice".

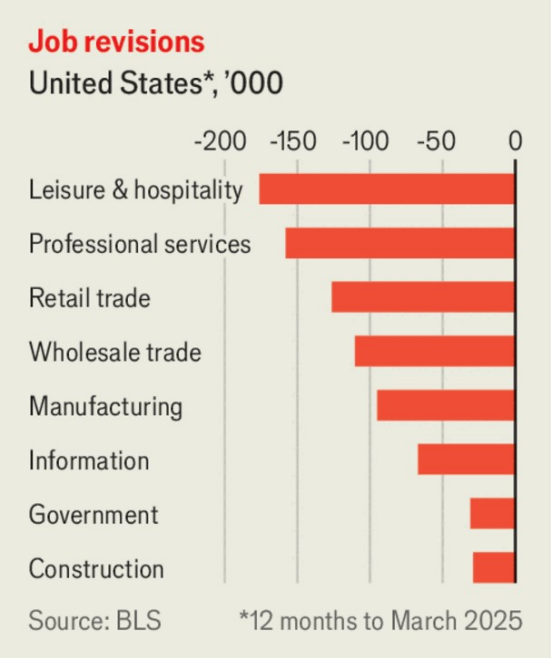
Oracle's stock jumped by a third in value thanks to an "astonishing" quarter in which its expected revenue from future contracts for cloud services rose by 359%, year on year. It also emerged that Oracle will supply OpenAI with data-centre capacity in a $300bn contract. Larry Ellison, Oracle's founder,

has seen his net worth grow by $191bn this year, to $383bn. He is now vying with Elon Musk for the title of world's richest man.

Anthropic's recent $1.5bn settlement with a group of authors in a copyright lawsuit was roundly criticised by the judge overseeing the case. The suit alleges that the AI startup downloaded books from pirated websites to train its models. The judge called another hearing for September 25th, to "see if I can hold my nose and approve" the agreement.

The European Commission fined Google €2.95bn ($3.5bn) for favouring its own display advertising technology to the detriment of its rivals. Google has 60 days to tell the commission how it will remedy the situation, or else face the possibility of being ordered to sell part of its ad business. Google said the fine was unjustified and that it would appeal against it.

China's exports grew by 4.4% in August, year on year, the slowest pace by that measure since February. The value of goods sent to America plunged by 33%, but exports to South-East Asia were up by 22.5% and to the EU by 10%. Meanwhile, China fell back into deflation in August, as the consumer-price index dropped by 0.4%, year on year.



America's Bureau of Labour Statistics reported that 911,000 fewer jobs had been created in the 12 months ending March than had been thought. The

revision is based on new census data and updated information from businesses. The head of the BLS was recently sacked by Donald Trump after a big downward correction to payroll numbers for May and June. The president had claimed those figures were “rigged”. Meanwhile, data for August suggested that only 22,000 jobs were created that month.

A federal judge decided that Lisa Cook could continue to serve as a governor at the Federal Reserve while she fights Mr Trump’s attempt to sack her. The judge ruled that because Ms Cook’s alleged transgressions in filling out a mortgage application occurred before she became a governor it did not meet the threshold of “sufficient cause” that the president had used to justify her firing. The decision means that Ms Cook will get to vote on interest rates at the Fed’s meeting on September 17th.

Anglo American announced that it will merge with Teck Resources, a Canadian mining company, to become a giant in the production of copper. Mining companies have tried to consolidate in recent years, though few have succeeded. Anglo fought off a bid from BHP last year and Teck rejected an offer from Glencore in 2023. Anglo Teck will have its headquarters in Vancouver, but will keep its primary share listing in London, with secondary listings in Johannesburg, Toronto and New York.

Klarna’s IPO on the New York Stock Exchange made a splash. The Swedish fintech company’s stock was up by 15% by the close of trading, giving it a market valuation of $15bn.

Apple unveiled the iPhone 17 and the iPhone Air, its thinnest phone yet with a width of 5.6mm. That is even thinner than Samsung’s Galaxy S25 Edge, which came out earlier this year. The iPhone 17 is roughly the same price as last year’s model, despite Apple’s warning that it faced huge disruptions to its supply chain because of tariffs.

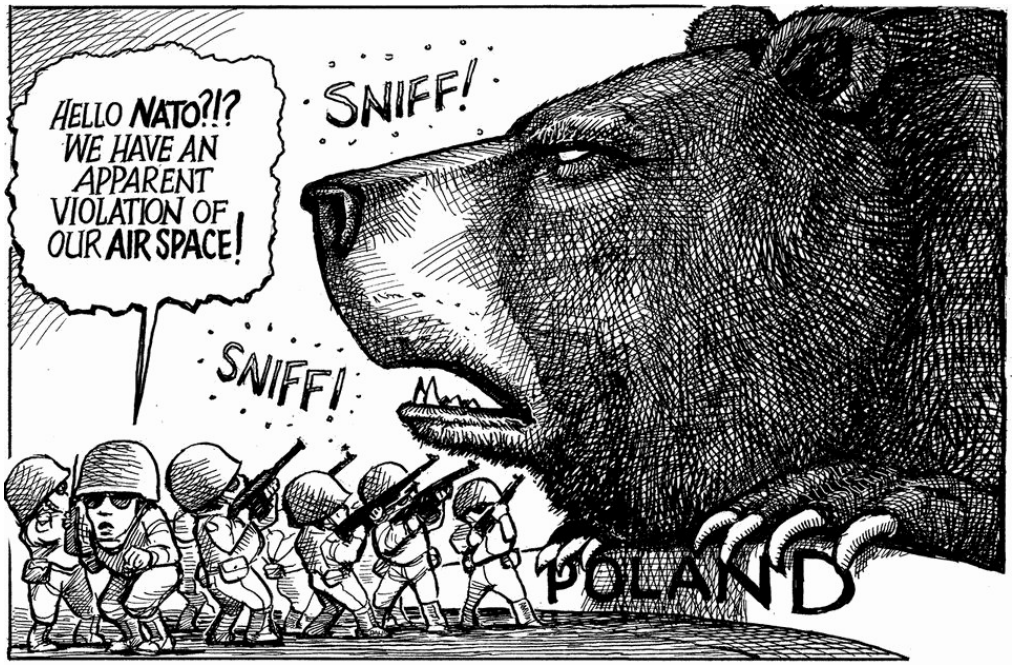
Novo Nordisk decided to cut 9,000 jobs amid intense competition in the market for weight-loss and diabetes drugs. It also issued its third profit warning of 2025. When sales surged of its Wegovy and Ozempic treatments the Danish firm increased its workforce by 75% to 78,400. But with Eli Lilly eating into its market share investors have lost their appetite for Novo’s stock, which is down by 45% this year.

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The world this week

The weekly cartoon

September 11th 2025



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

The Kremlin's plot to kill NATO's credibilityPutin's dangerous drone probe is a moment of truth for NATOWould Vladimir Putin attack NATO?

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

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Leaders

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Leaders | Burnt fingers

What if the $3trn AI investment boom goes wrong?

Even if the technology achieves its potential, plenty of people will lose their shirts

September 11th 2025



IT ALREADY RANKS among the biggest investment booms in modern history. This year America's large tech firms will spend nearly $400bn on the infrastructure needed to run artificial-intelligence (ai) models. OpenAI and Anthropic, the world's leading model-makers, are raising billions every few months; their combined valuation is approaching half a trillion dollars. Analysts reckon that by the end of 2028 the sums spent worldwide on data centres will exceed $3trn.

The scale of these bets is so vast that it is worth asking what will happen at payback time. Even if the technology succeeds, plenty of people will lose

their shirts. And if it doesn't, the economic and financial pain will be swift and severe.

Investors always flock to promising technologies, but the AI rush is more extreme than many past booms. Boosters say that artificial general intelligence (AGI)—models that are better than the average human at most cognitive tasks—could be only a few years away. The first firm to achieve it could reap unimaginable returns. Investors and innovators know they may not be backing the right model. But if they spend slowly and cautiously, they may as well not bother to spend at all.

Consequently, a relentless investment race is under way, with big tech firms splurging on the computing power needed to build the biggest models. A growing cast of extra players, from property developers to electricity generators, has been drawn in. Oracle is the latest to join the party. Its value surged on September 10th after it published an ambitious forecast for its AI-related cloud business, briefly turning its boss, Larry Ellison, into the world's richest man.

No matter what happens, many investors will lose money. In the rosiest scenario agi will arrive and usher in a new world of economic growth of perhaps 20% a year, as we wrote in July. Some shareholders would enjoy astronomical returns; many others would face big losses.

More mundane scenarios should also be considered, however. The technology may evolve in ways that investors do not expect. When alternating current eventually prevailed in America in the 19th century, for instance, direct-current electricity firms were overshadowed and forced to consolidate. Today investors reckon that the probable ai winners are those that can run the biggest models. But, as we report this week, early adopters are turning to smaller language models, which could suggest that less computing capacity may be needed after all.

Or the road to widespread adoption could be slower and bumpier than investors expect, giving today's ai laggards a fighting chance. Niggles in the technology, the difficulty of quickly supplying electric power, or managerial inertia could mean that take-up is more gradual than first hoped. As they revise down their expectations for ai revenues, many investors and creditors

could become less willing to countenance huge investments. The flow of capital could slow; some startups, struggling under the weight of losses, could fold altogether.

What would such an ai chill be like? For a start, a lot of today's spending could prove worthless. After its 19th-century railway mania, Britain was left with track, tunnels and bridges; much of this serves passengers today. Bits and bytes still whizz through the fibre-optic networks built in the dotcom years. The ai boom may leave a less enduring legacy. Although the shells of data centres and new power capacity could find other uses, more than half the capex splurge has been on servers and specialised chips that become obsolete in a few years.

The good news is that today's financial system could probably absorb the blow. Some technological busts have been brutal; after Britain's railway bubble burst in the 1860s banks were left with big losses, leading to a credit crunch. So far, however, much of the investment in data centres has been bankrolled from the deep well of big-tech profits.

Although firms including Meta are turning to debt to help fund their latest investments, their lucrative businesses and robust balance-sheets mean they are well positioned to finance a technological boom. Among the keenest to provide that credit are private-market funds, which are typically funded by rich individuals and institutions rather than ordinary depositors. AI startups tend to be financed by well-capitalised venture and sovereign-wealth funds that could withstand losses.

However, trouble spots could still emerge. The more the investment boom spreads, the more financing structures could get riskier, and the more indebted firms could be drawn in. Power companies are desperate to increase their investments to supply ai with the electricity it needs; a heavily indebted utility could easily become overextended.

America's economy, too, would suffer a nasty shock. By one estimate, the ai boom has contributed 40% of its gdp growth over the past year—a staggering figure for a sector that accounts for just a few per cent of total output. If investment projects are scaled back, or ditched altogether, that will

translate into economic pain as fewer data centres are built, and fewer workers are employed to build them.

To make matters worse, falls in the stockmarket could cause asset owners to cut back on their spending. Because the valuations of ai-related companies have rocketed, portfolios today are dominated by a handful of tech firms. And households are more exposed to stocks than they were in 2000; if prices fall, their confidence and spending could take a knock. The poorest would be spared, because they tend to hold few stocks. But it is the rich who have fuelled consumption in America over the past year. Robbed of its sources of strength, the economy would weaken as tariffs and high interest rates take a toll.

The bigger the boom gets, the bigger the knock-on consequences of an ai chill could be. If the technology ends up fulfilling the extravagant promises that have been made for it, a new chapter of history will open. However, the story of its frenzied pursuit will make the textbooks, too. ■

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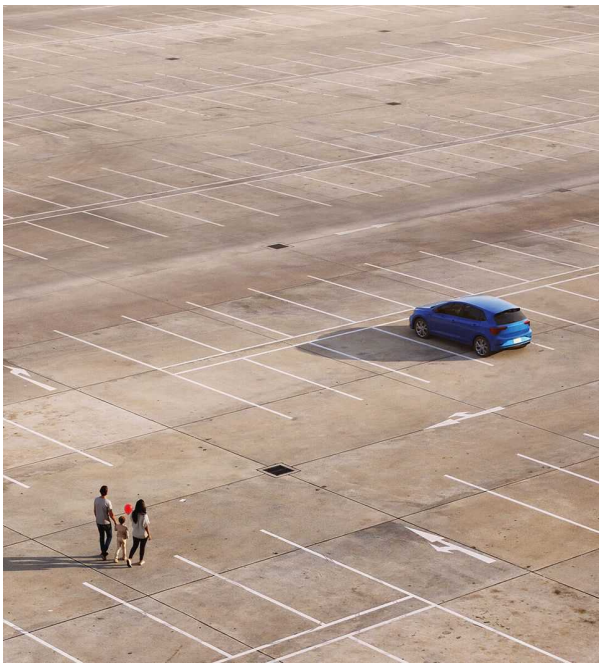
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Leaders | Peak human

Don’t panic about the global fertility crash

A world with fewer people would not be all bad

September 11th 2025



In “The Population Bomb”, published in 1968, Paul Ehrlich, a biologist, wrote that humans were breeding so fast that food would inevitably run out and “hundreds of millions” would soon starve to death. Having toyed with the idea of “interstellar transport for surplus people”, he advocated strict birth control, “by compulsion if voluntary methods fail”.

Many people still worry about overpopulation. But an increasing number, especially in rich countries, fret about the opposite: a population implosion. “Low birth rates will end civilisation,” predicts Elon Musk, a father of many.

Though the number of people is still rising, the fertility rate—the number of babies a woman can expect to have in her lifetime—has been plummeting. And not just in the rich world: two-thirds of people now live in countries

where it is below the “replacement rate” of 2.1—the standard estimate of what is needed to maintain a stable population. Bogotá, Colombia, now has a lower fertility rate (0.91) than Tokyo (0.99).

The global population will peak at 10.3bn in 2084, says the UN’s central estimate. But as we report this week, its assumptions are questionable. It assumes a sudden change in momentum, starting now: that fertility rates in many low-fertility countries will stop falling or rebound, and that plunging rates in high-fertility countries will fall more slowly. If it is wrong, peak human is much closer. If current trends continue for just ten more years before the UN’s more optimistic assumptions kick in, the global population peaks at 9.6bn in 2065, then tumbles to 8.9bn by 2100. Even that may be too optimistic.

Regardless of when the peak arrives, sub-replacement fertility implies that the global population will shrink slowly at first—and then dramatically, in a mirror image of the exponential growth that made it soar from 1bn in 1800 to 8bn today. Such a prospect alarms many.

One type of fear is broad and economic. Fewer people means fewer brains, so the pace of innovation would slow. It means less scope for specialisation and division of labour. (If only 1,000 people live in your city, good luck finding Ethiopian food or a club for your niche hobby.) Rapid shrinkage could be hugely disruptive. Heavy public debts would suddenly fall on fewer shoulders, many of them ageing. Megacities might be fine, but small towns could hollow out as the last school closes.

Another kind of worry is narrower and nationalistic. Fertility rates vary a lot between countries and groups. So some people fear a future with too few people like themselves and too many they see as culturally alien or threatening. That is one reason why populists all over the West favour bribing families to have more children, and Donald Trump has promised to be the “fertilisation president”.

Demographic forecasts are an odd mix of the certain (all the people who will be 50 in 2070 have already been born) and the unknowable (how many nippers will today’s 20-year-olds choose to have?). On a long time-scale, exponential shrinkage looks astonishingly fast. However, during the initial

phase, which is when societies must grapple with the problem, the speed of change ought to be manageable.

There are several reasons to doubt the doomsayers. Artificial intelligence may be hyped, but it is plainly advancing faster than populations are likely to shrink. So it, or another as-yet-unknown technology, will surely ease the drag on innovation from dwindling numbers of human boffins.

Another cause for optimism is that healthy human lifespans keep stretching, allowing people to stay productive for longer. In a 41-country sample, a 70-year-old in 2022 had the same cognitive abilities as a 53-year-old had in 2000. Perhaps such progress will end. But as long as it continues, it will slow the shrinkage of labour forces, giving societies crucial extra decades to adapt. Countries that waste human capital may find ways to waste less of it, by feeding and educating young minds better, and removing barriers to women working. In sum, a declining population need not mean a poorer one. Japan has been shrinking for nearly two decades, yet living standards have risen markedly.

The nationalists are right that the world's make-up will change. Even the UN's projection has China's population collapsing by more than half by 2100. India will hold steady longer. Europe and America may postpone shrinkage via immigration—or they may choose not to. The future will be more African than the present, but there, too, fertility is plunging. Big, gradual geopolitical and cultural shifts are normal. The world has coped with them in the past, and can surely cope again.

Pro-natalists hope to counter these tectonic trends by using public money to boost birth rates at home. They will fail. Governments have a role in making life easier for families, but trying to pay people to have more children than they otherwise would is either staggeringly expensive or does not work. Even Hungary, which spends a colossal 6% of GDP on pro-natal policies, still has sub-replacement fertility, and some studies suggest that its bloated baby bonuses have mostly affected the timing of births, not the total.

Shrinking, and thus ageing, populations will eventually require big economic and social adjustments. The very old will need caring for (even if they are no costlier than the young, who often spend two decades needing

support). The old are more likely to vote, so their views will shape politics. That could make it harder to raise pension ages in line with life expectancy, but sooner or later governments will have to.

Adapting to an emptier planet will not be easy, but it will be doable. None of the predictions of demographic disaster seems plausible this century, and 2100 is so far away that forecasts beyond it seem pointless. Who knows? By then parents may have technology that makes child-rearing less exhausting, and families may expand again. But that is mere speculation. For now, there is reason to pay attention but not to panic. ■

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Leaders | The Middle East

Israel’s Qatarstrophic error

Its extra-territorial campaign against terrorists has to have limits

September 11th 2025



After the massacres of October 7th 2023, Israel’s prime minister, Binyamin Netanyahu, promised to hunt down the leaders of Hamas “wherever they are”. Israel pursued them in Gaza, Iran, Lebanon and Syria. But Qatar, where Hamas’s grandees have long enjoyed a comfy exile, seemed off-limits. On September 9th that changed. Israeli warplanes bombed a villa there that was said to be hosting Hamas officials. Six people were killed, though it is uncertain if any Hamas leaders were among them. The strikes may have had tacit American approval. They are a grave error, making it harder to end the Gaza war, harming America’s position in the Gulf and undermining the Abraham accords, which offer the region a better future.

It is legitimate to strike terrorists who pose a threat and enjoy sanctuary in a state that is unable or unwilling to take action against them. Israel's attacks on Hizbullah's leaders in Lebanon are a case in point. But the Doha hit does not fall into this category. Though Hamas's leaders abroad are probably involved in its terrorist operations, Israel has tacitly approved Qatar's role as their host. With America's blessing, Doha has mediated indirect talks between Israel and Hamas. The Mossad and Israel's army opposed Tuesday's strike.

After the operation, the war in Gaza is more likely to drag on. Given that peace could bring down his hardline ruling coalition, that may be why the hit appealed to Mr Netanyahu. Talks will stall in the near term (though the Qataris say they will keep trying). As Hamas's external leaders are killed, the balance of power will shift to its isolated military command in Gaza. As Israel fights on, its generals say that further battlefield gains will be marginal. But the fighting will have devastating consequences for Palestinians.

Qatar plays a double game, selling gas to the West and making investments there, while cosying up to Hamas and the Muslim Brotherhood. That approach has backfired this year, as it has been attacked by Israel and Iran. Nonetheless Qatar hosts an American military base. If Donald Trump knew of the strike in advance, he has in effect endorsed an attack on a state under American protection. If he did not, it shows that America cannot constrain Israel. Other Gulf states may conclude that American security promises are weak. The country stood aside when Iranian drones crippled Saudi Arabian oilfields in 2019, and when drones hit the United Arab Emirates in 2022.

The biggest casualty may be the reconciliation between Israel and the Gulf states, through the Abraham accords, the fifth anniversary of which falls this month. Qatar is not a signatory but Bahrain and the UAE are—and Saudi Arabia has considered a deal with Israel. The accords promised deepening economic ties and security co-operation to deter attacks by Iran and its proxies. Israel's repudiation of a two-state peace deal with the Palestinians has stretched the accords to breaking point. Now it is asserting the right to use its military power to strike its enemies in sovereign states with which it co-operates in other respects. That is an intolerable prospect for any would-be ally.

With America's enduring military support, Israel has become a regional hegemon that has crushed Hamas, defeated Hizbullah and humbled Iran. Yet in Qatar it has simultaneously isolated itself further and jeopardised America's position, with ramifications that may last well beyond Mr Trump. Hitting Hamas may serve Mr Netanyahu's political purposes and show off Israeli might. But it has weakened Israel's position and pushed the region closer to chaos. ■

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Leaders | Europe’s air space

The Kremlin’s plot to kill NATO’s credibility

The alliance needs an emphatic response to Russian air incursions

September 11th 2025



RUSSIAN DRONES have hit NATO countries before. One, presumably destined for Ukraine, landed in a field in Poland just last month. But what happened early on September 10th was the most serious incursion into NATO territory since the alliance began in 1949. Nineteen drones were fired, largely from Belarus, a client state where Russian troops freely operate. They ended up deep in Polish airspace, where some were shot down. Others crashed, fortunately with no loss of life.

Russia says the drones veered off course because they were confused by electronic jamming. Defence experts say this is unlikely, but even if it is true it indicates that Russia is behaving with provocative recklessness. Much more likely is that Russia was deliberately probing Poland, and NATO, for

weakness, both military and political, and doing so with just the sort of ambiguity and deniability in which the Kremlin delights. The alliance, and above all America's president, now face a moment of truth. Unless the response is immediate and unequivocal, weakness is exactly what Russia will surmise.

Since the invasion of Ukraine in 2022, NATO has welcomed Finland and Sweden into its ranks and set a new target for defence spending of 3.5% of GDP. But it has also tolerated years of abuses: the cutting of submarine cables; airspace and naval violations; assassinations and sabotage. The drones in Polish skies are the Kremlin's latest test. All too often, Western officials have sought to avoid "escalation". But now European citizens may fear their borders are not safe. And escalation has already come—from Moscow. If NATO signals timidity, the risk of sleepwalking into a larger war will grow.

So far the signals are mixed. European leaders have sounded appropriately outraged. President Donald Trump has sounded bemused. "What's with Russia violating Poland's airspace with drones? Here we go!" he said on social media. This is feeble. NATO should state that all incursions in Poland and other front-line states will be intercepted, overturning the practice of playing these down. It should deploy more aircraft on Baltic and Polish air-policing missions, and shift air-defence systems, providing this does not denude Ukraine. NATO should also mount a forward-defence, shooting down drones and missiles inside Ukrainian and perhaps Belarusian airspace if these are bound for NATO airspace. And NATO should strengthen Ukraine's ability to strike drone-production facilities deep inside Russia. That will involve the transfer of intelligence, components and, if needed, long-range systems.

Much of this will require more spine from Mr Trump. Despite having promised to end the war in Ukraine in a day, he has let Vladimir Putin lead him by the nose. He insisted on a ceasefire, but then dropped the idea; he threatened harsh sanctions on Russia but did not impose them; he called for Mr Putin to sit down with Ukraine's president, Volodymyr Zelensky, but then went silent on that idea, too. Mr Trump claims to hate bloodshed, but has remained passive as Mr Putin has intensified his drone strikes on

Ukraine. Mr Putin's answer to Mr Trump's peace initiative is 800 drones a night.

Joe Biden promised America would defend "every inch" of NATO territory. Mr Trump has mused about abandoning allies who do not "pay their bills". His ambiguity about America's position is a gift to the Kremlin, which aims to sow doubt about American resolve. It also emboldens others, including Israel's prime minister, Binyamin Netanyahu, whose raid into Qatar on September 9th made a fool of Mr Trump, undercutting his efforts to end the war in Gaza.

The task before Mr Trump is simple. He must find the words that have long failed him and declare that America will uphold its treaty obligations, and defend its allies. Anything less will invite further aggression, not only from Russia but from autocrats elsewhere. ■

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Leaders | The futility of drug wars

Nitazenes: another failure of drug prohibition

As countries crack down on fentanyl, a new synthetic opioid takes off

September 11th 2025



According to Britain's National Crime Agency, there has never been a more dangerous time to take drugs. In a review of the British drug market in 2024, the agency reported a steep increase in the use of cocaine; an explosion in imported cannabis; and the spread of a new synthetic opioid.

As we report in this week's Science & technology section, drug authorities around the world are increasingly worried about nitazenes. Developed in the 1950s, these drugs are so powerful that they were never approved for medical use, meaning that far too little is known about them. The vast majority of nitazenes are much stronger than heroin and some appear to be even more potent than fentanyl, a synthetic opioid that helped kill nearly 50,000 Americans last year.

Since emerging on the illicit drug market in 2019, nitazenes have been detected all over the place. Clusters of overdoses have been reported across Africa, the Americas, Australia and, in particular, Europe. Often they are sold as other products; in Ireland they have appeared as "Chinese heroin" and in Australia they have been found masquerading as MDMA, a party drug better known as ecstasy. They also frequently turn up as contaminants or additives—in West Africa, for instance, they have been found in cannabinoid products.



Why now? Synthetic opioids suit illicit drugmakers. They are easier to make than heroin, which depends on growing opium poppies and the whims of those who control the fields. Because their chemical structures can easily be tweaked, producers can circumvent bans on specific compounds. Because they are so potent, smugglers can pack more lucrative highs into smaller, lighter packages. That is why fentanyl has long been popular with traffickers. And as drug cops everywhere have cracked down on it, many crooks have switched to nitazenes.

The timing is suggestive. Fentanyl has been controlled under a UN convention since 1964, but America stepped up its efforts in 2018 and banned all fentanyl analogues. China, the main producer of fentanyl, followed in 2019 and local production plunged. In 2021 the Taliban seized

power in Afghanistan and banned opium production, possibly disrupting Europe's heroin supply. Market conditions have thus been ripe for the emergence of a new, uncontrolled class of synthetic opioid.

This makes nitazenes an example of the Iron Law of Prohibition, proposed by Richard Cowan, a drug-legalisation activist, in 1986. Banning one compound opens the door to a new, stronger alternative—just as Prohibition in America led to a shift from beer to spirits, which are easier to smuggle and more dangerous. Indeed, some argue that America's current opioid crisis can also be understood this way. A clampdown on prescriptions of opioid painkillers left masses of patients unable to get their fix legally. So many of them turned to illicit dealers and got hooked on stronger drugs, such as fentanyl.

Better detection and treatment are needed. Overdose patients and street drugs should be tested, to reveal how and where nitazenes are being taken. Rich countries should share information about new nitazene structures with poor ones. Naloxone, an antidote to opioid overdoses, should be made more available to users' friends and family. If it is to hand, an overdoser is more likely to survive.

In the long run, governments should seek ways to discourage innovation in the illicit-drug market. Simply banning every new drug is not the answer. Nitazenes are probably too dangerous to legalise. But the best way to reduce harm to drug users and revenues for criminal gangs is to allow addicts regulated access to better-understood opioids, including heroin. ■

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Leaders | Electoral volatility

Is British politics broken? Its centre is cracking

The two traditional parties of government are under siege as never before

September 11th 2025



When Sir Keir Starmer was elected just over a year ago, Labour ministers warned that their government was Britain's last chance to see off populism. The political centre has sprung a leak even sooner than they feared. Just one in five voters now supports the government; Sir Keir's personal ratings as prime minister are dire. On September 5th Angela Rayner, his deputy, resigned over unpaid taxes, prompting a wide cabinet reshuffle.

The extremes, meanwhile, are all fired up. Whereas the Conservative Party is moribund, Nigel Farage, the leader of the hard-right Reform UK, told his party conference that he would be prime minister as soon as 2027. Although Reform has just four MPs, he is not delusional: were an election held tomorrow, Reform would have a coin-toss chance of a majority. Other insurgents sense their moment, too. Zack Polanski, a self-styled "eco-

populist", is the new leader of the once-fusty Green Party, with a pitch to be the Farage of the left. Jeremy Corbyn, whose self-belief is undented by four and a half calamitous years as the Labour Party's leader, is running a new hard-left outfit.

Britain is not the only democracy where the centre is crumbling. On September 8th France's centrist government fell over spending cuts, caught in a pincer of the hard left and right. In Germany the established centre parties have steadily lost votes, as the political system has fragmented. The middle is hollowing out in America, too, as voters are polarised between MAGA and a mob of fight-the-oligarchy lefties. The difference is that Sir Keir still has a commanding majority in the House of Commons. He must use it.

Some believe the problem he faces is that British politics is plunged into incoherence. Voters, sick of low growth and failing public services, have become grouchy and fickle, ready to follow any party that lets them vent their frustration. The other theory is that Britons, fed up with immigration, are suddenly lurching towards nativism. Accordingly, Labour's stock is falling and Reform's is rising because voters are shifting en masse from the centre-left to the radical right. Neither theory is correct.

In fact, the Brexit referendum of 2016 accelerated a trend in which age and education, rather than class, are the best predictors of voting behaviour. Work by the British Election Study, a research project, shows how this is splitting left-leaning young graduates from right-leaning pensioners. At the same time, voters see political parties as clustered in two ideologically distinct blocs, on the left and the right.

Most of the volatility comes from Britons switching among parties within "their" bloc, not from one bloc to the other. Labour is losing voters to parties to its left; the Tories to Reform. In the general election of 2024, the two old parties won a combined vote share of 57%. That was the lowest since 1910, but it was a triumph compared with today's polls, which give them a total of just 39%.

An injection of fresh competition into Britain's stale two-party system should be healthy. Voters have been badly served; no wonder they are

shopping around for something better. In practice, however, it could make Britain much harder to govern. When electoral fragmentation meets Britain's ancient first-past-the-post voting system, it produces unpredictable results. Small shifts in votes can produce huge differences in each party's tally of parliamentary seats. First past the post inflates the importance of tactical voting, further distorting the relationship between how people vote and the governments they get. When support for a party subsides after an election, many more MPs fear that their seat is in danger. This dampens the willingness to take risks. Hence, Labour is like a beached whale: it has a vast parliamentary majority, yet as its support has ebbed it has become paralysed.

For most of the 20th century, the tendency of elections to be won from the centre ground by parties with broad, stable coalitions was a force for moderate, reforming governments. But when the centre crumbles, the fringes call the shots. Prime ministers panic. They keep their bases sweet with giveaways or empty gestures. And they spend political capital to rally their base against the enemy—which is why Sir Keir is eagerly pumping up the prospect of Prime Minister Farage.

These short-term measures have tactical advantages for the centre, but they are strategically self-defeating. When governing parties put off painful reforms that take time to pay off, they forgo the progress that ultimately boosts their chances of re-election. Consider the Tories, who spent a decade seeking to outbid Mr Farage. In doing so, they turned the issue of Europe into a shrill electoral dividing line, and embarked on a senselessly "hard" Brexit. The far-reaching discontent that this caused has only fuelled Mr Farage. The Conservatives gambled their reputation for serious government to try to build a coalition that could keep winning. They ended up with neither.

That should be a warning for Sir Keir. Labour's long-term interest, and the country's, is in pursuing reforms that help revive Britain's anaemic growth and ease public anger. There are signs Sir Keir understands this. He has entrusted planning to Steve Reed, a loyalist whose mantra is "build, baby, build"; Pat McFadden, a Blairite, will encourage underemployed young people to take jobs.

Since most of Labour’s losses are to parties to its left, Sir Keir will face pressure at the Labour conference later this month to turn that way. Any cuts to welfare will face fierce opposition. Trade-union backers are growing restive. Senior Labour MPs elected on a manifesto of strengthening the mandate of the Office for Budget Responsibility, an official fiscal watchdog, are calling for it to be sidelined, so they can borrow and spend more. Take that course, and Britain’s economic malaise will deepen and the causes of voters’ unhappiness will go unresolved. Rather than emerging as the fixer of Britain's broken centre, Sir Keir will have wasted the best chance to save it. ■

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Letters

- British agriculture is the bedrock of food and drink

Letters | A selection of correspondence

British agriculture is the bedrock of food and drink

Also this week, Jair Bolsonaro, meritocracy, China's military parade, Gen Z, spies

September 11th 2025



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The Economist rarely misses an opportunity to plough a furrow through British agriculture, clearly viewing it as a legacy industry with scant prospects and little purpose other than to vacate the fields for built infrastructure ("Change in the land", August 30th). Farming may contribute directly only 0.6% of gross value added to British GDP, but that is largely a reflection of the invidious position in which it finds itself, caught between the race-to-the-bottom global commodity markets, retailers demanding

champagne for lemonade prices and domestic consumers who expect cheap food to get ever cheaper. It's a wonder we produce anything at all.

Indirectly, British agriculture is the bedrock of food and drink, Britain's largest manufacturing sector. It provides the barley to support the jobs at the brewery in Suffolk you mentioned. And in a world of increasing climatic and geopolitical uncertainty, domestic agriculture provides Britain with something rather more fundamental than economic multipliers: the insurance policy of three meals a day, even if the premium continues to shrink.

Joe StanleyHead of sustainable farmingAllerton Project Loddington, Northamptonshire

The development of urban parts of Suffolk should be designed so that people who live in this new housing can move around and connect with the local community with good modern public transport, cycleways and walkways. Planners continue to approve housing developments on the edges of towns that follow the same pattern of encouraging car use, are not properly connected to the urban centre, and don't use smart-energy solutions. This is not a good outcome over the long term.

Gareth ByattBury St Edmunds, Suffolk

I agree with your reading of Donald Trump's defence of Jair Bolsonaro's trial ("What Brazil can teach America", August 30th). Only in 2025 could shielding a coup-plotter be dressed up as defending democracy. You captured well the risks of polarisation and the unusual power of Brazil's supreme court. But you overlooked how the corruption history of President Luiz Inácio Lula da Silva is equally a source of division.

I am no Bolsonarista. As a Brazilian living in Australia, I see how more equitable societies function. From that distance it is clear how Brazilians became trapped between a strongman who threatened institutions and a president who once emptied the coffers. Lula went to prison for corruption, then returned as if nothing had happened. The rise of Lula's son hardly inspires faith in Brazil's institutions.

If Brazil is to escape its cycle of populism, reforms must confront both extremes of Mr Bolsonaro's authoritarianism and Lula's entrenched cronyism. Brazil's tragedy is not just one man in epaulettes or one in prison stripes, but a system that forces its people to choose between the two. Until that false choice is broken, no trial, coup or otherwise, will restore faith in Brazil's democracy.

Jose GuedesSydney

I agree that the judiciary is right to hold Mr Bolsonaro accountable. And that is precisely why I think the supreme court should have set the highest standards for his trial, instead of relying on a fake-news probe with a dubious legal basis. And by insisting on this shady inquiry, the supreme court eroded its own legitimacy. It fuelled the Bolsonaristas' claims and amplified polarisation and mistrust in public institutions.

Today's level of polarisation in Brazil is unprecedented. People framed the issue as a stand-off between the supreme court and Mr Bolsonaro. I see the opposite. It is precisely because Mr Bolsonaro needed to be punished that the court should have operated strictly according to the rule of law.

J.P. BastosResearch assistantFree Market InstituteTexas Tech UniversityLubbock, Texas

The justices on Brazil's supreme court are notoriously partisan. Of the five justices sitting in judgment on Mr Bolsonaro, four were appointed by Presidents Lula da Silva and Dilma Rousseff from the leftist Workers' Party: Cármen Lúcia, Luiz Fux, Cristiano Zanin and Flávio Dino. Mr Zanin was Lula's lawyer, who successfully achieved the annulment of Lula's convictions for corruption and ended his prison sentence. Mr Dino was Lula's justice minister.

The fifth justice, Alexandre de Moraes, was appointed by President Michel Temer, but previously worked for Geraldo Alckmin, Lula's vice-president, during his tenure as governor of São Paulo.

Brazil will remain a very bitterly divided nation.

Andrew Roberts London

Your discussion of "All-American silicon" (August 23rd) missed one important part of the menu. Building semiconductor fabs alone does not solve America's chip-security problem if the silicon goes back to Asia for assembly. The Biden and Trump administrations focused on the silicon fab alone and ignored the required ecosystem that includes substrates in chip assembly. Without investment in the full supply chain neither the security issue nor the supply-chain problem will be solved.

E. Jan VardamanPresident and founderTechSearch InternationalAustin, Texas

The Telegram column asked if globalisation was ever a "meritocracy", referencing the word's positive connotations (August 23rd). Michael Young popularised that term in "The Rise of the Meritocracy", published in 1958, to describe a future dystopia. It was originally intended as a satirical warning. In his chilling vision, a society that rewards "intelligence plus effort" creates a privileged elite that uses its control over education to confer "merit" upon its own families and acquaintances. This self-perpetuating cycle leads to a vast power imbalance and a starkly unequal society. The great irony is that we now use meritocracy to describe an aspirational goal, even as Young's prophetic vision of a system where opportunity is controlled by a select few seems to be materialising. Perhaps it is time to retire the term or, at the very least, use it with a wry smile.

Bill YoungArlesheim, Switzerland

America's fertility crash has reached a new low, you report, highlighting how pro-natalists in the Trump administration are searching for ways to incentivise higher birth rates ("Baby slump", August 9th). Such incentives include reserving college places for those who have more children earlier in life and supplying larger homes to those with bigger families. Indeed, Mr Trump is considering a proposal that awards medals of motherhood to women with large families.

However, a key issue laid out in my book on natalism, "Nationalising Sex", is that seemingly rational incentives at the macro level do not match the

actual micro-level decision-making of individuals. There is plenty of evidence suggesting that a couple's decision to have a child is entirely uninfluenced by the prospect of winning a medal, securing a space in college or by tax breaks. Governments need to understand why, at the marginal level, a couple decides to have only one child instead of a second. It should then target the factors that actually sway such decisions, especially for those who would actually be influenced by external incentives. Otherwise we should expect to see more floundering policy and wasted taxpayer funds on programmes that fail.

DR Richard TogmanThunder Bay, Canada

We have just seen an interesting juxtaposition in policy styles between Xi Jinping and Donald Trump ("Marching orders", September 6th). China's leader holds a massive display of force accompanied by his allies, Russia and North Korea, following a seeming rapprochement with India. Mr Trump responds by renaming America's Defence Department the Department of War. The contrast is striking, but no amount of postmodern politics, wordplay and linguistic manoeuvring can counter the geopolitical shift away from America's global dominance that Mr Trump is causing.

Peter HaasProfessor emeritusDepartment of Political ScienceUniversity of Massachusetts Amherst

As a retired lieutenant-colonel in the American army, I watched the Chinese military parade in awe and wondered how many months did those poor troops practise for this spectacle. It is absolutely true that American forces are bad marchers, mainly because we do so little of it, and for good reason. It is a waste of time when the troops should instead be in the field honing their skills for war. I remember how impressive the East German military looked at the country's 40th anniversary parade in 1989. Within a year East Germany was no more.

Kevin DunnDieburg, Germany



I read your review of the #MeToo adaptation of "The Crucible" ("From hero to zero", August 16th). It should be noted that Arthur Miller's character of John Proctor in that play, a fictional account of the Salem witch trials, was based on a real person who was executed for witchcraft. The affair with Abigail Williams, who led the accusations of witchery, was a dramatic device invented by Miller. In fact, some of the motivation behind Proctor's prosecution may have been that he was outspoken in defending his wife, who was also accused of practising the dark arts before him. If not an outright hero, Proctor stood up for truth and rationality at the cost of his life. The fact that his name and reputation are being assaulted in "John Proctor is the Villain" in the name of the latest witch hunt is truly ironic.

Kevin DeLoreyPoulsbo, Washington

I was struck by the finding that Generation Z is unhappier than previous generations ("Teenage angst", August 30th). Especially by comparison with the Silent Generation, born from 1929 to 1945. Which suggests that a global economic depression and war are better for you than social media.

Nick Wills-JohnsonPerth, Australia

Free Exchange in the August 9th issue examined whether income or happiness will make your life better. It reminded me that since my late teens

I've been absolutely baffled that so few people consider the value of their time when choosing how to live their life. Most agree that more money will make you happier. But on your death bed, will you regret that you spent so much of your life working?

Henry David Thoreau asked these questions almost two centuries ago. In Walden he wrote that the cost of a thing is the amount of life required to be exchanged for it, "for a man is rich in proportion to the number of things which he can afford to leave alone". No wonder most people live lives of quiet desperation.

Jon GodfreyGilmanton, New Hampshire

"On His Majesty's Stretched Service" (August 30th) noted that one of the tasks facing MI6 is "catching spies working for foreign services, ideally by penetrating them". It appears that James Bond's methods are still relevant after all.

Mark SchofieldLondon

I wonder if the task of MI6 agents catching spies by penetrating them is as much fun as it sounds. At the very least I hope they start by taking them out to dinner.

Duncan BroeWellesbourne, Warwickshire

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By Invitation

- AI agents are coming for your privacy, warns Meredith Whittaker
- A finance minister on what Europe must do to please Mario Draghi

By Invitation | Trouble agents

AI agents are coming for your privacy, warns Meredith Whittaker

The Signal Foundation's president worries they will also blunt competition and undermine cyber-security

September 11th 2025



SOON WE WILL all have robot butlers, an army of AI agents anticipating our needs and fulfilling our desires. At least, this is the tech promise of the moment. From booking a restaurant to asking your crush on a date, we'll be able to put our brain in a jar while a bundle of AI systems does our living for us. Why waste time on wooing when you can leave it to your botservant to turn on the charm? In pursuit of this future, the companies that dominate this market are busy injecting AI agents into the nervous system of the digital world. But as in fairy tales, so in life: relying on magical fixes leads to trouble.

An AI agent is a complex system including AI models, software and cloud infrastructure. For the system to do its thing—summarising your email or spending your money—it needs near-total access to your digital life. This is not the familiar request for permission to see your contacts; it is akin to giving "root" access to your entire device. Your browser history, credit-card details, private messages and location data are all poised to become AI fodder—heaped in an unsecure pile of undifferentiated data "context".

The push for AI agents comes as the industry is still struggling with profitability. Markets are twitchy, because despite high revenues the huge cost of AI development means pressures are mounting to break even. This helps explain the phantasmagoric promise of agentic AI. It also explains why basic lessons in privacy and digital security are being discarded.

In one sense, the problem is fundamental: there is a powerful tension between privacy and security, on the one hand, and the vision of letting a complex system with broad access to your data do whatever it wants, on the other.

Although the full agentic future has not yet arrived, the harms are already clear. Researchers have shown that AI agents can be coaxed into revealing sensitive data they have access to or tricked by hackers into taking harmful actions—from extracting sensitive code to creating havoc in homes by activating smart appliances.

Worse, the threat to communications privacy is real. Security researchers recently exposed Siri transmitting voice transcripts of WhatsApp messages to Apple servers as a part of the rollout of Apple Intelligence, an AI system developed by the firm. This undermines WhatsApp's end-to-end encryption —adding Apple as another "end" and thus breaking the guarantee that only those sending and receiving communications can access them.

In addition, the way agents are being rolled out is a threat to competition, part of a rush to acquire data by AI giants. Agentic systems are bypassing APIs (short for Application Program Interfaces)—the "front door" for accessing data from third-party apps and services. Instead of paying, these agents could potentially extract competitors' data in other ways, such as directly accessing whatever is being displayed on their users' screens. The

companies controlling these agents are positioned to aggregate such interface-level data across billions of agentic deployments, generating market insights that those building apps and services understandably don't want to hand over to rivals.

The threats to privacy, security and competition are heightened by the fact that agents are not being offered as optional apps we can choose to ignore. Operating-system (OS) developers—namely Apple, Google and Microsoft—are integrating them into the core of their platforms, making them all but mandatory.

To put it bluntly, the path currently being taken towards agentic AI leads to an elimination of privacy and security at the application layer. It will not be possible for apps like Signal—the messaging app whose foundation I run—to continue to provide strong privacy guarantees, built on robust and openly validated encryption, if device-makers and OS developers insist on puncturing the metaphoric blood-brain barrier between apps and the OS. Feeding your sensitive Signal messages into an undifferentiated data slurry connected to cloud servers in service of their AI-agent aspirations is a dangerous abdication of responsibility.

Happily, it's not too late. There is much that can still be done, particularly when it comes to protecting the sanctity of private data. What's needed is a fundamental shift in how we approach the development and deployment of AI agents. First, privacy must be the default, and control must remain in the hands of application developers exercising agency on behalf of their users. Developers need the ability to designate applications as "sensitive" and mark them as off-limits to agents, at the OS level and otherwise. This cannot be a convoluted workaround buried in settings; it must be a straightforward, well-documented mechanism (similar to Global Privacy Control) that blocks an agent from accessing our data or taking actions within an app.

Second, radical transparency must be the norm. Vague assurances and marketing-speak are no longer acceptable. OS vendors have an obligation to be clear and precise about their architecture and what data their AI agents are accessing, how it is being used and the measures in place to protect it.

These mitigations are the minimum necessary. They should be accompanied by changes in the design of operating systems that improve their ability to shield data from agents and harden their security guarantees, and by serious investment in security research to increase the chances of anticipating, rather than reacting to, vulnerabilities. Without these protections, we risk creating a future in which a few powerful companies decide that the convenience of leaving restaurant-booking or prioritising tasks to AI is more important than cyber-security, healthy competition and the right to private communication. ■

Meredith Whittaker is the president of the Signal Foundation, the non-profit parent organisation of the Signal messaging app.

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By Invitation | The Draghi report, one year on

A finance minister on what Europe must do to please Mario Draghi

A single market is not enough. It must also drive growth, writes Kyriakos Pierrakakis

September 11th 2025



IT HAS BEEN a year since Mario Draghi, a former Italian prime minister and European Central Bank governor, presented his report on European competitiveness—a landmark effort to chart a course for growth. His message then was clear: without bold reforms, Europe risked a "slow agony" of relative decline. One year on, the sense of urgency has only deepened, hence the continued ringing of alarm bells by Mr Draghi, including a recent speech in which he warned that Europe must make "massive investments… now, when we still have the power to shape our future".

Among the many recommendations Mr Draghi set out, completing the single market—the project to ensure the free movement of goods, services, capital and people within Europe—remains the most important. It is the key to unlocking the continent's next phase of growth.

The push to complete the single market must, however, go hand in hand with reigniting competitiveness. The European Commission is right to target persistent barriers that fragment the continent's economies. But although regulatory convergence is necessary, it is far from sufficient.The importance of completing the single market is underlined by stark statistics: intra-EU barriers act as a de facto tariff of 44% on average in goods—three times higher than trade barriers between American states—and an even steeper 110% in services, according to the IMF. Lowering these barriers should be a priority. Nevertheless, a new burst of European growth will require pursuing two additional, critical shifts.First, we need to be more strategic about where we pool our resources—sector by sector. Take telecommunications. It is a capital-intensive industry with declining margins, yet essential for digital competitiveness. In Europe today, telecoms operators face 27 different regulatory regimes and have had to navigate 27 separate 5G-spectrum auctions. This patchwork drives up cost, slows deployment and makes it harder to achieve scale.By contrast, America has a single regulator, the Federal Communications Commission, and a single spectrum-allocation process. Meanwhile, China has gone even further, allocating the spectrum administratively to operators, rather than auctioning it, in recognition that 5G's value lies not in auction revenues but in the applications and services it enables.Europe's position in this broader geopolitical context has been paradoxical. In recent years, global competition over digital infrastructure has evolved into full-fledged strategic rivalry. Whereas the European Union has lacked a cohesive response, European companies have often been at the centre of the most important developments—as leading providers of 5G infrastructure, standards and innovation. In other words, Europe held many of the tools but lacked the common policy to turn them into long-term industrial strength.In my own country, Greece, we tried to respond to this challenge at the national level. We retained 25% of our 5G-auction proceeds to establish a special fund to invest in companies building 5G-enabled applications. This reflects a recognition that in the digital era infrastructure alone is not enough. Innovation on top of that infrastructure is what drives growth.Had Europe instead adopted a co-ordinated or even singular

regulatory approach, a unified auction framework and a common funding mechanism for strategic tech investment in 5G applications, it might have positioned itself more convincingly as a global leader in 5G-enabled innovation. The opportunity cost of fragmentation is measured not only in missed efficiency, but also in lost competitiveness.The second required change is to align regulation with the growth priorities of the future, not the past. Take procurement, which in Europe runs under what is known as the Public Procurement Directive. Here traditional construction projects tend to move forward much more swiftly than digital or innovation-driven projects. That discrepancy is not merely procedural—it reflects the growth priorities of an era in which physical infrastructure dominated strategic thinking.Today the shelf-lives of digital projects are often measured in months. In Europe, however, the timelines to commission and deliver them are measured in years. If it takes longer to procure a digital-identity system or a public e-health platform than it does to resurface a motorway, the institutional framework is clearly exerting a drag on ambition.This is not just a matter of simplification. It is a matter of direction. The question we should be asking is not “How do we make procurement easier?” but “What do we want procurement to achieve?” The answer must be growth and innovation. That means rewriting rules to be fit for agile development, public-private technology partnerships and rapid deployment in areas like AI, cyber-security, energy transition and advanced manufacturing.Let us, by all means, eliminate the invisible tariffs that fragment Europe’s internal market. But let us also ask ourselves: what kind of economy are we enabling once those barriers are gone?The answer cannot be “more of the same”. It must be an economy that innovates, competes and grows—with an institutional architecture designed not just to manage risks, but to catalyse Europe’s potential. ■

Kyriakos Pierrakakis is the finance minister of Greece.

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Briefing

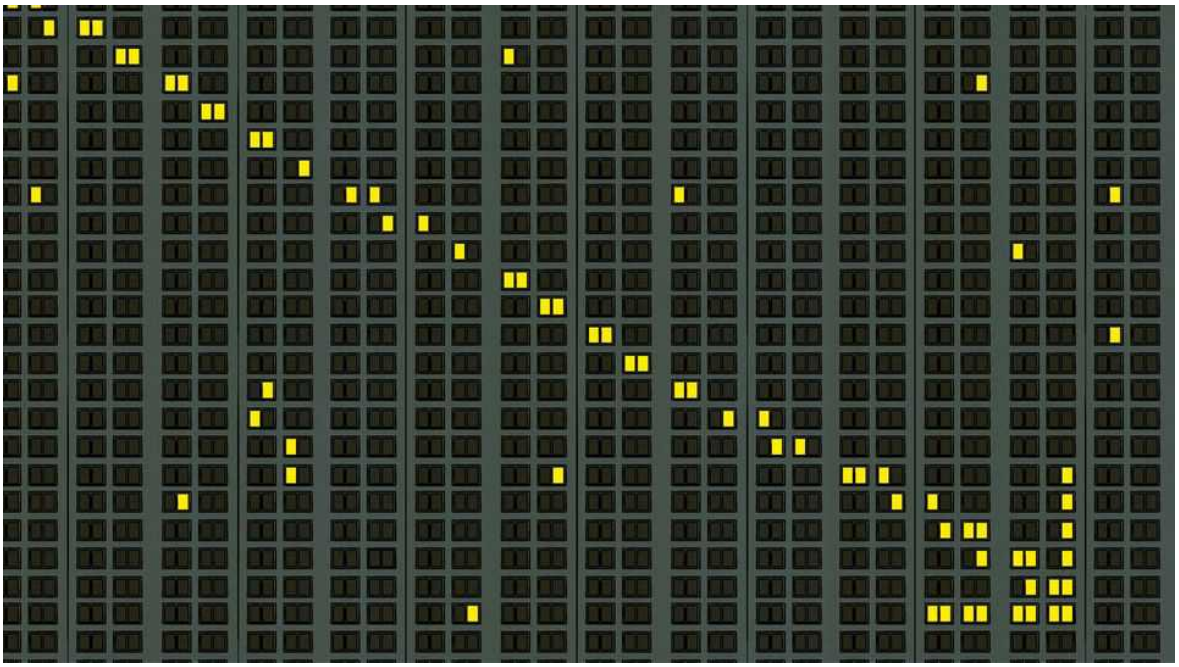
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- A contracting population need not be a catastrophe

Briefing | Population implosion

Humanity will shrink, far sooner than you think

Demography sneaks up on you

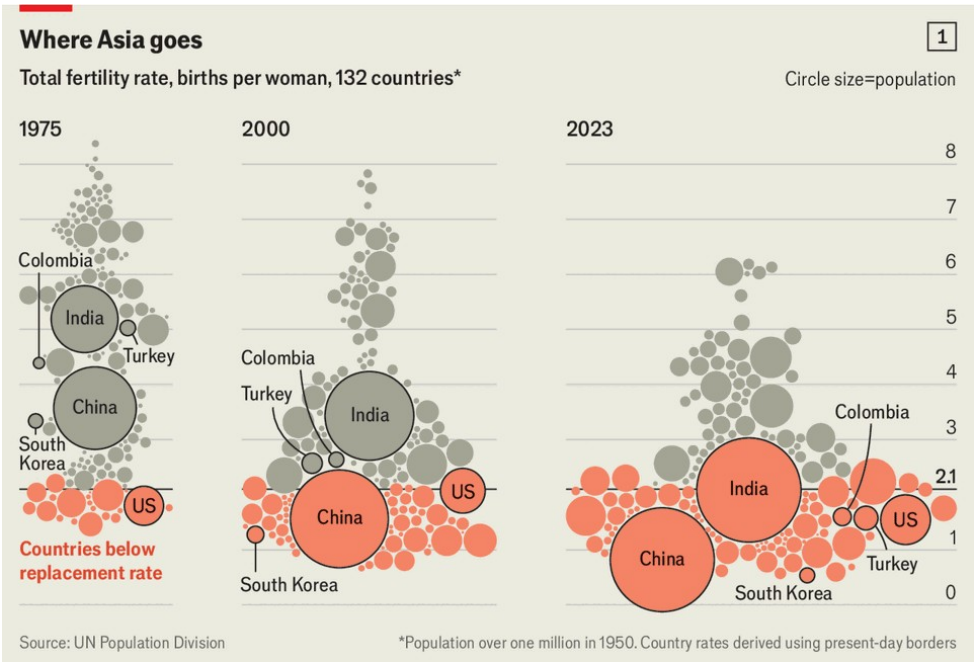
September 11th 2025



“In the past,” says Furkan Kayabasoglu, an obstetrician in Istanbul, “I would deliver a couple’s first baby and then their second or even a third.” These days, however, “one and done” parents are becoming the norm. Out of every ten births Mr Kayabasoglu attends, only one is of a second child. “We can’t even reach the number of births needed to train new doctors,” he laments.

Last year Turkey’s total fertility rate (tfr), the number of births a typical woman will have in her lifetime if current patterns persist, fell to 1.48. That is well below the level needed to keep the population stable in the long run, which is about 2.1. It was also below what demographers had expected. The United Nations Population Division thought that Turkey’s tfr would not fall so low until at least the year 2100.

Slumping birthrates are not confined to Turkey. All over the world, in poor and middle-income countries as well as rich ones, fertility is in much sharper decline than most projections had expected (see chart one). The total fertility rate in Bogotá, the capital of Colombia, is just 0.91 children per woman, lower than in Tokyo. India's tfr has fallen below the level needed to keep its population stable in the long run. It is more-or-less bound to start shrinking around mid-century.



China's population is already contracting. Mexico's tfr stands at 1.6, about the same as that of its richer northern neighbour, the United States. In 2024 France recorded fewer births than in 1806, when the population was less than half its current size. Italy registered its lowest count since unification in 1861.

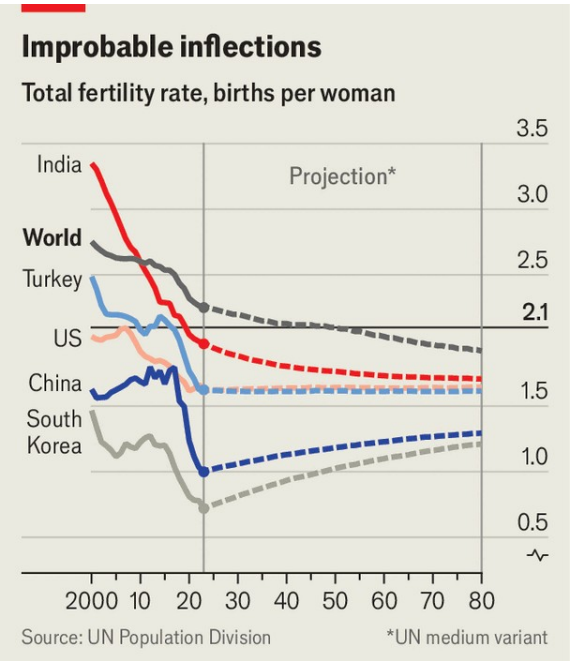
Fertility rates have been dropping for centuries, mostly for benign reasons. Social security systems mean that people need not rely on their offspring to pay for them in old age—and, because childhood mortality is so much lower, do not feel the need to produce spares. After the baby boom of the 1960s in America, and in many parts of the world today, falling fertility reflected the liberation of women, who began to spend more time in education and exercise greater choice over their careers and use of contraception. Teenage pregnancies have become rarer.

What is striking and unexpected is that the decline in fertility is accelerating. The pace of global falls doubled between the 2000s and 2010s and has doubled again in this decade, sinking, on average, by almost 2% a year. In many places the fertility rate is dropping much faster. Levels that once would have been unimaginably low are becoming routine. South Korea has had a tfr of less than one for seven years. If that is sustained, its population will shrink by more than half in a single lifetime.

Many countries have confounded demographers' expectations, as Turkey has done. The un had thought that Thai women would record a tfr of 1.2 in 2024. The actual figure was just one. In Colombia it expected a tfr of 1.63, and saw only a 2.5% chance of a reading below 1.4. But the national statistics agency reckons Colombia has already plunged under that level, dropping to 1.2 births per woman in 2023. Jesús Fernández-Villaverde, an economist at the University of Pennsylvania, thinks Colombia's tfr may have fallen as low as 1.06 in 2024. Fewer than 2m babies were born in Egypt last year, a threshold it was not expected to cross before 2100.

Only about one-third of the world's people live in countries where fertility is high enough to keep the population growing, and even in those places, rates are falling rapidly. Africa still produces many more babies than the global norm, but it is no exception to the rule of faster declines than expected. All this means that the world's population is likely to peak much earlier than experts have been predicting, at a much lower level. Rather than climbing until 2084, as the un currently foresees, to 10.3bn people, it may stop growing in the 2050s and never exceed 9bn. At that point, the world's population will start to shrink, something it has not done since the 14th century, when the Black Death wiped out perhaps a fifth of humanity.

A lower-than-expected peak in population and a more imminent decline have huge implications for humanity. It is not simply a matter of planning, although the World Bank, the imf and many governments do rely on the un's statistics for that. The world economy might struggle to cope with a sustained contraction in population, though Jeremiahs are probably overdoing it. The international balance of power, the environment, social and political structures: all are likely to be radically reshaped.



Alarming as this might sound, it is also more or less inevitable. Many population forecasts, including the un's, are inflated by implausible assumptions (see chart two). Demographers are naturally reluctant to predict that the current pace of decline in fertility rates will continue far into the future, since that would eventually yield a global population of zero. Yet even if you assume that fertility rates will stabilise or recover at some point, it is difficult to justify the choice of any particular year as the moment when that inflection might occur. In the minds of the un's demographers, the least arbitrary solution to this problem is to assume that the recovery will begin right away.

The un therefore projects that all countries that have transitioned to low fertility will follow one of only two trajectories: a stabilisation or an increase in baby-making. It puts the United States, for example, on the first path. The country's tfr has fallen almost continuously from 1.9 births in 2010 to 1.6. And there, according to the un, is where it will stay for the rest of the century. On the second trajectory is South Korea, where the fertility rate has plunged from 1.2 to 0.72 over the past decade. The un assumes it will rise slowly back to 1.3 over the next 80 years.

In none of these countries does the un expect fertility rates to continue falling. The improbable implication is that low fertility is a self-correcting

problem and that the correction will begin immediately in some of the worst afflicted countries.

It is indeed possible to imagine that fertility might recover in some countries. It has done so before, rising in the early 2000s in the United States and much of northern Europe as women who had delayed having children got round to it. But it is far from clear that the world is destined to follow this example, and anyway, birth rates in most of the places that seemed fecund are declining again. They have fallen by a fifth in Nordic countries since 2010.

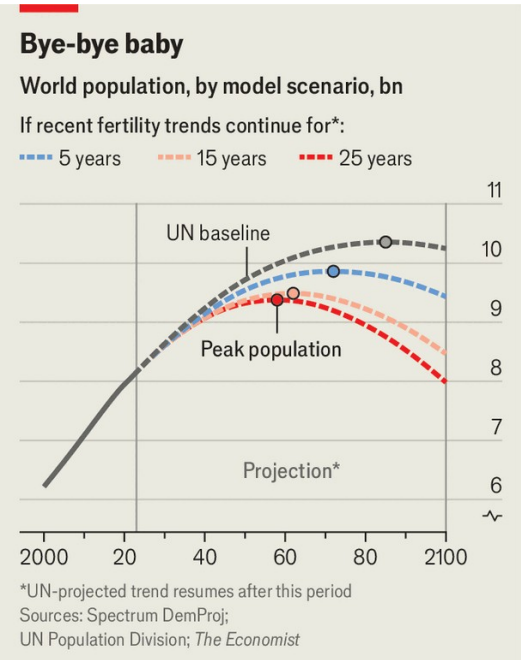
John Wilmoth of the United Nations Population Division explains one rationale for the idea that fertility rates will rebound: "an expectation of continuing social progress towards gender equality and women's empowerment". If the harm to women's careers and finances that comes from having children were erased, fertility might rise. But the record of women's empowerment thus far around the world is that it leads to lower fertility rates. It is not "an air-tight case", concedes Mr Wilmoth.

Anne Goujon of the iiasa, an institute in Austria that releases rival population projections, calls the expectation of a rebound in fertility "a bit of wishful thinking". Other demographers question the notion, too. Ms Goujon says that the institute is preparing to include scenarios in which declining fertility persists in the next round of its forecasts.

Indeed, there is good reason to suppose that fertility rates have further to fall in many countries. In India, for instance, fertility varies widely. In Delhi women can expect to have just 1.2 babies. In the poorer northern states of Uttar Pradesh and Bihar—together home to about 300m people—the fertility rate is more than double that, but is also falling. In effect, a huge chunk of northern India's population is tracing the same demographic path as wealthier parts of the country, with a lag of a decade or so. That matters because the national average, now at 1.9, blends regions at different stages of fertility decline. Even if rates stabilise in richer regions, the national rate will continue to fall as poorer places catch up.

A similar logic applies in many other countries, from Colombia to Turkey. If nothing else, the idea that the confluence of social trends that have lowered

fertility would reverse all over the world at exactly the same time beggars belief. Yet even short delays make big differences to long-term projections of the world's population.



To show how sensitive the projected date of the global peak is to these assumptions, The Economist has analysed a few scenarios (see chart three). The un expects that in 182 out of 210 countries the annualised change in fertility during the next 75 years will be greater than it has been since 2013. In most of the world, where the tfr has been falling, this means that those declines will either slow down, flatten entirely or start to reverse. In the handful of places where the tfr has been rising, it means that these recent gains would accelerate.

We have maintained this assumption, but have shifted into the future the point at which this abrupt change in the fertility curve occurs. The impact of such a shift is large. We project that if the tfr goes on falling at its recent rate for even one more year, the eventual global population peak will arrive three years sooner, with 130m fewer people. If it declines for another decade before stabilising, peak humanity will arrive in 2065, with 750m fewer people.

“Replacement fertility is a knife-edge,” says Lant Pritchett of the London School of Economics. “Over the very long run, humans shrink to zero or swell to huge numbers, depending on whether they stay below or above the replacement rate.” The assumption that TFR must trend towards replacement is alluring, simply because “It makes the maths embarrassing if you don’t.” Alarmist predictions of a “population bomb”, which were trendy in the 1960s, may have made demographers hesitant to predict the opposite: that humanity will soon be shrinking. And yet, alarming or not, that will soon be happening. ■

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Briefing | Shrinking without sinking

A contracting population need not be a catastrophe

The economics of a shrinking world

September 11th 2025



According to Elon Musk, the world's richest man and the father of at least a dozen children, the greatest potential risk to the future of civilisation is population collapse. Taking a very long-term view, he is right. If the world's population declines indefinitely, humanity will eventually disappear. But just as population growth has not exhausted the world's resources and caused mass starvation, as catastrophists have confidently predicted for centuries, shrinkage is not a calamity on the timescales that normal people use.

A shrinking population will have profound consequences. It will turn expectations about everything from housing to greenhouse-gas emissions upside down. A contracting labour force and a dwindling number of

consumers will force a repricing of many goods, services and assets. Governments will need to rethink how they fund pensions and health care, and work out how to shrink cities and towns neatly. In many ways, the transition from the old to the new will be messy.

But messy is not the same as catastrophic. The insinuation of those who see population decline as a disaster is that human societies cannot flourish without expanding. The evidence for that is flimsy.

Population pessimists tend to focus on three potential problems. First, they point out that countries, and especially their governments, have some fixed costs—notably government debt. If the number of people declines, the cost per person rises. Second, they note that shrinking societies are also old ones, and that the cost of caring for the elderly becomes unaffordable because it is spread across an ever diminishing number of workers. Finally, they worry that smaller populations generate fewer good ideas and thus will have lower productivity growth, putting an obvious solution to the first two problems out of reach. But none of these problems is as thorny as it seems.

Take debt. All other things being equal, fewer people does indeed mean less economic growth. Less growth, in turn, tends to mean lower tax receipts and so can make government debt harder to sustain. But there is another variable to consider: interest rates. Keeping debts stable as a share of gdp depends not just on the size of the economy but on the cost of borrowing. In effect, the scale of the debt problem caused by a shrinking population would depend on the saving and spending patterns in the smaller, older society, which in turn would determine the interest rate.

One theory is that governments will coddle the old with handouts, initiating a grey-haired spending binge. That would send interest rates soaring, and debt-to-gdp ratios with them. But many economists are more sanguine. People around the world tend to save for their dotage because they do not trust governments to look after them. The imf reckons the ageing societies of the future will do the same. Older workers will save more for their retirement. A relative scarcity of investment chances in a shrinking economy will force them to accept lower returns, so interest rates will decline. That would let governments service their debts more easily.

In other ways, too, an elderly population is not quite as heavy a burden as it may at first seem. There is no question that as populations contract the share of people who are of working age will shrink and the proportion who are old and in need of care will rise. In fact, that is already happening: in most middle- and high-income countries, the share of working-age adults is close to its peak or has begun to fall. That will suppress output per head.

Happily, however, there are ways of coping. The critical factor, economically speaking, is not the number of people, but the number of people in work. That is not simply a function of the working-age population, but also of the participation rate—the proportion of working-age people in or seeking work. In all rich countries, at least, the number of people in work is much smaller than the working-age population. Roughly 9m of Britain's 43m working-age adults were neither in work nor in full-time education in 2024, for example.

Raising the participation rate could compensate for a big contraction of the working-age population. What is more, economies tend to cope surprisingly well with fluctuations in the participation rate, which suggests they could also endure a shrinking population. Between 1990 and 2024 the out-of-work population in Britain has increased by 15%. In contrast, the Office for National Statistics reckons that by 2100 the working-age population will have contracted by just 7% from its peak.

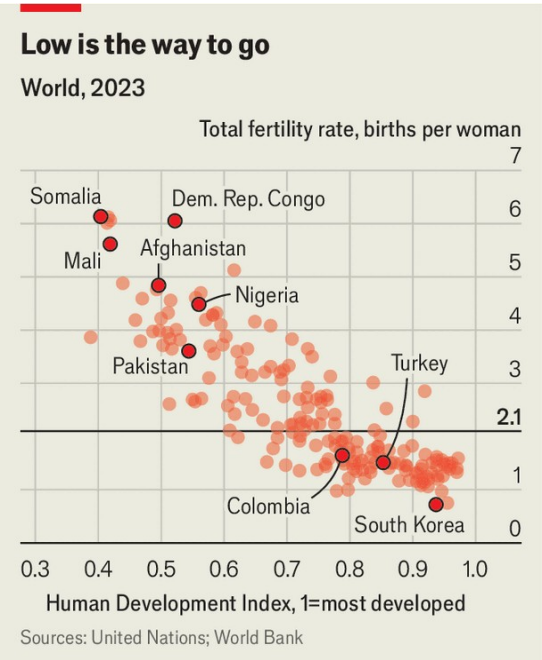
Another way to cope is for retirement ages to rise. Again, this is already happening. A recent study by Goldman Sachs found that the typical worker in a rich country is now toiling four years longer than he or she did in 2000. Older workers, remarkably, are also becoming more productive. The average 70-year-old in 2022 had the same cognitive abilities as a 53-year-old in 2000.

Young people impose burdens on society, too. Youth typically lasts longer than in previous decades, as protracted educations delay young people from joining the workforce until their 20s. That has made them mightily expensive for governments in the rich world. The British state spends more each year on the average person below 25, mostly on education and health care, than it does on health care and pensions for a typical old person.

Fewer people will lessen the pain of lower growth. Investment will indeed be depressed in economies with shrinking populations, as there is little need for new capital formation. But such places nonetheless benefit from "capital deepening" as the capital stock per person rises, which should push up productivity. In a paper published last year, David Weil, an economist at Brown University, modelled the wider economic effects of consistently low or high fertility rates. Consumption per person differed little, regardless of whether the population was growing or shrinking. Even taking into account the upkeep of the young and the old, living standards flourished in both scenarios.

Then there is the question of how shrinking populations would affect innovation. That is critical, since ideas drive productivity, and greater productivity is the most obvious way to compensate for fewer workers. Larger populations tend to generate more research and set up more businesses. The slowing growth of America's labour force accounts for around a third of the recent fall in the creation of new businesses there, economists reckon. Over time such trends are bound to leave markets more concentrated and economies less efficient.

Yet the world seems a long way from exhausting its capacity for innovation. Israel, the country that employs a greater share of the workforce in research and development than any other, still devotes only 1% of workers to it. That suggests that, even with a shrinking pool of labour, a sizeable proportion could still focus on research. In developing countries such as Pakistan, where fewer than one in 10,000 people works in technology or research, the main obstacle to innovation is not the number of people, but the poor education system and business environment that prevent them fulfilling their economic potential.



Furthermore, technology could make new ideas easier to find. Research so far has captured artificial intelligence's use in helping humans perform only routine tasks, such as handling data. But some think ai could do more. In 2020 Charles Jones and Nick Bloom, both economists at Stanford, documented how researchers were making fewer discoveries than in the past. The speed of innovation, they found, was slowing. Now Mr Jones thinks that ai could aid the search for frontier ideas. Ever optimistic, some ai firms reckon that by 2028 the models will be overseeing their own development.

Such breakthroughs open tantalising possibilities for the world economy over the next 75 years. Against them, the question of whether there are a few million extra academics churning out research slowly seems insignificant. Mr Jones may be proved wrong. But it seems likely that ai will help to determine whether the world has enough ideas in the next decades.

The world's population is not falling fast enough to kill innovation or bankrupt governments. Mr Musk, along with other worriers, thinks the only way to avoid disaster is to reverse the trend by encouraging billions of births. But if policies to trigger a baby boom exist, governments have yet to find them. And they would produce a population bursting with young

people, which is no less of a fiscal headache than a perpetually greying society.

What can governments do to prepare for the great shrink? Much will be done for them. Over the next years, as societies age, there will be more pensioners voting and consuming. Fertility fell for much of the 19th and 20th centuries as the Industrial Revolution raised Western living standards. Then, the need to provide for oldies led to innovations like state pensions and modern retirement homes. The same forces should push governments and entrepreneurs to find solutions for ageing societies.

But as schools close, cities become less friendly places for young feet and politicians concentrate on the old, the young may be left behind. The real danger is not economic disaster. Rather, it is that, in the process of ageing, the world could become a worse place to have children. In 2024, according to the UN, roughly as many people have more children than they would like as have fewer. But without many parent peers, and with little state support, fewer couples may choose to procreate, creating a cycle of falling fertility and unfulfilled desires to have children.

Rather than worry about an economic catastrophe that need not happen, or trying in vain to raise the birth rate, governments need to prepare for old societies and the new lives still to be born into them.■

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United States

- Charlie Kirk challenged liberals until the day he was murdered
- The ICE raid at Hyundai was a massive own goal
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United States | Beyond debate

Charlie Kirk challenged liberals until the day he was murdered

The activist embodied a fiery style of conservatism and energised young voters

September 11th 2025



Charlie Kirk always contended that it was better to challenge bad ideas, as he saw them, than to swallow them. His professional life was devoted to this belief. At the age of 18 he dropped out of university to launch what would become America's most prominent conservative youth organisation, Turning Point USA (TPUSA). On September 10th Mr Kirk was shot dead at a college campus in Utah doing precisely what had brought him fame, purpose and, to MAGA supporters, great acclaim: debating liberals.

Police have yet to arrest or name a suspect. On social media President Donald Trump called Mr Kirk "legendary", adding that "no one understood"

young Americans like he did. The murder follows a spate of politically motivated attacks in recent years including, of course, two attempts on the president's life last year.

Mr Kirk accomplished much in his 31 years. In the early days of TPUSA, Republican donors whom he tapped for cash must have been taken aback. Here was a gangly teenager who barely knew how to knot a necktie. Yet soon they were writing cheques, charmed by his bulldog tenacity and fierce commitment to the cause of free markets and small government. They bet on the right horse. Mr Kirk proved a formidable organiser; today TPUSA is a juggernaut. By 2023 the total revenue of TPUSA and its lobbying arm was $92.4m, according to the New York Times. It has chapters at 850 colleges and hosts buzzy events featuring big names from the political right, Mr Trump included.

Mr Kirk's influence also stemmed from his reputation as a tribune of the right, someone who was unafraid to defend conservatism against an imagined horde of blinkered libtards. Among TikTok users under 30 who voted for Mr Trump in 2024, Mr Kirk was the most trusted individual on the platform, a survey by TikTok found. He may have helped Mr Trump retake the presidency. In last year's election Kamala Harris's margin of victory among young voters was 12 points lower than Joe Biden's in 2020, a bigger swing than for any other age group. Mr Trump reportedly credited Mr Kirk for contributing to his improved showing among young voters.

Mr Kirk could easily have used his influence as a springboard to elected office. Certainly he demonstrated an aptitude for shaping the Republican Party. TPUSA spent tens of millions of dollars on a get-out-the vote campaign last year and Mr Kirk helped force out the chair of the Republican National Committee. After Mr Trump was re-elected, Mr Kirk helped vet prospective appointees to the cabinet. He had become a power-broker.

Yet Mr Kirk always maintained that he was not interested in running for office. He had something more consequential in mind. He believed that "wokism" threatened to destroy the country. America would be saved not at the ballot box but in the crucibles where culture is forged, like college campuses. A devout Christian, he wanted to carry on travelling from campus to campus, ripping the blinkers off liberal students' eyes, educating them

about the evils of critical race theory and gender ideology and urging them to start families and reclaim America for Jesus Christ.

Mr Kirk was bellicose and fiery on the stump, reflecting an age defined by partisan rancour. Americans' growing mistrust of and even hatred for their political opponents has been accompanied by a disturbing increase in assaults, near-misses and threats in recent years. These have included an arson attack targeting Josh Shapiro, the Democratic governor of Pennsylvania; a thwarted plot to kidnap Gretchen Whitmer, the Democratic governor of Michigan; and another to kill Brett Kavanaugh, a Supreme Court justice. In 2022 a man broke into the home of Nancy Pelosi, the then speaker of the House of Representatives, and bludgeoned her husband with a hammer. In June a state representative from Minnesota and her husband were murdered at home. Mr Trump was lucky to survive being shot at an open-air campaign rally in Pennsylvania.

Americans overwhelmingly reject political violence. Surveys suggest that less than a tenth endorse it and that support is roughly the same on the left and right. But in a country awash with guns, it only takes one person to commit a heinous, attention-grabbing act. "People who are looking for a purpose, who want to claim a historical mission, are moved by a public conversation that says 'you'll get attention, you'll be lauded if you hurt someone in a public way'," notes Rachel Kleinfeld of the Carnegie Endowment for International Peace, a think-tank. This applies equally to attacks against politicians as to the murder of a health-care executive last year.

Two factors tend to influence support for political violence. When elites condemn it, citizens listen: people have a follow-the-leader instinct, says Robb Willer, a sociologist at Stanford University. A second factor is partisans' perception of what the other side thinks. Both Democrats and Republicans hold exaggerated ideas about how much their rivals tolerate violence when in fact both sides mostly abhor it. This fuels misperceptions all around.

Approval of political violence is not high in absolute terms, but it is still too high, says Mr Willer. Fixing that comes through engagement. Mr Kirk acknowledged this himself. Once a woman frostily asked him why he had

come to her campus. He replied firmly, “When people stop talking, that’s when you get violence.” ■

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United States | Bye-undai

The ICE raid at Hyundai was a massive own goal

Georgia spent years wooing the foreign carmaker

September 11th 2025



The president is fixated on America's Democratic cities. Going after places that welcome immigrants has become a favourite policy. Yet on September 4th his administration arrested 475 foreign workers at a Hyundai electric-car factory just outside Ellabell, Georgia, a sleepy rural town deep in Republican country. Over 400 agents fanned out across the plant, ordering workers to present their papers or be carted off. Most of the people detained were South Korean nationals with the wrong kind of visas. Homeland Security declared it the biggest worksite raid ever conducted in the department's two-decade history.

At first glance this makes sense. Donald Trump has made clear his goal of arresting and deporting as many illegal immigrants as possible. But he is

also a president who wants to bring back manufacturing and entice foreign companies to invest in big projects on American soil. In Georgia, Hyundai was doing exactly that.

More than a decade ago the state of Georgia, the city of Savannah and four surrounding counties teamed up to woo a big firm to breathe life back into agricultural counties near the coast that did not have enough jobs to keep high-school graduates from leaving. Brian Kemp, the governor, travelled to South Korea to negotiate a deal and eventually secured a $12.6bn investment from Hyundai for a plant that promised 8,500 new jobs. The local economic-development group worked tirelessly to make the rural region attractive to Korean executives: it helped rezone land to allow for more single- and multi-family homes and encouraged voters in a referendum to endorse the construction of more schools. Since the project began in 2022, state and local governments have spent over $350m to improve the roads. They also made the area's ports deeper and wider to accommodate ships bringing parts in and cars out.

The project has been a smashing success. The factory celebrated its grand opening in March. Cars and T-shirts that day were decorated with "Made in Georgia" stickers. Although the big bosses are foreigners, the suppliers are mostly locals. Within an hour's drive of the plant 20 companies that sell materials or component parts to Hyundai have popped up. Locally sourced products will make up more than 90% of the finished vehicles. The project is bringing more economic benefit to Georgia than the Atlanta Olympics did, says Trip Tollison, the head of the Savannah Economic Development Authority. Where there were Dollar Generals and barbecue joints there are now Korean grocers and high-end hot-pot restaurants.

The raid puts Mr Kemp—not Mr Trump's favourite Republican, but an influential Republican nonetheless—in an awkward position. The governor sees the factory as his biggest economic achievement, defending it even when members of his party criticised him for backing Joe Biden's green-energy agenda. Now Mr Kemp is mostly staying quiet, perhaps partly because the state clearly played a role in the raid. Georgia troopers blocked off roads before the feds went in, and Georgia Department of Corrections buses took the foreigners away.

Mr Tollison is confident that the immigration raid will not put the Hyundai deal in jeopardy. It could, however, make other companies more skittish. Cho Hyun, South Korea's foreign minister, flew to Washington on September 8th, returning just weeks after his president negotiated a 15% tariff cap with Mr Trump. South Korea wants more legal visa options for Korean workers who have specialised skills. Those working at the Hyundai factory illegally were subcontractors flown over to install and inspect line equipment. Korean firms have long complained about lengthy visa waits, which delay construction.

The Savannah economic-development team is working to set up advanced manufacturing programmes at local colleges. They are even teaching the basics in primary school. One day, perhaps, Ellabell will have enough skilled workers to do all the jobs that need doing. But that will do nothing for the region's, and the country's, carmaking ambitions now. ■

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United States | Swab tests

The pitfalls of being a non-profit that is beholden to government

Planned Parenthood and the consequences of defunding it

September 11th 2025



While Republicans in Washington have stalled on trying to ban abortion nationally, they are having success in cutting funding to America's largest abortion provider. The pressure campaign against Planned Parenthood offers a case study of how non-profits dependent on federal money and out of step with MAGA priorities can be as vulnerable as universities to financial upheaval.

Congress, the Supreme Court and the federal bureaucracy have all taken actions that have blocked federal funds, Planned Parenthood's largest source of revenue. It is an "assault coming from all sides and all branches of government", says Alexis McGill Johnson, the organisation's head; it

amounts to “a backdoor abortion ban, while also denying services” like contraception, STI testing and cancer screenings. She says that a third of Planned Parenthood clinics are at risk of closure if it is permanently cut off from federal funds.

Planned Parenthood has a distinct role in American health care. One in three women and one in ten men have sought care at a Planned Parenthood clinic. There is no other similar organisation that has such a breadth. Planned Parenthood reports that in 2024 it provided more than 9m services, including 5m STI tests (for comparison, the safety-net programme which provides reproductive care, known as Title x, offered 4.6m STI tests in 2023).

The organisation’s management is decentralised: local affiliates are responsible for the day-to-day running of networks of clinics. Though federal law blocks Planned Parenthood from using government funds for abortion care, its largest source of financing is Medicaid, a government health programme for the poor, because of the other kinds of treatment it provides. That has made it vulnerable. Conservatives have long yearned to defund the organisation. Mike Pence, then an Indiana congressman, first introduced an amendment in Congress to do so in 2007. Those dreams are finally becoming reality.

Planned Parenthood faces three funding challenges. The first comes from the One Big Beautiful Bill (BBB) Act, the Republican megalaw. It establishes a one-year ban on federal Medicaid payments to abortion providers which received more than $800,000 in 2023. Although not all Planned Parenthood clinics provide abortions, they could be blocked from Medicaid even if they are just part of a network that does. This would be “a devastating blow”, says Alina Salganicoff of KFF, a non-partisan health-research organisation. For now enforcement is on hold while Planned Parenthood sues.

The second challenge arose from a Supreme Court ruling in June in Medina v Planned Parenthood South Atlantic. The court decided that states can block certain providers from their Medicaid programmes, clearing the way for state-level bans. Whereas the BBB’s provision hits Planned Parenthood affiliates in states where abortion is legal, Medina’s impact will be felt in states that have long been hostile to the procedure and are seeking to block the provider further. At least 14 states have already tried to block Planned

Parenthood from state Medicaid programmes in the past decade. And whereas the defunding provision in the BBB is set to expire after a year, state bans are likely to last much longer.

The third blow has come from the Trump administration's decision to pause payments under Title X. It is currently withholding funds from just under a fifth of all Title X grantees, including 144 Planned Parenthood clinics.

All this upends Planned Parenthood's funding model. The organisation estimates that because of the BBB, 200 of its clinics are at risk of closure. And because the federal government pays 90% of the cost of family-planning services, as state budgets are squeezed by other federal cuts, "it becomes much more difficult, even in a state like California, to try to kind of fill that gap," says Ms Salganicoff. Planned Parenthood has already announced the closure of over 30 clinics this year.

Where will this lead? When Texas blocked Planned Parenthood from a state family-planning programme in 2013, fewer people got contraception and there was an increase in the share of births covered by Medicaid. Though public hospitals and other safety-net clinics will meet some of the demand, they will struggle to scale up quickly enough to catch all Planned Parenthood's patients. "There will be people who fall through cracks," warns Ms McGill Johnson. An uptick in births is one reason that the Congressional Budget Office, a non-partisan scorekeeper, expects the defunding of Planned Parenthood to end up costing the federal government $52m. ■

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United States | Silly season

San Francisco’s recall fever

How much democracy is too much?

September 11th 2025



THE RESIDENTS of San Francisco’s Sunset District are angry. At a rally in early September, locals called Joel Engardio, their county supervisor, “a wuss”, “a dictator” and “a liar”. More than one person compared him to President Donald Trump. They hope to boot him from office in a recall election on September 16th. Even their pets were protesting. Kayla, a doddering 12-year-old dog wearing a yellow “Recall Engardio” sticker on her jacket, ambled towards the front of the crowd, squatted, and pushed out a turd. What did Mr Engardio do to earn the ire of so many two- and four-legged constituents? He supported turning part of a coastal highway into a park.

Sunset residents are furious that the road's closure will force traffic through their neighbourhood (though the veracity of this is hotly debated), that cyclists will speed through the new park and—more than anything else—that their opinions have been unfairly overlooked. The parable of Mr Engardio is California politics in miniature. This one municipal recall election is emblematic of the state's over-reliance on direct democracy and the tirelessness of those campaigners who resent California's recent pro-building YIMBY turn.

When most of America's western states were writing their constitutions, around the turn of the 20th century, people-power was all the rage. Progressive reformers in California championed ballot initiatives, referendums and recalls as a check on the almighty power of the Southern Pacific Railroad. But more than 100 years later these tools of direct democracy, meant to curb corruption, are often used by politicians to deflect blame or to try to weaken their political opponents.

High-profile recalls mostly failed to qualify for the ballot until 2003, when the ousting of Gray Davis resulted in the election of Arnold Schwarzenegger as governor. After that, recalls started to become part of normal politics, notes Raphael Sonenshein, an expert on local governance in California. An attempt to recall Gavin Newsom, the state's current governor, in 2021 was purely partisan—and probably helped raise his profile. In 2022 San Franciscans fired three school-board members and their district attorney. In Oakland, across the bay, voters last year ousted their mayor and the county's top prosecutor. "Recalls are in the air" like "a behavioural contagion", says Jason McDaniel, a political-science professor at San Francisco State University.

Mr Engardio's personal embrace of direct democracy has backfired. He supported the recalls in 2022 and, along with several colleagues, put the question of whether to close part of the highway on the ballot in 2024. A majority of San Franciscans supported the idea—but his own district did not. While knocking on doors around the Sunset he often tells voters that he felt the best way to decide the highway problem fairly was with more democracy. The same principle may lose him his job.

Opposition to the new park is part of a larger battle locals are waging against change. It is not just more democracy they want, but participatory democracy: more meetings, more input, more veto points for new development. Residents are wary of a proposal to increase housing density on the west side, where single-family homes proliferate. “Upzoning” is a dirty word.

Mr Engardio, a moderate Democrat, is part of city hall’s upstart YIMBY coalition. “There’s a lot of fear around height and density,” he tells a crowd at a ribbon-cutting for a new block of flats. “This building might help people see that it’s not that scary—that apartment buildings don’t ruin a neighbourhood.” Lisa Arjes, a leader of the recall effort, calls Mr Engardio’s support of newcomers to the district “politically motivated gentrification”.

One house Mr Engardio visits during his daily rounds belongs to Jake Woodfin, a pastor who answers the door barefoot with a friendly “Wassup!” He says putting the highway matter before voters on the city-wide ballot felt like “a betrayal”, but understands that San Francisco politics can too often resemble a knife fight. On some issues, he offers, “you’re cooked in this city no matter what.”■

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United States | Lights, camera, truncheon

The sinister brilliance of Donald Trump's security theatre

How the president presents himself as America's protector

September 11th 2025



Alligator alcatraz may or may not survive legal challenge. In August a court ruled that Donald Trump's giant migrant cage in a Florida swamp violated environmental rules and would have to close. On September 4th another court reprieved it. Regardless of what happens to the grim detention centre, its name will live on. A video of Mr Trump visiting it remains on the White House website. The Florida Republican Party sells "Alligator Alcatraz" shirts and beer coolers. Memes circulate of alligators in ice (Immigration and Customs Enforcement) caps performing "ice, ice, Baby", a rap parody. The underlying message resonates loudly: if you come to America illegally, expect cruelty.

Mr Trump is a master of security theatre. Whether or not he is making America safer, he is skilled at appearing to. He starts by exaggerating the dangers. The immigrants he deports are "the worst of the worst", he claims. The cities to which he wants to deploy the National Guard are hellholes: "Chicago is the worst and most dangerous city in the World, by far." The 11 alleged drug gangsters from Venezuela he blew to pieces on September 2nd were "terrorists" waging war on America.

Having inflated the peril, he orders camera-friendly actions to avert it. The soldiers he has sent to Washington stand where visitors are sure to see them. ice agents are to be given pickup trucks with his name on them in gold letters. The Pentagon released a clip of the boat of Venezuelan alleged gangbangers disappearing in a ball of fire. On September 5th his newly retitled "secretary of war", Pete Hegseth, said America's armed forces should aspire to "maximum lethality, not tepid legality".

Mr Trump's security theatre has several aims. First, to reassure his supporters that he is defending America. Second, to deter wrongdoers. The prospect of a missile amidships is supposed to make drug smugglers think twice. As for masked ice agents rounding up illicit migrants, Tom Homan, the White House border czar, told The Economist: "We've got to send that message throughout the world…there's a right way and wrong way to come to this country." This has contributed to the sharp fall in border apprehensions this year.

The third aim of Mr Trump's security theatre is to assist him in his frenetic, multifarious battle with the courts over the limits of presidential power. Much of what he does, or threatens to do, appears to be illegal. Drug smugglers do not face the death penalty in court. Yet Mr Trump claims the authority to execute alleged ones without trial.

His rationale is that drug gangs are terrorists and that some of them, such as Venezuela's Tren de Aragua, are "invading" the United States at the behest of the Venezuelan government. Thus, as commander-in-chief, he can have them killed on the high seas. Or, if they are on American soil, he can detain them under the Alien Enemies Act of 1798 and send them without due process to a prison in El Salvador. Several courts have found this argument

far-fetched. But the administration keeps repeating it. Meanwhile, the legal system cannot move as fast as Mr Trump does.

To satisfy different audiences, the administration needs careful scriptwriters. For example, the State Department says there are “no credible reports of significant human-rights abuses” in El Salvador. This could be helpful in court; it supports the White House’s legal argument that it is fine to hand over gang suspects to the Salvadoran justice system.

But in order to deter future illegal immigrants, the administration also wants to make clear that Salvadoran prisons are horrible. So the secretary of homeland security, Kristi Noem, had herself filmed in front of a grotesquely overcrowded pen of half-naked inmates at a megaprison to which her boss sent roughly 280 immigrants in March and April. “If you come to our country illegally, this is one of the consequences you could face,” she warned, sporting a $50,000 Rolex.

Security theatre, like the ordinary sort, involves deception. The breathless script insists that the people being rounded up by ice are dangerous criminals. Dull statistics suggest that most are not. Convicted criminals were only 34% of those arrested in July, down from 57% in December. Less than 10% of those detained in June had been convicted of a violent or property offence, estimates the Cato Institute, a libertarian think-tank.

A law called the Laken Riley Act says ice has to prioritise deporting criminals, but that cuts against the goal of deporting as many illicit immigrants as possible. The Washington Examiner, a conservative newspaper, reported that Stephen Miller, Mr Trump’s deputy chief of staff, “eviscerated” ice staff for going after criminals when they could be rounding up day labourers outside Home Depot. (The White House denied the report.)

Another aim of security theatre is to make Democrats look as bad as possible. When Democratic governors refuse to let Mr Trump dispatch the National Guard to fight crime in their cities and states, the White House accuses them of siding with criminals. Mr Miller accuses Democratic mayors of “rejoicing” in a “constant bloodbath” of street crime.

Politics also explains why immigration enforcement looks different in red and blue states. Republican areas tend to co-operate with ice, allowing them to show up at jails and quietly take away anyone who was picked up for any offence and has no papers. Most ice arrests in Republican states happen like this. Democratic jurisdictions are less obliging, so ice agents make most of their arrests in public places.

One that unfolded in Los Angeles in July was notably spectacular. National Guards and Border Patrol agents swarmed across MacArthur Park in Humvees and on horseback. Even the ponies wore face shields. The park is a gathering spot for newcomers from Latin America: the Trump administration said the raid targeted illegal immigrants, especially members of ms-13, a Salvadoran gang. But the Department of Homeland Security has not said if anyone was arrested. The Supreme Court has affirmed the right of ICE to perform such sweeps. City leaders called it a stunt. “If you want to film in la you should apply for a film permit like everybody else,” quipped Marqueece Harris-Dawson, the city-council president.

Pollsters find lukewarm reviews for Mr Trump’s shows. More Americans think his mass-deportation programme has gone “too far” (49%) than “not far enough” (21%) or “about right” (24%), an Economist/YouGov poll finds. More oppose sending troops to cities than support it: 46% to 40%. Some Democrats draw parallels between Mr Trump and autocratic regimes that exaggerate threats, call their enemies “terrorists” and seek to normalise the use of military force in domestic affairs. Others take him less seriously. A helicopter reporter for Fox 11, a local news station, sneezed while live-streaming the raid on MacArthur Park from the air. “Sorry about that,” he said, “I’m allergic to nonsense.” ■

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United States | Schumer’s dilemma

A budget battle offers Democrats a chance to show some backbone

They need a clearer strategy first

September 11th 2025



THE CLIFFHANGER is familiar. Funding for the federal government expires on September 30th: welcome to shutdown season. In theory, the president proposes a budget, Congress negotiates and legislation is signed into law ahead of the new fiscal year, which begins on October 1st. But this is Washington and so, with just three weeks to do a deal, prediction markets place the odds of a shutdown at around 50%.

Although Republicans hold majorities in both chambers of Congress, they need at least seven Democratic votes in the Senate to pass spending legislation, even if it is just a temporary stopgap bill. Democratic leverage is slim—and the expectations of Democratic voters hard to meet. Few want to

compromise as President Donald Trump, abetted by Republican lawmakers, has dismantled government agencies and withheld billions of dollars in appropriations. Democrats are still smarting from their last budget bout in March, when Chuck Schumer, the Democratic leader in the Senate, and nine other colleagues, broke ranks to back a stopgap spending bill. The decision sparked vituperative backlash within the party and calls for Mr Schumer to resign. “What happened in the spring was a disaster,” sighs a senior Democratic aide. “There’s a real desire not to repeat that.”

The challenge now facing Mr Schumer is three-fold. First, to show that Democrats still have some fight left in them. Second, to settle on a demand going into negotiations with Republicans. And third, should talks fail, having a clear message as to why Democrats have shut the government down. Back in March Mr Schumer worried that a shutdown would hand Elon Musk, who was slicing through the government, the opportunity to do more damage. Buoyed by the president’s sinking popularity and Mr Musk’s departure in May, Mr Schumer is showing more mettle than six months ago, warning Republicans they should not expect Democrats to “act as business as usual”. Along with Hakeem Jeffries, the minority leader in the House, he has threatened a shutdown should Republicans try to push for a stopgap spending bill without making any bipartisan concessions. But for all the fighting talk, Democrats seem as unprepared for a government shutdown as they did in March.

Consider their political demands. Some Democratic lawmakers insist that any budget bill must include assurances that Mr Trump cannot simply claw back funding approved by Congress. The president’s decision last month to rescind some $5bn in foreign aid had lawmakers, including many Republicans, in conniptions. But even if enough Republican legislators were corralled into agreeing to spending safeguards, there is no guarantee Mr Trump would follow the rules. Besides, making a big show of bringing the government down over arcane procedures like recissions is a political dud, warns Gabe Horwitz of Third Way, a centrist think-tank. “Most voters don’t understand it, there’s no political salience.”

Democratic lawmakers have begun to coalesce around making a demand on health care. Americans trust Democrats on the issue more than Republicans. Mr Trump’s “One Big Beautiful Bill” includes deep cuts to health care and

could eventually see 10.9m people lose their health insurance, according to the Congressional Budget Office, a non-partisan fiscal scorekeeper. Mr Jeffries said he would not support a bill that "rips health care away" from Americans. Many Senate Democrats, such as Elizabeth Warren of Massachusetts, plan to use the funding deadline to press for reversals to those cuts. In other words, they want Republicans to gut part of their own president's signature legislation. That is a non-starter. However, Republican Congressional leaders have opened the door to a smaller compromise that would extend some subsidies in the Affordable Care Act, which are due to expire at the end of this year, until after the midterms in 2026. That could be enough to mollify some Democrats while not alienating too many Republican legislators.

Betting on compromise and agreement is usually unwise. So the likeliest outcome is a short-term funding extension (a "continuing resolution") which keeps spending levels constant, in order to give lawmakers more time to agree to a full-year budget. That suits Republicans better than Democrats, because a continuing resolution effectively cuts spending because of inflation.

If all else fails, would Mr Schumer really shut the government down? The desire to fight Mr Trump, to resist, could be a trap. Republicans would blame the Democrats for "selling out American citizens' needs in service of the party's progressive and elitist base", warns George Pollack of Signum Global Advisors, a political consultancy. Yet voters' views of both parties are so rigid that the feedback mechanism for politicians is weaker than it should be. A coin toss seems about right. ■

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United States | Lexington

Who’s afraid of the Democratic Socialists?

They may prove to be the left’s populist alternative to Trumpism

September 11th 2025



In the campaign to be mayor of New York City, opponents of Zohran Mamdani, the Democratic nominee and front-runner, are bashing him for also belonging to another party, the Democratic Socialists of America. Does he agree with the DSA’s call to close jails? To cut the police budget to zero? To stop arresting people for misdemeanours? As Mr Mamdani tries to edge centreward without repudiating the Democratic Socialists, he is telling reporters his platform is different from that of the DSA.

What he is not saying, oddly, is that even the DSA no longer officially holds those positions. Last month it replaced its old platform—the fevered to-do list of a Utopian with OCD and a PhD in jargon—with a compact statement of still radical, but less radical, proposals, neither so grandiose nor so

weirdly particular. Gone are sovereignty for Hawaii and public ownership of media and lithium-ion-battery production, along with any summons to "decommodify survival". Gone even are demands to end the "fictions of whiteness" and the "enforcement of heteronormativity". In their place the new platform supplies a vision for "thriving working-class communities" and "an economy for the working class" by calling for Medicare for all and taxing the rich. Freeing Palestine is still in there, naturally, as is a call to "demilitarise", not defund, the police. The thing is in plain English, and it brightens its brief text with sprightly icons.

The problem appears to be one of collective action: the socialists have not got around to updating their website by replacing the old platform with the new one. "We have a very small staff," explains Megan Romer, the co-chair of the DSA. "We just literally haven't dealt with it yet." She says the new programme is meant to be a more accessible tool for organising, something pamphlet-sized she can hand "to my Aunt Linda and she won't keep asking me what the heck I'm doing with my life".

The party is spreading its sails in anticipation of a following breeze from the probable election of Mr Mamdani, which would for the first time put a Democratic Socialist in charge of America's largest city, Earth's capital of finance. Though growing, the DSA's membership is still tiny, at about 78,000. But its addressable audience, as the marketers say, is huge: a poll by Gallup published this month found that two-thirds of Democrats had a positive image of socialism, while less than half had a positive image of capitalism. A survey published in August by the Associated Press found only one in five Democrats viewed their party positively; closer to one in three volunteered adjectives like "weak" and "ineffective".

Though often told, the tale of how a billionaire luxury developer absconded with the majority of working-class voters, from the party that brought them Social Security and Medicare, remains astounding. Republicans once attacked those programmes as socialism, but Mr Trump claims to be their guardian (notwithstanding cuts to Medicare in his signature budget legislation). When it comes to intervening in the economy, Mr Mamdani, with his pledge of a few city-run grocery stores, is a piker compared with Mr Trump. The president has asserted public authority over such companies as US Steel and Intel and, with his capricious tariffs and off-with-their-heads

regulation of disfavoured industries such as wind power, embarked on central planning never before seen from a Republican president. His rightist populism has led to a new form of American state capitalism.

Socialism is emerging as the populist alternative on the left. Rising generations do not remember the Soviet Union. Indeed, like "MAGA" and unlike "Democrat", the term "socialism" carries a subversive appeal. "Anyone who calls himself a socialist in America—and this has usually been true in American history, but is especially true now—knows that they're going to invite the opprobrium of elites," says Michael Kazin, a historian at Georgetown University. "And so it's a way of showing you're an outsider, but you want to stand for a very different kind of system which can dethrone the elites in the name of the common people."

All this invites a question: what are Americans talking about when they talk about "socialism"? It varies. As advocated by Bernie Sanders, a senator from Vermont, and Alexandria Ocasio-Cortez, a congresswoman from New York, it resembles European social democracy, more bent on expanding the welfare state than awarding workers the means of production. Mr Mamdani's meaning has yet to come into focus. In his keynote speech to the DSA convention in 2023, he cited the pursuit of Palestinians' rights, not those of American workers, as bringing him to the party: "The struggle for Palestinian liberation was at the core of my politics and continues to be." He also said, because this is how American socialists, or private-college alumni, or both, evidently talk, "If socialism is our theory and DSA is our practice, then a committee is where they meet, or, as they say on Twitter, it is praxis."

But Mr Mamdani is evolving fast as a politician. He clearly grasps that, as mayor, he will be judged on the praxis of cleaning streets rather than liberating Palestine. He has cited the precedent of the "sewer socialists" who successfully governed the city of Milwaukee a century ago. In a town-hall meeting with Mr Sanders in Brooklyn on September 6th, he said he knows he must reckon with "the inefficiencies, the failures, of the public sector" to demonstrate that leftists can be trusted in executive office. "We need to deliver excellence," he said.

Yet it is also right to call him to account for his membership of the DSA. It excludes just one class of worker: not landlords, not hedge-fund

gazillionaires, but police officers. How, as a mayor leading thousands of officers he might call upon to risk their lives, could he be part of a club that won't have them as members? ■

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The Americas

- Making the Americas grate again
- What Javier Milei’s first defeat means for his future
- Jair Bolsonaro has been convicted for plotting a coup

The Americas | Monroe 2.0

Making the Americas grate again

Sanctions, tariffs and missiles push the region closer to China

September 11th 2025



Not since the invasion of Panama in 1989 has the United States acted so aggressively in Latin America. On September 2nd American armed forces destroyed a speedboat in the southern Caribbean; Donald Trump said it was running drugs to the United States from Venezuela. Eleven people on board were killed. Hours later, as he left Florida for a visit to Mexico and Ecuador, Marco Rubio, his secretary of state, declared that Mr Trump would use the "full might of the United States to take on and eradicate these drug cartels". On September 8th, from the deck of a warship at anchor off Puerto Rico, Pete Hegseth, the recently renamed secretary of war, told marines that they were on the "front lines" of a critical counter-narcotics mission.

The next day, after being asked about the president's response to the imminent conviction of Jair Bolsonaro, Brazil's hard-right former president, the White House press secretary, Karoline Leavitt, said Mr Trump was "unafraid" to use the "military might of the United States of America to protect free speech around the world".

Mr Trump's second-term policy towards Latin America is coming into focus. It has three main goals: ending the flow of drugs and illegal migration into the United States, curbing China's influence across the region, and intervening in domestic politics to prop up his friends and batter his enemies. This new posture is reminiscent of the 19th-century Monroe doctrine, under which the United States saw any foreign intervention in the Americas as a threat to its security. In the updated, 21st-century version, Mr Trump freely uses coercive tactics—tariffs, sanctions and military muscle—to hurt those who prevent him from achieving his goals in the region.

To reduce illegal immigration, Mr Trump has bullied countries into slowing the northbound movement of people, and accepting deportees from the United States. To halt the flow of illegal drugs he has designated a number of gangs operating across Latin America as foreign-terrorist organisations, giving the United States an array of new options to pursue them. He has slapped Mexico with tariffs, and threatened to expand them, if it does not stop drug-smuggling across its northern border. He is expected soon to declare that Colombia has "failed demonstrably" to curb drug-trafficking; tariffs or sanctions could follow. Military intervention of the kind now unfolding in the Caribbean has been mooted for months, including threats to strike gangs within Mexico.

Even before he took office, Mr Trump was putting pressure on the government of Panama over what he sees as excessive Chinese involvement in the operation of the Panama Canal, a shipping lane which is particularly vital to the United States. He has used the threat of tariffs to push Mexico to impose tariffs of its own on Chinese imports. Governments across the hemisphere are being told to shun Chinese infrastructure projects and warned that China is a threat to "regional peace".

Mr Trump's political interventions have mostly come in the form of support for autocrats and right-wing populists. Nayib Bukele, El Salvador's

authoritarian president, is Mr Trump's "great friend", and the only Latin American leader to have been received in the Oval Office in Mr Trump's second term. Mr Bukele pleases him by locking up deportees from the United States in El Salvador's prisons.

In Brazil, the trial of Mr Bolsonaro has drawn special attention from Mr Trump. He has called it a "witch hunt", and placed his highest rate of tariffs on Brazil in an effort to force its government to subvert the courts. The administration's treatment of Nicolás Maduro's regime in Venezuela is also high-pressure, in part because it is nominally socialist. The White House calls the country a "narco-terror cartel" and hints that it too could be hit with strikes.

Many of these actions, particularly against drug gangs and migrants, stem from Mr Trump's domestic agenda. Others are due to the manoeuvring of Mr Trump's advisers, who are constantly attempting to package their goals in ways that will appeal to him. Among the most active is Mr Rubio, a long-time advocate of a hard line on Venezuela and a hawk on China. But this approach to policymaking breeds division. One analyst in Washington notes that Mr Rubio's State Department is against clobbering drug gangs inside Mexico, while the Pentagon is in favour and the White House undecided.

Some countries are too bound to the United States to offer much resistance. Mexico, for instance, which sends 80% of its exports to its northern neighbour, would be damaged so severely by an expansion of tariffs that it has gone out of its way to please Mr Trump. As well as putting tariffs on Chinese goods, the country has sent 10,000 troops to the northern border to secure it against drugs and migrants, and launched more operations against drug gangs. Tiny Panama buckled under American pressure, and pushed the Hong Kong-based conglomerate which operates the ports at either end of the canal to sell up.



Farther south, calculations differ. Nearly every South American country trades more with China than with the United States, a gap which has yawned over the past 20 years (see chart). As a result, Brazil can shrug off the tariffs. Chile is forging links with India and Japan to avoid over-reliance on either great power. Even Javier Milei, Argentina's Trump-loving president, renewed a credit line with China despite objections from the United States.

Mr Trump's aggressive, nationalistic approach risks backfiring. The threat of being blown up may prompt some gangsters to stop running drugs to the United States temporarily, but unless Mr Trump also takes steps to reduce demand at home, prices will rise, creating an incentive to find new ways in. Mr Trump's attempts to have Mr Bolsonaro's trial quashed have strengthened the hand of Luiz Inácio Lula da Silva, Brazil's left-wing president, who will probably run for re-election next year.

But the most serious effect of Mr Trump's actions is to push Latin America towards China. In Brazil, China is now more popular than the United States. Across much of the continent, China is seen as more respectful of sovereignty. Mr Trump insists on countries cutting ties with China but offers little in return. What China offers, in contrast, is impressive; last year President Xi Jinping opened a Chinese-built mega-port in Peru. Mr Trump's policy may dissuade people from coming to his own country. He may even

kill some gangsters. But if it pushes America's neighbours into the arms of the world's other great power, the new doctrine's costs will vastly outweigh its benefits. ■

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The Americas | Argentine politics

What Javier Milei's first defeat means for his future

A bigger test looms in October

September 11th 2025



Contrition is an odd fit for Javier Milei, the aggressive libertarian president of Argentina who swept to power in 2023 labelling his rivals "thieves" and "rats". Yet after his party lost legislative elections in the province of Buenos Aires on September 7th by 13 percentage points, he gave it a try. "We will correct all our errors," he intoned gravely. Still, shocked investors dumped Argentine bonds and sold off the peso, causing it to slump by 7% before recovering somewhat.

This might seem over-dramatic for a midterm election to a sub-national legislature. Yet many view the results in Buenos Aires province, which covers nearly 40% of Argentina's electorate, as foretelling what may happen

in national midterms on October 26th. Mr Milei's party had been widely expected to win those with a strong showing, revitalising his aggressive cost-cutting and liberalising agenda, which has sharply lowered inflation. Now investors and Argentines alike are wondering whether this loss is the beginning of the end for Mr Milei and his reforms, or whether he can bounce back.

Probably the biggest reason for the poor showing was alleged corruption. Mr Milei won in 2023 by attacking la casta, the political elite, as corrupt. Yet days before the provincial election audio messages were leaked which seem to capture the head of Argentina's disability agency discussing kickbacks from a pharmaceutical company. Karina Milei, the president's sister and his chief of staff, is named as the recipient of 3% of a sum spent to buy medicines. The president denied there was any wrongdoing, but his government failed to tackle the allegations directly, instead blaming a Peronist plot.

Campaign errors compounded matters. Overconfident, Mr Milei openly suggested that the midterm provincial poll in a Peronist stronghold be seen as a referendum on his government. Worse, Ms Milei, who sold cakes prior to her brother's rise, led the government's campaign strategy and showed little interest in building a broad coalition. (She secured an agreement with a centre-right PRO party, then sidelined them.) Turnout was low. Swathes of centrist voters who backed Mr Milei in his presidential win stayed home.

Most worrying for Mr Milei's project is the possibility that he lost because voters are tiring of austerity. They may feel that his success at lowering inflation, down from 12% per month before he took office to about 2% now, no longer makes up for the hardship caused by cuts and a turbulent economy in which growth is faltering. This bodes ill because fiscal rectitude is at the core of Mr Milei's plan and underpins investors' faith in him as a leader.

Mr Milei can take some comfort: results from Buenos Aires province have actually been poor predictors of national elections. In the past four electoral cycles the winners of this provincial vote have not won the presidential election two years later. Even for the midterms in October, those predictions are uncertain. The province is an opposition stronghold, where Mr Milei lost to the Peronist candidate in the 2023 presidential run-off, even as he swept

to victory nationally. He is stronger in the rest of the country, which also gets to vote in late October. The corruption scandal may have faded by then. It would do so faster if he demoted his sister, but since he likes to compare her to Moses, that is unlikely. A strategic pivot to widen his coalition is more probable. Turnout will probably be higher, which should help Mr Milei.

The trickiest issue for October is the economy. On that front, the Buenos Aires loss creates new risks. The peso has been partially floating within bands since April. Fearing a depreciation would boost inflation, the government has sought to prop the currency up. It has weakened anyway, without much impact on inflation. As it was overvalued, that was good news.

Dramatic shifts, however, do risk boosting inflation. The post-election depreciation leaves the peso near the top of the band. A nightmare scenario for the government before the October elections would be sustained pressure on the peso to break past the upper band. A prolonged defence of it would drain both the treasury and central bank of precious foreign reserves. Defending it with extremely high interest rates, as the government has been doing, badly hurts the economy. Yet letting the peso break through risks inflation soaring, alarming voters.

Mr Milei seems bent on defending both fiscal rectitude and the upper band. "We will not budge one millimetre," he says. The bet is that low inflation, this time with a savvier campaign and fewer scandals, will win the election even with a sluggish economy. Moreover, Mr Milei has so few allies in Congress today that even a modest showing will raise his party's representation and make it easier to govern. That could prompt markets to swing behind him again, perhaps even enough to let Argentina borrow dollars abroad to help pay back debts due next year. But after Mr Milei's first election loss as president, that rosy scenario is a lot less certain. ■

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The Americas | Justice in Brazil

Jair Bolsonaro has been convicted for plotting a coup

Brazil's former president faces up to four decades in prison

September 11th 2025



Editor's note (September 11th): This article has been updated.

Four years ago Jair Bolsonaro, then Brazil's president, made a vow. Speaking to evangelical leaders, the former army captain said his 2022 re-election campaign could end only in jail, death or victory. "And you can be sure the first option doesn't exist," he said. He was wrong. On September 11th Brazil's Supreme Federal Court (STF) voted to convict Mr Bolsonaro for committing a coup d'état. The hard-right politician is due to be sentenced on September 12th, alongside several former ministers and military officials. He faces up to 43 years in prison.

The conviction is epochal. Brazil has suffered numerous coups since its independence in 1822. The most recent ushered in a military dictatorship that ruled from 1964 to 1985 and killed hundreds of people. Mr Bolsonaro is a vocal fan of that regime. After failing to disrupt the 2022 election by casting doubt on electronic voting machines, his associates devised a plan to kill the winner, Luiz Inácio Lula da Silva, known as Lula, his vice-president, and Alexandre de Moraes, the STF's most prominent judge. The coup attempt fell apart when it failed to get enough support from the army's brass.

During the trial Mr Bolsonaro and his subordinates adopted a technical defence against overwhelming evidence. They accepted the individual actions they were accused of, but claimed they did not amount to a coup. Mr Bolsonaro's lawyer said his client discussed only legal "alternatives" to handing over power and that no conversations amounted to sedition.

That did not move the judges. "Brazil almost returned to a dictatorship" because Mr Bolsonaro "doesn't know how to lose elections", said Mr Moraes as he voted to convict. "Does anyone think that [losing access to] a credit card or Mickey Mouse will change the judgment?" asked Justice Flávio Dino, as he also voted to convict, referring to the the financial sanctions and travel bans Donald Trump imposed on some STF judges in an attempt to stop the conviction. "Brazilian democracy was not shaken," said Justice Cármen Lúcia, as she cast the vote which finalised the conviction.

Mr Bolsonaro's one lifeline was Justice Luiz Fux, who voted to acquit him of all charges. The dissent facilitates an appeal to the full 11-judge bench. That would drag out proceedings, but probably not change the outcome. Bolsonaristas say it creates a path to nullify the trial via a mechanism like the one Lula used to leave prison in 2021. The severity of the charges against Mr Bolsonaro and the weight of evidence make that something of a long shot. ■

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Asia

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Asia | The prime minister quits

Japan’s new leadership struggle is far from business as usual

The exit of Ishiba comes amid political and trade turmoil

September 11th 2025



IT TOOK ISHIBA SHIGERU 15 years and several attempts to become Japan’s prime minister. It took him less than one year to lose the job. On September 7th Mr Ishiba said he was stepping down as president of the ruling Liberal Democratic Party (LDP), which in turn means he will no longer lead the country. He will remain in office until the party elects a replacement on October 4th.

Leadership changes in Japan rarely herald big changes in direction. But the coming contest looks set to be unusually consequential. The LDP is increasingly harried by upstart opposition groups. The party itself is racked by a bitter struggle between a hard-right faction and centrist ones.

Furthermore, the race is taking place at a momentous juncture for the country. On September 4th Donald Trump signed an executive order enacting a trade bargain his administration reached this summer with Japan, reshaping economic relations. And Japan's immediate neighbourhood is growing ever more dangerous: China is piling pressure on Japan and drawing closer to Russia and North Korea.

Mr Ishiba's resignation has not come out of the blue. Shortly after becoming prime minister last October, he called a snap election that saw the LDP and its coalition partner lose their majority in the lower house, leaving the LDP running a minority government for the first time in its history. On July 20th the LDP lost its majority in the upper chamber as well.

Mr Ishiba argued that the party's woes preceded his rise. He managed to hang on for more than a month after the upper-chamber election, thanks in part to a flurry of diplomatic events in August. But he could not avoid the reckoning for ever. On September 2nd the LDP released a withering report on the party's performance in the polls in July. Party elders began to call for a fresh leadership election; so too did some members of Mr Ishiba's own cabinet. The LDP was due to meet on September 8th to decide whether to arrange a snap leadership vote. Mr Ishiba pre-empted this by choosing to resign ahead of time.

He is right to say the LDP's problems run deep. In recent years a series of scandals relating to campaign and fundraising practices has eroded the public's trust in the party. It has struggled to respond to rising living costs. And it has been slow to make use of social media, at a time when new populist parties have proved adept at reaching voters online. If the LDP "is perceived as unchanging, there will be no tomorrow for the party", Mr Ishiba said in his resignation speech.

The upcoming leadership election will be a fork in the road for the LDP, which has ruled Japan with only two brief interruptions since its founding in 1955. Some in the party now believe it should lean hard to the right in order to win back supporters who are deserting it for small, nationalist groups that stir up anger towards Japan's growing population of foreign workers. Others want to see reform led from the party's centre, strengthening its identity as a "big tent" for a wide swathe of the public.

These two camps have prospective champions. Takaichi Sanae, a former internal-affairs minister who has become the standard-bearer for the right wing, narrowly lost to Mr Ishiba in last year's contest. Many of her core supporters in the Diet have lost their seats in the past two elections. But she dominated last year's vote among the party's more than 1m dues-paying members (whose preferences, as well as those of LDP lawmakers, will help determine who wins the coming race). If elected, she would become Japan's first female prime minister.

By contrast, Koizumi Shinjiro, the charismatic son of a popular former prime minister, is reform-minded. At 44 years old, his election would mark the rise of a younger generation of LDP leaders. Thrust into the role of agriculture minister this year, he burnished his reformist credentials by helping to stem a crisis over rice prices.

Others are entering the fray. Party grandees, including Hayashi Yoshimasa, the chief cabinet secretary, and Motegi Toshimitsu, a former foreign minister, have indicated they will run. They represent the status quo; they can pitch themselves as steady hands. Kobayashi Takayuki, a former economic-security minister, may position himself in the middle ground between the two front-runners, offering a blend of conservatism and (relative) youth at 50.

The implications of this choice could be huge—for Japan and for its role in the world. The new leader will have to handle an American government that is making big demands of its allies. They will have to implement the trade deal that Mr Ishiba concluded on his way out of the door. Mr Ishiba's negotiators managed to get Mr Trump to reduce the tariffs for all Japanese imports, crucially including automobiles, to 15%. But there is still much that is unclear about a huge and hazily defined new $550bn fund for making investments into America that, according to the White House, Japan will somehow finance. The administration claims that America will be able to decide how it is spent.

Japan's neighbours will be watching the leadership contest closely, too. A right-winger such as Ms Takaichi would raise the temperature with China and with South Korea, which has been trying to improve relations with Japan. Then again, Mr Koizumi has also been a frequent visitor to the

controversial Yasukuni Shrine, which honours Japan's war dead. That makes many in Beijing and Seoul uncomfortable.

In the years ahead Japan will have to find more money for defence and social policies. But opposition parties have been calling for cuts to the consumption tax to help households struggling with living costs. Mr Ishiba was a fiscal hawk; his successor may not be. So markets are jittery. In early September, as Mr Ishiba's resignation started to look increasingly inevitable, yields on long-term Japanese government bonds hit their highest levels in decades.

The new leader will have to navigate all this while also securing the LDP's faltering grip on power. Once in office, he or she could choose to call new lower-house elections in the hope of getting a boost—though that could backfire, leaving the party in an even weaker position. Another idea is to beef up the LDP's coalition by bringing in a new party.

Whoever wins the race will need to gather some support from opposition lawmakers just to be confirmed as Japan's prime minister. That will be an early jolt on the bumpy road that stretches ahead. ■

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Asia | People power in Asia

Huge demonstrations bring down Nepal's government

The upheaval brings much uncertainty

September 11th 2025



NEPAL HAS churned through 14 governments since it junked its monarchy in 2008. Yet the chaos that unfolded this month in Kathmandu and other cities was unprecedented. On September 8th at least 19 youngsters taking part in demonstrations against government corruption were killed, apparently by security forces; the following day the prime minister, Khadga Prasad Sharma Oli, resigned. His departure did not immediately satisfy protesters who were outraged at the killings. A day of destruction followed.

Mobs ransacked and set fire to Nepal's parliament, government offices and the homes of politicians. A former prime minister's wife is reported to have been badly burned in a blaze. Politicians were beaten up in the streets;

prisons were attacked, leading to the escape of thousands of inmates. Calm began to return when the army said it was stepping in to restore order. It declared a curfew until September 12th, but signalled that it could last longer.

All this marked a swift and violent escalation of protests that had started gaining momentum only a few days before. The most immediate spark for the upheaval was the banning on September 4th of 26 social-media sites, including Facebook, WhatsApp and Instagram. The government said these companies had failed to register with the authorities, as required by new regulations.

But that draconian blackout (since reversed) was only one of many grievances held by the mostly young Nepalis who took to the streets on September 8th to protest. GDP per person ($1,447 in 2024) is the lowest in the neighbourhood. Jobs are in short supply—more than a fifth of youngsters are unemployed—and corruption is endemic. Many youngsters feel compelled to seek work abroad: remittances make up more than a quarter of the country's GDP.

The country's political class is small, chummy and entitled. (When Mr Oli became prime minister in 2024, he had already served three previous stints in the country's top job.) In the weeks before the crisis young Nepalis had been flooding social media with posts highlighting the comfortable lives of politicians, civil servants and, in particular, their globe-trotting offspring. That made the social-media switch-off feel even more like a muzzling. And when protesters were fired upon, the fury was unbridled.

Participants in this protest movement—which has come to be dubbed the "Gen Z" movement, in reference to their age—have tried to distance themselves from the riots and looting that soon erupted. At least some blame Maoist infiltrators. On September 10th representatives from the movement held talks with military leaders. They have been calling for a caretaker government that would exclude most career politicians.

One name floated to lead such a government is Sushila Karki, a former chief justice who was seen among protesters in the capital. As The Economist went to press there was not yet word on whether this proposal would be

accepted. The country's big political parties are demanding to be included in the negotiations. And at least some Nepalis have seen the unrest as an opportunity to call for the return of the monarchy.

The turmoil will have regional ramifications. India, Nepal's neighbour and its biggest trading partner, has long pushed it around. Yet in recent years its influence has been challenged by China, which has poured money into Nepal through its belt-and-road infrastructure initiative and which keeps a watchful eye on the Tibetan community there. Mr Oli had been seen as sympathetic to China. But India is doubtless very worried about the instability on its doorstep. In response to the crisis, India's prime minister, Narendra Modi, convened his security cabinet and ordered the closure of the land border with Nepal.

In recent years popular revolts have rocked several South Asian countries. Last year a student-led movement toppled Sheikh Hasina's regime in Bangladesh, leading to the installation of an interim government that talks of holding fresh elections in 2026. Three years ago an uprising in Sri Lanka forced out President Gotabaya Rajapaksa and his brother Mahinda, the prime minister. In the past Nepal has missed many chances to reset its dismal politics. The country's 30m people must hope their leaders grab this fresh opportunity with both hands. ■

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Asia | Fire and water

A giant “knife-fight” in the Pacific

America, Australia and China battle for influence among the island states

September 11th 2025



IN 1942 Guadalcanal saw hand-to-hand combat between American marines and Japanese soldiers. On September 10th the island hosted another geopolitical tussle—when leaders of Pacific-island countries as well as Australia and New Zealand met in Honiara, the capital of the Solomon Islands, for their annual summit.

China was expressly not invited, but its diplomats were on the ground in Honiara anyway, seeking to influence Pacific-island leaders. Its pushy diplomacy is part of a regional contest that Australian officials liken to a “knife fight”. China is seeking diplomatic, economic and military beachheads across the Pacific. And the region’s traditional patrons—America, Australia, and New Zealand—are fighting back.

China is already the dominant economic partner for many small Pacific countries. American officials say China would like to station military forces in the Pacific, too. Chinese navy ships and air-force planes have been visiting the region more often, ostensibly to deliver aid. And China is said to have sought privileged access to ports or airfields in at least five Pacific countries. Having a permanent military presence in the region would make it easier for China to boss small Pacific countries around. And if conflict breaks out over Taiwan, say, it would complicate American and Australian war plans.

American, Australian and New Zealand officials say that China would already have a base in the region but for their efforts to block one. Yet China's access to commercial facilities such as ports that could prove useful in a conflict is of nearly equal concern, says Mihai Sora of the Lowy Institute, a think-tank in Sydney. These sites "have all of the building blocks, even if there's not a plaque out front that says, 'This is a Chinese military base'".

Since 2019 Chinese state-owned firms have been looking to lease a deepwater harbour in the Solomon Islands. Some of these harbours sit next to airstrips built by American sailors in the second world war. In one case, a Chinese firm told local officials that a proposed port would be used by the Chinese navy. Efforts to secure similar facilities have been knocked back in Kiribati, Samoa and Papua New Guinea.

Another area of Chinese influence is policing. Only three Pacific-island countries have armed forces, so joint initiatives between police forces are the main way these places can co-operate with outsiders on security. China has its own police on the ground in three Pacific countries, including Kiribati, the closest Pacific island chain to Hawaii, and Vanuatu, the closest to Australia (they are supposed to be training local police, among other tasks). In 2023 China struck an agreement to boost security for the Pacific Games, held in the Solomon Islands that year. The athletes left when the games wrapped up, but Chinese cops are still there.



Not all Pacific-island countries are equally vulnerable to Chinese influence. Geographers divide the region into three zones (see map). Micronesia has historical and political ties to America; Polynesia tends to look to New Zealand as the regional power; Melanesia has its closest relations with Australia.

It is the Melanesian countries, many of them dominated by a “big man” style of patronage politics, which have proved most open to Chinese overtures. And within that grouping it is the Solomon Islands in particular where China has made the greatest inroads. Chinese firms are ubiquitous there; locals call one, CCECC, “China China Everything China China”. Many Solomon Islanders claim to dislike the Chinese presence. But politicians and officials jump to China’s defence when its dealings in the country come under scrutiny.

Australia has been working hard to block Chinese progress in the Solomons. It has more than matched Chinese aid to the country. But the contest is finely balanced. In Honiara, a one-road town, you can find both Australian and Chinese billboards boasting of generous co-operation.

Lately China has been trying to use its leverage over the Solomons to achieve a bigger goal—to sow discord within the Pacific Islands Forum

(PIF), the region's main intergovernmental organisation. That institution, which counts 18 Pacific countries as members, has long helped promote trade and resolve disputes. But China sees it as an obstacle to its ambitions. Whereas Australia and New Zealand are full members of the PIF, China may attend its meetings only as an observer. It worries about the bloc coming to agreements that make its goals more difficult to achieve.

This year China asked the Solomons to prevent Taiwan from attending the Pacific leaders' summit that it hosted (Taiwan, like China, is usually allowed to attend as an observer). That had the potential to cause a big schism between the three Pacific-island countries that continue to recognise Taiwan and the rest of the bloc. Analysts say this was not just another Chinese effort to freeze Taiwan out of international affairs; it was a concerted attempt to pry Pacific islands apart. Squabbling in the bloc increases the chance that China can set up its own rival diplomatic institution, which would exclude Australia, New Zealand and the islands that recognise Taiwan. China already invites that set of leaders and foreign ministers to a meeting each year.

In the end the Solomons came up with a compromise. Unable to defy China, it chose instead to ban all non-member observers from the meeting—including China, America and the EU. This made lots of people unhappy. But it has prevented Taiwan-supporting countries from boycotting the big event—a rupture that might have had lasting consequences for the region.

This is just one skirmish. There will be many more to come. As Penny Wong, Australia's foreign minister, has said, China is now engaged in "a permanent contest" for influence over the Pacific. At airfields, ports and police academies around the region, expect Chinese officials to keep on pushing their luck. ■

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Asia | Banyan

The world’s most powerful volunteers

India’s Hindu-nationalist RSS has turned 100 years old

September 11th 2025



TO MARK THE centenary of the Rashtriya Swayamsevak Sangh (RSS), Mohan Bhagwat, its leader, last month delivered a series of speeches. He recounted the long history of an organisation that claims to be the biggest volunteer group in the world. He defended its Hindu-first vision for India. By the standards of your average birthday party, the hours-long lectures were not fun. But for a movement that prizes discipline and obsesses about ideology, it seemed a fitting way to celebrate.

The RSS insists that its more than 5m members—all male—are doing India good. They gather regularly in over 83,000 shakhas (branches) across the country to recite prayers, play games, perform martial drills and do charity. They aspire to make India a rigidly Hindu country—one in which minorities,

notably Muslims and Christians, should accept Hindu culture as pre-eminent. This philosophy, known as Hindutva, runs against India's secular constitution but underpins the RSS and its large family of affiliated organisations. These include student clubs, charities and a giant trade union.

These days much of its power comes through its ties to politics. India's ruling Bharatiya Janata Party (BJP) is the RSS's ideological offspring. The prime minister, Narendra Modi, is the group's most famous alumnus. Mr Modi served as an RSS pracharak (worker) for many years before moving to the BJP. In a speech last month he celebrated the RSS's vast size. His cabinet contains several RSS men. The group's cadres sometimes act as campaign workers for the ruling party.

This outcome was difficult to imagine when the RSS formed in 1925. Its creator, a doctor-turned-activist named Keshav Baliram Hedgewar, talked of restoring India to greatness after centuries (as he saw it) of humiliation under Muslim and then British rule. Hedgewar created a paramilitary-style volunteer corps. Some of the organisation's early leaders professed admiration for European fascists. Its path has sometimes been rocky. The RSS was banned in 1948, when a former member assassinated Mahatma Gandhi. It was proscribed again in the 1970s, and then in the early 1990s.

Yet even during those periods its ideas have resonated with many Hindus, particularly the pious and those who crave the sense of belonging the organisation can provide. And over the past decade the RSS has greatly benefited from Mr Modi's huge popularity—just as the prime minister has benefited from its endorsement.

A degree of pragmatism has also helped the organisation endure. Early RSS leaders were wary of getting involved in politics; later ones saw it as a way to grow. Senior members have distanced themselves from some of their predecessors' rhetoric (not least the stuff about fascists). And they have taken to stressing harder the scale of the RSS's charity work, which now includes some 150,000 projects.

On some very core issues, too, the RSS has seemed willing to bend. Though it claims to champion cottage industry and Indian self-reliance, the organisation has largely accepted the BJP's embrace of global

capital. Earlier this year Mr Bhagwat backed a popular call for India to carry out a caste census, even though the RSS (which likes to play down caste divisions among Hindus) had long opposed this.

But on one goal the RSS has not wavered: its wish to make India a Hindu-first nation. And in many regards, that mission is looking close to complete. Some long-prized objectives have been achieved, such as the deeply divisive construction of a temple on the ruins of a destroyed mosque in Ayodhya (approved by India's Supreme Court). Hindutva has seeped into public life; even politicians who oppose the BJP see advantage in portraying themselves as committed Hindus. Many Muslims live, in practice, as second-class citizens.

In its moment of triumph, however, the RSS seems restless. In his speeches Mr Bhagwat warned darkly of threats to national unity. Organiser, the RSS publication, carries outlandish stories about supposed risks that Muslims and others pose to Hindu culture. The RSS is fuelled both by confidence and paranoia.

Can the RSS hang on to the clout it has accumulated? The answer depends somewhat on who succeeds Mr Modi; on the BJP's electoral fortunes; and on how far its leaders remain willing to pander to the organisation's chiefs. One thing, at least, is clear. Even if its direct links to political power in India deteriorate, its influence over Indian society will not quickly fade. ■

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China

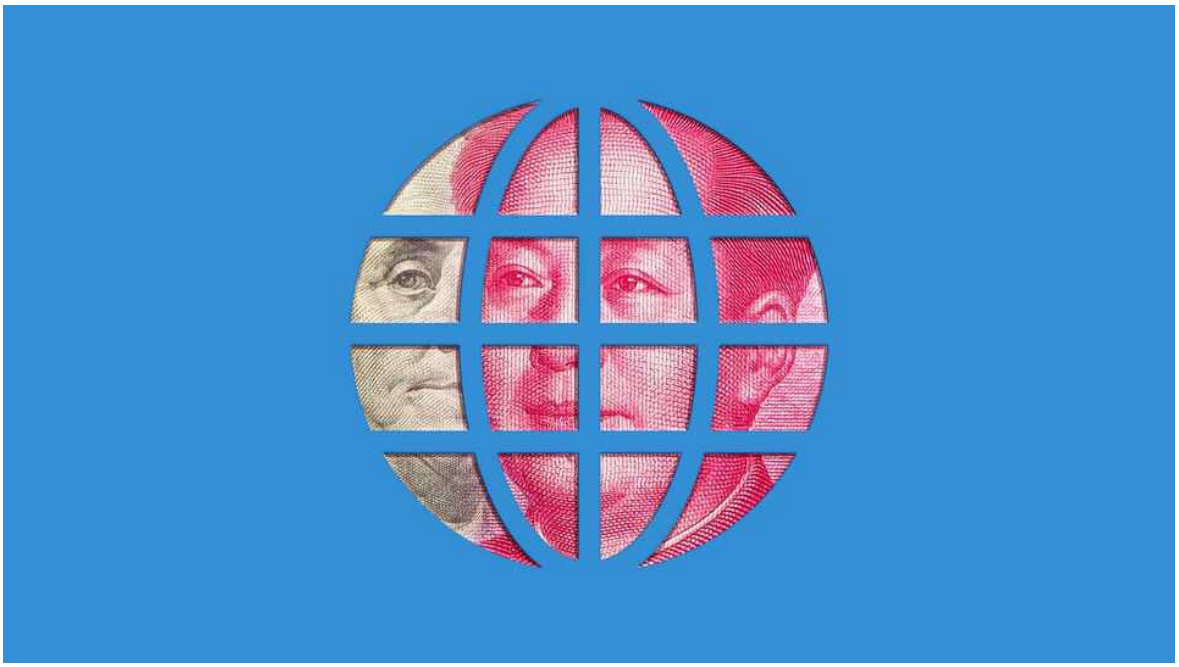
- China is ditching the dollar, fast
- “Dalifornication” grips China
- Director Fang is laughing all the way to the bank

China | From greenback to redback

China is ditching the dollar, fast

Officials believe that the yuan has finally come of age

September 11th 2025



CHINA'S LEADERS sense an epic opportunity. President Donald Trump's erratic trade policy, gaping fiscal deficits and threats to the independence of America's Federal Reserve risk badly hurting the dollar. It has slumped 7% on a trade-weighted basis since January, and had its worst start to a year since 1973. By contrast, China's tightly controlled currency, the yuan, has reached its highest level since Mr Trump was re-elected in November. Foreign investors are piling in. So are many governments looking for dollar alternatives.

Such keen interest is not new. Neither is China's desire to internationalise the yuan. The country's first such push began in 2009 and saw it loosen some capital controls. That ended painfully back in 2015, when a

stockmarket rout and currency devaluation saw money rush for the exits. A capital clampdown followed and ended the yuan's nascent rise. This time around, officials are eager to ensure that progress is lasting and that they retain a tighter grip over capital flows.

China's leaders think a globally accepted yuan can insulate their exporters from movements in the dollar's value and blunt the threat of America's financial sanctions. Some officials hope that foreign firms and investors will overlook the state's rigid control and, perhaps, even come to see it as an asset. In recent years they have made surprising gains. The yuan's share of invoices and overseas lending has grown and there has been an impressive buildout of non-dollar financial infrastructure to match. But officials seem to recognise that foreigners now need greater incentives to use the yuan and to invest in yuan assets.

So what has China achieved so far? By any measure, the yuan lacks cachet. Though China is responsible for nearly a fifth of global economic activity, its tender is used in only 4% of international payments by value (compared with 50% for the dollar). Yuan assets make up just 2% of global central-bank currency reserves (compared with 58% for dollar assets). A lot of this mismatch can be blamed on China's controls on money flowing in and out of the country. Many economists think that internationalising the yuan is impossible while they remain in place.



But even after America became the world's largest economy, it still took decades for the dollar to achieve dominance. By that timescale, China is making surprisingly rapid progress. Its modest share of international payments has doubled since 2022. That is mostly thanks to changes at home. Increasing the yuan's share in China's own trade was an important step. Over 30% of China's trade in goods and services is now done in its own currency (compared with 14% in 2019). It settles more than 50% of its total cross-border receipts (including financial flows) in yuan, up from less than 1% in 2010 (see chart 1).



What policymakers ultimately want, reckons Dinny McMahon of Trivium China, a Beijing-based consultancy, is to create a stable circulation of yuan in and out of the country. That should boost the use of offshore yuan and improve foreigners' ease of access to the currency. In May regulators told big banks that no less than 40% of trade-facilitation lending should be done in yuan. To increase circulation, officials want to encourage trade partners to accept China's currency as payment. A major lure is offering them yuan liabilities. A study released in May by economists from the Federal Reserve found that after sanctions were imposed on Russia in 2022, Chinese banks switched nearly all of their new overseas lending out of dollars and into yuan (previously only 15% of loans were made in yuan), thereby tripling the stock of outstanding yuan debt (see chart 2).

The government is pursuing the same strategy with its own balance-sheet. In the time since it began its internationalisation push, China has extended 4.5trn yuan ($630bn) in swap lines to 32 central banks, creating a global financial safety net that rivals the scale of the IMF's. Only a fraction of such lines has actually been drawn on. The idea is to guarantee countries' access to yuan in a crisis, giving them the confidence to borrow and buy in the currency.

While all this has been going on, China has also sorted its own financial plumbing. Now it can transact with others without touching the dollar system through a variety of means. These include the digital yuan and non-bank digital payments (such as through QR codes on apps popular in Asia). Most important is the invention of CIPS, which bears similarities to SWIFT, the West's bank-messaging system. Since Chinese banks can and do transact outside SWIFT, the yuan's role in international payments is probably being undercounted, says Josh Lipsky of the Atlantic Council, an American think-tank.

More than 1,700 banks have signed up to CIPS across the globe, up by a third since before the war in Ukraine. Transaction volumes rose faster than ever in 2024, up by 43% to 175trn yuan ($24trn). Clearing banks to settle yuan payments (almost all of which are operated by Chinese institutions) have been set up in 33 markets. Some joined this year, including banks in Turkey and Mauritius. China began working with the United Arab Emirates in June in order to expand the CIPS network into north Africa and the Middle East.

Last year several billion dollars were said to have been transacted over a digital-currency network called mBridge, built by China with other central banks. An American official speaking in January said that although such payments were still economically insignificant, they had "already surpassed a threshold of geopolitical consequence". Chinese regulators have directed banks to increase their use of mBridge. The appeal is obvious. In August a firm in Xinjiang, a region where entities are under sanction for using forced labour, used mBridge to pay its foreign shareholders.

What now? China's government, which has turned inwards for self-sufficiency in critical areas, must expand access for foreigners to its financial markets. The number of financial contracts open to foreigners to trade on onshore markets has more than doubled this year; outbound quotas for domestic investors have expanded.

The coming months could prove crucial. Waning trust in the dollar and a supportive macroeconomic environment should boost China's efforts. A lift in the stockmarket has given foreigners a financial incentive to hold yuan assets. Interest-rate cuts and deflation have pushed borrowing costs in the

offshore market to below 2%, the lowest level since 2013. Firms, including foreign ones, are on track to issue a record amount of so-called “dim sum” yuan bonds this year.

China’s next safe move is opening up its onshore capital markets to its pals. In July Hungary issued about 5bn yuan in so-called “panda bonds”, the largest single sovereign issuance to date. On September 8th the Financial Times reported that Russian energy firms had been given the go-ahead to issue yuan-denominated paper. Kenya may soon swap the dollar debts it owes to China into yuan. Meanwhile, Brazil is mulling a new issuance and Pakistani officials have been in Beijing to pitch potential creditors.

Despite the buzz, officials are taking a long view. In a big speech in June China’s central-bank governor, Pan Gongsheng, declared that the global financial system was becoming “multipolar” and that in future the dollar would be forced to compete with other currencies, such as the yuan. Such competition, China hopes, means the country will have to do less to reduce its dollar dependence, and can resist liberalising capital flows and the exchange rate. The yuan may yet be a global currency with Chinese characteristics. ■

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China | Consumer culture

“Dalifornication” grips China

On tour with the low-income leisure class

September 11th 2025



Few destinations in China are as laid-back as Dali, a south-western backpackers’ haven that has been nicknamed Dalifornia. Frazzled types retreat to its lakeside old town for the summer. They often hang around for months on a shoestring. By several accounts from restaurateurs, hoteliers and travel operators, the city’s tourist areas appeared busier this summer than ever before. One local merchant grumbles that too many visitors come only to bai piao, or freeload.

Why is Dali so full? Rich urbanites, jolted by China’s continuing property crisis, are cautious about parting with cash. Many spend less than they did in the past on dining and travel, a phenomenon known as “consumer downgrading”. This might partly explain the town’s bustling streets and

teeming cafés. But there also seems to be another story unfolding. One reason such places are flush with bargain-hunting tourists is that less wealthy groups actually appear to be travelling more this year than they have in the past.

In the first half of 2025 Chinese travellers took 3.3bn domestic trips, up 20% from the same period last year. (Each ride on a plane or train is counted as one trip.) The total amount shelled out by these tourists surged by more than 15%. It was the first time travel spending in the first half of the year exceeded pre-pandemic levels. But digging into the numbers per trip, tourists spent 4.3% less than a year ago. On average, Chinese travellers are spending only slightly more per person now than they did in 2019. This can probably be explained by the addition of more lower-income travellers, reckons Joe Peissel of Trivium China, a Beijing-based consultancy.

Spending among different income groups is hard to disentangle in official Chinese data. But one finding from a recent consumer survey by Bank of America backs up the idea that lower-income households might be spending more of their disposable income. Some 54% of respondents making less than 100,000 yuan ($14,000) a year said they expected to increase their spending in the future, a leap from just 34% in June. This jump was bigger than in other income groups.

Who is spending, and where, has serious implications for China's economy. People in smaller cities commonly face greater economic challenges than their big-city counterparts. And Chinese tend to save more in general than people in developed countries, owing to China's weak social safety-net. Convincing them to part with excess savings could help unlock consumer demand and give the economy a much needed boost.

Consumer sentiment is in the dumps this year in China's flashiest cities. But in poorer, smaller cities in China's interior—home to vast numbers of people—the mood is brighter. (Close to 1bn Chinese live outside the main metropolises.) The average growth rate for retail spending in five small cities in Henan province, for example, was nearly 8% in the first half of the year. In Beijing in the same period it was -3.8%. Similarly, last year the cities where residents coughed up a lot of their disposable income—say

80%, versus the 60% which is more common in cities such as Beijing and Shanghai—tended to be small.

These are interesting trends, say economists. Although it is unsurprising that poorer people spend a larger share of their income, it is possible that their saving rate has dropped in a way that has not happened among the rich. It may also be the case that incomes are growing faster among the country's poor.

One explanation for small-time splurging is a perceived improvement in China's property crisis, which has dragged on for more than five years and which has sent home valuations plummeting. The rise in the willingness to spend among low-income people in August correlated with an improved outlook for residential property in China's small cities, according to Anna Zhou, an economist at Bank of America. Whatever the causes turn out to be, catering to this group of consumers is becoming increasingly important in China.

Local governments outside mega-cities have been heavily promoting cheap travel options in recent years, notes Mr Peissel of Trivium. Their efforts appear to be paying off. Just look at Jiangsu province on the country's eastern coast. It has promoted a local football league this year with tickets that sell for just ten yuan apiece; tourists looking for affordable fun have swarmed into the region. The lesson is clear. Cranky shop owners in Dali will need to embrace such low-spenders to thrive. ■

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China | Chinese comedy

Director Fang is laughing all the way to the bank

Women love the new stand-up star. Sticklers less so

September 11th 2025



THE CROWD contained more than 1,000 people: a mix of locals from Linyi, a city in the eastern province of Shandong, and those who, like The Economist, couldn't snag a seat in their own cities. In Beijing, Fang's shows sold out in seconds. She is one of China's most popular, and most unusual, comedians. The 50-year-old comes from a village close to central Linyi. Coy about her given name, she is nicknamed Fang zhuren, Director Fang. She rose to acclaim this summer after appearing on a top comedy show. Ms Fang riffs on women's issues, and in particular the breakdown of her difficult marriage. "If you can't overcome the mountain of prejudice, then mock it! And earn money while mocking it," advises Ms Fang.

A Western import, China's stand-up scene first started in Shenzhen, across from Hong Kong, in 2009 and took off in the late 2010s as online-comedy shows surged in popularity. A crackdown came in 2023. But the industry has roared back. In the first half of this year, stand-up comedy saw a 54% year-on-year increase in the number of performances and a 135% boost in ticket sales, becoming the second-largest genre behind plays, according to the China Association of Performing Arts (CAPA).

Female comedians in China sometimes face a sexist backlash for ribbing men. Jokes made by Yang Li, another stand-up star, have seen her dropped as the face of big companies in recent years. Even so, women now account for 39% of performers in the two most popular stand-up TV shows, nearly double the share of five years ago. And crucially, women made up 66% of the audience at live performances in the first half of this year, CAPA data show.

Female comedians are now zuiti—voicing feelings on behalf of many of the women who watch them—says Dan Chen of the University of Richmond in America. They tackle everything from menstrual shame to sexual harassment. Not everyone laughs. "Why has stand-up comedy, intended to be a stress-relief valve, become a catalyst for provoking or even intensifying gender antagonism?" asked Zhejiang province's propaganda department in July. Although stand-up can encourage public discussion around gender equality, it wrote, some comedians have "strayed from the essence of humour" and should avoid "exploiting gender tensions to gain attention".

For many women attending Ms Fang's show in Linyi, it's actually less about squashing men and more about lifting women. Chen Xingtong, a local, says she was drawn to Ms Fang's story. "If a 50-year-old can stand up, why can't we?" she asks. ■

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Middle East & Africa

- America can’t or won’t protect its friends in the Gulf
- What it takes to evacuate an injured child from Gaza
- A high-risk mega-dam in Ethiopia
- Ebola returns to Congo
- Africa’s deadly ferries

Middle East & Africa | All tactics, no strategy

America can’t or won’t protect its friends in the Gulf

Israel’s strike on Qatar has embarrassed Donald Trump and angered the region

September 11th 2025



In may this year Donald Trump stood in a hangar on the outskirts of Doha, the Qatari capital, and made a promise. Behind him as he spoke was a phalanx of American troops. To his left was an MQ-9 Reaper drone; to his right, an F-15 fighter jet. The martial imagery was meant to reinforce the president’s words to allies. “I will never hesitate to wield American power, if it’s necessary, to defend the United States of America or our partners,” he said. “And this is one of our great partners right here.”



On September 9th an American ally used American-made jets to bomb that great partner. The Israeli air force struck a villa in Doha where leaders of Hamas, the Palestinian militant group, were thought to be meeting. It seems to have been unsuccessful: though five lower-ranking members of Hamas were killed, the leaders are said to have survived (though they have not been seen since in public).

It was not just a tactical failure. The strike will probably jeopardise current ceasefire talks in Gaza. It will also reinforce two emerging fears held by many leading lights in the Gulf: that an unbridled Israel is now a regional hegemon, and that America can no longer guarantee their safety.

Since October 7th 2023, when Hamas killed or kidnapped around 1,400 Israelis, the Israeli government has vowed to hunt down the group's leaders. Yet until now it refrained from targeting them in Qatar. The tiny emirate hosts the political bureau of Hamas but also the regional headquarters of America's central command.

The plan to strike Qatar was opposed by Mossad, Israel's foreign-intelligence service, and by its generals. Both argued it would disrupt Mr Trump's latest attempt to revive ceasefire talks and endanger the hostages still held in Gaza. Binyamin Netanyahu ordered it anyway, partly due to

criticism of his government after a shooting attack left six civilians dead in Jerusalem on September 8th.

That makes Qatar the sixth country Israel has bombed since the massacre. Elsewhere it could argue it was acting against real threats. Militias in Iraq, Lebanon, Palestine, Syria and Yemen have all attacked it since October 7th; so has Iran, which sponsors many of Israel's regional foes. It can make no such claims on Qatar. The raid on it was not pre-emptively aimed at an imminent threat, nor even a preventive one meant to steal a march on some future danger. It was an act of revenge on the territory of a sovereign state.

On September 10th Muhammad bin Zayed, the president of the United Arab Emirates (UAE), flew to Doha to meet the emir. The Saudi crown prince was expected to visit the next day. It was a public show of support from neighbouring countries which, not long ago, had severed diplomatic and economic ties with Qatar.

The emirate has long been the black sheep of the Gulf Co-operation Council (GCC), a club of six petro-monarchies. Its support for Islamist groups such as Hamas infuriated its neighbours. So did its patronage of Al Jazeera, the Arabic satellite-news channel, which was once a freewheeling and critical outlet (though today it functions more as a mouthpiece for Islamists). Such policies led four Arab states to impose a travel-and-trade embargo on Qatar in 2017 (they lifted it in 2021).

Yet their disagreements with Qatar pale in comparison with fears about their own sovereignty and security. The GCC has thrived on its reputation for calm, but Saudi Arabia and the UAE have been attacked by Iran and its allies since 2019. Both were disappointed in the response from America, their longtime protector. As for Qatar, it has now been bombed twice this year; the first time was in June by Iran, retaliating for American strikes on its nuclear facilities.

That helps explain why the Trump administration seems so embarrassed. Karoline Leavitt, the White House press secretary, read out a carefully worded statement after the strike that implied America only learned of it once it was under way (and from its own army, not from Israel). Mr Trump later posted a similar message on social media and added a promise that

Marco Rubio, his secretary of state, would work to finalise a defence pact with Qatar. He also vowed that Qatar would not be targeted again (though Mr Netanyahu subsequently hinted otherwise).

Israeli officials offer a different story: that Mr Trump might have been surprised by the timing, but he knew about the plan—and if he did not give a green light, he did not flash a red one either. Sources in Washington tell conflicting tales but agree that Mr Trump is furious: "Embarrassing," says a former Pentagon official.

Their counterparts in Israel, too, were incandescent at the operation and its results. "It was a colossal failure. They expected to get Trump to go along with this, but that was a massive miscalculation," says a former spy chief.

In recent years America has tried to convince Gulf states that they could find security by allying with Israel. The UAE and Bahrain both recognised it in 2020. Saudi Arabia was close to signing its own normalisation agreement before October 7th. American officials have urged Gulf monarchs to join Israel in a regional air-defence partnership.

All of that became a hard sell after October 7th. The Gaza war has made Israel deeply unpopular in the Arab world, and Gulf rulers grew nervous that Israel's ever-expanding conflict with Iran and its allies would eventually drag them in (as it did with Qatar in June). The strike on Doha will only cement that belief: far from being cornerstones of regional stability, America and Israel now look like the opposite. ■

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Middle East & Africa | A long wait for help

What it takes to evacuate an injured child from Gaza

Logistics, permissions and geopolitics all slow down the process

September 11th 2025



Last month Laura Loomer, a far-right activist in America, posted several videos on social media of injured Gazan children arriving at American airports. Some were in wheelchairs or had lost limbs. Others perched on suitcases, beaming as welcoming crowds ululated and waved Palestinian flags. Ms Loomer, who is close to Donald Trump, accused the children and their companions of being “Islamic invaders”. Within a few days America’s State Department announced it was halting visas from Gaza; since then, visas for all Palestinians have been blocked.

In fact, Western participation in accepting the injured from Gaza has been minuscule. Out of 2,663 patients evacuated since July 2024, more than 60%

have gone to Egypt. Another 30% have gone to Jordan and the United Arab Emirates. Only 28 have gone to America and three to Britain: a fraction of nearly 16,000 patients the UN reckons need medical treatment abroad. Nearly half are children unable to travel alone. That means 4,176 companions have been evacuated with them, mostly mothers or female caretakers. Israel rarely issues permits to fathers.

It is a gruelling process. Before the war, Gazans needing treatment outside the strip would apply for 24-hour permits from the Israeli military authority that controls Palestinian movement. About 2,000 Gazans would leave every month, according to Physicians for Human Rights-Israel, an Israeli activist group, mostly for Israel or the West Bank. After Israel shut that path after October 7th, 2023, for a while Gazans seeking treatment could go to Egypt via the crossing at Rafah. Around 1,500 went every month, according to Médecins Sans Frontières (MSF), a medical-aid group. When Israel took over Rafah in May 2024, that path was closed too, except during a two-month ceasefire earlier this year.

Now those seeking evacuation go through another crossing, at Kerem Shalom, into southern Israel, and then go via an airport or Jordan to third countries. They must get passports, security clearance and travel permits from Palestinian, Israeli, transit and receiving countries' authorities. Since the ceasefire was broken in March, an average of 89 patients a month have been allowed to leave. At this rate it would take nearly 15 years to evacuate all those on the waiting list, says Dr Hani Isleem of MSF. Meanwhile, 19 of 200 patients on MSF's evacuation list have died since April last year, including 12 children. Gaza's health ministry says it has counted 740 deaths, including 137 children, of those on their waiting list since July last year.

In recent months the Israeli military authority has flipped from rejecting to approving most exit requests, according to MSF. Now the main challenge is finding countries to accept the evacuees. Neighbouring countries are medically strained; others face a backlash over Gazans using public resources. Abeer Alaa Saad, a 30-year-old mother who left Gaza for Egypt during the ceasefire, has been living on donations for six months in a hospital room shared with five other women and their children. She has no right to work, but has been waiting for evacuation to America with her seven-year-old son who lost both legs in a bombing raid and was scheduled

to get prosthetic limbs. They had planned to return to Gaza after treatment, she says, to reunite with her husband and two other children. Now they are stuck in limbo.

HEAL Palestine, an American charity that sponsored Ms Alaa Saad and the children in Ms Loomer's videos, says it pays for all its evacuees' treatments or finds hospitals willing to treat them for free. The evacuees also sign papers promising to return home. While host countries worry about Gazans overstaying after treatment, Gazans fear Israel is now allowing evacuations because it will then block returns. Israel says it has always encouraged and facilitated evacuations, subject to requests from receiving countries.

The medical evacuations are "a drop in the ocean", says Liz Allcock of Medical Aid for Palestinians, another charity. What is needed is for Israel to stop blocking aid and bombing medical facilities so that Gazans can resume their own treatment. ■

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Middle East & Africa | Hydropower

A high-risk mega-dam in Ethiopia

It could power the region or plunge it into conflict

September 11th 2025



Standing on the rim of the reservoir of the Grand Ethiopian Renaissance Dam (GERD) on the Blue Nile, Abiy Ahmed, Ethiopia's prime minister, called it "the greatest achievement in the history of the black race". Yet farther downstream the official opening on September 9th of Africa's largest hydropower project was not met with celebrations. "Any misguided assumptions that Cairo might turn a blind eye to its existential interests in the Nile are mere delusions," Egypt's government said in a statement addressed to the UN Security Council. It vowed to take all necessary measures "to defend the existential interests of its people".



In theory, the GERD, whose 13 turbines can produce more than 5,000 megawatts of electricity, could be a boon not just for Ethiopia, but also for its neighbours. Yet it has long caused rancour between Ethiopia and downstream Egypt and, to a lesser extent, Sudan (see map). Years of negotiations have failed to produce an agreement on how they will share the water from the Nile, particularly in times of drought. The long-running tussle is yet another threat to stability in the Horn of Africa.

For Ethiopia, the GERD is a triumph. First conceived by Emperor Haile Selassie more than half a century ago but built over the past 15 years, it is perhaps the only issue uniting a country rife with ethnic divisions. After international institutions refused to stump up the cash, Meles Zenawi, a former prime minister, called on ordinary Ethiopians to finance the project themselves. Nearly every citizen became a stakeholder, through low-denomination bonds. Though contributions were not always voluntary, the collective effort produced an enduring sense of pride. From exile, some of Mr Abiy's most vehement critics hailed the dam as a national triumph.

Currently, just over 22% of Ethiopia's 122m people are connected to the grid. The GERD could supply millions more with power, both at home and through power deals with neighbouring countries. Ethiopia is already earning some $100m a year from selling electricity to Sudan, Kenya and

Djibouti, according to the national power company. Mr Abiy claims the dam will eventually generate $1bn a year in revenue. Yet the country still lacks transmission. At the current pace of expansion, just 27% of households will have grid connections by 2030, far off the national target of 96%. For now, most surplus power is consumed by crypto-mining firms that have built their own power lines.

The GERD's geopolitics are worrying. Both Egypt and Sudan depend on access to the Nile for most of their water supply. Egypt is already water-stretched, partly because it uses much of its water for agriculture and its irrigation systems are old and leaky. It worries the GERD could be used to choke off its supply.

Sudan, which has been locked in a civil war for more than two years, is hoping to increase its agricultural output. The GERD could help with flood management and irrigation and improve its electricity supply. Even so, in recent years the country has tended to side with Egypt, which is a major backer of the national army in Sudan's civil war, in opposing the dam.

Experts disagree on how serious a threat the dam poses to Egypt. One recent study suggests that Ethiopia would rarely be able to withhold enough water to cause serious harm. Things may look different if there is a prolonged drought, but it should have been possible to reach agreement on how to share the water.

However, Egypt and Ethiopia have found the dam a useful tool to stoke nationalist fervour. Ethiopian politicians have portrayed Egypt as a colonial power threatening its sovereignty. Abdel-Fattah al-Sisi, Egypt's president, has described the dam as "a matter of life and death", but has at times seemed to relish the feud. Sudan used to be more well-disposed towards the dam. But it is now hesitant to alienate Egypt by being seen to compromise with Ethiopia. The last round of negotiations broke down in 2023.

Since then, Egypt has stepped up efforts to support the Ethiopian government's foes. It is said to have begun sending weapons to the Fano, an Ethiopian rebel movement that is fighting Mr Abiy, and has strengthened ties with Eritrea, Ethiopia's neighbour and enemy.

The support for Eritrea is particularly dangerous because it could feed into another water-related feud. Many fear Mr Abiy is planning a military offensive to recapture parts of Eritrea's coastline on the Red Sea, over which Ethiopia lost control when Eritrea seceded from it in 1993. The worry is that, if war breaks out, Egypt could back Eritrea. That would help fuel another regional imbroglio, much like the one that is destroying Sudan.■

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Middle East & Africa | Another outbreak

Ebola returns to Congo

Experts are racing to contain the spread of the deadly virus

September 11th 2025



Driving medicines from Kinshasa, the capital of the Democratic Republic of Congo, to the south-central province of Kasai takes almost three days. That is bad news for people there who have recently been diagnosed with Ebola, a severe virus that kills some 50-90% of those infected in a matter of days. Yet the remote location of the province, far from the Congo river, the central African country's main artery, should also help contain the outbreak. It marks the 16th time Ebola has been confirmed in Congo since it was discovered there in 1976.

So far the outbreak in Kasai, which was confirmed by the UN's World Health Organisation (WHO) on September 4th, has killed 16 people, four of them health workers, and infected dozens of others. The toll is likely to rise,

especially because there was a lag between the first death on August 25th and confirmation that Ebola was to blame. Since people can contract the disease through contact with the bodies of victims, quickly isolating the sick and safely disposing of the dead is vital.

For now, experts are reasonably optimistic they can stop the spread. There are several reasons for that, besides the remote location of the outbreak. Initial assessments of the fatality rate are relatively low, with just over half of known patients succumbing even before clinics have been set up. In the early stages of previous outbreaks, nearly all those who fell ill died.

Congo's experience with Ebola means it has improved its response with every new outbreak. Besides better logistics and medical capacity, it now has access to new antibody treatments that can reverse the disease's progress and help with recovery. Unlike other parts of Congo, Kasai is not currently a site of major armed conflict.

Last but not least, there is now an effective vaccine. It was unavailable a decade ago, when Ebola killed more than 11,000 people during an outbreak in west Africa, and was still in its experimental stages when thousands more died of the disease in Congo in 2018 and 2019. Now the WHO is ferrying 2,000 doses of the vaccine from Kinshasa to Kasai, along with medical specialists, protective equipment and $2m from its emergency fund.

Yet there are also reasons to worry. Despite improved Ebola care, Congo's health system is overburdened and underfunded. The government is already struggling to stem outbreaks of mpox and cholera in other parts of the country. Kasai's nearest isolation centre has just 15 beds, hardly enough to tackle a large outbreak. It is also the first time Congo has had to fight an Ebola outbreak without American help. "We really used to rely on the US," says Dr Patrick Otim, an epidemiologist who manages the WHO's Ebola response. In the past, the US Agency for International Development used to help with investigations into the virus and provide mobile labs and planes to get experts and equipment to remote areas. Now Dr Otim and his colleagues will need to find that support elsewhere, which takes time.

Even if the current outbreak is successfully contained, Ebola will probably return to Congo. Fruit bats, the most likely carriers of the virus, are drawn to

its thick forests, meaning Ebola circulates among wild animals there. Plenty of Congolese rely on the forests for their livelihood, eating the animals' meat or encountering them while farming or cutting timber.

The hope is that better monitoring, along with the vaccine and improved treatment options, will make each new outbreak in Congo less menacing than the one before. A previous outbreak, in 2022, was contained within three months, when it had killed just a handful of people. With a bit of luck, the current one will not be much more lethal. ■

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Middle East & Africa | Safety first

Africa’s deadly ferries

Better rules and enforcement would help

September 11th 2025



The derailing of a funicular in Lisbon, Portugal’s capital, which killed 16 people on September 3rd, sparked days of news coverage in western countries. A ferry accident in northern Nigeria, in which at least 60 people died a day earlier, received less attention.

Part of the reason was probably that the event was depressingly routine. In 2024 more than 2,000 people died in ferry accidents, says Neil Baird, a ferry-safety expert who maintains a tally. That may seem few against the huge number killed each year in wars, by diseases or in road accidents. Yet nearly three-quarters of the deaths occurred in just three African countries, making the continent an outlier in a world where ferries have been becoming less deadly.

Using boats where roads cannot reach could be a safe way to travel, says Mr Baird, particularly in countries like Congo and Nigeria that have extensive waterways. In rich countries, strict safety regulations mean there is just one death for every 100m passengers. Some poorer countries have also raised their game. Over the past decade, fewer than 500 people died in ferry accidents in the Philippines, compared with more than 1,600 during the previous decade and 4,385 in a single incident in 1987.

But most African ferries are still overloaded, badly maintained and lacking life-saving equipment. Interferry, an industry body, has been working with African regulators and ferry operators to improve things. The biggest obstacle is a lack of resources, says Mike Corrigan, Interferry's boss.

It is not all doom and gloom. On Lake Tanganyika a ferry safely transported passengers and cargoes of dried fish and pineapples between Tanzania and Zambia for a century before being sent for repairs last summer. Navigation aids along channels and banks, better maintenance and free life-jackets have helped the Lagos State Waterways Authority in Nigeria, among the most dangerous countries for ferry passengers, to make ferries safer on the cheap. If such practices spread, taking a boat in Africa may soon be more enjoyable than hazardous. ■

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Europe

- Putin’s dangerous drone probe is a moment of truth for NATO
- France gets a new prime minister
- Might Bosnia be about to break up?
- A crisis in long-term care of Europe’s elderly
- Italy’s coalition sends mixed messages on Ukraine and Russia
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Europe | Europe on a knife-edge

Putin’s dangerous drone probe is a moment of truth for NATO

Poland’s prime minister warns of “open conflict” with Russia

September 11th 2025



IT was THE most serious incursion into NATO territory since the foundation of the alliance in 1949. Nineteen Russian drones breached Poland’s airspace between 11.30pm on September 9th and 6.30am the next morning. Polish fighter jets, along with Dutch F-35s deployed to Poland earlier this month, shot down some of them. Others crashed. One fell 300km deep into Polish territory. Within hours Poland’s government invoked NATO’s Article 4, triggering immediate consultation with allies. The Polish army denounced it as an “act of aggression”. Donald Tusk, the country’s prime minister, noted that it was the first time Russian drones had been shot down over NATO territory. Poland, he said, was at its “closest to open conflict since the second world war”.



Russian drones and missiles have frequently breached NATO airspace in the past. Indeed, Ukrainian officials have complained that their allies have chosen to turn a blind eye to previous incursions. In late August a Shahed drone crashed in a cornfield in eastern Poland, some 120km from Warsaw. A Russian Kh-101 missile briefly appeared over Poland in early 2024. Russian drones apparently aimed for Ukrainian ports on the Dniester river have, Ukrainians insist, been intercepted and even landed across the river in Romania. Finland recently accused Russia of violating its airspace with military aircraft twice, in May and June, with Estonia making a similar accusation earlier this month.

But the scale of the latest incursion far surpasses Russia's previous violations. The drone barrage forced Polish airports to close. Karol Nawrocki, the president, called it "an unprecedented moment in the history of NATO and Poland." In a speech to parliament, Mr Tusk called for the "full mobilisation" of NATO members, and reprimanded those prone to criticise European countries rather than Russia over the war in Ukraine.

More may be to come. Starting on September 12th, Russia will hold its Zapad ("west") military exercises in Belarus, just across the border from Poland. On paper, 13,000 soldiers will be involved. The real number is expected to be considerably higher, as it was during the last Zapad exercise

in late 2021, which amassed some 200,000 troops. Russia attacked Ukraine five months later.

Poland has been taking no chances. On September 9th Mr Tusk announced that the country would close its border with Belarus ahead of the exercises. Russian drones began to appear over the country's skies hours later. Many of them entered Poland directly from Belarus. In a statement, Belarus claimed the drones "had veered off course" because of the use of electronic warfare equipment by Russia and Ukraine.

Russia, too, says the event was unintentional. The country's defence ministry said the drone incursions were inadvertent during an attack on Ukraine, and that it had not targeted any sites in Poland. The ministry said it was "prepared to engage in consultations on this subject with the Polish defence ministry".

Analysts dispute that explanation. "It's hard to believe as many as 19 drones could have gotten out of control," says Marek Swierczynski, a security expert at Polityka Insight, a think-tank in Warsaw. "We can consider this a deliberate incursion." A senior Western military official with detailed knowledge of the incidents says that the incursions appeared to be intentional. Russia may be probing Polish air defences for holes, a mission for which drones are routinely employed in Ukraine.

Poland's government has responded much more decisively than in the past, but it has stopped well short of invoking Article 5, NATO's collective-defence clause. That requires an "armed attack", a threshold that is not formally defined but was deemed to be breached on September 11th 2001, the only time the founding treaty's crucial article has ever been employed. Poland appears to be keeping its powder dry, in anticipation of further and even broader Russian aggression. "We're leaving ourselves some room for manoeuvre," says Mr Swierczynski, "for later on." Article 4 has only been invoked seven times before, most recently in 2022 after Russia's full-scale invasion of Ukraine.

For its part, Russia seems to be testing the willingness of Poland's NATO allies to react collectively to a vivid provocation. Vladimir Putin has long aimed to break the solidarity of the alliance by demonstrating that its

members are unwilling to honour the guarantees enshrined in their charter. The alliance's leaders are conscious of the risk. Mark Rutte, NATO's secretary-general, demanded Russia "stop violating allied airspace" and warned that "we will defend every inch of NATO territory." Mr Tusk said he had spoken with the leaders of Finland, Denmark, Norway, Sweden and the Baltic states, countries which, he said, "see the Russian threat clearly."

Mr Rutte called the incursions reckless and dangerous, but said that allied intelligence services were still analysing them to determine whether they were intentional. Mr Putin will be watching to see whether any serious consequences ensue. Donald Trump for a moment suggested that they might. "What's with Russia violating Poland's airspace with drones?" he posted on Truth Social. "Here we go!" But no further statement followed, let alone any action. A failure by NATO to react to an unprecedented violation of a member's airspace will bring Mr Putin a step closer towards his goal of dividing the Atlantic alliance. ■

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Europe | Last-chance saloon in Paris

France gets a new prime minister

President Emmanuel Macron's latest pick, Sébastien Lecornu, may need to compromise to survive

September 11th 2025



French politics took an absurdist turn this week, after parliament voted on September 8th to bring down a government for the second time in nine months. This time the victim was the centrist François Bayrou, whose minority government collapsed after a crushing defeat at a vote of confidence over his unpopular deficit-cutting budget. Last December parliament also toppled his predecessor, the centre-right Michel Barnier, also over the budget. Undeterred, President Emmanuel Macron on September 9th named a close ally, the defence minister Sébastien Lecornu, as his next pick —his fifth prime minister since 2022. Mr Lecornu's task is to try to break the cycle of parliamentary deadlock that has thwarted almost all government business, and turned domestic politics into a sorry repetitive spectacle.

Mr Macron has told his new prime minister to consult widely among France's political parties before forming a government. He wants him to put together a budget for 2026 that can, this time, secure parliamentary approval in advance. Upon taking office on September 10th Mr Lecornu vowed to be "more serious" about working with the opposition, and promised "ruptures" of substance as well as style.

A fierce loyalist, the 39-year-old Mr Lecornu (pictured) is an unusual figure in Mr Macron's inner circle. The son of an aerospace technician and a medical secretary from rural Normandy, he is not a technocrat, nor has he had the elite education favoured by France's establishment. A former Republican, he was not a founding member of Mr Macron's original centrist venture. Asked to describe his politics, someone who knows Mr Lecornu well calls him a "Gaullist", a term that tends to mean a belief in a strong and independent state.

Yet Mr Lecornu has earned the trust of the president, served in every one of his governments since 2017, and become a valuable source of political insight. Mr Lecornu "is obsessed by politics", comments another source, who says the pair periodically share views over a late-night whisky. Mr Lecornu talks to those whose views he does not share, including not only the Socialists but the hard-right Marine Le Pen. A reservist in the gendarmerie, which reports to the defence ministry, he has been a respected defence minister, not least for having protected the military budget.

The best hope is that such skills can help him achieve what Mr Macron's two previous prime ministers failed to do: find common ground among not only the centrists and the centre-right but the centre-left, too. In a lower house split into three hostile blocs, this means, at a minimum, peeling the Socialists away from their left-wing opposition grouping.

The price for securing even a non-aggression pact with their party would involve big concessions. One could be over the scale of the planned fiscal consolidation. Mr Bayrou wanted €44bn ($51bn) of budget savings to curb the deficit to 4.6% of GDP in 2026. Olivier Faure, the Socialist leader, wants half as much. Another could be over a wealth tax on the super-rich, something Mr Macron has so far resisted. Mr Faure argues for a 2% minimum annual tax on fortunes over €100m. Such a plan would undermine

Mr Macron's record of supporting wealth creation and business. But, asks a centrist deputy, "does the president have a choice?" He may well decide that things have changed, and that stability now matters more.

The trouble is that, even if Mr Lecornu proves to be a more skilful negotiator, he will still face the same divided and recalcitrant parliament. By themselves the Socialists hold only 66 seats in the 577-seat assembly; he needs to win round a dozen other members too, while keeping the centre-right Republicans party onside. Meanwhile both the extremes are delighting in the disorder. On the hard left, Jean-Luc Mélenchon is enraged by Mr Faure's willingness to talk, and wants Mr Macron to resign. On the hard right, Ms Le Pen said that by appointing Mr Lecornu the president had "fired the last bullet of Macronism". She wants fresh elections, which she thinks will take her party and its friends into government.

France is facing a period of triple trouble: as well as political uncertainty, it is contending with market edginess and popular restlessness. France's borrowing costs are already higher than those of Greece. On September 10th an amorphous movement under the banner "Bloquons tout" (Let's block everything) tried to bring the country to a standstill. It failed, though sporadic blockages affected some parts of Paris and other cities, and over 500 people were arrested. A day of strikes is planned for September 18th.

When Mr Macron launched a broad centrist movement in 2016, his core idea was to bring together moderate politicians of all stripes to build a bulwark against the extremes. That project now looks more fragile than ever. Mr Lecornu may have one last chance to make it work. ■

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Europe | Alarm bells

Might Bosnia be about to break up?

A referendum and an election beckon

September 11th 2025



The citizens of Bosnia—Bosnia and Herzegovina, to give it its correct full name—would like to know when a president is not a president. On August 6th the country's Central Election Commission stripped Milorad Dodik of the presidency of the Serbian autonomous half of the country, known as the Republika Srpska (RS), a decision that has since been upheld on appeal. Yet Mr Dodik refuses to accept this. Thirty years after the end of the Bosnian war, the country lurches from crisis to crisis. But even by Bosnian standards, this one looks exceptionally grave.

Bosnia's post-war settlement saw it comprised of two autonomous "entities" and a weak central government. But, left over from the agreement, there is also a foreign-appointed "High Representative" who has a lot of power,

should he choose to exercise it. More than a thousand troops from an EU-led force, mandated by the UN Security Council, are also stationed in the country to help with security.



One of the entities is home mostly to Bosniaks (Bosnian Muslims) and Croats. The other, the RS, is home mostly to Serbs. Mr Dodik, who first came to power in 1998, has long flip-flopped between saying he wants independence for his statelet or instead a return to the basics of the original peace deal of 1996, which would mean the central government having even less power than it does today.

The election commission's action came in the wake of Mr Dodik's conviction and ban on holding public office for six years, for flouting rulings by Christian Schmidt, the (German) High Representative. Backed by Russia and China, Mr Dodik says that Mr Schmidt's appointment was illegal and that he does not recognise his authority. Despite this, Mr Dodik paid a fine to avoid jail. He is now appealing to the Constitutional Court in a bid to overturn his conviction. He is doing this to eventually take his case to the European Court of Human Rights. This is ironic, given that the original dispute began after the RS passed legislation stating that the Constitutional Court no longer had jurisdiction in its half of the country.

Mr Dodik has called a referendum for October 25th asking whether RS citizens accept his removal from office. Already under American sanctions, Mr Dodik has been courting the administration of Donald Trump, so far to no avail. He visited Moscow on September 9th to ask for Russian support. The country is “occupied” and “the last colony in Europe”, he says. Opposition parties in the RS are weak and divided, and anyone who dares run in the new presidential election set for November 23rd will be branded a traitor.

Milos Solaja, an analyst in Banja Luka, the RS capital, says few Serbs will vote in the election but that it is “very, very likely” that Mr Dodik will win his referendum. He warns, however, that this is a moment of “absolute uncertainty”. What could happen is that Bosniaks and Croats who live in the RS will turn out to elect, in the absence of many Serb votes, a candidate who will be recognised by them and by Western countries, but not by most people in the RS. After this, says Mr Dodik, “the conditions will be created for holding a definitive referendum on independence. And I think this is an unstoppable path.”

Depending on how much support Mr Dodik can garner in the coming weeks, domestically and abroad, he will have to make a decision on whether to quietly step back or go for broke, with all the risks that breaking up Bosnia could entail. ■

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Europe | Old money

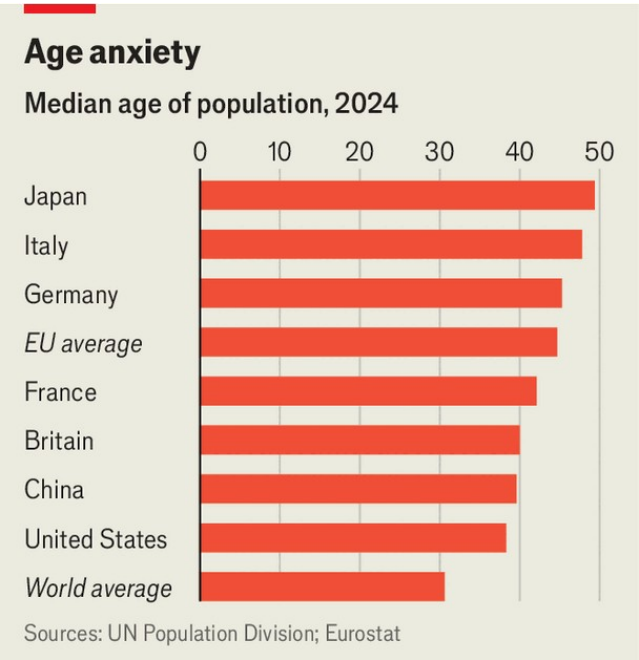
A crisis in long-term care of Europe’s elderly

The costs of neglect are huge

September 11th 2025



IN A pretty six-storey building in Bad Laer, a small town in Lower Saxony, Jina Reye spends seven hours a day washing dirty hands, spooning food into mouths and soothing tempers. Ms Reye is not dealing with tricky toddlers. She looks after people with advanced dementia, who she says “go back to being like a child”. Some are reluctant to follow instructions; others respond aggressively. There is roughly one staff member for every two patients, but Ms Reye says that is not enough.



Europe's population is ageing rapidly. The median age for the continent is 43, compared with the global median of 31. By 2050 6% of the EU's people will be older than 85, more than double the current share. Western European countries like Germany are better off than most. It is in southern and eastern Europe that the population is oldest and young people are leaving fastest. In Italy, Europe's oldest country, the median age is 49; in 2021 alone 2.8% of its university graduates aged between 25 and 34 emigrated. In Greece, Lithuania and Latvia, similarly "old" countries, the working-age population will decrease by 20% from 2023 to 2050, according to Bruegel, a think-tank in Brussels.

The need for long-term care (LTC) services, a term for the support given to those unable to carry out daily activities by themselves (such as the elderly or the disabled), will balloon as a result. In Germany, 79% of LTC services already go to those aged over 65. The EU's research centre estimates that the number of people over 50 with LTC needs will increase from 19.7m in 2020 to 27.1m by 2050.

Although public spending on health care is high in most European countries, the share spent on LTC varies. In 2022 Sweden, the Netherlands and Norway spent more than a quarter of their health budgets on LTC. In contrast, few southern and eastern European countries spend more than 10%.

Labour supply is dwindling. LTC workers make up 7% of the total workforce in Sweden, but less than 1% in Romania, Cyprus and Greece. In Bulgaria services are almost non-existent. Zornitsa Karagyozova of Alzheimer Bulgaria, a civil-society association, notes that there have been no official statistics on dementia diagnoses for ten years. Medical degrees in university do not even offer specialisations in gerontology, she says.

Care workers find themselves underpaid, overburdened and spread thin. “We want to do more preventive work in the future,” insists Martina Horvat, the national co-ordinator for community nurses in Slovenia. But since the covid pandemic, blood testing, wound care and catheter-changing responsibilities have been transferred from physicians to her nurses, making it even harder to provide preventive care.

Politicians often reckon that spending more on care for the aged will blow up their already-stressed budgets. But there are also considerable costs to not doing so. Informal carers need to reduce their working hours or quit their jobs entirely, and their work at home does not contribute to state pensions or private savings. Jonathan Cylus, a researcher at the European Observatory on Health Systems and Policies, argues that insufficient spending now will create more problems down the line: “By not investing now, you’re basically penalising another generation.”

Spending more generously on preventive care would also keep elderly citizens active in the economy for longer. The “ageing in place”’ approach, increasingly adopted in Nordic and western European countries, aims to keep older people in their homes for longer. LTC workers can do the housekeeping, cooking and laundry while prompting patients to be independent where they can. Daily activities like shopping, child care or volunteering keep them active in the economy and society. Mobility exercises are less expensive than trips to the hospital.

Some countries are already biting the bullet when it comes to LTC spending. In July Slovenia implemented a mandatory LTC contribution which takes 1% of salaries (or net pensions for those no longer working), or 2% of earnings for the self-employed. Italy made changes to its benefits programme in January. Those above 80 years old who have serious illnesses and are unable to provide for themselves will receive a total monthly

allowance of €1,380 ($1,600) to cover LTC expenses. The aim of these allowances is to reduce the use of residential care homes and ease the burden on public systems.

Europe offers an early warning sign for the rest of the world. Over the next three decades, as life expectancy rises, the number of older people in Latin America and the Caribbean will more than double, and in Africa it is expected to more than treble. Public health-care spending in both regions is low compared to Europe's, and very few countries have started thinking about LTC. If they want to blunt the fiscal strain of ageing, they should start investing early.

For Europe, the shift towards an LTC system that can keep up with demand will be a mad scramble. But it is essential as the voting population ages. Other countries should not wait too long. Old age will creep up on all of them eventually. ■

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Europe | Sweet and sour on Vladimir Putin

Italy's coalition sends mixed messages on Ukraine and Russia

Italian voters are ambivalent, so the government is too

September 11th 2025



Matteo Salvini, Italy's populist deputy prime minister, is again beating the drum for Vladimir Putin. At a meeting of the European Parliament in Strasbourg in 2015, the leader of the hard-right League party famously wore a T-shirt emblazoned with the Russian president's face. He also once said he would like to have Mr Putin as Italy's prime minister "tomorrow". But on joining Giorgia Meloni's avowedly pro-Ukrainian coalition government in 2022, eight months after the invasion, Mr Salvini had to tone down the hero-worship.

However, since Donald Trump's return to power the League has been exploiting public fatigue with the war. With a string of regional elections

scheduled over the next three months, the party is looking for ways to differentiate itself from Ms Meloni's Brothers of Italy (FdI). Should it fail, it risks electoral collapse. Polls put support for the League at around 9%, with Ms Meloni's FdI at 29%.

Many on the Italian right have long admired Mr Putin's anti-gay policies and professed belief in the traditional family. With Mr Trump back in the White House, Mr Salvini now seems emboldened. He says Ukraine cannot win the war, and calls on Volodymyr Zelensky to negotiate with Mr Putin without "getting touchy". Last month he sparked a diplomatic spat with France by opposing the deployment of European troops in Ukraine. "You go there if you want. Put your helmet on, your jacket, your rifle and you go to Ukraine," he told reporters, mockingly referring to President Emmanuel Macron.

Mr Trump's return to office and his periodic criticism of Mr Zelensky have given Mr Salvini licence to be more outspoken, says Daniele Albertazzi, a political scientist at the University of Surrey. "Public opinion in Italy is much more sceptical of NATO's role in the world," he notes. "A lot of people in Italy don't believe it is all Russia's fault and many voters don't like the idea of Italian involvement which could lead to conflict with Russia."

Seven of Italy's 20 regions are expected to hold elections by year's end. A recent survey by Youtrend, an Italian pollster, found that six in ten League supporters oppose giving Ukraine a security guarantee, compared with only a third of Ms Meloni's voters. Mr Salvini is also fending off pressure from his rival and deputy party leader, Roberto Vannacci, an outspoken former general who said last year that "between Putin and Zelensky, I choose Putin."

In a move seen as a concession to Mr Salvini, Ms Meloni last month nominated Stefano Beltrame, his former diplomatic adviser, as ambassador to Moscow. Mr Salvini's efforts to stake out a contrasting position on Russia mean tension in the coalition is likely to continue. But he will probably stick to provocative yet symbolic statements, rather than threaten the unity of the coalition.

Indeed, the League denies that any shift towards Moscow has occurred. “We have not become more pro-Russian, but we appreciate Trump’s efforts to reach a peace agreement,” says a party spokesperson. The party has always voted in favour of measures supporting Ukraine, and the coalition is not at risk. The League, he says, is simply “against military engagement by our soldiers”. ■

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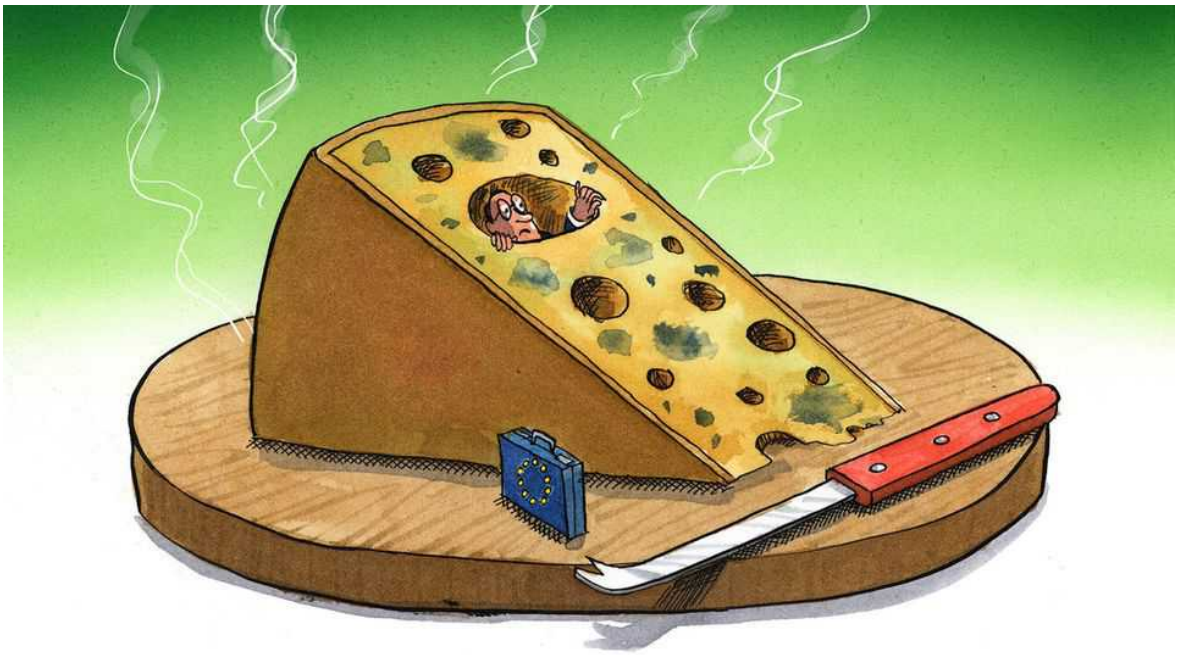
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Europe | Charlemagne

Europe has an urgency deficit

The continent has gone soft in the heat of crisis

September 11th 2025



Deficits are like cheeses: both come in many varieties, are something of a European speciality, and become problematic if left to fester too long. A deficit in government spending, the hardy perennial of European politics, has a proven ability to topple governments from Athens to Paris at a single whiff. A demographic deficit in most European countries brings into question the long-term viability of its welfare system—a problem as hard as an aged comté to scrape away. There are sectoral trade deficits, for example in manufactured goods with China or tech services with America, both of which make for geopolitical dependencies that leave European politicians bluer in the face than a vein of gorgonzola mould. Critics of the European Union's institutions highlight the democratic deficit, whereby citizens across

the continent have little idea what Eurocrats who are meant to be representing their interests in Brussels are churning on their behalf.

But these days one deficit trumps them all: the urgency deficit. Europe is a continent in peril. Its economy is souring; its geopolitical position crumbling like aged feta. Ideas for how to solve this are plentiful, yet the ardent will to enact them seems eerily absent. The gap between the diagnosis of the continent's problems and the production of solutions has become a continental chasm. Can Europe find a whey forward? The continent's languid mindset was once a tolerable foible, the inevitable upshot of dozens of countries building an ever-closer union, one issue at a time. In the age of a revanchist Russia lobbing drones into EU territory and a flaky America imposing lopsided trade deals, it feels like an unaffordable luxury. Europe's geopolitical rivals move—if not always in the right direction—at the speed of presidential edicts and proclamations. In contrast, while the world burns, Europe's urgency melts away like a reblochon on a hot day.

Take the continent's economic growth, currently as soft as a ripe camembert. September 9th marked the first anniversary of the release of Mario Draghi's report on EU competitiveness, commissioned by the bloc as a blueprint to escape a two-decade economic morass. The verdict from the former president of the European Central Bank was suitably damning. Alas, a year later little of what it recommended in its 400 door-stopping pages has been enacted. A much-publicised bonfire of EU red tape strangling businesses is itself partly caught up in the red tape needed to get it through the bloc's legislative process. Hopes for a rapid expansion of the single market to areas like banking are pondered endlessly, yet appear as unattainable as ever. Mr Draghi's vision presupposes a much larger EU budget, perhaps to be funded by debt that is jointly issued by its 27 member states. Yet when a proposal for even a moderately bigger budget was put forward by the European Commission in July, Germany shot it down within hours. Europe is left with a grating sense of déjà vu.

Perhaps even more alarming than Europe's economy is its security. naTO members agreed in June that they would allocate 3.5% of GDP to core defence spending—but gave themselves a leisurely decade to get there (with Spain proudly announcing it probably never would). Boosting local arms-makers was once an urgent priority for the EU. The "European Defence

Industry Programme" was devised to resolve a decades-old problem of duplication and inefficiency in procurement. Announced with much fanfare in March 2024, the plan remains mired in negotiations between EU member states and the European Parliament. After six weeks of a well-earned summer holiday, negotiators for both sides are back at it; optimists hope they will finish by the end of the year. Until then, the bold ploy that would help rearm Europe is being churned endlessly, producing plenty of froth but no butter.

A follow-up scheme whereby EU member states could use a €150bn ($176bn) joint credit line for financing weapons purchases was unveiled by the commission in March. Member states have indicated they are keen. Alas, the European Parliament is taking legal action to have it blocked on procedural grounds, even though it says it supports the measure. European governments first mooted the possibility of putting boots on the ground in Ukraine over a year ago. A "coalition of the willing" has been in talks for over six months to flesh out the details as part of a peace deal with Russia. But the plan has more holes in it than a slab of emmental: it remains unclear how many countries would be willing to join the effort, let alone how many troops they would send.

How did Europe become the continent where urgency goes to die? Messy politics is part of it. Charles de Gaulle moaned about the difficulty of governing a country with 246 kinds of cheese. Europe has thousands. Worse, what is considered a delicacy in one is dismissed as indigestible in another. Moving forward on any major EU policy, from imposing sanctions on Russia to deepening the single market, requires the agreement of governments often stuck in the morass of domestic politics. Any idea of boldly reforming the bloc in the past year was put on hold while Germany picked a new chancellor and Poland a president. Now it is the curdled political situation in France that is the most pungent problem.

Bemoaning the EU's cumbersome ways might seem as useful as crying over spilt milk. Nonetheless the president of the commission, Ursula von der Leyen, in her annual state-of-the-union speech this week pleaded that the state of the world today requires a renewed sense of urgency from European citizens and politicians—again. "Does Europe have the stomach for this fight?" she asked. "Do we have the unity and the sense of urgency?" These

are the right questions. For if the EU continues to age like a cheese left unattended, its legacy will be like a forgotten brie—destined for the compost heap. ■

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Britain

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- The BBC’s best programme loses its star
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Britain | Electoral science

The new battle for Britain

Once elections were fought between left and right. Now the main fight is within these camps

September 11th 2025



Stevenage, a commuter town north of London, exemplified an era of British politics dominated by two parties. Its mix of rural lanes, smart suburbs and scruffy estates make it a microcosm of England, and an electoral bellwether. Since 1974, whichever party won this parliamentary constituency also won the keys to Downing Street. And victory, the old model dictated, lay in a tranche of voters swinging between the Conservatives and Labour like a pendulum. In 2024 Labour Together, a partisan think-tank, coined "Stevenage Woman" for a genus of practically minded suburbanites who disdain "grand abstractions and vague promises".

But the old model is disappearing. New rules are asserting themselves. The Brexit years have reshaped the British electorate. In place of two old parties, new ones jostle for dominance. And where once elections were fought on a fault line running between the forces of left and right, now they are decided by contests playing out within both camps. This new order is perilous for the old parties and has profound consequences for any would-be government. Welcome to the new battle for Britain.

Labour won a landslide in the general election of 2024, with 411 MPs—including Kevin Bonavia, who triumphed in Stevenage. It was unusually volatile, with more than four in ten voters choosing a different party from the one they did in the election of 2019. Small parties surged; at 57%, Labour and the Tories won their lowest combined vote share since 1910. But this volatility was not random "like a pinball machine" says James Griffiths, the lead author of a recent paper drawn from the British Election Study (BES), a long-running survey. Rather, voters made "carefully selected choices from an acceptable list of alternatives." The findings help explain much of the turmoil in the government today, as well as how future elections may unfold.

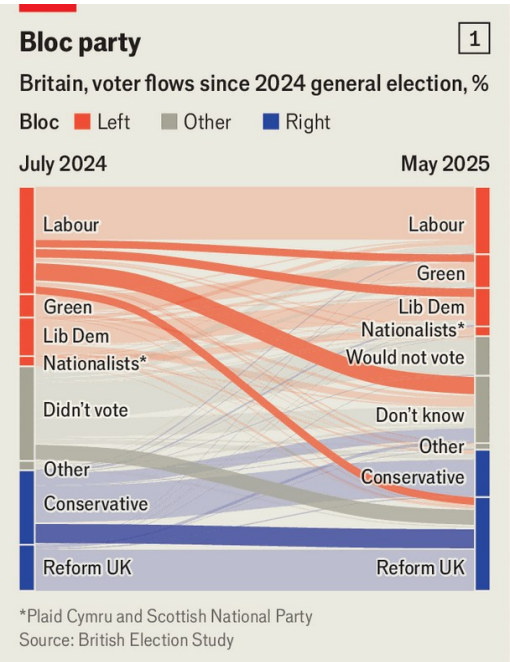
First, the BES team found, cleavages in the electorate along demographic lines were hardened by the Brexit referendum of 2016. Young, better-educated and pro-European voters skewed to liberal parties, while older, less well-educated and eurosceptic voters favoured conservative ones. Second, in the minds of voters, those parties now sit in two ideologically distinct "party blocs", reflecting their positions on Europe, immigration and redistribution. In one bloc are clustered the Labour Party, the Liberal Democrats, the Greens and the nationalist parties; in the other, the Conservative Party and Reform UK.

Third, critically, the volatility arose more from voters shifting within those two blocs than between them. More than 25% moved to another party within the same bloc—say, from Green to Labour, or from Conservative to Reform—between 2019 and 2024. Just around 12% shifted between blocs—say, from Tory to Labour. Stevenage is home to Britain's first pedestrianised shopping centre, and locals say that elections have long had a consumerist, what-can-you-do-for-me flavour. These days the competition among

political brands is fiercer and, like all discerning shoppers, when voters are dissatisfied with one, they try its most similar rival.

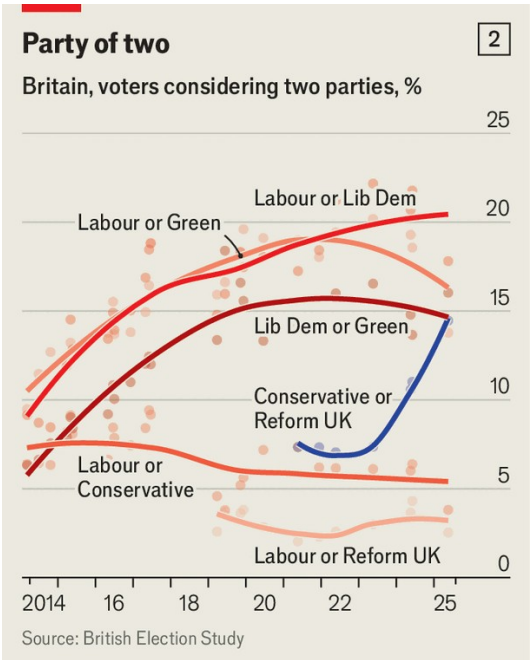
Amid this churn, Labour's victory lay in tactical voting, which is rewarded in Britain's ancient first-past-the-post electoral system. Supporters of the left bloc readily supported each others' candidates to defeat Tories in local races, according to a paper by Marta Miori and Jane Green of the BES. There was no such co-ordination on the right: in Stevenage, the Conservative vote collapsed by 27 percentage points, while Reform gained 18 points.

Since the general election this volatility has continued. Labour's support has fallen from 34% to 21% today, according to our polling tracker, while Reform has surged from 14% to 31%. That has led some to talk of a mass exodus of Labour's working-class voters to Nigel Farage's ranks. Yet the pattern of 2024 persists: most of the churn is voters shifting within the blocs of left and right, according to a BES analysis published on September 3rd (see chart 1).



Of the total of Labour's vote in 2024, 9% has gone to the Lib Dems, 8% to the Greens, and 21% to a pool of voters who are undecided, but who say they dislike the right-wing parties above all. In all only 8% have gone to Reform. Roughly speaking, for each Labour defector who has shifted to the

right bloc, you would expect that at least four are liable to remain in the left bloc. Meanwhile, the bulk of Reform's gains have come either from deserting Tories, or from habitual non-voters.



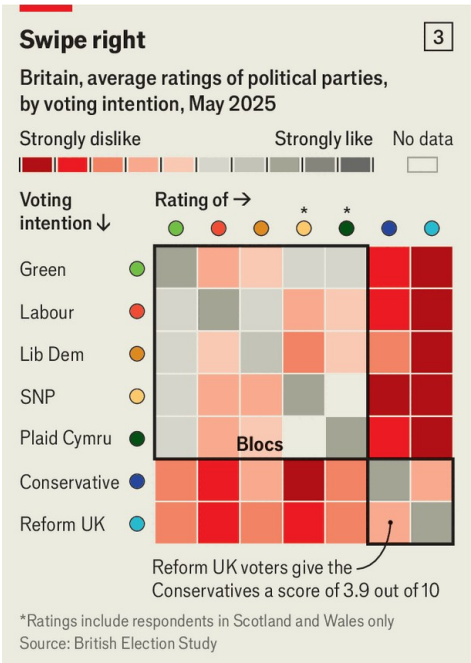
The Economist's deeper analysis of the data shows how entrenched and cohesive the blocs have become. First, in the past decade the share of Labour voters who say they are open to supporting another liberal party has surged while the proportion open to backing the Tories has fallen (chart 2). Second, in favourability surveys, voters tend to say they look warmly on the other parties in their bloc, and strongly dislike those in the opposing camp (chart 3). Third, when voters are presented with choices of prime minister, those supporting the left bloc overwhelmingly back Sir Keir Starmer over either Kemi Badenoch, the Tory leader, or Mr Farage; for voters on the right, the inverse is true.

Given the blocs' emergence, the question is which party will best manage them at the next election—and which bloc's supporters will be prepared to vote tactically to defeat their rival bloc.

Sir Keir is attempting a grand balancing act as he tries to rebuild his fractured electoral coalition. He is courting Reform defectors by promising to halt illegal migration. At the same time, Labour hopes the bigger tribe of

left-wing voters will return through a combination of improving living standards and dislike of Mr Farage. That balance was revealed in a cabinet reshuffle on September 5th: he made Shabana Mahmood, a migration hawk, home secretary, while David Lammy, an ebullient pro-European, became deputy prime minister.

In Stevenage Mr Bonavia mirrors that strategy. He hopes a record of finding practical fixes to local problems, including shorter hospital waiting lists and closing a local hotel for asylum-seekers, will hold his broad coalition together. Labour recently won a council ward by highlighting Mr Farage's policies, which rallied left-wingers.



But in an age of party blocs, leaders who attempt to straddle the gulf may only alienate their own side, says Mr Griffiths. "This polarisation means the people in one camp have very strong opinions about people in the other," he adds. A recent paper by Stuart Turnbull-Dugarte of the University of Southampton found that Sir Keir's swaggering immigration speech in May which described an "island of strangers" dented Labour's support, without touching Reform's. Becca Watts, a Green candidate, detects a surge in support from Labour voters: "They're like, 'every time you switch on the news, there's some new disappointment'."

Liam Byrne, a Labour MP, wants a change of strategy that would tread more carefully on immigration and welfare reform. Twenty years ago he wrote a report urging Labour to focus on aspirational middle classes and ignore the complaints of "urban intellectuals". No longer, he says: "The electorate has moved on. You're in a very different kind of game."

On the right, the Tories and Reform may lose again unless their voters can emulate the tactical voting that the left mastered in 2024. Yet they are in direct competition in more seats: in 97 constituencies they each won over 20%. Ms Badenoch says she'll never do business with Mr Farage.

But Alex Clarkson, the Tory candidate in Stevenage, favours a pact—possibly giving Reform a free run locally, while the Tories focus on nearby Welwyn Hatfield. The blocs are here to stay, he says. Brexit "split everyone down the middle. The old rules kind of went." The question is who will master the new ones.■

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Britain | No working-men’s club

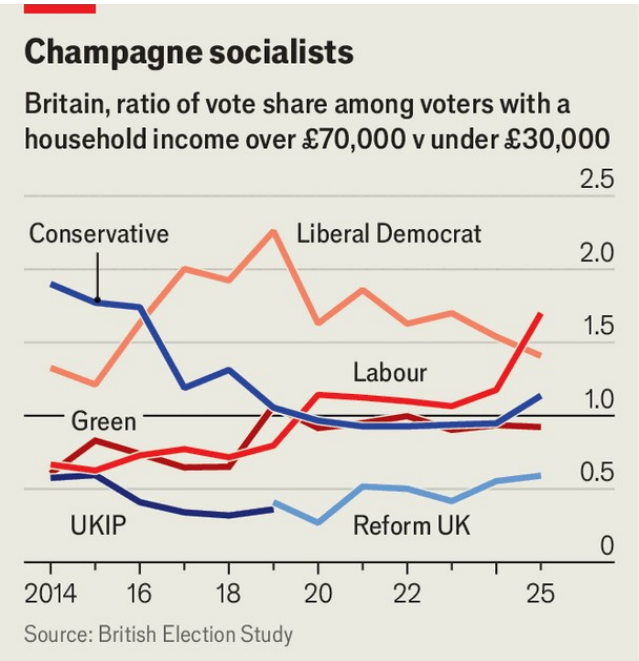
Labour has become the party of Britain’s rich

New data also reveal which voters are driving Reform UK’s surge

September 11th 2025

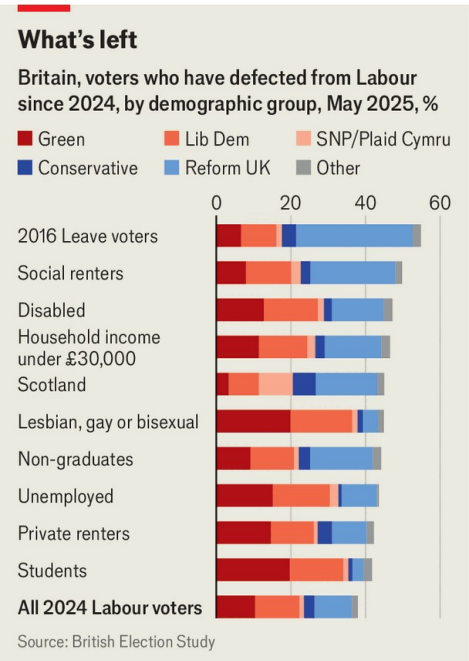


It still pays to have working-class credentials in the Labour Party. The father of Sir Keir Starmer, Britain’s prime minister, was a toolmaker; Sir Sadiq Khan, London’s mayor, had a father who drove a bus; and the party’s former deputy leader, Angela Rayner, grew up on a council estate. But—in politics as in life—those loudest about their humble origins might just have something to prove.



New data published by the British Election Study (BES) show that Labour's support has collapsed among the least well-off. Researchers at the BES surveyed over 30,000 Britons between May 2nd and 22nd of this year. The sample size allows The Economist to dig into granular data which showed that only 18% of voters with a household income under £30,000 ($41,000) would vote Labour were an election held tomorrow, down from 33% at the 2024 election.

This is the first such study conducted since Nigel Farage's hard-right Reform UK party surged into first place in polls earlier this year. It finds that his party's support comes mostly from Tories and non-voters, who make up 42% and 33%, respectively, of Reform's new recruits since the general election. The party is particularly popular with older voters and those who did not attend university. Less than one in 20 supporters are non-white (the lowest share of any party) and 57% are men. Converts from Labour, who occupy an outsized place in political debate, account for only one in six of Reform's new backers.



Labour's challenge is that it is losing voters of all kinds, in all directions (though twice as many to parties of the left as the right). The BES data show that the party's supporters who live in social housing or did not attend university are leaving primarily for Reform. Gay voters and students are defecting primarily to the Green Party. Unemployed and disabled voters are leaving disproportionately for the Lib Dems.

Those voters who have stood by Sir Keir represent an increasingly narrow section of the electorate. The party's vote has held up relatively better in London and among ethnic minorities. And for the first time ever, the ratio of Labour's vote share among the richest voters (earning over £70,000) to the poorest voters (earning under £30,000) is larger than any other major party. Sir Keir likes to say he has returned the party to its working-class roots. The electorate aren't so sure.■

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Britain | Mob rule

A British island infested with wallaby invaders

Conservationists are asking if it's time to kill them

September 11th 2025



IF YOU GO looking for wallabies around the Ballaugh Curragh, a mossy wetland on the Isle of Man, you will almost certainly find them. They will cautiously look in your direction, hopping away only if you step on a twig or get too close. A wild population of red-necked wallabies, named after their distinctive patch of rust-coloured fur, has lived on the island since the 1960s, when a few escaped from a wildlife park. Some conservationists feel the time has come to intervene.

The marsupials, native to Australia, have adapted well to the Isle of Man's temperate climate. Drone surveys show around 1,000 feral wallabies living on the island, far more than previous estimates of up to 200. Over time, they

have become part of the island's identity. A stuffed wallaby is displayed in a glass cabinet at the Manx Museum.

Though cute, the "mob" (as wallabies are collectively known) poses a threat to the Isle of Man's ecology. "Island ecosystems are always fragile," says Graham Makepeace-Warne, CEO of the Manx Wildlife Trust, a charity. The wallabies nibble native vegetation, stripping back ferns and wild flowers, and disrupt local wildlife. They also damage fences as they roam, causing livestock to escape.

The wallabies' welfare is a concern, too. The population, descended from just a few animals, probably suffers from a "genetic bottleneck", says Arno Wuenschmann, a professor of veterinary pathology at the University of Minnesota and a regular visitor to the Isle of Man. They are vulnerable to health complications from inbreeding. A pilot study conducted by Dr Wuenschmann and the Manx Wildlife Trust suggested that some of the wallabies suffer from visual impairments caused by a parasitic infection. Farmers worry they might pass on diseases to livestock.



Options for managing the mob include a cull, fencing them into specific zones or sterilising them. All are problematic. Culling is controversial.

Fences often don't work because wallabies are skilled escape artists. And sterilisation requires specialist skills not routinely available on the island.

"I don't personally think that wallabies have a place on the Isle of Man," says Laura McCoy, curator of natural history for Manx National Heritage. She believes the island should learn from Australia and New Zealand, which are "very effective" in educating people about ecology and supporting native biota. In New Zealand wallabies are seen as a pest and culls have taken place.

Though the Isle of Man's mob is almost certainly the biggest in Britain, it is not the only one. Perhaps the best-known was in the Peak District, which survived for decades after escaping from a private zoo during the second world war. Though this colony probably died out around 2008, it lingers in the local imagination: a wallaby sculpture trail opened in the area this summer. Wallabies have been spotted in recent years in Devon, the Chiltern Hills, Cornwall, Nottinghamshire and Inchconnachan, in Scotland.

A warming climate will make Britain a more favourable habitat for wallabies in years to come, believes Anthony Caravaggi, a biologist at the University of South Wales. "The dynamics of nature in the UK are changing rapidly," he says. "And wallabies are just one part of that."■

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Britain | Out of time

The BBC's best programme loses its star

Melvyn Bragg is retiring from "In Our Time"

September 11th 2025



To understand all that is now wrong with the British Broadcasting Corporation (BBC) and what was once so right with it, listen to "Slime Moulds", first broadcast in January of this year. You might have thought that having decided to produce a programme with that title, the BBC would try to sex it up. You would be wrong. "Hello," said the presenter. Slime mould is "a single-celled organism that scientists have struggled to categorise". The programme went on to explain different slime moulds' life cycle (revolting); their appearance (often like "dogs' vomit") and their preferred habitat (often dung).

And people around the world listened. Because the hello-ing host was Melvyn Bragg and the series was "In Our Time". In its time—it first

appeared in 1998— the series has become one of the BBC's most well-known and downloaded programmes. There are "In Our Time" books and there is an "In Our Time" appreciation website ("the Braggoscope"). It has attracted the attention of international newspapers, which approach it with almost anthropological interest as an English oddity ("aggressively uncommercial" felt the New Yorker) and national ones (the Times ran a league table of its most-frequently appearing guests). It is adored. Or rather, it was. On September 3rd Lord Bragg announced that, after 26 years, at 85, he is retiring.

This, for the BBC, is worrying. Partly because "In Our Time" is so very good. But also because so much of the BBC is now not nearly good enough. It has amputated much of its intellectual output (the World Service recently announced a further 130 job cuts); cloaks history in crummy comedy; and winces at seriousness. Programmes like "Newscast", a politics show, will issue a "geek alert" before interviewing such apparently recherché figures as trade experts. "In Our Time", by contrast, unapologetically offered an entire episode on David Ricardo, a 19th-century economist.

The BBC will hire someone else to present the show. It will struggle to replace Lord Bragg, a grammar-school boy from Cumbria who left the north but kept its vowels—and his autodidactic zeal (he has also written several books). His programme, which was first commissioned for just a six-month run, reflected that. Each week, he grilled three academics on a particular topic that had to be academic, in every sense. Where other programmes strain to be topical, he was determined his would be "never knowingly relevant".

He succeeded. Among its 1,000-episode archive are programmes on "Hildegard of Bingen", "Feathered Dinosaurs" and, of course, "The Ontological Argument" ("Hello. In the late 11th century..."). "In Our Time" didn't merely achieve the BBC's early Reithian ideal to "Give the public something slightly better than it now thinks it likes". It far exceeded it—for who would ever have thought they were interested in slime? And yet they listened and, for 45 minutes, they were. ■

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Britain | Home truths

Fixing Britain’s broken property-tax system will take courage

The Labour government is unlikely to go there

September 11th 2025

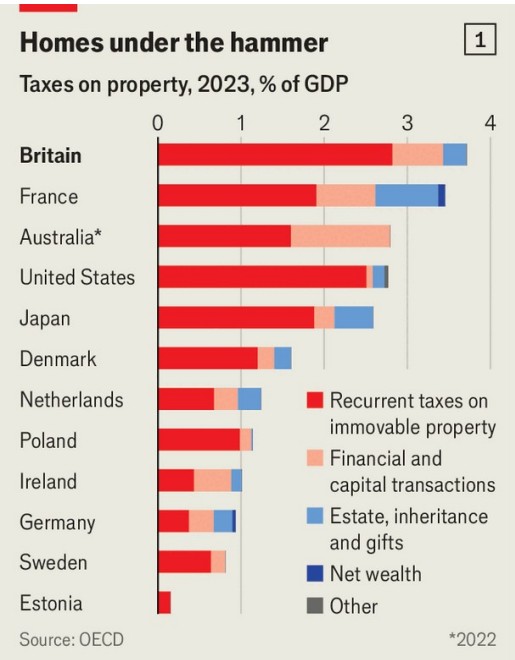


For British politicians, handling property taxes is like playing Minesweeper, the 1990s video game in which one wrong move can mean game over. Angela Rayner, Britain’s former deputy prime minister, became the latest casualty on September 5th, resigning after revelations that she underpaid stamp duty, a transaction tax, on a second home. Next up to play will be the chancellor, Rachel Reeves, as she prepares for the budget in November.

This time the mines will not be ethical lapses but government policy choices. Ms Reeves must find £18bn-28bn ($24bn38bn) in annual tax rises or spending cuts to meet her fiscal rules, estimates Capital Economics, a consultancy. She is said to be considering additional property taxes,

including a capital-gains tax on people's main homes and a nationwide proportional tax on property values, which would replace council tax.

Some of these proposals are clearly explosive—bad economics, worse politics. Others are better-disguised mines: economically desirable, long overdue, but liable to trigger outrage among some voters. For the chancellor, the politically safest approach would be to do nothing. But Britain's property-tax system needs fixing.



Britain levies the highest property taxes of any OECD country, relative to GDP (see chart 1). This is not a problem in itself. Assuming the system is well-designed, it makes sense for a government to focus tax collection on property. Because land supply is fixed, taxing it should not reduce consumption or production (unlike taxing sales and income). Land is also immovable, meaning property taxes avoid the flight risks that wider wealth taxes bring.

Unfortunately, British property taxes are not well-designed. Rather, they distort the housing market and undertax the most valuable homes. Consider council tax, an annual levy that raised £41bn in England in 2024-25 to fund local services such as social care and bin collection. Charges vary by local

authority, with houses allocated to one of eight bands, A to H, according to their market value in 1991.



Even back then, this system favoured richer homeowners; band H homes were worth over eight times more than band A ones, but paid only three times the tax. Band H is an enormous category, running from large but middle-class homes (worth £1.5m or more in today's values) to the royal residence in Buckingham Palace, which means that mansions are undertaxed. Since 1991 diverging house prices and the unequal financial fortunes of councils have made things worse (see chart 2). The owner of a two-bed flat in Hartlepool today pays more council tax per year (band C, £2,218) than someone with a ten-bed mansion in Westminster (band H, £2,034).

If council tax is unfair, stamp duty—paid whenever a house changes hands—is growth-sapping. Although it raised £15bn in 2024-25, at over £40,000 on a £1m home it makes moving house very expensive, resulting in fewer transactions. Because people often move to take higher-paying jobs, inhibiting such moves means less-productive workers, undermining growth.

A botched fix would worsen these problems. Take the proposal to tax capital gains, currently not charged on primary residences, on houses worth over

£1.5m. Faced with large tax bills on sale, older home owners would be even less likely to downsize. It is unclear whether the move would even raise revenue, given the potential stamp-duty losses from fewer sales.

More sensible would be to scrap council tax and the hefty stamp duty on main homes altogether, replacing them with an annual levy, calculated as a percentage of a property's up-to-date value. In one stroke, the previous problems would disappear. Transactions would surge in stamp duty's absence. The unfairness of council tax would be replaced by higher bills for pricier homes. Think-tanks across the political spectrum have backed this approach; places like America and Denmark have versions of such a tax.

Admittedly, when wonks unite, politicians should be wary. There are two major impediments to this reform. The first is loser's wrath. Research by the Institute for Fiscal Studies (IFS), a think-tank, has shown that replacing council tax with a single proportional property tax would have far more winners than losers, with 10m households gaining over £200 annually. However, the richest 10% would see their bills rise by £750 per year on average. These losers would be disproportionately older and southern and would be louder than the silent winning majority.

The second problem is the difficulty of raising extra cash. Despite its many losers, the IFS proposal is revenue-neutral. Making such a change palatable would probably require introducing costly safeguards, such as deferring tax payments until houses are sold. If the chancellor actually wanted to raise money during this parliament, it would require a higher tax rate, which would create even more losers. However sound the economics, this mix of political pain and no fiscal gain is unlikely to tempt a struggling politician.

Yet even if Ms Reeves is inclined to tread cautiously as she navigates the budget minefield, she could make small changes. Introducing new council-tax bands, with higher rates for the most expensive properties, could raise hundreds of millions annually, which could be used to cut stamp duty. Such changes would be largely cosmetic, but would at least signal the government's commitment to making the system fairer and more pro-growth. At some point though, politicians will need to find the courage to fix the system. When they do, the wonks will be waiting. ■

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Britain | London’s strikes

Rebellious tube drivers have less bargaining power than before

Rent-seeking meets route-planning

September 11th 2025



A five-day strike by London’s tube drivers has seen the city’s streets awash with bicycles. At busy intersections riders formed elongated pelotons: many pedalled to work for the first time, others cycled to and from overground stations, which remained open. Lime, an e-bike hire firm, reported use on Monday was up by 58%. The RMT union, representing transport workers, says it wants higher pay for drivers, whose starting salary of £68,000 ($92,000) is more than twice that of teachers. But the city becoming easier to bike around may mean that a union once able to bring the capital to a standstill now has less bargaining power. ■

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Britain | Bagehot

A reshuffle and a raucous conference show the misery of power

What happens when nothing matters?

September 11th 2025



A demonstration of the difference between being in government and opposition hung from the ceiling at Reform UK's party conference, which kicked off in Birmingham on September 5th. "Are you safe from the wealth tax?" asked a sign looming over delegates, alongside a grinning picture of Nigel Farage with a gold coin. It was paid for by Direct Bullion ("Recommended by Nigel Farage"), a gold dealer whose relationship with the Reform leader has earned Mr Farage some £280,000 ($380,000) in the past year.

About 150km away in Downing Street, Sir Keir Starmer was reshuffling his cabinet after Angela Rayner, the deputy prime minister, resigned for

underpaying £40,000 in stamp duty—a form of wealth tax—on a second home. A hefty reshuffle, with half the cabinet changing jobs, was the result. In government, everything matters. In opposition, nothing does. If anything demonstrated this simple rule of politics, it was the collision of Reform's hubristic conference and Labour's last-minute reshuffle.

It took a week of headlines about Ms Rayner's taxes for the truth to come out. Though Mr Farage was happy to advertise ways to lower tax bills in Birmingham, he was less keen to explain how much stamp duty he had paid on a home in Clacton that he claimed to own himself, but which was in fact bought by his partner. ("How dare you!" replied Mr Farage, with genuine affront, when a journalist asked if he wanted to clear things up.)

Still, sins in government are overlooked in opposition. Outright greed has been a facet of Labour ministers. Their lust for freebies marred their first few months in office. Labour ministers will do anything to stay in power, except forgo free seats to Sabrina Carpenter. Reform attracts little opprobrium for being greedy. And so a few yards from the Direct Bullion stand, Mr Farage began offering a signed Reform fc football shirt (rrp £39.99) and photo with the leader for £100 a pop.

Fresh arrivals in Sir Keir's cabinet have already been sent begging for forgiveness from businesses upset by the first year of Labour's government. Peter Kyle, the new business secretary, is off to America this week to remind investors not to overlook Britain. Out of office, Labour husbanded a pro-business reputation; in office, it shed it almost instantly, by raising taxes on employers.

Similar threats from Reform are, so far, happily ignored. In Birmingham Richard Tice, the likely chancellor in any Reform government, emerged in a cloud of hairspray to warn those investing in renewable technologies not to—whether long-hated wind turbines or newly despised batteries. For any lobbyist in the audience who may have missed his message, he demonstrated what he would do with such contracts by ripping up a piece of paper.

Making friends is more straightforward in opposition, too. Yvette Cooper, the new foreign secretary, has the task of maintaining cordial relations with

Donald Trump's government. Mr Farage and his party took a short-cut. The Reform leader curried favour with the White House by inviting an anti-vax crank called Aseem Malhotra, a favourite of Robert F. Kennedy junior, Mr Trump's health secretary, to address the conference. Dr Malhotra warned a gasping conference hall that covid-19 jabs might have given members of the royal family cancer. That guaranteed some bad headlines (even the most Reform-friendly newspaper becomes queasy at such a suggestion about the health of King Charles). But it was worth it for more favours from Trumpland.

Labour has a new justice secretary in David Lammy, the former foreign secretary. Britain's prisons are full. Backed-up courts mean people wait years for trials. Who can Reform turn to to fix it? How about, in the words of the compère, "Britain's favourite political prisoner". Lucy Connolly, a 42-year-old mother from Northampton, was sentenced to 31 months in jail for tweeting "Mass deportation now, set fire to all the fucking hotels full of the bastards for all I care" in response to the murder of three children in Southport. On Saturday she emerged on stage in a bright-pink suit, offering to help Reform after her ten-month visit to the slammer. "Wasn't she utterly incredible?" asked Reform's conference host.

Prisons may be a nightmare, but they are nothing compared with Britain's ever-increasing welfare budget. Pat McFadden, formerly Sir Keir's ministerial fixer, must overhaul it. Labour tried and failed to remove £5bn (0.2% of gdp) from disability benefits, triggering a revolt. Mr McFadden must make the savings without any screaming. Lee Anderson, Reform's plain-talking welfare spokesman, has an easier gig. Rather than lay out how Reform would trim Britain's welfare budget, Mr Anderson pledged to "reward the workers, not the shirkers". The audience cheered.

"Discipline!" shouted Mr Farage, closing the conference in the same spot on stage where the previous day Dame Andrea Jenkyns, Reform's mayor for Greater Lincolnshire, had emerged in a sequinned trouser suit belting out a song she had written, entitled "Insomniac". Local elections are due in 2026 across England—including London—and national elections are due in Scotland and Wales. Reform is set to do well.

The party thinks it is heading for greater office and has begun to celebrate early. On Friday night front pages such as “Nightmare on Downing Street” began to land while, just outside Birmingham International Airport, two of the three still-living members of the Jackson 5 began to play “Blame It On The Boogie” to phone-toting middle-aged Reform members. If an election were held tomorrow, Reform would probably win a majority. That is a remarkable feat for a party which barely existed at the start of 2024. Hubris is already breeding inside Reform. One day Brits may notice the sort of people leading it. Whether that happens after the party enters office or before is the question. Nothing matters; until it does. ■

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International

- Top Gun—without Maverick
- Meet the leader of Europe’s anti-Trump resistance

International | War in the air and sea

Top Gun—without Maverick

Drones ride into the danger zone

September 11th 2025



FOR DECADES the mighty aircraft-carrier has ruled the waves. In 1986 it burst into pop culture in the film “Top Gun”, a celebration of cocksure naval aviators. Yet because of increasingly lethal anti-ship missiles, many think its days are numbered. “The thing will be dead in the water in 20 years, for sure,” declared Mark Milley, America’s chairman of the joint chiefs of staff from 2019-23. “It’s a big piece of steel that—sorry—saw its best day at Midway.”

Navies around the world disagree. Instead of junking their carriers, they are designing and building new ones—from America to China and France to India. But to keep them fit for modern war, they are reinventing the air wings that fly from them, steadily replacing crewed planes with drones that

can be developed more quickly, used more aggressively and fly farther than today's short-range jets. That could have implications for naval tactics and the very culture of navies.

In August America's navy said it had given contracts to four big defence firms to design large combat drones, known as loyal wingmen, that could accompany crewed jets off the decks of carriers. This month Turkey plans to deploy armed drones on the TCG Anadolu, an amphibious assault ship. In November the Mojave, a large 1,600kg-capacity drone, was flown from the ROKS Dokdo, a similar South Korean vessel. France says it plans to fly smaller drones from its own future carrier by 2038 and larger armed ones by 2040. And last year China launched the Type 076, the world's largest class of amphibious assault ships, equipped with a catapult capable of launching large drones, some of which it flaunted at a parade on September 3rd.

One of the most ambitious services is Britain's Royal Navy. Its new chief, General Sir Gwyn Jenkins, in his first interview in the role, told The Economist that the government had ordered him to deploy a "hybrid" air wing of drones and crewed jets within the next five years. With two exceptions—F-35 jets, which are designed to last until the 2060s, and helicopters that ferry people—the aim is to make the air wing completely uncrewed by 2040. Drones will handle airborne early warning, aerial refuelling, anti-submarine warfare and, eventually, some strike missions.



There are three main reasons to remove people from the cockpit. One is to let the drones take over grunt work, freeing up crewed aircraft for the jobs that only they can do. When your correspondent visited HMS Prince of Wales, one of Britain's two carriers, a huge T-150 Malloy quadcopter, capable of hauling at least 65kg, sat in the corner. Weeks earlier it had flown more than a mile to a nearby destroyer delivering spare parts, a first at sea. That job might previously have absorbed hours of a crewed helicopter's time.



Another reason for removing people is to let the drones bear more of the risk and, in wartime, the losses. “The F-35s that you see on the flight deck here are the world’s most advanced fighters. But you can’t escape that they are an expensive asset,” said General Jenkins, speaking on board HMS Prince of Wales. Drones, he argued, are “less costly to lose, easier to replace and easier to sustain”. Lower costs mean they can be bought in larger numbers. “If we want to be able to go off both carriers at the same time,” says another British admiral, alluding to the country’s lack of F-35s to equip Britain’s two aircraft-carriers, “we need uncrewed.”

Third, drones can be designed differently. “An uncrewed system doesn’t need to go through the same level of health-and-safety scrutiny,” notes General Jenkins. It is easier to upgrade software and hardware frequently when you don’t have to put the aircraft through months or years of tests and certification each time. The weight of a pilot and the systems to support them, such as ejector seats, can also be replaced with fuel, extending range —one reason why rewiring crewed planes to make them remotely piloted works less well.

The ultimate purpose of an aircraft-carrier strike group is, of course, to strike. The question is how far drones will also take over that mission. Early experiments have focused on reconnaissance, sub-hunting and logistics,

because those are easier tasks. But Mark Montgomery, a retired American rear-admiral who once commanded an American carrier strike group in Asia, urges navies to be bolder: to fly long-range "penetrating"—that is, stealthy—strike drones that could launch weapons at far greater distances than F-35Bs, which can fly less than 1,000km from their mother ship before having to return, far less than the "Top Gun" era (see chart).



In theory, both Malloy and Proteus, another drone, could drop torpedoes, rather than just spare parts and sonobuoys. The Mojave drone tested by Britain and South Korea can carry guns and missiles. But when armed, its range is considerably reduced, in part because long-ranged weapons tend to be heavy. Air forces and navies are also developing bigger and more advanced drones known as collaborative combat aircraft (CCA) in America and autonomous collaborative platforms (ACPs) in Britain. Because they are larger and more complex, stuffed with sensors, they are far removed from the cheap drones popularised in Ukraine. America expects that its CCAs will cost $20m-30m each.

General Jenkins says that these sorts of loyal wingmen will eventually escort every F-35 at sea. They will collect intelligence, serve as decoys and carry weapons. The idea, according to people familiar with the planning, is that they can extend the range of crewed planes, pushing several hundred miles

deeper into dangerous airspace in the first phase of a conflict—perhaps targeting Russian or Chinese air-defence systems—while also serving as "missile magnets" to draw fire away from crewed jets.

That, though, raises deeper and, for navies, perhaps more unsettling questions about the relationship between ships, aircraft and firepower. "The idea of long-range, one-way effectors [weapons] operating off the carriers is part of the reality for us," says General Jenkins. "But I go a step further and say that isn't imaginative enough…Why put those long-range effectors on board these carriers?"

Carriers, he says, will face a growing range of threats—something evident from the Houthi strikes against shipping in the Red Sea over the past two years. For some critics, like General Milley, that is a reason to get rid of them. Proponents retort that as mobile runways that can sail anywhere, they are more survivable than airbases on land. "We still have a degree of invulnerability," says a navy source. "We can still evade [enemy] satellite passes if we turn off sensors when they're overhead."

What no one disputes, though, is that ships will need to carry more air-defence missiles, as well as offensive weapons. "One answer is you just build bigger warships," says General Jenkins. "That doesn't seem a sensible answer to me. It's not very affordable, and it puts literally all your eggs in one basket." The better option, he says—one validated by data from Ukraine, which Britain has helped build and operate a drone-heavy navy—is to disperse forces over a wider area.

In the future each warship, such as a destroyer or frigate, will itself have two uncrewed escorts, says the general. Far better to spread weapons around those, rather than concentrating them on drones stuffed onto carriers. Ukraine, for example, has used the Magura V7, an uncrewed speedboat armed with a pair of Sidewinder anti-aircraft missiles, to down Russian Su-30 jets. In that sense, the effort to build a hybrid air wing could also drive enormous changes in naval organisation and tactics, rather than just hardware.



Some navies are more comfortable with this than others. America has experimented with naval drones for many years. This year it will start flight-testing the MQ-25 Stingray, a large refuelling drone that it plans to put onto carriers from next year. That could free up F/A-18 fighter jets, which currently do much of the refuelling, for more pressing combat tasks. In theory the Stingray could later be equipped with other sensors or weapons. The capacity to bear arms is "inherently…built in the aeroplane", according to its designers. But America's navy has been reluctant to go down that road. The "predominant factor", says Mr Montgomery, "is that fighter pilots are running the decision-making process".

Alongside cultural rigidity, there is also understandable caution. If electronic jamming means that a pilot is cut off from a drone, the drone must either abort its mission or act autonomously. That might be straightforward if the task is to monitor the area or carry spare parts. It is trickier if the mission requires lethal force. What is clear is that more and more processing, whether crunching sonar data sent back by sonobuoys or identifying a potential target, will need to be done on computers on the "edge"—on board the drone itself. One result is that reusable naval drones will have to become larger and pricier, because it takes more room to contain the requisite processing power and cooling, and because powerful sensors can be miniaturised only so far.

Another result is that navies will face difficult decisions over how far to let their hybrid air wings off their remote-controlled leash. Even in a full-scale war over Taiwan, says an admiral, navies will still have to discriminate between combatants and civilians—between, say, a People's Liberation Army warship and a hospital ship. Carrier-borne drones cannot simply be told to attack everything they see. But the same criteria that humans currently use to identify whether a target is legitimate or not—such as the shape of a vessel and its electronic emissions—could, with sufficient computing power and careful design, be applied by an algorithm, he says. "We are in the foothills of full autonomy," he concludes.

Many air forces are sceptical that artificial intelligence will be mature enough to allow fully uncrewed combat aircraft within the next decade or two. The Anglo-Italian-Japanese project to build a sixth-generation jet, and America's equivalent programme, now known as F-47, both envisage an "optionally crewed" plane with a traditional cockpit. Neither can take full advantage of a human-less design. General Jenkins is more bullish. "Whatever we see today, it's twice as good next year," he argues. "This is all achievable much sooner than we might think." ■

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International | The Telegram

Meet the leader of Europe's anti-Trump resistance

For Spain's leader, Pedro Sánchez, opposing Trump is a lonely endeavour

September 11th 2025



TO APPRECIATE THE loneliness of Spain's prime minister, Pedro Sánchez, consider this. When he was left out of a White House summit on Ukraine on August 18th, it was only Spain's second-worst snub that day. To the added dismay of foreign-policy types in Madrid, a seat was found for the president of Finland, a country with a population less than an eighth the size of Spain's, alongside leaders from Britain, the European Commission, France, Germany, Italy, NATO and Ukraine.

Spain is an old, proud country, and the fourth-largest economy in the European Union (EU). It aspires to be a bridge between western Europe and the developing world, with ties of history and language to dozens of nations. Mr Sánchez has been a staunch defender of Ukraine since its invasion by

Russia. Yet on August 18th, analysts and diplomats in Madrid sadly concur, Spain's presence would have harmed the European and Ukrainian cause. The reason: Mr Trump dislikes Mr Sánchez.

To be fair to Finland, its president, Alexander Stubb, earned his White House seat. Pre-empting Trumpian grumbles about feckless allies, Finland is a model of self-reliance, with well-trained armed forces to guard its 1,340km border with Russia. Also, Mr Stubb is an expert golfer with the knack of charming Mr Trump.

Mr Sánchez, the head of a Socialist-led government, has chosen to defend European values by confronting Mr Trump. He urges the EU to fight Mr Trump's "unjustified and unfair" trade tariffs, and to consider channelling the proceeds of retaliatory tariffs to hard-hit European businesses. In January Mr Sánchez told the World Economic Forum in Davos that over-mighty American social-media platforms and tech billionaires imperil democracy. He urged the EU to enforce its own laws against online hate speech and disinformation, notably with the Digital Services Act. That was fighting talk. Mr Trump denounces EU digital laws as taxes on American firms and as vehicles for censorship.

At a NATO summit in June, Spain was alone in rejecting, outright, Mr Trump's demands for members to spend 5% of GDP on defence. That target is for show. As other governments knew, they were really being asked to spend 3.5% on defence, plus extra money on security. Rather than play along, Mr Sánchez declared a 5% target "incompatible with our worldview". He promised, instead, to spend 2.1% of GDP on defence, itself a big jump from Spain's previous pitiful levels. Touring Latin America in July, Mr Sánchez gave speeches alongside such avowed Trump-sceptics as Brazil's president, Luis Inácio Lula da Silva. The Spaniard vowed to fight an alliance of "oligarchs and the far right", which he said was responsible for "an international movement of hatred and lies".

Revealingly, all this activism has not enhanced the clout of Mr Sánchez in European capitals, though his positions often align with public opinion. An annual poll of Spaniards by the Royal Elcano Institute, a think-tank, this May found deep antipathy to Mr Trump, who scored below China's ruler, Xi Jinping. A poll of 24 countries conducted between January and April this

year by the Pew Research Centre, based in Washington, found that favourable opinions of America had declined in 15 of them since 2024.

Spaniards view America with ambivalence. The left has not forgotten that in the cold war America maintained a (prickly) alliance with Spain's military dictator, Francisco Franco. After Franco's death in 1975, however, joining Western institutions helped secure Spain's future as a free, modern society. That meant joining the EU but also NATO, to bind Spain's armed forces with democratic norms. To this day, large majorities of Spaniards support both NATO membership and helping Ukraine, while expressing horror at Israeli policies in Gaza. Memories of Franco-era isolation as a pariah state help explain the attachment of Spaniards to multilateralism and international law, argues Charles Powell, the director of the Royal Elcano Institute. "Trump is the enemy of everything that Spaniards believe," he says.

Mr Sánchez represents these views accurately. Yet his own political allies, as well as usually friendly news outlets, fret that Spain is losing clout in Brussels and other capitals. The costs of antagonising Mr Trump outweigh the benefits, murmur some people in Madrid's foreign-policy establishment. Did he need to pick a lonely fight at the NATO summit, they ask? Even in Latin America, where Mr Trump is viewed with alarm, few are ready to join a resistance movement led by Spain, a former colonial power. Brazil aside, Latin American governments see little upside in provoking America's wrath. What is more, the continent is swinging to the right and many of its conservative leaders distrust Mr Sánchez.

Spanish openness to the world is admirable. Mr Sánchez backs a long-stalled EU trade agreement with the Mercosur bloc of Latin American countries. Correctly, he calls it a way to show that global co-operation is still possible. The Sánchez crusade is on weakest ground when its motives look narrowly domestic and self-interested. Though his scorn for Trumpism is sincere, even friendly voices in Madrid agree that he is also veering left to shore up his coalition. To pick one example, his NATO fight reflects political weakness: his hard-left partners refuse to spend more on defence.

For Europe to defend liberal, democratic values it must become stronger, says a retired Spanish ambassador. Among other things, that means more defence spending, notably by Spain. It requires channels of communication

with Mr Trump, adds the diplomat. History shows that when Spain is too antagonistic towards America, it becomes “less relevant” for other European countries.

Spain has every right to defy Mr Trump, and to defend multilateralism. But standing up to bullies requires coalition-building, including across partisan lines. Alone, resistance is sadly futile. ■

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Business

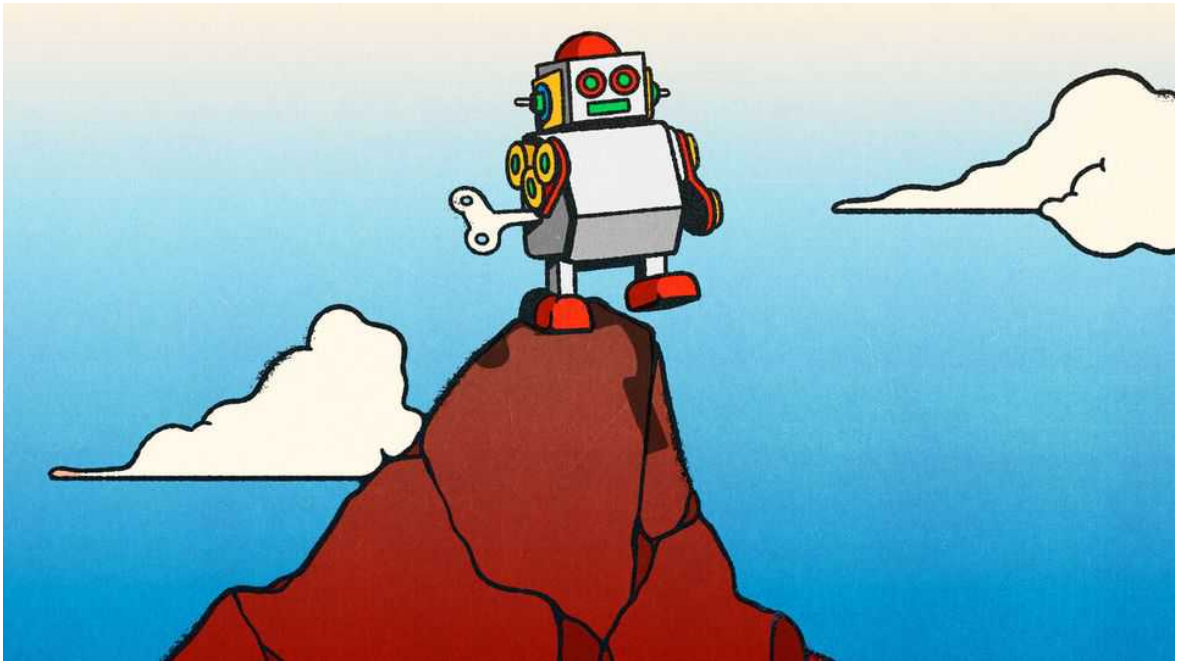
- Faith in God-like large language models is waning
- Sea Ltd, Singapore's e-commerce king, prepares to battle TikTok
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Business | Peak LLM?

Faith in God-like large language models is waning

That may be good news for AI laggards like Apple

September 11th 2025



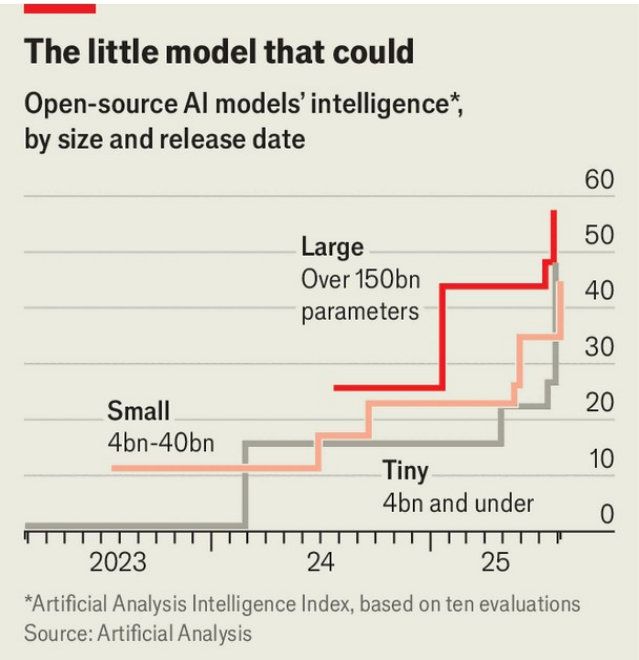
Editor's note (September 9th): This article has been updated.

WHEN TECH folk talk about the lacklustre progress of large language models (LLMs), they often draw an analogy with smartphones. The early days of OpenAI's ChatGPT were as revolutionary as the launch of Apple's iPhone in 2007. But advances on the frontier of artificial intelligence (AI) have started to look like ho-hum phone upgrades rather than genuine breakthroughs. GPT-5, OpenAI's latest model, is a case in point. It has generated a similar collective shrug to that which greeted Apple's unveiling of the new iPhone 17 on September 9th.

The slowing pace of improvement at the bleeding edge of generative AI is one sign that LLMs are not living up to their hype. Arguably a more important indication is the rise of smaller, nimbler alternatives, which are finding favour in the corporate world. Many firms prefer bespoke models that they can tailor to their specific needs. These so-called small language models (SLMs) are cheaper than all-purpose LLMs, whose God-like intelligence can appear superfluous. As David Cox, head of research on AI models at IBM, a tech company, puts it: “Your HR chatbot doesn’t need to know advanced physics.”

Besides being as easy to run on a company’s in-house IT systems as via a cloud-service provider, SLMs may also be more useful for AI agents, which do work-related tasks alongside or instead of humans. SLMs’ slimmer size makes them particularly well suited for AI in smartphones, self-driving cars, robots and other devices where energy efficiency and speed are at a premium. If they continue to become more reliable, they could validate the decision of Apple and other device-makers not to follow the herd by investing gazillions in cloud-based LLMs.

There is no precise definition of what constitutes small versus large language models. The distinction comes down to the number of parameters they are trained on—ie, the amount of numerical settings in a model’s brain that help it make sense of data. LLMs stretch to hundreds of billions of parameters. SLMs may be trained on 40bn or fewer, down to under 1bn in the case of tiny ones.



Improvements in the training of SLMs have helped them catch up with the capabilities of LLMs. Small models are increasingly "taught" by larger ones, rather than having to crawl the web to learn for themselves. Artificial Analysis, a benchmarking firm, says that on a variety of tests, a 9bn-parameter model called Nvidia Nemotron Nano, recently launched by the AI chipmaker, outperforms a Llama model released in April by Meta, a social-media giant, which is 40 times bigger (see chart). Catch-up is becoming routine. "The smaller models of today are much more capable than the larger models of last year," says Mohit Agrawal of Counterpoint, a tech market-research firm.

Better performance has attracted business customers. Gartner, an IT forecaster, says well-known flaws in LLMs, such as hallucinations, have bred "user fatigue". Instead, businesses want more specialised models, fine-tuned on industry-specific data. This year, corporate demand for them is projected to grow twice as fast as it is for LLMs, though from a much lower base. Over time, Gartner expects more of these specialised models to be developed by companies in-house.

Another reason for the growing popularity of SLMs is economics. Companies have moved on from a spend-whatever-it-takes approach, employed in the early days of generative AI, to a greater focus on return on

investment. Though they may still use LLMs for many tasks, they can do simpler jobs with SLMs. As one venture-capital grandee puts it, you may need a Boeing 777 to fly from San Francisco to Beijing, but not from San Francisco to Los Angeles. “Taking the heaviest-duty models and applying them to all problems doesn’t make sense,” he says.

To illustrate the economics, IBM’s Mr Cox points to a product developed by his company, called Docling, which transforms PDF documents, such as receipts, into storable data. It runs on a “tiny” model with about 250m parameters. He calls it a useful tool, but one that would not be cost-efficient if it were run on an LLM. Small models can also run on cheaper varieties of chip. The smallest models can use central processing units (CPUs), the workhorses of general computing, rather than graphics processing units (gpus) like those that have made Nvidia the world’s most valuable company. This could be a big selling point: GPUs, Mr Cox says, are “fussy Ferraris that are always in the shop”.

SLMs may become still more attractive as businesses deploy more AI agents. A little-noticed paper published in June by Nvidia Research, the chipmaker’s investigations arm, states boldly that “small, rather than large, language models are the future of agentic AI”. It notes that currently most agents are powered by LLMs, hosted by cloud service providers. The investment pouring into AI-related cloud infrastructure suggests that the market assumes that LLMs will remain the engines of agentic AI. The paper challenges that assumption, arguing that SLMs are sufficiently powerful to handle agentic tasks, and more economical (for instance, a 7bn-parameter model can be ten to 30 times cheaper to run than a model up to 25 times bigger). It says that SLMs may lead to a “Lego-like” approach to building agents, with firms using small, specialised experts, rather than one monolithic LLM intelligence.

The paper, which raises questions about the money pouring into cloud-based agentic infrastructure, does not represent Nvidia’s strategic thinking, says Kari Briski, a senior Nvidia executive. She says business customers want models “of all shapes and sizes”. The largest models are better at handling the hardest jobs than small ones. Moreover, she says, it is important to keep pushing the frontier of LLMs because that makes them better teachers of SLMs.

Whether SLMs eventually displace LLMs or not, heterogeneity is on the rise. All-knowing LLMs will remain important for consumer apps like OpenAI's ChatGPT. Yet even OpenAI is shifting its focus. GPT-5 has internal models of different sizes and strengths, which it uses depending on the complexity of the task.

As SLMs become more adept, they may also improve the reputation of on-device AI. Apple disappointed investors when it launched "Apple Intelligence", its AI offering, last year, because it did not work well. Its shares slid on September 9th after the launch of the iPhone 17, partly because there was no news of progress on Apple Intelligence. But the firm's approach of using SLMs to do some tasks on the iPhone while delegating harder jobs to the cloud could be the shape of things to come, says Counterpoint's Mr Agrawal. Such is Apple's clout, even if it has "missed the boat" in the early stages of the AI race, "it can always get on the next boat", he says.

For now, most attention remains on LLMs. Though cloud giants like Microsoft and Google have built extremely small models, the belief that the status quo will persist has helped justify the fortunes they are spending on data centres to train and host the largest models. That may be short-sighted. Given the relative merits of SLMs, Apple's take-it-slow approach may turn out to be justified in the long run.■

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Business | Making waves

Sea Ltd, Singapore's e-commerce king, prepares to battle TikTok

Online shopping is moving to social media

September 11th 2025



Despite having twice the market value of Ford, Singapore's Sea Ltd is not even half as well known as the storied carmaker. Sea's founder, Forrest Li, is publicity-shy. Yet the company's brands are famous among South-East Asia's 700m consumers. Ads for Sea's e-commerce arm, Shopee, are plastered all over the Singapore metro. Every day 100m people play "Free Fire", a "Fortnite"-like video game developed by Garena, Sea's gaming business. Sea has also built a financial arm, Monee, which holds a $7bn portfolio of loans.

The three business lines have generated impressive results. Sea is vying with DBS, a Singaporean bank, for the title of South-East Asia's most valuable

listed firm. A 400% stock rally since the start of 2024 has propelled Sea's market value to $114bn (still only half the level it reached in the ebullient market of 2021). Since its first profitable year, in 2023, earnings have marched higher. Last month Sea reported that its net income in the past year had exceeded $1bn for the first time.

Shopee, which has propelled Sea's recent success, has proved remarkably competitive in a cut-throat industry. During the covid-19 pandemic Shopee went on a capital-spending binge, investing nearly $2bn in 2021 and 2022. Central to this was a logistics upgrade to its in-house delivery provider, SPX Express. Sales soared, but so did losses. In 2022 a cost-cutting drive began. Without much interruption to e-commerce growth, losses narrowed. In the latest three quarters Shopee has turned consecutive operating profits.

Investments in logistics have let Shopee offer cheaper and faster delivery than its rivals, chief among them TikTok Shop (owned by ByteDance, a Chinese tech firm) and Lazada (majority owned by Alibaba, a Chinese e-commerce giant). Localisation is more embedded in Shopee's culture than that of the "Chinese overlords" it plays against, says a strategist at a smaller rival. As a result, Shopee has retained about half of South-East Asia's e-commerce market. It is growing in Brazil, too.



For all Shopee's growth, its profitability remains modest. Despite e-commerce making up three-quarters of Sea's revenue in the year to June, it contributed a much smaller share of operating profit than Sea's other main business lines, gaming and fintech (see chart). Shopee's "take rate"—how much revenue is squeezed out of each dollar of merchandise sold—has stopped consistently rising. It has beaten back rivals for now, but cannot grow complacent.

The chief threat is so-called social commerce, which makes up a fifth of online shopping in South-East Asia. This is home turf for TikTok, where short-video scrollers stumble onto streams dedicated to flogging merchandise. Two-thirds of TikTok Shop's sales flow through video or live streams. In the first half of 2025 the value of goods bought on TikTok Shop more than doubled, year on year, in South-East Asia's five biggest economies outside Singapore, according to Momentum Works, a consultancy. Social-media-obsessed Indonesia is TikTok Shop's biggest market.

Sea has put forward its own social-shopping offerings in the form of Shopee Live, a live-streaming e-commerce platform launched in 2019, and a partnership with YouTube announced last year. But it is up against a spry competitor which specialises in social media. Mr Li may eschew publicity, but his firm's toughest fight will be for online eyeballs. ■

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Business | Chasing returns

From volleyball to tag, investors are piling into niche sports

Streaming and festival-like spectacles are helping smaller leagues win young audiences

September 11th 2025



In an arena in London, the crowd counts down from 20. Two athletes crouch inside a maze of bars and ramps, waiting for the buzzer. One will chase, the other will try to escape. This is “World Chase Tag”, a professional league that has turned a childhood pastime into a spectacle, complete with referees, sponsors and TV deals. It has attracted millions of viewers and struck broadcast agreements with ESPN in America and Channel 4 in Britain.

Tag is not the only fringe sport finding serious backing. In June ESPN took a minority stake in the Premier Lacrosse League and will broadcast its matches until 2030. CVC, a private-equity giant, has invested $300m to

create Volleyball World, a joint venture with the International Volleyball Federation that manages the sport's commercial operations; the deal helped lift audiences of the Volleyball Nations League by 42% last year, to 2bn views..

The boom owes much to the covid-19 pandemic. When mainstream leagues shut, locked-down audiences devoured whatever competitions remained. After covid, pent-up demand for in-person entertainment swelled crowds: two years ago a volleyball match in Nebraska drew 92,000 fans, a record for women's sport. Streaming has helped. In the broadcast era, the biggest leagues hogged scarce airtime. Nowadays, platforms like Netflix and Disney+ have unlimited schedules and global reach, giving small sports room to grow.

Meanwhile, soaring franchise values have cemented sport as an asset class. Private-equity firms accounted for 45% of sports-industry deals in 2024, with the number of deals nearly doubling from the previous year, according to Oaklin, a consultancy. Yet entry to the top tier is scarce: stakes in mega-franchises like America's National Football League (NFL) or National Basketball Association rarely come up for sale. That pushes capital towards smaller leagues.

"Niche sports offer investors a foot in the door," says Avery Wright of Navigate, another consultancy. By backing competitions from the ground up, investors build the credibility and experience needed for when established franchises eventually open to new capital. For funds that already own big-league assets, small leagues offer diversification and a chance to apply their expertise. Qatar Sports Investments, owner of the Paris Saint-Germain football team, bought the World Padel Tour in 2023 and has since helped build a global circuit.

Whereas established sports like tennis and golf are grappling with ageing fan bases, upstarts can design their products to suit digital natives with short attention spans. TGL, a golf league founded by Tiger Woods and Rory McIlroy that stages contests indoors, with computer simulators and a live putting green, draws audiences 12 years younger than the PGA Tour, golf's main circuit. The King's League, a five-a-side football tournament founded in Spain in 2022, keeps fans engaged by letting them vote for rule changes.

Many of these contests feel more like festivals than fixtures. Ugo Valensi, head of Volleyball World, says the party atmosphere at its events draws younger crowds.

The question is how to monetise all this attention. Small leagues rely on the same three revenue streams as the giants: media rights; sponsorships; and ticketing and merchandise. But the mix varies. Whereas about half the NFL's revenue comes from broadcasters, some niche leagues charge little or nothing for media rights, preferring to maximise exposure. Social media are crucial: clips on TikTok or Instagram can quickly translate into jersey sales.

The risk is that only a handful of new leagues will capture sustained attention. In some sports the rush of capital has bred chaos. Pickleball briefly had three "official" circuits in America, a tangle that diluted attention and confused audiences. Other upstarts are struggling: last month Grand Slam Track, a new athletics league, admitted it was late in paying athletes their prize money, after not receiving promised funding. Yet the chance of backing the next Major League Soccer or Ultimate Fighting Championship offers the prospect of huge returns. For now that is enough to keep investors in the game.■

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Business | A new chef

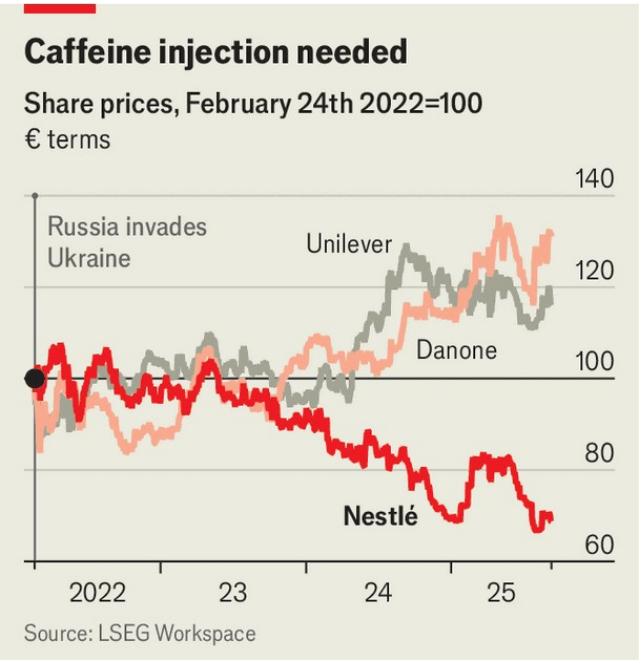
Can Nestlé's third boss in little over a year turn things round?

Things have gone from sweet to bitter at the world's biggest food firm

September 11th 2025



"Nestlé, the proud, Swiss tradition-steeped company, suddenly appears to be a madhouse," laments the Neue Zürcher Zeitung, a Swiss daily. Barely a year after ousting its previous chief executive, Mark Schneider, on September 1st the board of the world's biggest food firm sacked his successor, Laurent Freixe, for not disclosing a romantic relationship with a subordinate. The turbulence at the top is unprecedented in the 159-year history of the company.



Nestlé has for decades been a byword for a steady growth engine that is a staple of Swiss pension-fund investment. But in recent years the maker of products such as Maggi (seasoning), KitKat (chocolate), Nescafé (coffee) and Purina (pet food) has lost its way. Its share price has slumped by 31% in euro terms since February 2022, while those of its rivals Danone and Unilever have risen by 31% and 16% (see chart).

Nestlé's hastily appointed new boss, Philipp Navratil, is a company insider who previously ran Nespresso, Nestlé's coffee-machine business. The Swiss-Austrian is taking over at a difficult time. At 49 he is younger than his predecessors and will soon be joined by Pablo Isla, a well-regarded former boss of Inditex, a Spanish fashion giant. Mr Isla will take over as chairman in April—or perhaps earlier, as investors are clamouring to eject the current chairman, Paul Bulcke, who was instrumental in picking Mr Schneider and Mr Freixe as chief executives.

The company's troubles began under Mr Schneider, who became chief executive in 2017. The former boss of Fresenius, a German health-care firm, thrived initially. "In the first years he created lots of value," says Jean-Philippe Bertschy of Vontobel, a Swiss bank. Mr Schneider built up Nestlé's health division with the takeovers of Atrium, a maker of supplements, and Nuun, a sports drink. He sold the firm's skincare business for a good price,

and offloaded underperforming water and ice-cream businesses in America. He steered the company ably during the covid-19 pandemic. The firm's share price hit a high in January 2022.

The downward trend began after Russia's invasion of Ukraine the following month. Mr Schneider was confronted with the combination of steep rises in the cost of raw materials, supply-chain disruptions, rising interest rates and flagging consumer sentiment. He raised prices and cut costs, particularly on marketing. But this led to lower sales, as consumers traded down to cheaper brands. Moreover, local competition intensified in emerging markets and the price of cocoa, a key ingredient of many popular Nestlé products, kept rising.

A string of scandals didn't help. In 2022 two children died and dozens of people were poisoned after eating a batch of its Buitoni frozen pizzas that had been contaminated with E. coli bacteria. Nestlé also came under fire for selling sugar-packed baby food in poor countries, for continuing to trade in Russia amid its war with Ukraine and for using banned mineral-water-purification methods at the production site of Perrier, its water brand.

Mr Freixe's mission was to refocus on Nestlé's strengths. It is the market leader in milk powder, frozen food, at-home coffee and pet food (where it shares first place with Mars, an American food giant). He ramped up marketing spending and had planned to slim down the firm's product offerings before he was fired.

The new boss, Mr Navratil, is expected to push ahead with streamlining the portfolio of products. Potential candidates for sale are the rest of Nestlé's troubled water business (representing 3% of total revenue), some vitamin brands, Gerber (which makes baby food), Illuma (a brand of infant milk) and some smaller confectionary brands, such as China's Hsu Fu Chi. Restoring sales volumes and geeing up innovation are also on his to-do list. Most importantly, he must raise the morale of dejected staff and investors.

Patrik Schwendimann of Zürcher Kantonalbank, another bank, thinks the change at the top is a good Swiss compromise between the previous two bosses: Mr Schneider (who was supposed to bring in fresh air) and Mr

Freixe (who was meant to return Nestlé to its strengths). Maybe Mr Navratil could start by finding a more inspiring mantra than “Forward to basics”.■

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Business | Marketing missteps

How do you pronounce Biemlfdlkk? The brands lost in translation

As they race to go global, many Chinese companies are choosing new names

September 11th 2025



Biemlfdlkk is a mouthful. It is not exactly clear how to enunciate the eight-consonant jumble in the Chinese golf-apparel brand's English name. It is even hard to write. But the company is expanding overseas, recently acquiring two foreign brands. This was probably a factor that led it to ditching the odd string of letters it had operated under for 21 years. This year it is swapping the old name for one that is a bit more intelligible: Biemlofen.

Chinese brands are moving into foreign markets as never before. The way they are perceived when they arrive depends not just on the quality of their product but also on their name. A few companies are already mastering

foreign branding. Haidilao, a restaurant chain specialising in spicy soups, has started using the word Hi as a simplified name at its overseas shops. Pop Mart, the toy company that makes the sensational Labubu dolls, looks right at home in America or Europe. Shein, an online fashion firm, based its Chinese name, pronounced xi yin, on its English one (an abbreviation of SheInside).

These are the few that are getting it right. Many others struggle. Take, for example, Mixue, a cold drinks and ice-cream chain that is opening thousands of shops outside China. The company's name translates to "honey snow", but instead of making use of that overseas it has employed the phonetic version of its Chinese name, which is not easy to pronounce. The name will limit the brand's growth abroad, predicts Chris Pereira of iMpact, a consulting firm, since people will not know how to say it when recommending it to friends.

Many Chinese companies chose ill-conceived foreign names decades ago and have simply stuck with them. Perhaps White Elephant, a Chinese battery brand that is becoming popular in Africa, should have stuck with its phonetic Chinese name. Chint, an electronics maker founded in 1984, chose an English name that faintly reflects its Chinese one but sounds closer to "chintzy", American slang for cheaply made. Many firms try to turn their Chinese name into one that sounds Western, but end up with nonsense: Youngor, a fashion brand, is one example.

And yet this is often preferable to experimenting with symbolism in a foreign tongue, as demonstrated by the Chinese sunglasses brand that named itself after the world's most famous blind person, Helen Keller. Foreign-sounding names that provide international flair at home can be less helpful in overseas markets. Adolph, a Chinese shampoo-maker, might have convinced some Chinese people that it is German, but it may find the name does not help it sell products in Germany.

Cracking the language and culture of any foreign market is tough. Western firms in China know this all too well. Peugeot, a French carmaker (owned by Stellantis, whose largest shareholder part-owns The Economist), has an unremarkable Chinese name when said in Mandarin, the national language.

But in Cantonese, a southern dialect, the name Peugeot sounds unfortunately close to “bitch”.■

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Business | The son wot won it

Lachlan Murdoch, media's newest mogul

Fox's decades-long succession battle is finally over

September 11th 2025



The thirty-year job interview has concluded at last. On September 8th the Murdoch family announced that it had resolved a decades-long dispute over who will control its television and newspaper empire when Rupert Murdoch, who is now 94, dies. The upshot of a complicated deal is that Lachlan Murdoch, the third-eldest of six Murdoch children, will inherit a controlling stake in Fox and News Corp, the family firms. Their combined market value is $42bn; their combined influence—with brands including Fox News, the New York Post and Wall Street Journal—is greater still. The agreement, announced on Mr Murdoch's 54th birthday, makes him one of the world's most powerful people for decades to come.

His ascension to the inky throne has been half a lifetime in the making. A gap-year stint at the printing presses in Sydney marked Mr Murdoch's entry to the family firm. After graduating from Princeton University, where his dissertation was on Immanuel Kant's ethics, he went to work for the Murdoch newspaper business in Australia. He later moved to Fox in New York. After falling out with Roger Ailes, the late, since-disgraced head of Fox News, he quit in 2005 and moved back to Australia to pursue his own investments. James, his younger brother, moved into pole position.

Ten years later Mr Murdoch returned to the fold and re-established himself as the favourite. James left, unhappy with the right-wing slant of Fox News, which took a sympathetic view of Donald Trump's presidential candidacy in 2016. When Rupert Murdoch retired in 2023, Lachlan was named chief executive of Fox and chairman of News Corp. There remained the threat that James and the two eldest Murdoch children, Prudence and Elisabeth, might use their shares in the companies to outvote their brother after the death of their father. But under the deal agreed this week, the three rebel siblings have reportedly given up their votes in exchange for a pay-off of about $1bn each. The agreement gives Lachlan a controlling stake in both firms until 2050.

Though born in London and raised in New York, Mr Murdoch has said that he considers himself Australian. He moved to Sydney with his wife, Sarah Murdoch, a former model and presenter on one of the Murdochs' Australian networks, and their three children in 2021, though he reportedly still sometimes works to American hours. He is more blokeish than his brother, with an interest in rugby and rock-climbing. But he is less frugal than his father. Whereas Rupert Murdoch amused Hollywood executives in the 1980s with his Walmart shirts and habit of walking the four miles from his home to the Fox lot, Lachlan recently bought himself one of the most expensive homes in California, Chartwell Mansion, a ten-acre Bel Air pile.

He appears to share his father's political flexibility. In the 1950s Mr Murdoch Sr had a bust of Lenin in his student rooms at Oxford. His British newspapers switched their support from the Conservatives to Labour on the eve of the latter's victory in 1997. He initially despised Donald Trump, but swung behind him when MAGA's momentum became clear. Lachlan seems similarly pragmatic. In 2023 his family foundation gave A$1m ($660,000) to

Qtopia, a gay museum in Sydney (whose recent exhibitions include “Kylie Minogue & Queer Devotion”). In 2016 he had loo-roll printed with Mr Trump’s face in his home, according to a book by Michael Wolff, a journalist. But these days he sees Mr Trump as good for business. “Because of the election results, many advertisers have sort of rethought their positioning in this country and understand that the Fox News viewer really does represent middle America,” Mr Murdoch told investors in March.

The new boss’s detractors say that the recent success of Fox and News Corp (their combined value has appreciated by 50% in two years) reflects clever past decisions by his father, who sold Fox’s entertainment assets to Disney in 2019 at the top of the market. But Mr Murdoch junior deserves credit, too. News Corp’s bull run has been driven by its stake in REA Group, an Australian property-listing platform which he rescued from near-bankruptcy in 2001 and which is now worth over $20bn. At Fox he has pushed experiments in digital technology—never the strong suit of his father, whose main online investment was in MySpace, just before it flopped. In 2020 Fox bought Tubi, an ad-supported streaming service which has since overtaken rivals such as Paramount’s Pluto. In August it launched a paid streaming service, Fox One.

What now? With the rebel siblings bought out, Fox and News Corp will surely continue on their profitably conservative path. As long as the threat remained of a family rebellion, some analysts predicted the possible break-up of the firms. That no longer looks likely. The odds of News Corp spinning off REA, as some activist investors urge, also appear to have lengthened.

Instead, the settling of the family feud could open the door to more expansive moves. One might be to combine the two companies into one. Rupert Murdoch attempted to do this in 2022 but was opposed by shareholders, including James. Some analysts think that Lachlan may give it another go.

Another option would be for Fox to bulk up. Hollywood is ripe for consolidation, as smaller streaming services struggle to reach the scale needed for sustainable profits. John Malone of Warner Bros Discovery told the Financial Times last week that last year he had discussed with Rupert

Murdoch the possibility of merging Fox and Warner. David Ellison, another Hollywood nepobaby, has recently taken over Paramount and seems to have ambitions to grow. With the succession question answered at last, the Murdoch empire may be ready for more dealmaking.■

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Clarification (September 10th): An earlier version of this article described Sarah Murdoch as a former Fox presenter. Mrs Murdoch was a presenter on Foxtel, which at the time was a joint venture of the Murdochs' in Australia.

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Business | Bartleby

Reviewing the annual performance review

What would happen if the tables were turned?

September 11th 2025



Name: Annual Performance Review (Ann for short)

Department: All

Review period: 2024-25

Overview: Ann has been with the company since 1973. Her core goal is to review the performance of everyone else in the organisation, and I'm pleased to say that she achieved this outcome for the 51st year in a row. She is part of the furniture here, even though no one really likes her and she isn't particularly happy in the job.

Manager review: To her credit, Ann again ensured that everyone in the company had at least one formal conversation with their manager about their performance, satisfaction levels and objectives. Ann provided a forum for both parties to raise important issues. She gathered and presented information that fed directly into decisions on pay, promotions and, occasionally, something much nastier.

We do not set any metrics for determining whether Ann does her job well or adds any real value to the organisation, which is pretty ironic now I write it down. But there is an awful lot of room for improvement.

Ann spent most of her year doing absolutely nothing. As usual, people forgot about her existence entirely until she suddenly started asking for appointments again. I'm not sure what she did during the fallow period; she could not give me a straight answer. And when she is working, it's not clear how much effort Ann is putting in: she has updated her template once in the past three decades, and that was to change the font.

I asked people who have worked with Ann for anonymised feedback about her. Some people questioned why she remained on the staff ("Companies like Netflix and Adobe decided to get rid of their performance reviews but Ann seems to have a job for life"; "She's like my aunt Dorothy, always asking the same questions and always ignoring my answers").

Almost everyone thought that Ann could be more proactive ("How would you like it if someone ended a conversation by saying, 'Let's pick this up again in a year'?"). Lots of people commented that her manner is very formal, and that it's hard to relax around her. Several employees said that as soon as Ann was in the room, managers started saying things they had never heard before.

On the bright side, some people who had no contact with their managers at all were glad that Ann reminded their bosses of their existence ("He asked if I was sure I was in the right room, but once I mentioned Ann's name, he became a bit friendlier"). Even employees who have frequent contact with their managers praised Ann for giving them a chance to document their performance and discuss their career ambitions. Plenty of bosses also felt

she performed a useful function ("Ann helps set tangible goals for my team"; "Without Ann, I'd never get rid of any of these losers").

Employee review: I would like to take this opportunity to repeat all of the things I said in my last review. I like the company, and I am glad we don't rank employees against each other. But it's quite disheartening to be treated with such a conspicuous lack of enthusiasm by everyone. I do everything that is asked of me to the best of my ability. I may not be much fun down the pub but lots of people have told me that they want formality when it comes to decisions on pay and promotions.

A lot of the criticism I get is very unfair. If people are blindsided by what they are told by their managers, they are right to be annoyed but shouldn't blame me. It's not my job to be providing regular feedback. In fact, I would like to do more during the year. I have suggested increasing my working hours and becoming a quarterly performance review, but no one is interested in that idea. Indeed, lots of bosses insist on doing all their work with me in a single week; many of them just cut and paste remarks between employees to save time.

Manager's summary: I've got other reviews to do now: in fact, I can see our onboarding programme waiting outside the door. I'll pick up all of these points with Ann at a later date, and certainly in a year's time. In the meantime, she should just carry on as before. ■

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Business | Schumpeter

In French business, boring beats sexy

To find solace from France's corporate malaise, look away from the glamorous

September 11th 2025



FRANCE IS THE land of haute cuisine and haute couture. Of elegance and aesthetics. Of sophistication and sex appeal. This stereotype extends to business. The largest French companies, LVMH and Hermès, are purveyors of luxury to the global elites. Yet as the country enters another political crisis following the collapse on September 8th of the second government in less than a year, it is a rather duller side of France SA that is outshining the rest.

The latest crisis was precipitated by the minority government's effort to start plugging a widening fiscal hole. This is necessary—and in keeping with the pro-market instincts of the centrist president, Emmanuel Macron. It is also predictably unpopular. A nascent social-media movement wants to "block

everything". Protests erupted on September 10th. The sole, unhappy concession to stability is French GDP, which despite Mr Macron's reformist efforts has not moved much since he was re-elected in 2022.

Bond markets are on edge. So are other investors. Venture capitalists have just had their quietest French quarter in more than five years, according to PitchBook, a data provider. Buy-out barbarians spy few gates worth storming. France's CAC 40 is dead-last among the rich world's blue-chip indices over the past year. It has risen by 4%, barely more than a third as much as Britain's FTSE 100 and America's Dow Jones Industrial Average, the other two stragglers. Japanese stocks have jumped by a fifth, Canadian ones by a quarter and Hong Kong's by half. German, Italian and Spanish share prices are up by a third or so.

The resulting existential dread enveloping many French boardrooms would make Jean-Paul Sartre seem chirpy. Even LVMH and Hermès are looking tattered. Frayed by Donald Trump's trade war and the Chinese bling-buyers' increasingly Sartrean gloom, they have shed nearly €200bn ($235bn) in value since mid-February, equivalent to 30% of their combined market capitalisation. If this formidable duo are suffering malaise, having long been the main exception to it among French businesses, what hope is there for anyone else?

A fair bit, in fact—so long as you avert your gaze from high fashion, high tech, high finance and other glamorous industries du jour. Look instead at the unsexy, and France has lots to offer.

The first unsexy French exception can be found among perennial corporate disappointments. Examples include Danone, France's yogurt champion; Orange, its biggest telecoms operator; and Société Générale, its fourth-largest bank by assets. By January this year anyone who had bought shares in any of them at the start of 2020 saw virtually no net returns (and that is including dividends). Since then all three have been some of the best-performing large firms globally in their respective sectors. Their share prices have shot up by 15%, 40% and 100%, respectively.

Danone is finally skimming the cream from its decision a couple of years ago to ditch its obsession with stakeholder value and focus on shareholders.

Société Générale, too, is cashing in on a two-year-old turnaround plan, which has involved deep cost cuts, sales of non-core units and a refocus on domestic retail banking. JPMorgan Chase, a bank, expects a "break-out year" for Orange, as it reins in capital spending on network expansion and takes advantage of European regulators' new-found tolerance for consolidation to snap up a rival or two.

The second source of solace comes from France's smaller publicly traded firms, which lack the cachet of the CAC 40. Being more exposed than multinationals to the European economy, they have suffered disproportionately from its prolonged sluggishness. But this also makes them less vulnerable to global disruption brought about by Mr Trump's witless trade policy and the protectionist responses it is eliciting from other countries.

So far this year the MSCI index of France's listed minnows has climbed by 15%, three times as much as the CAC 40 and not far off Germany's DAX, the rich world's second-hottest major index of 2025 behind the sizzling Hang Seng. The small French fry have also outshone their American opposite numbers in the Russell 2000, susceptible to Mr Trump's erratic economic policymaking. They have even got one over on the NASDAQ, full of frothy artificial-intelligence (AI) stocks.

A third group of French winners are the least chic of all. Since 2019 the operating profits of Engie and Veolia, two boring utilities, have more than doubled, growing at twice the compound annual rate of a typical global rival. Their return on capital is higher, too. The net profit of Saint-Gobain, which churns out building materials, leaves most peers in the dust. Vinci boasts the highest operating margin among the West's big builders (and with a market capitalisation of $73bn is far and away the most valuable). Since 2019 Schneider Electric and Legrand have outgrown most rival makers of electrical components in terms of sales.

If the luxury sector is the product of France's sharp dress sense, these dull businesses are testament to the country's knack for producing sharp engineers, remarks Gerry Fowler of UBS, a bank. Like Société Générale, Orange and the minnows, they are benefiting from lower reliance on global

markets. Europe's embrace of decarbonisation, with its attendant infrastructure needs, provides a helpful tailwind.

France has some game left in glamorous sectors. Mistral, a Parisian startup, is the most coveted AI model-builder outside America and China; it has just secured a €1.3bn investment from ASML, a Dutch chip-industry star. Franco-German Airbus flies rings round Boeing. French admen are the world's canniest. LVMH and Hermès remain peerless in luxury, recent stumbles notwithstanding. But elsewhere in French business, dull is the new black. ■

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Finance & economics

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Finance & economics | Revolutionary road

What if the AI stockmarket blows up?

We find that the potential cost has risen alarmingly high

September 11th 2025

Since the release of ChatGPT in 2022, the value of America's stockmarket has risen by $21trn. Just ten firms—including Amazon, Broadcom and Nvidia—account for 55% of the rise. All are riding high on enthusiasm for artificial intelligence, and they are not the only ones. Larry Ellison briefly became the world's richest man, after AI enthusiasm prompted the share price of Oracle, his firm, to leap. In the first half of the year an IT investment boom accounted for all America's GDP growth; in the year to date a third of the West's venture-capital dollars have gone to AI firms.

The market is so hot because many believe AI will transform the economy. Investors at Sequoia Capital, a VC firm, recently argued it will be "as big if not bigger than the Industrial Revolution". In a podcast last year, Gavin Baker of Atreides Management, an asset manager, argued that AI luminaries are not just after the "tens of trillions or hundreds of trillions of value" the tech could add to their firms—they are "in a race to create a Digital God". That belief would justify any amount of spending.

Will AI really become god-like? Perhaps, but a recent report by UBS, a bank, finds that revenues to date have "been disappointing". By our reckoning, total revenues from the tech accruing to the West's leading AI firms are now $50bn a year. Although such revenues are growing fast, they are still a tiny fraction of the $2.9trn cumulative investment in new data centres globally that Morgan Stanley, another bank, forecasts between 2025 and 2028—a figure which excludes energy costs. AI revenues could continue to grow quickly, but only if firms continue to believe the tech is useful to them, and this is not guaranteed. A recent study by researchers at the Massachusetts Institute of Technology finds that 95% of organisations are getting "zero return" from investments in generative AI.

No wonder more people are asking if AI investment has become irrationally exuberant. “Global Crossing is reborn,” argues Praetorian Capital, a hedge fund, referring to the firm that hugely overbuilt cross-continental fibres in the dotcom era. “Valuations in the space are indeed flashing red and leave little room for cashflow disappointments,” according to another report by UBS. Torsten Slok of Apollo, a private-investment firm, has noted that AI stocks are more richly valued than dotcom stocks in 1999. Even Sam Altman, boss of OpenAI and one of AI’s most fervent evangelists, is sounding the alarm. “Are we in a phase where investors as a whole are overexcited about AI? My opinion is yes.”

This may seem like a striking admission, but Mr Altman and his ilk also argue that bubbles are normal when new technologies emerge. “Tech enthusiasm always runs ahead of tech realities,” according to Michael Parekh, a former analyst at Goldman Sachs, yet another bank. “History tells us that periods of major technological innovation are often accompanied by speculative bubbles as investors overreact to genuine advances in productivity,” reads a study published in 2008 by the Federal Reserve Bank of San Francisco. An academic study in 2018, which examined 51 innovations from between 1825 and 2000, found that 37 were accompanied by bubbles.

Most did not prevent the technologies that inflated them from sweeping the world. In Britain there were two big railway bubbles, in the 1840s and the 1860s; the country nevertheless has lots of railways. American investors went loopy over electric-light companies in the late 1800s and lost a lot of money, but today Americans still want to see at night. AI may well follow suit. Bubbles come and go, but Digital God would be eternal.

And yet a crash would still have big consequences. One lesson from history is that, when tech bubbles burst, leading firms give way to upstarts. “The biggest and most successful lighting companies all experienced a change of control when cashflow became an issue,” wrote Alasdair Nairn in “Engines That Move Markets”, which covers the late 19th century. Many firms that dominated the early days of railways, the telegraph and the telephone were also fast supplanted. Who remembers Vulcatron, from America’s electronics bubble of the 1960s, or Corning, a household name during the dotcom

boom? It will be a miracle if, in a decade or so, all the "magnificent seven" listed tech firms, and the biggest AI startups, still exist.

For society at large, the consequences of tech crashes vary enormously. The bursting of America's electronics bubble of the 1960s barely grazed the economy; the bursting of its railway bubble in the 1870s resulted in the longest slump in American history. Our analysis of past technological bubbles finds that a number of factors matter most: what kick-starts the boom, the nature of the capital invested and who bears the losses.

Take the spark first. In their book "Boom and Bust", William Quinn and John Turner, two economic historians, distinguish between political and technological sparks. Bubbles inflated by politicians—through changing regulations or taxes, say—cause more damage than those inflated by new technologies. Political sparks encourage investors to move as a herd. Lenient property taxes, low interest rates and financial liberalisation led to a gargantuan asset bubble in Japan in the late 1980s. For decades after it burst, Japan's economy remained sluggish. By contrast, technological sparks do less damage: no long slump followed the dotcom mania.

The size and durability of capital investment is also important. In 1840s Britain, businessmen went truly bananas for railways. From 1844 to 1847 investment rose from 5% to 13% of British GDP. Investment fell by half when the bubble burst—and British unemployment doubled.

Then there is the manner in which capital is deployed. Much of the capex by Japanese electronics firms in the 1980s ultimately served no useful function. By contrast, bubbles can benefit society if they create enduring assets. The railway mania built the backbone of England's rail network, even if profitability took a long time to arrive. The tens of millions of miles of fibre-optic cable laid across America during the late 1990s were far more than the internet needed at the time. But in recent years this has facilitated data-intensive services such as streaming and video calls.

A history of the next big thing

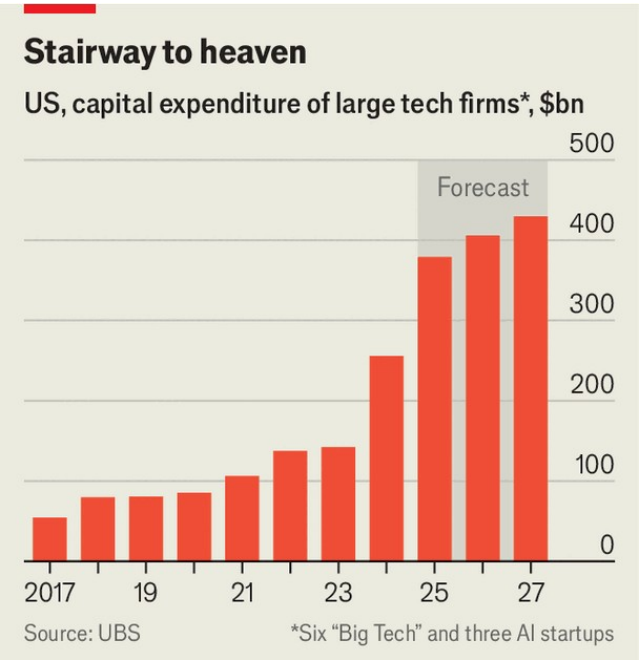
Selected tech bubbles, estimated impact

1 **Capital expenditure as % of GDP***
2 **Asset durability** Depreciation rate of investments
3 **Systemic risk** Links to rest of economy

		Low ■■■■■ High	1	2	3
1840s	**Railways, Britain**	Spark: Technological	■	■	■
1860s	**Railways, Britain**	Political	■	■	■
1860s	**Railways, US**	Political	■	■	■
1870s	**Telephone, US/Britain**	Technological	■	■	■
1880s	**Electric light, US**	Technological	■	■	■
1920s	**Electricity/radio, US**	Technological	■	■	■
1960s	**Electronics, US**	Technological	■	■	■
1980s	**Consumer tech, Japan**	Political & technological	■	■	■
1990s	**Dotcom, US/Europe**	Technological	■	■	■
2020s	**Covid tech, Global**	Political	■	■	■
2022-	**AI, Global**	Technological	■	■	■

*Over a five-year adjusted period
Sources: Census Bureau; "Engines That Move Markets", by A. Nairn, 2018; NBER; Odlyzko, 2024; OECD; "Boom and Bust", by J.D. Turner and W. Quinn, 2020; UBS; World Bank; *The Economist*

The final factor determining a crash's severity is who bears the losses. When lots of individual investors each lose a little, the economic damage is limited. This is what happened after America's electronics and dotcom booms. Amid the British railway bust of the 1860s, by contrast, losses were concentrated among banks, which ended up with lots of bad loans. They then cut new lending, deepening the downturn.



Where might AI sit in the rogue's gallery? To judge this, we picked ten historical bubbles and assessed them on each factor—spark, cumulative capex, capex durability and investor group. By our admittedly rough-and-ready reckoning, the potential AI bubble lags behind only the three gigantic railway busts of the 19th century.

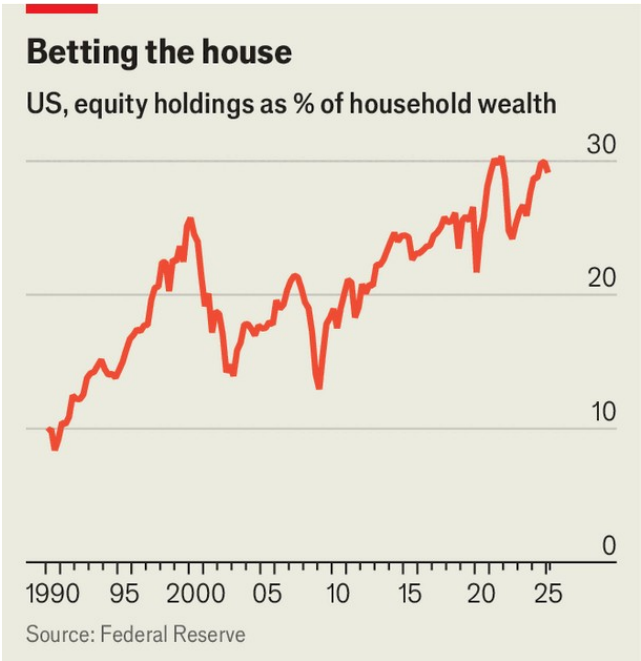
The spark of the AI boom was technological, but politicians are adding fuel to the fire. A foundational paper titled "Attention is all you need" was published in 2017. OpenAI released ChatGPT in 2022. These developments had nothing to do with politics. Lately, however, governments have begun to support their AI champions. America's, under Donald Trump, has promised to trim regulation and help provide the infrastructure and workers needed to achieve "global dominance". Gulf countries' governments are pouring trillions of dollars into AI investment.

The nature of AI capex is also worrying. For now, the splurge looks fairly modest by historical standards. According to our most generous estimate, American AI firms have invested 3-4% of annual American GDP over the past four years. British railway investment in the 1840s was 15-20% of GDP. Yet if forecasts for data-centre construction are correct, that will change. What is more, an unusually large share of capital investment is being devoted to assets that depreciate quickly. Nvidia's cutting-edge chips will inevitably look clunky in a few years' time. We estimate that the average American tech firm's assets have a shelf-life of just nine years, compared with 15 for telecoms assets in the 1990s.

Last is the question of who would bear the losses from a crash. Almost half the forthcoming $2.9trn in data-centre capex, Morgan Stanley reckons, will come from giant tech firms' cashflows. These companies can borrow a lot more to fund their investments if they wish, since they have little existing debt. They make up about a fifth of the S&P 500 index's market value, but as borrowers account for only 2% of the investment-grade bond market. Their balance-sheets look rock-solid.

The other big investors are likely to be insurance companies, pension schemes, sovereign-wealth funds and rich families. In August PIMCO, a big bond investor, and Blue Owl, a private-credit firm, funded Meta's $29bn data-centre expansion in Louisiana. If the value of all AI investments went

to zero such investors would suffer, but would be unlikely to bring down the financial system. Since American banks are not financing much of the AI boom themselves, their exposure to it is mostly indirect, through such non-bank lenders.



In another respect, though, America's economy is in a historically unique position: individuals' exposure to the stockmarket has never been so high. Ownership of stocks accounts for about 30% of the net worth of American households, compared with 26% in early 2000, at the peak of the dotcom bubble. Such ownership is concentrated among the rich, whose spending has powered economic growth of late. According to Oxford Economics, a consultancy, consumer spending rises and falls by about 14 cents for every dollar change in financial wealth. These changes, in turn, depend more than ever on a few giant firms whose prospects will be shaped by AI.

Over the past year, the promise of technological revolution has been a welcome distraction from the darker reality of America's shaky institutions, rising trade barriers and vast government borrowing. Should Digital God fail to arrive, or is even slow to arrive, the fall will be brutal. ■

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Finance & economics | Futile fortress

Chinese trade is thriving despite America's attacks

The rest of the world is willing to be "ripped off"

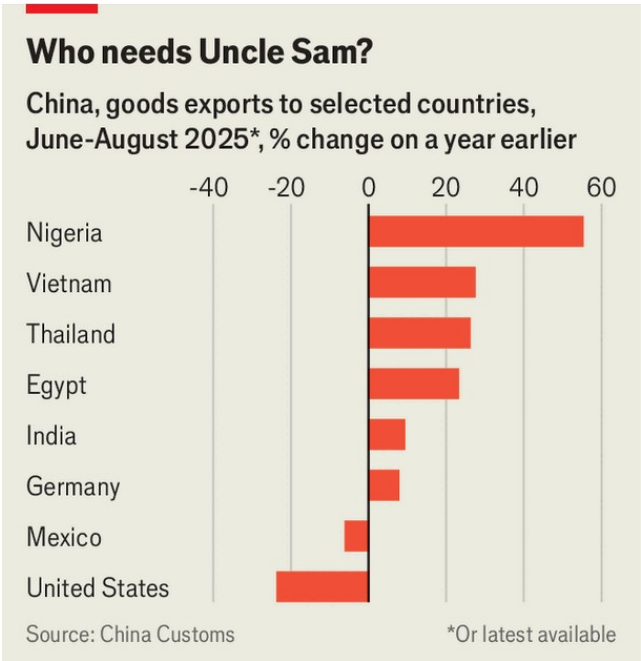
September 11th 2025



Since Donald Trump returned to office, one country has borne the brunt of his fury. "We've been ripped off by every country in the world," he declared in April, "but China is the…'chief-ripper-offer'". On September 6th the president came up with a new label: "deepest, darkest China".

He has matched words with action. Tariffs on Chinese goods, including levies placed on the country for its role in the fentanyl trade, are among America's highest. Pacts with South-East Asian countries target goods suspected of being "transshipped" from China, and America has leaned on the EU to keep Chinese metals out of its supply chains. Much of Mr Trump's agenda is scattershot; trying to isolate China looks like a coherent plan.

Xi Jinping, China's leader, has retaliated with his own tariffs, and is now courting other parts of the world, including the EU, India, Malaysia and Vietnam. His boldest display came at the Shanghai Co-operation Organisation summit on September 1st, where he cast China as an alternative to America, urging members to "oppose cold war thinking...and bullying".



What does all this mean in practice? A few months after Mr Trump's "Liberation Day", trade data provide a clue. According to Chinese customs figures, the latest of which were released on September 8th, over the past three months exports to America have plunged by a quarter against a year earlier. Uncle Sam's share of China's exports fell from 15% to 10% in August.

Yet Mr Trump's grander ambition—to hurt China's trade machine—has been unsuccessful. From June to August, China's total shipments rose by 6% year on year. Sales to Africa surged by a third, exports to the Association of South-East Asian Nations (ASEAN) climbed by a fifth and shipments to Europe increased by nearly a tenth. A year ago the EU and America absorbed a similar share of China's goods; today Europe takes over 60% more.

The world beyond America, then, is snapping up more Chinese goods than ever before. This is particularly true of the global south, where China's Belt and Road Initiative (BRI), established in 2013, has laid firm foundations. The BRI's pace has quickened since Mr Trump returned to the White House. In the first half of 2025, BRI activity reached a record, with over $120bn in new contracts and investment handed out in the scheme, according to the Griffith Asia Institute, a research outfit. Nearly half of the initiative's construction contracts, which are awarded to Chinese firms, are for projects in Africa. These came to more than $30bn, five times the amount in the same period the year before.

Such deals are fuelling trade. Chinese exports to Nigeria have leapt by over half in the past three months compared with a year earlier, led by demand for equipment to build Chinese-financed railways and power generation. Egypt has also tapped BRI loans. And Chinese finance is making progress in other regards, too. Kenya plans to convert dollar-denominated Chinese loans into yuan; Egypt, Nigeria and South Africa have signed swap agreements.

All the while, China is cementing its role in supply chains. Between June and August shipments from China to Thailand and Vietnam were a quarter higher than a year earlier. The sharpest rises were in electronics and machinery, with flows to both countries up by over 40%. Some of this may be "front-loading", or getting ahead of levies. Yet more profound changes are occurring beneath the surface. China is moving production inside ASeAN, including to Indonesia, Malaysia and Vietnam, so as to satisfy the bloc's rules-of-origin. This may minimise transshipment, but it fixes the role of Chinese firms in trade.

The exception to this picture lies closer to America. From May to July, Mexican imports from China dropped by 6% compared with a year earlier. They may soon fall further. On September 4th Claudia Sheinbaum, Mexico's president, announced plans for new tariffs on Chinese cars, textiles and plastics, which are meant both to shield local firms and placate Mr Trump, who has long pushed for the creation of a "Fortress North America".

He should be aware, however, that fortresses are rarely signs of confidence. In the 15th century China's Ming dynasty turned inwards, curbing trade and constructing the Great Wall. The retreat sapped the country's vitality and

speeded up its decline. In building its own walls, America risks making a similar mistake today—as the trade data already suggest. ■

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Finance & economics | International development

Meet Donald Trump’s aid agency

Or is it a sovereign-wealth fund in disguise?

September 11th 2025



Eight months after taking office, Donald Trump has blocked an astonishing amount of the cash America once sent abroad. In April officials had barely shut down USAID, America’s biggest foreign-aid agency, when they froze the Millennium Challenge Corporation, which was set up by George W. Bush to build infrastructure in poor countries. From the Global Engagement Centre (established by Barack Obama to support pro-democracy activists) to the Agency for Global Media (by Bill Clinton to fund foreign reporters), the institutions founded by presidents to do good abroad mostly no longer exist.

Apart from one tiny agency, that is. The International Development Finance Corporation (DFC), which lends to foreign companies rather than governments, is the last institution standing. Its loan book was a quarter of

the size of USAID's outlays last year, but Mr Trump wants it to grow while ditching its focus on the poor world and instead lending to rich countries, including America. That would transform the bank into one part of the sovereign-wealth fund Mr Trump has promised to create.

The DFC dates back to Mr Trump's first term in the White House. He established it to lend to companies in poor countries at market rates. Since then, it has invested $50bn, in loans and equity stakes, in everything from mining in Africa to telecoms in Asia. It also sells insurance against corruption, terrorism and war. Its 700-odd staff are mostly commercial lawyers and financial analysts, rather than aid bureaucrats or development economists.

They work in a manner that fits with Mr Trump's preference for transactional diplomacy. Unlike aid organisations, which dole out cheap loans and grants, the bank picks projects likely to turn a profit, and seeks to support industries where America lags behind China, encouraging alternative supply in allied countries. Its profits are collected by the federal government.

At the same time, the idea so far has been to help developing countries, which tend to lack private investment. A small financial package from America could, in theory, encourage much bigger private investments, which is why the bank lends only in concert with other financiers.

Now Mr Trump is rethinking its approach. In March he issued an executive order instructing the DFC to ramp up American critical-mineral production, even though the bank is banned from lending at home. Officials are looking at other ways they could support Mr Trump's domestic priorities, perhaps even by building factories. One says that he has been asked to consider projects in Greenland. And then there is the desire to expand the range of countries to which the bank can lend. The White House says the DFC's focus will be on improving national security.

Mr Trump is seeking to appoint a new boss to run the organisation: Ben Black, a financier whose father was one of the founders of Apollo, a giant asset manager. He wants to take more risk. The White House also hopes to increase the bank's firepower by raising the ceiling on its total lending from

$60bn to $250bn. Should the DFC continue to lend at roughly a fifth of its cap, that could take disbursements to $50bn a year, or a few billion more than USAID's outlay before it was scrapped.

Every seven years lawmakers must extend the organisation's life—a deadline due on October 6th. The White House hopes Congress will approve its transformation at the same time. So far, though, legislators have shown little enthusiasm. Democrats and Republicans alike were shocked by the speed with which Mr Trump dismantled America's aid system. Some are unwilling to give up a bargaining chip. A short-term extension may see the bank's future incorporated into talks around the next budget. At that point lawmakers could face an invidious choice: would they prefer aid done Mr Trump's way or no development assistance at all? ■

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Finance & economics | Long time coming

Europe’s economy at last shows signs of a recovery

Even if there is plenty that could yet kill it

September 11th 2025



On the face of it, the European economy is in a grim situation. The IMF forecasts average growth of just 0.4% this year for the continent’s three largest economies—Germany, France and Italy—rising to barely 1% in 2026. On September 8th the French government fell, owing to disputes about how to close the country’s outsize budget deficit, prompting its benchmark bond yields to rise to the level of Italy’s for the first time since the creation of the euro in 1999. President Donald Trump is levying tariffs, the war in Ukraine continues unabated and Chinese commercial competition is becoming only more fearsome.



Thus it came as a surprise when the purchasing managers' index for European manufacturing, a widely watched measure, reached a multi-year high in August. Similarly, Germany's main sentiment indicator, the Ifo index, showed business expectations at their highest since the start of the war in Ukraine. For its part, Spain's economy is going from strength to strength, growing in both manufacturing and services, according to surveys, helped by high immigration from Latin America.

One reason for the recovery, however fragile, is that inflation has been almost beaten—at 2.1% in the year to August—and interest rates have come down. The effect is visible in the poor-but-improving state of European construction. Whether consumers, another group hit by inflation, will at last start spending their recently won higher real wages remains to be seen, but their elevated savings rate means that such a move would provide another boost.

Government spending is also contributing to the improved sentiment. The EU's fiscal frugals, led by Germany, are now ready to invest in their armed forces. Countries less keen on defence spending, including Italy and Spain, have EU recovery money left over from after the covid-19 pandemic. Although they are struggling to get it out of the door, such troubles should subside in the months to come.

Trade with America and China is becoming harder, and there is no economy large enough to replace them. But European firms are attempting to diversify and find new markets, in an effort that is starting to find some success. Germany's machine- and equipment-makers—the country's other big industry, aside from cars—saw exports to America and China fall by 7% and 9%, respectively, in the first half of the year. At the same time, orders from Mercosur, a Latin American trade bloc, and the Middle East increased by around 10%, albeit from a much lower base. There is also support available for fledgling companies. The European Investment Bank, an EU cash disburser, will invest €70bn ($82bn) by 2027 in tech-focused enterprises. Venture-capital investment, which had a weak second quarter after a strong start to 2025, may also recover. According to an index by Venionaire Capital, an advisory firm, sentiment among investors remains solid.

Such hope may end up fizzling out. "The sentiment data was surprisingly positive, but...the negative impulses for the European economy outweigh the positives," argues Jens Eisenschmidt of Morgan Stanley, a bank. Mr Trump may yet come back with still harsher tariffs. France's political crisis may worsen. Reform efforts, already underwhelming, may stall as centrist governments seek to counter the threat of the hard right. But markets and firms are adjusting to a difficult new era; after a tough few years, that will be a relief for European policymakers. ■

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Finance & economics | Food markets

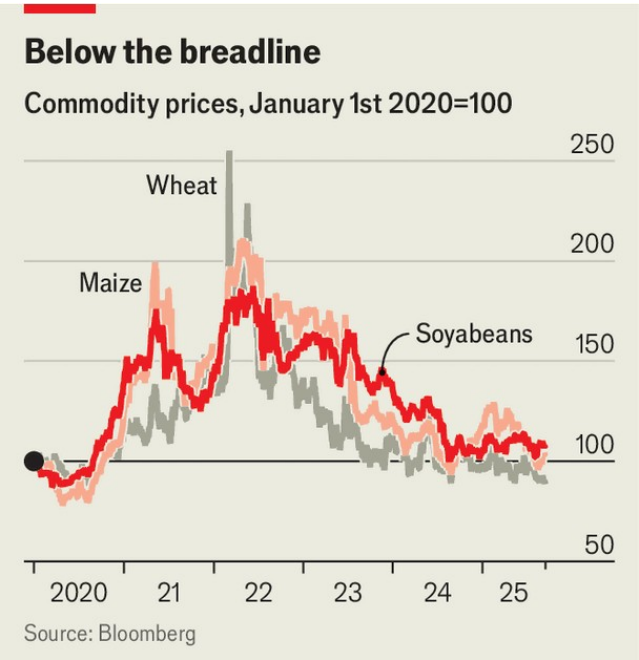
How grain has gone from famine to feast

Prices are close to a five-year low

September 11th 2025



THREE YEARS ago, calamity loomed. Russia's war in Ukraine pitted two big grain exporters against each other. Breadbaskets elsewhere faced brutal droughts. Wheat prices hit records; maize and soyabeans also surged. Then, within weeks, they fell, and have carried on sliding since. They are now close to five-year lows.



It is not obvious what prompted traders to go from panicked to placid. As the war in Ukraine continues to rage, the country's farmers are hurting. Its wheat exports, once the world's fifth largest, are set to shrink by 25-30% this season. Elsewhere, climate change is damaging output and American tariffs are disrupting trade. Indicators that usually worry investors, such as wheat stocks, have been flashing red for years. Why, then, are markets so calm?

Part of the answer is that global production has been strong. Owing to benign weather, Russia, the world's largest wheat exporter, has enjoyed a run of excellent crops. Australia, the second largest, has also posted two whopping recent harvests. Even Europe has outperformed.

There are similar bounties elsewhere. America is due to produce record volumes of maize this season. Brazil, with which it competes to be the top maize exporter, may also hit new highs. That is pushing down the price of other crops used as animal feed, including wheat and soyabeans.

At the same time, demand for grain is weak. In a bid to support its farms, China has slashed imports of maize from 23m tonnes in 2023-24 to 4m tonnes this season. Other importers, notably in the Middle East, have also sought to assist domestic farming and food processing.

The underlying dynamics of the market have changed, too. Importers have grown more comfortable relying on lower stocks. The rise of big grain suppliers, such as Russia, makes them confident that they can count on global trade, says Charles Hart of Rabobank, a Dutch lender. Such confidence is bolstered by memories of the swift resolution of the grain crunch in 2022, when things looked truly perilous.

Admittedly, trade wars are complicating the picture. China, which by August last year had booked 13m tonnes of American soyabeans for autumn shipments, has yet to reserve any for this crop year. The weaker dollar, a product of President Donald Trump's erratic economic policies, has made American maize cheaper for other importers, meaning it is flying off the shelves. All this is distorting regional prices, but not denting overall trade volumes.

In fact, Mr Trump's policies may well be dampening near-term prices. Wary of presidential surprises, American farmers are "front-loading" their exports, which is "more something you see in Russia", notes Mike Verdin of CRM AgriCommodities, a consultancy. Uncertainty and high interest rates have also pushed investment funds away from commodities and into other assets. Those that remain are betting grain prices will fall. Having hit a record in May, net short positions on Chicago wheat contracts remain high.

Could there be a sting in the tail? With prices below production costs, farmers may plant less. As the global population grows larger and richer, demand is on the rise: the world devours 28% more maize and 38% more soyabeans than it did just ten years ago. Wheat stocks among the world's biggest exporters, relative to global consumption, are heading towards their lowest since 2007-08, when there was a serious food crunch. One bad drought could be enough for prices to shoot up, says Joe Glauber of IFPRI, a think-tank. Importers should enjoy the feast while it lasts. ■

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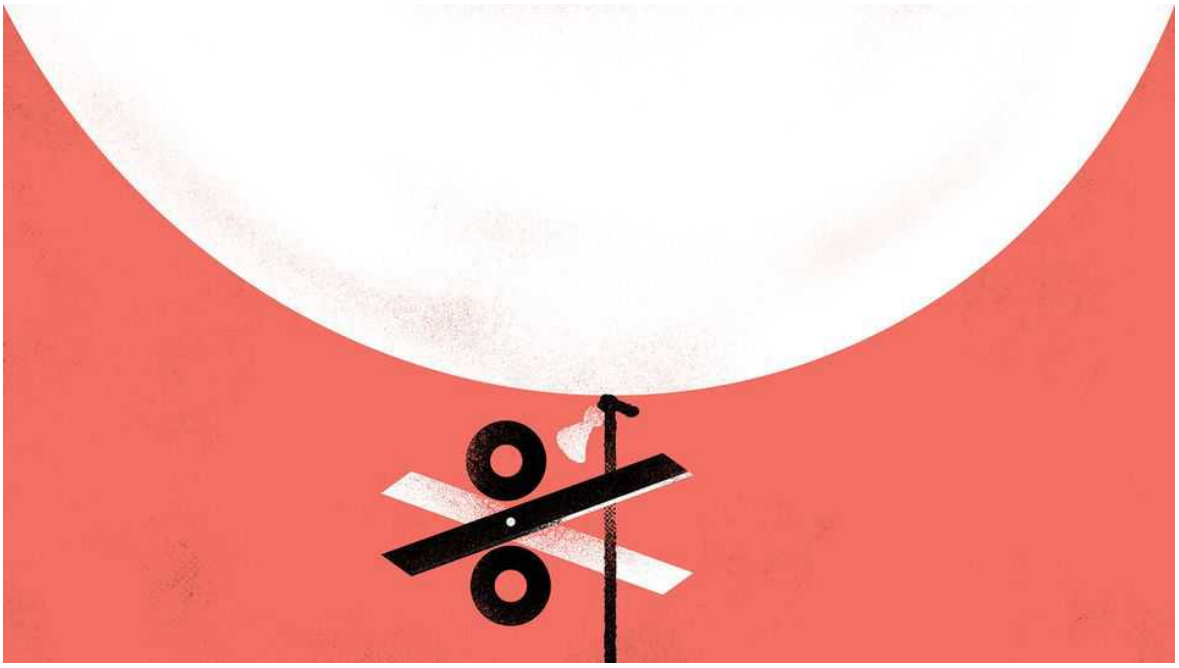
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Finance & economics | Buttonwood

Why American bondholders are jumpy about inflation

The Federal Reserve prepares to cut interest rates in tricky circumstances

September 11th 2025



For the first time since Donald Trump returned to the White House, it seems that the Federal Reserve will do what he wants. "Jerome 'too late' Powell must now lower the rate," wrote the president on August 12th after the latest release of consumer-price data, in his umpteenth variation on this theme. Ten days later Mr Powell, the Fed's chair, hinted strongly to an annual gathering of central bankers at Jackson Hole, Wyoming, that an interest-rate cut was indeed coming. Now traders think one is a racing certainty when the monetary-policy committee next meets on September 16th and 17th. The only debate is whether the Fed's rate, currently between 4.25% and 4.5%, will fall by 0.25 percentage points or 0.5.

That does not mean America's central bankers are bending to Mr Trump's will. Disappointing data published on September 5th underlined Mr Powell's central theme at Jackson Hole: job creation is slowing and Congress tasks the Fed with fostering both full employment and stable prices. The trouble is that these two goals are now in conflict. Even as officials prepare rate cuts to support the labour market, inflation remains above target and shows worrying signs of becoming entrenched. The risk is that cheaper money will allow it to get out of hand once more, destabilising markets.

American "core" consumer prices, excluding volatile food and energy, rose by 3.1% in the year to July. New figures were due to be released soon after this column was published, but analysts expected the rate to have been maintained in August, meaning that it would not have fallen since March. Core prices in the "personal consumption expenditures" index—the Fed's preferred inflation measure—have been rising faster than the central bank's target, of 2% a year, since early 2021. Consumers themselves think inflation will soon be running even hotter, at 4.8% over the coming year and 3.5% over the long run, according to the University of Michigan's monthly survey.

Shareholders are hardly panicking; instead, they have been bidding stock prices to new records week after week. Look elsewhere, though, and more jumpiness is on display. The price of gold, a classic hedge against inflation and general chaos, has also soared, to an all-time high of over $3,600 per troy ounce. Bondholders, especially of long-dated government debt, have been jittery for months. Among fund managers responding to Bank of America's latest monthly survey, 47% rank either "inflation prevents Fed cuts" or "disorderly rise in bond yields" as the biggest tail risk threatening markets.

These two worries are linked. Any rise in America's vast fiscal deficit, which is already 7% of GDP, risks fuelling inflation. In the near term, this worry might prevent the Fed from cutting rates as much as it would like in order to support the labour market, pushing up bond yields. If, however, officials decided to prioritise employment and cut rates anyway, they would risk entrenching high inflation, eroding the real value of bonds' coupons and principal repayments. Bondholders fear this scenario could unfold for another reason, too. America's debt burden is so big that letting inflation rip is one of the few options available to tame its real value. The worse such

fears become, the higher the odds of a disorderly rise in bond yields, with lenders demanding much more compensation for their risk.

This helps explain why, staggeringly, over half the fund managers surveyed by Bank of America think the Fed's next chair will resort to quantitative easing or "yield-curve control" to ease the debt burden. These measures involve large-scale bond purchases using newly created reserves, suppressing yields. Plenty of rich-world central banks—including the Fed and the Bank of Japan—have done so when interest rates were near zero, to encourage growth and inflation when both were lacking. Doing so when inflation is high, with the aim of keeping borrowing costs artificially low, would risk prices spiralling out of control.

You can find such speculation outlandish and still worry about its consequences. Markets create their own reality: inflation expectations can become self-fulfilling; so can a common belief that the bond market might crack. Traders who think others' fears might spark a sell-off will try to get ahead of the curve. If the herd follows, the sell-off begins. The same dynamic applies to fears that Mr Trump will eventually succeed in curbing the Fed's independence. However investors view the prospect of cheaper money for now, their causes for concern over the long run are mounting. ■

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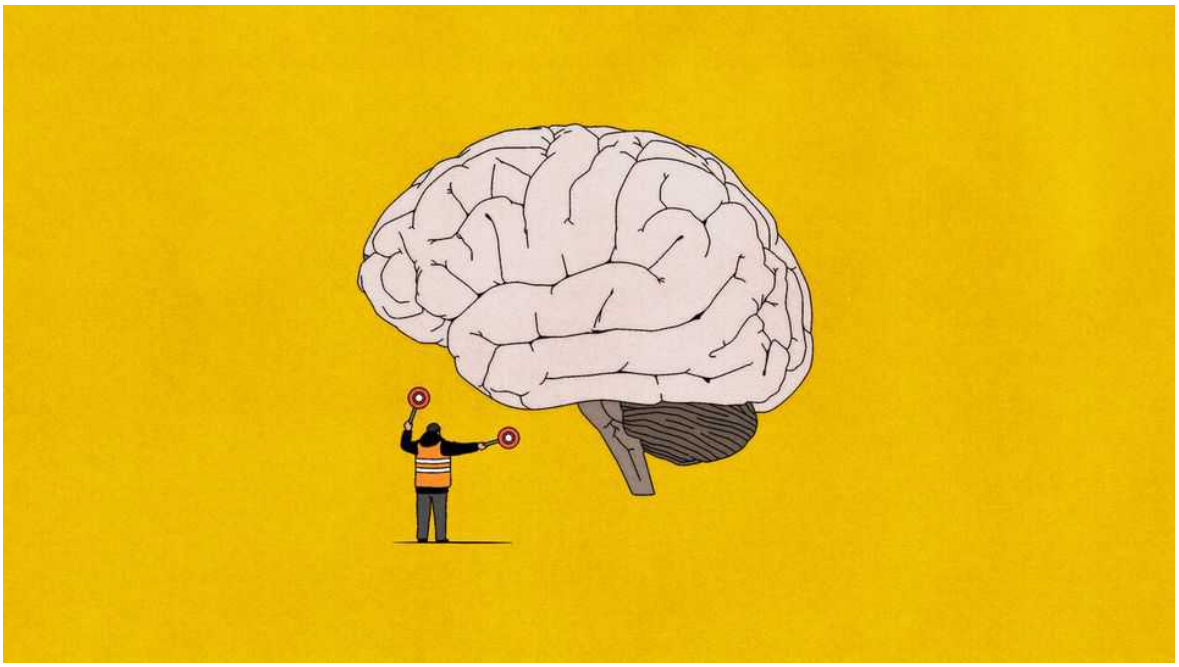
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Finance & economics | Free exchange

Can you make it to the end of this column?

Understanding the new economics of attention

September 11th 2025



They call it brainrot. Inane short-form videos just stimulating enough to keep you watching and scrolling, in a zombie-like manner, through whatever the algorithm presents next; not quite dull enough for you to tear your monetisable eyeballs away from the screen. Viewers are ambivalent. Such content offers a way to switch off. It also offers a way to waste hours of your life.

Economists may soon start to think of brainrot as a means of theft. Increasingly, the discipline is modelling attention as a resource, alongside land, labour and capital. Attention is scarce and rivalrous in the field's jargon; time spent on brainrot cannot be spent on something else. Focus, being vital to most forms of work, aids production and can be consumed in

leisure. Getting the most out of, say, reading a newspaper column requires your full attention, which can be hard to provide if your phone is nearby.

Treating attention as a scarce resource helps bridge some of the gap between traditional models of Homo economicus—a rational optimiser seeking to maximise satisfaction of their preferences—and the figure who emerges from the experiments of behavioural economics, who is pulled away from rational thinking by any number of biases. Why do consumers consistently fall for "left-digit bias", for instance, meaning they are far more likely to buy something for $2.99 than $3.00 while not distinguishing between items that cost $2.99 and $2.98?

Well, attention is scarce, which means that people rely on shortcuts and $2 is less than $3. Why bother to read the rest of the price? In 2003 Christopher Sims of Princeton University, later awarded a Nobel prize in economics, developed what he called a "rational inattention" model, in which optimising agents can process only so much information at a time. Such a model explains the smooth (rather than instant) adjustment of various macroeconomic variables, including interest rates and prices, to new information, he suggested. People sensibly devote just a portion of their limited attention to learning about market-moving news.

There are antecedents to this approach. Herbert Simon, who won both the Turing award for artificial intelligence in 1975 and the Nobel prize in economics in 1978, coined the term "bounded rationality". Instead of an all-knowing optimiser, economics should model people as "satisficing", he argued, choosing options that are simply good enough, rather than perfect, given the limits of their informational environment. "What information consumes is rather obvious: it consumes the attention of its recipients," he wrote. "A wealth of information creates a poverty of attention and the need to allocate that attention efficiently." Endless information distributed through smartphones creates such a world. And as Simon pointed out, unlimited wants and scarce resources are the definition of an economic problem.

Yet there are some concerns about treating attention as a resource that can be allocated along the lines of labour and capital. What counts as attention? A recent review by George Loewenstein of Carnegie Mellon University and Zachary Wojtowicz of the Massachusetts Institute of Technology defines it

as the selective allocation of a scarce, rivalrous mental resource to an information-processing task. Attentional resources include working memory, selective concentration and visual focus. As Messrs Loewenstein and Wojtowicz point out, “pay attention” could either mean “look at this” or “stop daydreaming”, and following either command would mean similar, but subtly different, actions. Aggregating all of them into a single category, “attention”, comes with its own problems, as economics has discovered when putting diverse means of production into the single bucket of “capital”.

Moreover, although attention can be steered in one direction or another, it is often involuntary. Economic models of how it is allocated therefore divide roughly into two categories: top-down and bottom-up. The top-down model is a more typical economic paradigm, in which the agent chooses the best use of a scarce resource. Once you have learned how to do it, driving is dull, so why not make a phone call at the same time? The bottom-up model points out that the environment itself directs a person’s attention—the ping from the phone as a new message arrives, for instance, or a child running out into the road. Messrs Loewenstein and Wojtowicz take this a little further, suggesting that emotional states can themselves direct attention: pain is hard to ignore, boredom is unpleasant and hunger makes it difficult to focus on anything but food. Such an understanding could draw economists into new territory. Normally they shy away from caring too much about the inner life of Homo economicus.

Resisting brainrot is hard. Simon used the two blades of a pair of scissors to illustrate his concept of bounded rationality. Decisions come from a combination of the individual’s own limitations and the informational environment in which they operate. Asking which blade of the scissors did the cutting is a mistake, since it is always both. Willpower alone is unlikely to defeat perfectly tuned distraction machines with algorithms that constantly adjust to maximise user engagement. The environment is hostile.

That should concern economists, for if attention is a resource, it is not one covered by property rights. Cunning design might be able to take it from us, and do so with no hope of restitution. The spread of smartphones and social media has created a world in which it is very easy to steal. Can anything return attention to its owners? Social norms might help: libraries, for instance, have long insisted on silence in order to preserve focus. In time,

regulation might, too. For the moment, however, the best hope is to take matters into your own hands and, when you are trying to read a column, put your phone far, far away. ■

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Science & technology

- A dangerous new class of synthetic opioid is spreading
- NASA has found a Martian rock with what may be signs of life
- How to build table-top fusion reactors
- Do hangover supplements work?

Science & technology | High risk

A dangerous new class of synthetic opioid is spreading

Some nitazenes are far more potent than fentanyl

September 11th 2025

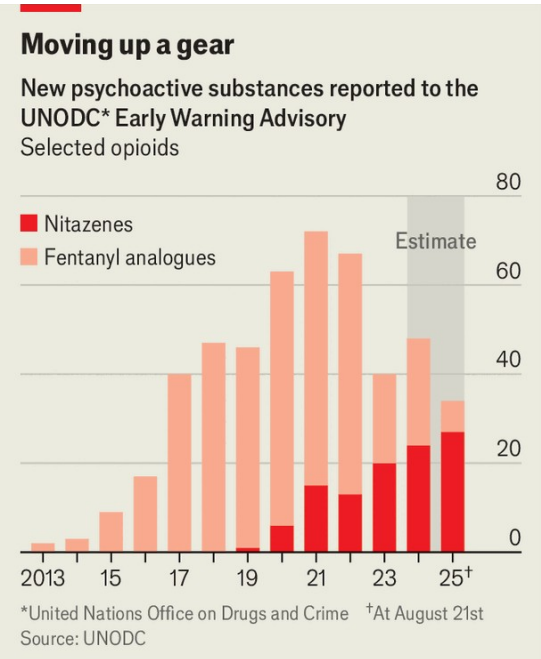


On a morning in November 2023 Eamon Keenan, a psychiatrist who runs addiction services at Ireland's state-funded health-care provider, received a worrying phone call. "People in homeless accommodation and hospitals are collapsing," he recalls being told. It was the start of a bleak few weeks. In Dublin and Cork, the country's biggest cities, 77 people would end up overdosing. The initial suspect was dodgy heroin, but laboratory analysis revealed a dangerous new class of drugs—nitazenes. Since then, these have been detected everywhere from Freetown in Sierra Leone to Sydney in Australia.

Nitazenes are opioids, a family of chemicals that includes morphine and heroin as well as the much stronger fentanyl, which causes tens of thousands of deaths in America every year. Although measures of their potency vary, scientists estimate that nitazenes can be hundreds of times stronger than heroin, with some thought to be dozens of times stronger than fentanyl. But whereas heroin and fentanyl have long histories as medical analgesics and have therefore been extensively studied, hardly any research exists on nitazenes. With nitazene use rising around the world, and in particular in Australia and Europe, scientists are scrambling to gather data on how dangerous these new drugs are and who is at risk. The emerging picture is grim.

Like fentanyl, nitazenes are molecules that do not occur in nature and must be fully synthesised from precursor chemicals in laboratories. All derive from a chemical structure called 2-benzyl-benzimidazole, a small set of connected rings made up of atoms of carbon, hydrogen and nitrogen. The first nitazenes were made in the 1950s as potential painkillers by researchers at Chemische Industrie Basel, an erstwhile Swiss company, but problems with these chemicals soon became apparent.

Their therapeutic window—pharmacology-speak for the dosage range that has the desired effect without unacceptable levels of side-effects—was very narrow, raising the risk of accidental overdose. For instance, the Swiss chemists reported that whereas 200 milligrams of morphine per kilogram of bodyweight (mg/kg) was enough to kill half of a test population of mice, the most potent original nitazene required only 1 mg/kg to achieve the same effect. (The number for heroin is somewhere in between.) Nitazenes were consequently never approved for medical or veterinary use and soon faded into oblivion.



In 2019, however, toxicologists conducting routine surveillance of the European drug market turned up one nitazene, isotonitazene, being sold directly to users on a dark corner of the internet. Since then isotonitazene (as well as some of its chemical cousins) have been found in America, Australia, Brazil, Canada and most of Europe as well as in countries across west Africa. Data on deaths are scarce because detection is not yet routine, but Britain's National Crime Agency believes at least 333 deaths in Britain in 2024 were linked to nitazenes. The spread of the drugs shows no sign of stopping: according to the UN, more countries and regions report finding new nitazenes each year than report new versions of fentanyl (see chart).

Many scientists studying nitazenes believe the explosion in recent years is a supply-side reaction to increased restrictions on other drugs. In the mid-2010s America boosted its attempts to crack down on new fentanyl analogues and their precursors, and persuaded other countries to do the same; China, which is home to producers and exporters of both fentanyl and nitazenes, banned all analogues of fentanyl in early 2019, causing domestic production to plummet. In 2021 the Taliban seized control of Afghanistan, then the world's top producer of opium (it has since fallen behind Myanmar), and outlawed the drug's production. As opium is needed to make heroin, illicit drug producers in Europe are thought to have turned to nitazenes amid fears of an imminent drop in supply.

Whatever the reason, their appearance is bad news. Once nitazenes get into the brain, they bind to gateways on the surface of neurons known as mu receptors. When activated, these can suppress the body's pain signals. Nitazenes are more effective at activating these receptors than heroin and, in some cases, fentanyl. This means a smaller dose is needed to induce the strong analgesia and euphoria many users crave. But activation of the mu receptors can also lead to slowed breathing and, in the case of overdoses, cardiac arrest.

Another worrying feature of nitazenes is the compounds they degrade into once inside the body, known as metabolites. Marthe Vandeputte, a toxicologist at the University of Ghent, published a study in ACS Chemical Neuroscience in 2021 showing that isotonitazene breaks down into another, yet more potent, nitazene. In other words, as the original drug disappears, a stronger one (albeit in a lower concentration) takes over, potentially prolonging the effects. This seems to set at least some nitazenes apart from heroin and fentanyl.

That, in turn, has big implications for how first-responders and doctors should treat an overdose. The normal procedure is to give a standard dose of naloxone, an emergency antidote that works by kicking opioids off the mu receptors and restoring normal breathing. But if nitazenes degrade into powerful metabolites that persist even after the original drug has gone, more naloxone may be needed than for a heroin overdose. This is a drug that "challenges how we have treated these overdoses for the past 50 years", says Arne Kristian Skulberg, an anaesthetist with the air-ambulance department at Oslo University Hospital, and part of the team that developed the naloxone nasal spray sold in Britain.

The potency of nitazenes makes them attractive to smugglers because the same number of customers can be served with smaller amounts—which are easier and cheaper to distribute—for the same price. But it also puts users at higher risk of overdosing, especially if they are taking it unknowingly. The batch found in Ireland in 2023, for example, although sold as "Chinese heroin", contained nitazene but no heroin, which led some users to inadvertently take too much. Nitazenes have also been found in tablets advertised as oxycodone, another opioid. In 2024 pills sold as MDMA, also

known as ecstasy, during a music festival in Sydney caused several hospital admissions. (They were later found to contain nitazenes and no MDMA.)

Even tiny amounts of nitazene present in drugs such as cocaine and ecstasy —easily done if they are produced in the same lab—could endanger people with no built-up tolerance to opioids. Such cases have been reported, says Dr Skulberg, "with young people ordering a pill online to check it out, taking it in their room and being found dead by their parents".

All this has prompted governments around the world to ban individual nitazenes. The ease with which their chemical structure can be manipulated, however, means drug producers simply need to tweak a few lab procedures to create an entirely new product of similar potency not subject to the ban. As a result, the authorities have changed their tactics. In January the British government used a generic definition of nitazenes, as compounds derived from the core structure of 2-benzyl-benzimidazole, to categorise all nitazenes as class A drugs, the most severe criminal classification, in the hope of capturing and banning future variations. China implemented a nitazene ban using a similar generic definition in June.

But even if the bans have the desired effects on nitazenes, they will not prevent new synthetic opioids from springing up and replacing them further down the line. That prospect worries researchers like Dr Vandeputte. "We really don't know what's going to be next." ■

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Science & technology | So near and yet so far

NASA has found a Martian rock with what may be signs of life

Bringing it to Earth for further study will be complicated

September 11th 2025

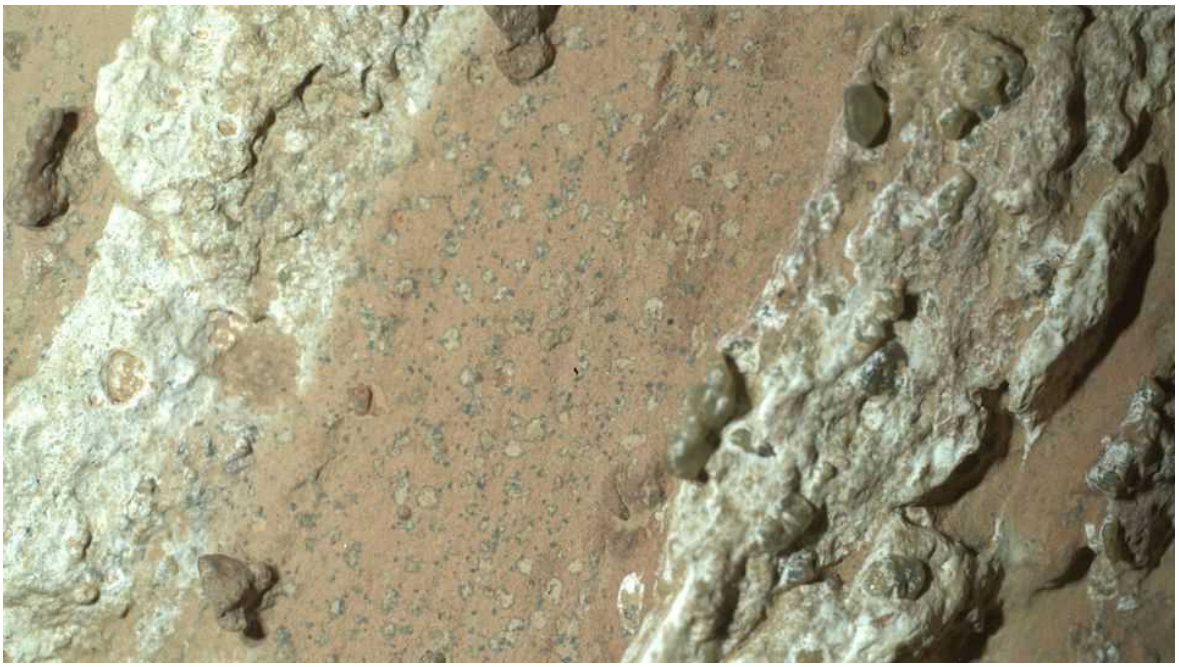


As “The Martian”, Sir Ridley Scott’s film of Andy Weir’s novel, reaches its climax the world watches attempts to save Mark Watney, a NASA astronaut stranded on Mars, with bated breath. All of humankind, it seems, is united in its concern for a single life; crowds in America, Europe and China pay rapt attention to news coverage of the efforts to bring him home.

The subtext to a press conference NASA held on September 10th was oddly similar. It was about a paper in Nature, a journal, describing a “potential biosignature” in a Martian rock sample. It “very well could be the clearest sign of life that we’ve ever found on Mars”, according to Sean Duffy, NASA’s acting administrator (and also the secretary of transport). Its initial

analysis complete, the sample has been sealed into a titanium canister to await future study by better instruments. Unfortunately, those instruments are on Earth, and the swaddled sample is on Mars.

So bring it home, every scientific instinct cries. Alas, America has no way of doing so. Having sent a rover, Perseverance, to Mars for the purpose of choosing and preparing samples for later study on Earth, it has now cancelled the missions needed to get those samples back.



To rescue something stuck on Mars, as "The Martian" showed back in 2015, is hard. You have to get it into a Mars ascent vehicle, launch that vehicle into orbit and then transfer the cargo to a spacecraft that can get back to Earth. In the case of Perseverance, you also have to get such a Mars-to-orbit rocket to Mars along with a system for loading it with the carefully curated samples. But the difficulty could not justify the price tag of $11bn attached to NASA's plans when the axe swung. The agency has only itself to blame.

The stranded sample comes from a valley which feeds into Jezero crater, where Perseverance landed four and a half years ago. About 20km from the landing site it came to some distinctive rocks at the side of the valley which the scientists called the Bright Trail formation. One particular rock caught the scientists' eye: "Cheyava Falls". The sample they took from it, the 25th

of 30 taken so far, was called “Sapphire Canyon”. (The picturesque names will be familiar to hikers of the Grand Canyon, a group in which geologists studying Mars are over-represented.)

The rock they drilled into was a mudstone, a sediment so fine-grained that Perseverance’s instruments could not make out individual particles within it. They could, though, say something about its chemistry: it contained organic molecules.

Organic molecules do not necessarily come from living things—the term just means molecules which contain atoms of carbon and either hydrogen or nitrogen. And organic molecules found on Mars do not have to have formed there; the comet-dust that falls to the Martian surface is rich in them. Still, there is no life without organic molecules, and as they are scarce on Mars they would have been enough to make the rock interesting.

There was more. The mudstone’s surface was marked with tiny dark dots and larger (but still small) dark-rimmed circles dubbed “leopard spots”. The way these features were spread through the rock showed that they were not pre-existing objects which had fallen into the soft sediments it was made from. They were features which had grown within the rock.

These spots and dots contained minerals that appear to have been reduced—that is, to have gone through reactions which added electrons to them. This is an effect which, on Earth, bacteria could produce; lots of bacteria have metabolisms which pull electrons out of organic matter by using them to reduce something inorganic. If you saw regular patches of this peculiar sort of chemistry in sediments containing organic matter on Earth it would be natural to assume they had a biological origin. That makes them excitingly suggestive on Mars.

There are non-biological processes that could have similar chemical effects. Those which have been studied, though, need moderately high temperatures, and the sediments do not seem to ever have been cooked in such a way. Joel Hurowitz of the State University of New York, Stonybrook, the lead author of the paper in Nature, points out that labs on Earth could look for ways of achieving the same effects without either biology or high temperatures.

If they were to succeed, Sapphire Canyon might fail the Knoll criterion, an astrobiological dictum named after Andrew Knoll, a palaeontologist at Harvard, which says that to be evidence of life, an observation has to not just be explicable by biology; it has to be inexplicable without it. But if alternative explanations do not appear, excitement will mount—and so will the pressure to bring the rock back. Rocketlab, a rocket maker and launch provider, says it could do so much more cheaply than NASA if new money could be found.

And then there is the Chinese National Space Administration (CNSA), which has a Mars-sample-return mission of its own planned. In "The Martian" the CNSA helps with Watney's rescue; were humankind united around science, perhaps a way could be found for them to help out now. That said, the idea was implausibly idealistic even ten years ago. At the press conference Mr Duffy repeated that there is a new space race under way. It's unlikely America's main competitor will help it out rather than simply run on past. ■

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Science & technology | Soft power

How to build table-top fusion reactors

An American startup is revisiting a 60-year-old idea

September 11th 2025



There is a widespread misapprehension that controlling nuclear fusion is hard. In fact so long as you are not hoping to use the process to produce electricity, controlling fusion is easy. Indeed, it is possible to build a fusion reactor on a bench top. The details were worked out in 1964 by Philo Farnsworth, better known as the inventor of electronic television. The basic design is so simple that Farnsworth fusors, as they are known, can be built by hobbyists. Even their inventor, though, could not coax them into generating power.

Brian Riordan and Robin Langtry hope to do better. In 2021 they left Blue Origin, Jeff Bezos's rocket firm, to launch Avalanche Energy in Tukwila, a

suburb of Seattle. Their plan is to create, by 2029, a power-generating reactor to fit in a barrel.

Farnsworth's design involves two concentric, spherical metal grids placed inside a vacuum chamber. These act as electrodes. The inner one (the cathode) is negatively charged with respect to the outer one (the anode). Inject deuterium (a heavy isotope of hydrogen that has a neutron as well as a proton in its nucleus) into this device and its atoms will be stripped of their electrons (a process called ionisation) by collisions with other electrons that have been released from the cathode. The ionised nuclei, being positively charged, will then be attracted inwards to the cathode while the negatively charged electrons are attracted to the anode.

If the voltage between the electrodes is sufficient, an ionised nucleus will be travelling fast enough when it reaches the middle to fuse with another such if it hits one. The result is either a helium-3 nucleus (consisting of two protons and a neutron), together with a spare neutron, or a tritium nucleus (consisting of a proton and two neutrons) and a proton. Both reactions release energy in the form of heat.

If no collision occurs, then the nucleus will sail on through, slow down as it approaches the anode, reverse course and then retrace its path, yo-yoing inside the vacuum chamber awaiting a collision. Increasing the chance of fusion means raising the density of nuclei in the apparatus as well as the length of time they travel fast enough to fuse—factors limited by mutual electrical repulsion between the nuclei and also by collisions between nuclei and cathode. Messrs Riordan and Langtry think they have found a way to overcome both.



Their device, which they call an Orbitron, adopts the same basic idea as Farnsworth's, but changes his geometry and adds a magnetic field. An Orbitron's vacuum chamber and anode are cylindrical, while its cathode is a rod running along the device's axis. This arrangement causes the ionised nuclei to spiral around the cathode, meaning they rarely collide with it. The magnetic field, meanwhile, forces the free electrons to circle similarly, rather than fleeing to the anode. Arranged thus, the negative charges of the circling electrons balance the positive charges of the circling nuclei, meaning those nuclei can get much closer to each other. All of which allows an Orbitron to support a far higher density of nuclei than a fusor can, and to simultaneously sustain it for longer, thereby increasing the amount of fusion.

Trials of this arrangement with deuterium have worked, as demonstrated by their successful generation of neutrons. Making electricity, though, will require more. Instead of pure deuterium, commercial reactors will need to use a deuterium-tritium mix, as this is capable of producing a hundred times as many successful collisions for a given density of nuclei. Unfortunately, tritium is radioactive and therefore dangerous to handle. It is also rare in nature, so it has to be manufactured—a process that requires a nuclear reactor. Deuterium, by contrast, can be extracted by electrolysis from heavy water.

There is also the little matter of turning the Orbitron's heat into electricity. That will be done, at least initially, by raising steam to drive a small generator.

Last, there is the question of who would be interested in buying such a miniature power plant. Here, Mr Riordan is bullish (a state of mind which, it must be said, is frequently displayed by fusion entrepreneurs). Though individual units would have an output of only around 15kW, a battery of them that produced 1MW or more would fit in a shipping container. This, he suggests, might be useful for powering robot ships and submarines, providing electricity to isolated Arctic bases, and for certain military applications.

A more esoteric use might be powering spacecraft. Existing craft destined for other planets use nuclear batteries—low-wattage devices that rely on heat from radioactive decay. An Orbitron fusion reactor would be much more powerful. Fusion may or may not do well on Earth. But it could be just the thing on Mars. ■

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Science & technology | Well informed

Do hangover supplements work?

The science is plausible, but the evidence is thin

September 11th 2025



BEING HUNG over is unpleasant. According to a study published in Alcohol and Alcoholism in 2012, around 80% of people feeling the after-effects of the night before experience difficulty concentrating, headaches and nausea. An unlucky 39% report balance problems, and 29% experience muscle pain.

Small wonder, then, that a cottage industry of supplements exists to help people avoid the experience. With brand names such as DrinkDefendly, Myrkl and de-liver-ance, they promise a world of consequence-free drinking. Many of the products are advertised on social media, sold directly to consumers and manufactured by unknown companies with small public profiles. Although there is some evidence they may work, says David Nutt, a

neuropsychopharmacologist at Imperial College London, more robust studies are needed before any can be recommended.

Hangovers are complicated. Some symptoms, including fatigue, are brought on by the negative effects alcohol has on sleep. Others, such as headaches and dry mouths, are made worse by the dehydration that results from alcohol's suppression of vasopressin, a hormone that regulates kidney function.

But many of the more severe consequences are caused by the toxic effects of the drink itself. Whether you imbibe grape or grain, aged or fresh, neat or mixed, you will mainly experience the intoxication of ethanol. And although the human body is capable of metabolising the stuff, it does so in a slow and uncomfortable manner. First, an enzyme called alcohol dehydrogenase (ADH) breaks down the compound into acetaldehyde, which can dilate blood vessels in the head, producing headaches, and irritate the lining of the stomach, leading to nausea. These pass when another enzyme, acetaldehyde dehydrogenase (ALDH), in turn breaks down acetaldehyde into less harmful chemicals.

Most hangover supplements, therefore, claim to help ADH and ALDH do their jobs a little faster. DrinkDefendly, for instance, contains dihydromyricetin, a plant extract that is supposed to boost the activity of ADH. Supporting evidence is pretty thin: a review paper published in Addiction, a journal, in 2022 reported that dihydromyricetin produced a statistically significant reduction in hangover severity, but a different study showed the extract had no meaningful effect on ethanol metabolism.

Pre-Alcohol, another supplement, tries something else. Made by ZBiotics, an American startup, it contains a strain of beneficial bacteria that have been genetically engineered to produce ALDH. The idea is that, if allowed to settle in the lower gut, these bacteria could help break down acetaldehyde in that part of the body and thereby limit some of a hangover's unpleasant digestive symptoms. Although research conducted by ZBiotics and published in PLoS One in 2024 showed the bacteria performing well in simulated gut conditions, real-world evidence is lacking.

Even if further trials justify the marketing claims, such supplements can do only so much. Chemicals structurally similar to ethanol, collectively known as congeners, are also present in alcoholic drinks in small amounts, and may have their own harmful effects. When methanol breaks down, for example, formaldehyde and formic acid are produced—even tiny quantities of which cause systemic poisoning, adding to the unpleasantness of a hangover. Boringly, for a headache-free route to being headache-free, drink a little less. ■

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Culture

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- America's constitution is too hard to change
- Why female pop stars are lambasting mediocre men
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Culture | Robert “Da Vinci Code” Langdon is back

Dan Brown offers another silly mash-up of fact and fiction

Despite its clumsy exposition, “The Secret of Secrets” is a romp

September 11th 2025



“FACT” proclaims the opening page. “All artwork, artefacts, symbols and documents in this novel are real.” It goes on: “All experiments” are “true to life”. Finally, it adds: “All organisations in this novel exist.” For the reader this list is at once intellectually exciting—for who is not partial to a real-world thriller with added artworks—and grammatically a little troubling. Because surely that is not one, singular “FACT” but three “FACTS”? As a piece of preamble it is great. As a piece of English writing, it feels a little off.

But that is hardly important, because this book, “The Secret of Secrets”, is by Dan Brown. For the past 20-odd years he has specialised in novels that

offer facts which are just about right and prose which is just a bit wrong. He has done splendidly well out of that formula. His books, including titles such as "The Da Vinci Code", "Angels and Demons" and "Inferno", have sold over 250m copies, been made into films and translated into 56 languages. A recent YouGov poll of the most famous fiction books put "The Da Vinci Code" at 12, far above Charlotte Brontë's "Jane Eyre" (73rd) and George Orwell's "Nineteen Eighty-Four" (81st). Mr Brown matters.

He matters despite his use of phrases such as, "His eyes went white, like a shark about to attack." Over the years critics have delighted in pointing out such literary flaws. There have been parodies ("Renowned author Dan Brown woke up in his luxurious four-poster bed in his expensive $10m house…"), hatchet jobs ("Bilge" sniffed one) and even a "Dan Brown Sequel Generator" ("Plug in a city and a sect, and our computer will do the rest").

Though many laugh at Mr Brown, lots of readers take his books very seriously indeed. The novels may contain all those FACTS, but they also interweave them with a lot of total bunkum. His books both use conspiracy theories—about the Illuminati, or the Freemasons, or whether Jesus married, or albino monks—and spawn them. Google the words "was Mary…" and the search engine volunteers "…Magdalene married to Jesus?" You less read Mr Brown than triangulate him—book in one hand, phone in the other—to verify each fact.

The latest book does not disappoint on that score. As it opens, Robert Langdon, the "world-renowned scholar of religious symbology" (FACT: don't even bother Googling that one) is in Prague with his new love, the "internationally acclaimed noetic scientist" (FACT: a real job that simply sounds fake) where they bump into a neuroscientist (FACT: no one in Dan Brown's books ever seems to work as an accountant) and head out to drink cocktails, argue about the problem of consciousness and use words like "metaphysical".

And, at first, everything seems peachy. Langdon has a nice time staying in the swanky Four Seasons hotel; his lover has a nice time giving the sort of lectures that receive standing ovations; everyone thinks helpful expository thoughts, rendered in italics. "I'm alone on Charles Bridge," thinks Langdon

when he is alone on Charles Bridge. “I am a neuroscientist,” thinks the neuroscientist. “I am a healthy 49-year-old woman,” thinks a healthy 49-year-old woman. “I may have made a mistake forking out $38 for this book,” thinks the reader who has just forked out $38 for this book.

But then the action gets going. By page 34, world-renowned symbologist Langdon has lost his lover, gained a mortal enemy and jumped, fully clothed, into the Vltava river. Soon the pages are awash with yet more police, kidnappings, passwords, puzzles, ancient whatsits, cryptic this-es, Christian thats, a Golem (don’t ask) and an awful lot of increasingly baffling initials—CIA, ESP, SUV, ÚZSI, WTF?

At the heart of this book—as with all of Mr Brown’s books—is an idea. “The Da Vinci Code” was based on the idea that evidence of Jesus’s “marriage” can be seen in Leonardo da Vinci’s painting “The Last Supper”. “Inferno” seemed based on the idea that novels about arty Italian stuff sell well. This one is based on the idea that the world is about to experience a sea change in its understanding of the nature of consciousness. That might sound like a lot to crowbar into a lighthearted thriller, but not for Mr Brown, who simply has a character say: “We are about to experience a sea change in our understanding of…the nature of consciousness.”

The precise change mooted is the idea that the human mind does not merely observe reality: it in some way creates it. If that sounds odd, this book argues it is not as alien or new as it might sound. A similar idea underlies many spiritual and inspirational teachings. Langdon helpfully lists some: “Buddha: With our thoughts, we create the world.” And “Jesus: Whatever you ask for in prayer, it will be yours.” And, he adds: “Business guru Robin Sharma…: Everything is created twice; first in the mind, and then in reality.” (FACT: that last one might have been a bit of an error of tone.)

Anyway, whatever, who cares, as the reader is soon off again, racing through Prague, past the possible evidence of villainy and the clear evidence of an awful lot of diligent research. Readers dash up the Petřín Tower (pausing from life-or-death pursuit merely to note that it was built “in 1891” with “an open-lattice construction of riveted steel beams and supports”), past Prague’s Astronomical Tower (whose “172-step ascent” rewards visitors with “stunning vistas as well as an absorbing exhibit of 18th-century astronomical

instruments") and along so many accurately transcribed foreign names—Křižovnická Street, Tržiště Street—that this feels less like an action thriller than an A-Z in pacey prose. Mr Brown may have a problem with critics. Diacritics he has completely nailěd.

Critics will lay into this book. But it romps along and, in truth, its exposition is part of its appeal. Mr Brown takes things people want to understand but don't—Italian art, Christian history, stuff in Latin—and explains them in a way that they can. For all the nonsense, there is an appealing autodidactic earnestness to his books and their less-than-riveting asides about rivets. It is hard to remember now, but reviews of "The Da Vinci Code" were glowing—an "exhilaratingly brainy thriller", gushed the New York Times. Those days are gone; the world feels less naive. But in this darker new world it is somehow comforting to settle down with the lumbering, world-renowned Robert Langdon, who, after all, is world-renowned for a reason. ■

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Culture | The fastest kid on Earth

Gout Gout, a 17-year-old sprinter, may be athletics' new mega-star

He is faster over 200 metres than Usain Bolt was at the same age

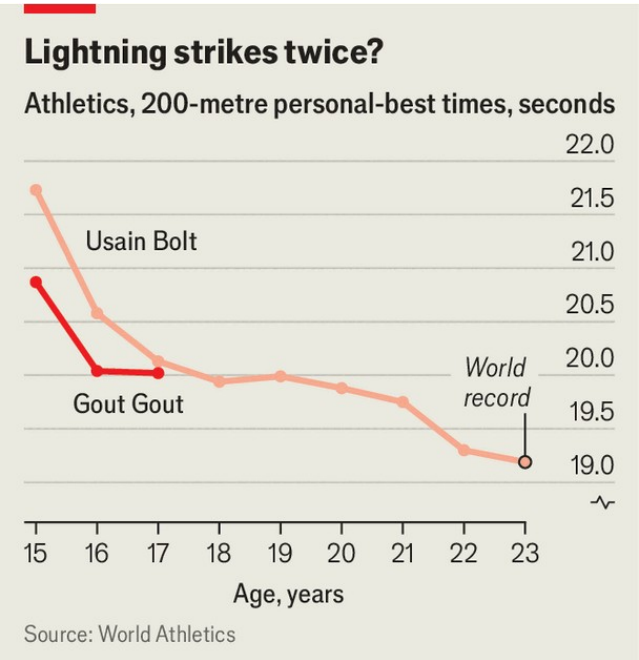
September 11th 2025



Armand "Mondo" Duplantis, a Swedish pole vaulter, has broken the world record three times this year, reaching 6.29 metres. In July Beatrice Chebet, a Kenyan athlete, became the fastest woman to ever run five kilometres (she did so in 13 minutes and 58 seconds). Noah Lyles, the defending Olympic 100-metre champion, is running into form. These stars will chase more records and glory at the World Athletics Championships, which begin on September 13th in Tokyo. But all eyes will be on a 17-year-old wunderkind called Gout Gout. The Australian sprinter is making his senior competitive debut in Tokyo.

Mr Gout is already familiar to athletics aficionados, who have been stunned by videos of his races in local and regional tournaments. Last year Mr Gout covered 200 metres in just 20.04 seconds, making him the fastest 16-year-old in history and the fastest Australian over that distance. (He broke a national record that had stood for 56 years.) In July this year he bettered that benchmark again, bringing his time down to 20.02 seconds. All sporting prodigies burst onto the scene, but few have done so with such velocity.

Mr Gout combines speed with a distinctive, upright running style. The teenager seems to leap rather than sprint across the track. He has an unusually long and strong Achilles tendon, his team says, which gives him the elasticity to stride over metres. "You see him run and you just know there's something special," asserts James Templeton, Mr Gout's manager.



How special, exactly? Mr Gout is already being compared to Usain Bolt, the winner of eight Olympic gold medals and the holder of world records in both the 100 and 200 metres. The Jamaican star, who retired in 2017, has said that Mr Gout "looks like a young me". Judging from the numbers, though, Mr Gout is already ahead. At 16, Mr Bolt's fastest time over 200 metres was a tenth of a second slower than Mr Gout's (see chart).

Mr Gout's entourage is keen to temper expectations. The athlete continues to balance school and training, which is partly why he will skip the 100-metre race and run only the 200 metres at the World Championships. Interviews with the media have been carefully managed. (The Economist was denied one.) The goal in Tokyo is to make the final, but also to have fun, says Mr Templeton. The real target is the Olympic Games in Los Angeles in 2028. Four years after that, an even more tantalising prospect awaits: the Olympics in Brisbane, Mr Gout's home town. He will be 24 then—close to the age when sprinters reach their peak and around the same age that Mr Bolt was when he set his records.



Those may be long-term goals, but the pressure and scrutiny have already begun. Adidas, a sportswear firm, has swooped in to sign Mr Gout on a multi-million-dollar deal. More than 10,000 people flocked to a small meet in Melbourne in March to watch him run a 200-metre race. It was the biggest crowd for a one-day event in more than 20 years. So far Mr Gout has shrugged off the attention. He still lives at home—where he shares a room with his brother—and drives a Hyundai i30 rather than a flashy sports car.

Mr Gout's success has brought out the worst in some of his compatriots. In Australia, as elsewhere, immigration is a contentious subject. (In August Bob Katter, a politician also from Queensland, went viral for threatening to

punch a journalist who brought up Mr Katter's own Lebanese heritage.) Mr Gout's parents migrated from South Sudan to Brisbane in 2005 and the athlete was born two years later. Mr Gout has received racist comments online; some have erroneously suggested he is not really Australian. Yet to most sports-mad Aussies, he is already a hero. Mr Gout speaks with an undeniable Queensland twang and has displayed perhaps the most Australian trait of all: winning.

His arrival on the global stage is good for athletics, too. The sport is struggling for relevance and attention outside the Olympics. To fix that, investors have been pouring money into new events with glitzy formats. A new star will surely boost those efforts: few things invigorate a sport and excite fans as much as the breakout of a young marvel. Mr Gout, like Mr Bolt before him, may end up running the show. ■

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Culture | Government and lawmaking

America’s constitution is too hard to change

The Founding Fathers would be appalled

September 11th 2025



Donald Trump’s administration has imprisoned immigrants for their political opinions and killed alleged drug smugglers without trial. The president has asserted: “I have the right to do anything I want to do.” One thing he has not tried is to amend the constitution. Perhaps he recognises the long odds: almost 12,000 amendments have been proposed since the constitution replaced the Articles of Confederation in 1789 and only 27—less than 0.25%—have been ratified.

In “We the People”, Jill Lepore, a professor at Harvard and a writer for the New Yorker, argues that America’s constitution has become an anachronism because it is, contrary to the founders’ wishes, too hard to change. Thomas Jefferson favoured constitutional conventions to remake the document every

19 years. In a letter to James Madison, he doubted that “One generation of men has a right to bind another.”

Madison feared the destabilising potential of frequent conventions, so offered a different solution: Article V, which allows the constitution to be amended with the approval of two-thirds of both houses of Congress and three-quarters of the states. That hurdle was surmountable in the 1780s, but it has given America “one of the lowest amendment rates in the world”, Professor Lepore notes.

The “sleeping giant” of Article V has sprung to life during periods of war and upheaval—most notably to abolish slavery and expand rights after the civil war—but has remained largely dormant otherwise. No amendments were ratified between 1804 and 1865 or 1870 and 1913. It was last meaningfully amended in 1971, when the voting age was lowered to 18.

The demise of what Professor Lepore calls a “philosophy of amendment” leaves America stuck with the electoral college, a relic that has made presidents of five popular-vote losers. It freezes life tenure for federal judges, an American oddity that entrenches and politicises the judiciary. And it means no fix for Wyomingites enjoying 68 times more influence in the Senate than Californians.

Professor Lepore laments these encrustations, adding that “the prospects for halting or reversing climate change are dim” without a re-energised Article V. Yet “We the People” does not reckon with the equally profound dangers of too much slack in the constitutional fabric. Brazil’s constitution has been jolted by more than 130 amendments since 1988, bringing bloated budgets and a loss of public confidence. Mexico’s 737 amendments in a century have engendered similar peril.

Germany’s constitution, with some 60 amendments since 1949, may be an example of the sweet spot St Thomas Aquinas was thinking of 750 years ago when he wrote that the costs of disruption must be balanced against the potential “benefit to be derived” from a change in law.

As amending their constitution has become functionally impossible, Americans have turned to courts to reinterpret it. This makes the document

contingent on the whims of whoever occupies the nine seats on America's highest court. Both liberals and conservatives have had their moment. Under Earl Warren, the chief justice in the 1950s and 60s, the Supreme Court issued decisions expanding civil liberties. More recently, "originalism"—the interpretive method favoured by today's right-wing supermajority but not, Professor Lepore argues, by America's founders—has mobilised a conservative counter-revolution.

Americans may one day "learn again to amend", Professor Lepore writes, or even devise an entirely new document. Yet the book sidesteps how that might happen. And it lacks guidelines for what should replace a constitution that, despite its increasing crustiness, has given America the flexibility to transform itself from 13 states to 50, from a slave-owning society to a free one, from a continental to a global power. "We the People" is not a road map for repair. But it offers an arresting chronicle of Americans striving—if sometimes failing—to remake their republic. ■

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Culture | Lad-loathing lyrics

Why female pop stars are lambasting mediocre men

The trend may reflect the growing gulf between young men and women

September 11th 2025



Judging by her lyrics, Sabrina Carpenter has mixed feelings towards the opposite sex. She finds her paramours attractive, exciting—and disappointing. In "Manchild", the lead single on her new album, she complains her lover is "stupid", "slow" and "useless". She asks, mocking a caveman, "Why so sexy if so dumb? / And how survive the Earth so long?"

"Manchild" is not the only track on the record to lambast mediocre men: time and again Ms Carpenter takes aim at blokes who can barely "do the dishes" or "assemble a chair from IKEA". The American pop star suggests her beaux are dumb, as when, in "Sugar Talking", she says: "You're having these epiphanies, big word for a real small mind." Some do not understand

basic grammar. In “Slim Pickins”, a hit from last year, she complains about a man who “doesn’t even know the difference between there, their and they are”.

A number of young female pop stars are combining catchy melodies with grumbles about sub-par men. Chappell Roan, an American singer-songwriter, laments in “Super Graphic Ultra Modern Girl” that “this man wouldn’t dance” and “didn’t ask a single question”. “If He Wanted To He Would” by Perrie, a British musician, contains the acerbic lyrics: “His sense of vanity got you out here doing charity / He thinks he needs a lover, what he really needs is therapy.” In “Training Season”, a hit song of 2024, Dua Lipa warns her potential suitors that she does not want to “have to teach you how to love me right”. Male listeners might wonder if they are expected to be telepathic.

Charlie Harding of “Switched On Pop”, a podcast, says that these songs reflect the evolution of songwriting. Since the late 1960s—when artists such as Joni Mitchell started writing about personal experiences—lyricists have moved away from universal themes towards confessional storytelling. Female pop stars began belting out anthems about obnoxious, selfish men. Carly Simon, an American singer, offered the brilliantly paradoxical lyric: “You’re so vain, you probably think this song is about you.” Pop stars from Beyoncé to Taylor Swift have crooned about bad boys breaking their hearts. Country singers including Dolly Parton and Carrie Underwood have reflected on infidelity.

Yet this current wave of songs reflects a social shift. Women in the rich world are enjoying more economic power, meaning they can be choosier about their partners. Many are willing to hold out for someone who will do the washing up and put the toilet seat down. According to Pew Research Centre, 35% of American women between the ages of 25 and 54 were single in 2023, up from 29% in 1990. Across many measures, from education to politics, young men and women are drifting apart. Nearly 60% of American university graduates are women. Given that most women prefer not to date or marry down, for many it can be, as Ms Carpenter says, slim pickings.

Men are pushing back, at least musically. In August the top album on the Billboard 200 chart was “I’m the Problem” by Morgan Wallen, an American

country singer. “If I’m so awful,” he sings, “then why’d you stick around this long?” ■

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Culture | Strawberry thieves forever

The ironic ubiquity of William Morris's prints

An exhibition and a new collection point to his enduring appeal

September 11th 2025



COINS, a cat figurine, a radio, a shopping trolley and an upholstered seat from a nuclear submarine. "Morris Mania", a new exhibition at the William Morris Gallery in London, is an amusing celebration of the English artist's ubiquitous prints. More than a century after his death, his influence on interior design remains powerful: revenues for Morris & Co, the firm he co-founded in 1861, reached £18m ($23m) in the year ending January 2025.

Even if you do not know anything about Morris, you will know his work. You may not own a "Strawberry Thief" mug or a "Golden Lily" rug, but someone in your life probably does. You may have seen his designs on screen, too. Sarah Mead Leonard, an American art historian, runs social-media accounts dedicated to spotting Morris prints on sets. They crop up in

everything from chic period dramas such as "Phantom Thread" to unglamorous competition shows such as "Taskmaster".

The prevalence of Morris's prints is rather ironic, given his principles. He was bitterly opposed to mass production. In 1851, aged just 17, he was taken by his parents to the Great Exhibition in London, a showcase of industrial technology and design. The teenager refused to enter.



Morris, influenced by his interest in medieval art and literature, felt that goods should be made by hand with natural dyes such as weld and madder. No medieval artisan could have afforded his products, though: two early commissions were for royal households. The "St James's" wallpaper was designed for Queen Victoria's lavish throne room. In 1895 Tsar Nicholas II ordered 300 yards of "Garden Tulip" to redecorate the royal apartments of the Winter Palace in St Petersburg. (Presumably he was unaware that Morris had published an essay the year before entitled "How I Became a Socialist".)

Claire Vallis, design director of the Sanderson Design Group, which has owned Morris & Co since 1940, says there is something enduringly delightful about Morris's work: "His symmetry, his repeats, they are just so aesthetically pleasing," she says. "They flow really well and his designs now have a lot of familiarity."

That has made them easy to imitate. Among the items on display at “Morris Mania” are nine posters, ostensibly advertising a centenary exhibition at the Victoria and Albert Museum in London in 1934. In reality, however, the posters were generated by artificial intelligence. These pastiches are widely available online, along with other Morris knock-offs. The artist would have despised such counterfeits, not to mention the process by which they were created. He believed in “art made by the people, and for the people, as a happiness to the maker and the user”.

That anyone is bothering to make such copies points to the depth of Morris’s creative legacy. Morris & Co is keen to extend it further: the firm has launched 26 new designs based on incomplete sketches that were part of a trove of documents acquired by the Huntington, a cultural institution, in 1999. Ms Vallis sees these designs—which were finished by artists—as adding to the Morris oeuvre, rather than being a separate collection. If she is right, the designs will appear on furniture and film sets before the year is out. ■

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Culture | Toffs on screen

Meet the real lord of “Downton Abbey”

Julian Fellowes, the story’s creator, is Britain’s supreme chronicler of class

September 11th 2025



It is different without Maggie Smith, supreme goddess of the “Downton Abbey” cult. As the show’s dowager countess, “she was perfect,” says Julian Fellowes, its writer and creator. He drew on memories of an aunt to give her lines such as, “Bought marmalade? Dear me, I call that very feeble.” Smith died last year and so is glimpsed only in flashback in “Downton Abbey: The Grand Finale”, the new and last bit of the Downton extended universe. When Lord Fellowes goes, he muses, “This is the only partnership anyone will remember—if they remember anything.”

They will. In the undeferential 21st century, asked sceptics when “Downton” first aired in 2010, who was still interested in the tiny, aloof British

aristocracy? An awful lot of people, it turns out. Chronicling the lives and loves of the noble Crawley clan from 1912 to 1930, it became a global smash hit, encompassing six gently moreish television series and now three films. Lord Fellowes became the reigning chronicler of the eternal subject of class in England.



“Only he could have done it,” says Gareth Neame, the producer with whom he dreamed up the idea. His style balances upstairs and downstairs plots, and seismic events (war, an epidemic, ruin) with everyday challenges (such as, in the new film, planning a county fair). “That’s our lives,” says Lord Fellowes, “the business of solving problems and then you die.” His intimacy with the country-pile set helped, too. Ennobled in 2011—he sits as a Conservative in the House of Lords—he is a son of the landed gentry; Downton’s patriarch (played by Hugh Bonneville) resembles his own father in never questioning his status yet striving “to do the right thing”.

By his own account a plain and timid teenager, he reinvented himself on an oil-tanker bound for South America: “I realised I could be whoever I wanted to be when I got off the boat.” A newly gregarious version of him studied at Cambridge and danced at coming-out balls. “If you have the misfortune to be born into a generation which must earn its living,” his father advised,

“you might as well do something amusing.” Lord Fellowes took him at his word and went to drama school.

Two striking tales are told of him thereafter. First, that he proposed to his wife, Emma Kitchener—a relative of Lord Kitchener, a first-world-war titan—20 minutes after they met. This is true. “A funny little man asked me to marry him,” her diary recorded. “I had the last laugh,” he chuckles, “because she did.” The other is that a stalled career was transformed by writing “Gosford Park”, a country-house film for which he won an Oscar in 2002. This is true inasmuch as his ambitions were grand.

In fact, he had acted in prime-time dramas and the West End and written for tv (and, under a pseudonym, bodice-ripping novels). Acting was a lark, but he thought himself only “a medium success”. Still, it was crucial training. Showbiz gave him an outsider’s view of high society. And since it often involved rescuing bad scripts, being a jobbing actor taught Lord Fellowes “what is sayable—and what is not”.

“Even if unearned riches and position had no moral merit,” reflects the narrator of “Snobs”, a bestselling novel published under his own name, reaching society’s apex “was still a dream that figured in plenty of people’s fantasies”. In “Downton” he indulges them, ushering you into upper-crust homes and romances. To detractors, it offers a rosy, even reactionary picture of a stratified era, in which underlings seem as content with their lot as overlords.

The overall mood is sunny, agrees Lord Fellowes; viewers “wouldn’t come back every Sunday night to be depressed”. But angst lurks amid the turrets and frocks, especially for gay characters and trammelled women. The distinctive quality, says Mr Bonneville, is that he “writes from a default position that people try to be good”. No group or class are all blackguards, Lord Fellowes insists. Nor, as some might have it, does wealth confer immunity from suffering. “This is bollocks.”

As a group, the Americans who turn up in “Downton” are more sparky and tolerant than the English. Lots of American viewers loved it, maybe because its social hierarchy is soothingly benign. Its central tensions—between passion, money and protocol—also power “The Gilded Age”, another multi-

series Fellowes hit, set in the 1880s among New York's robber barons and their servants. Here destinies are less fixed: "Some of the downstairs people are going to end up upstairs people."

Along with their shared interest in social change and pharaonic mansions, both "The Gilded Age" and the new "Downton" movie depict fellow scribblers. In the film a footman-turned-screenwriter winkingly claims that "Writers are the real stars of cinema." In "The Gilded Age", the author of a tell-all book on New York society says he aimed to show that "these golden people" are "just ordinary men and women". He is ostracised all the same.

Lord Fellowes himself faced "some pushback" for illuminating a normally veiled world. "Do you write what the ladies say as well?" a scandalised guest at a house party once asked. The prototype for a character in "Snobs" took umbrage: "A lifetime of avoiding the newspapers—and now this!" He was eventually forgiven.

In modern Britain, poshness is not terribly conducive to popularity ("Everyone tries to persuade you that they're working class—even if their mother is the daughter of a duke"). Neither, for that matter, is big-time success. Lord Fellowes is nevertheless a well-liked chap. A fellow Tory peer fondly describes him as "an amusing conversationalist" with "a rather magnificent wife". A stickler for on-screen decorum—Mr Bonneville once had to reshoot a scene because his hands were in his pockets, a vulgar no-no—he is genial in the flesh. "I don't think he's personally judgmental at all," says Mr Neame. His lordship declines to peg this interviewer's class station: "I never give anyone else their rank."

Lord Fellowes is to the posh what the naturalist Sir David Attenborough is to gorillas, if Sir David were a gorilla himself: a guide to dinner placements, shooting parties and the gap between what nabobs say and think. Yet he is wryly sceptical about the whole concept of class. It is partly natural—"Every society throws up some or other version of class"—but partly also "a confidence trick" played on the masses. His own life conforms to the system and confounds it. Combining a lucky start with hard work, risks and talent, he is that English oxymoron: a self-made toff. ■

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Economic & financial indicators

- Economic data, commodities and markets

Economic data, commodities and markets

September 11th 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	2.1	Q2	3.3	1.3	2.7	Jul	2.8	4.3	Aug
China	5.2	Q2	4.5	4.9	-0.4	Aug	-0.1	5.2	Jul§§
Japan	1.7	Q2	2.2	0.9	3.0	Jul	3.2	2.3	Jul
Britain	1.2	Q2	1.4	1.0	3.8	Jul	3.7	4.7	May††
Canada	1.2	Q2	-1.6	1.0	1.7	Jul	2.0	7.1	Aug
Euro area	1.5	Q2	0.5	1.2	2.1	Aug	2.0	6.2	Jul
Austria	-0.1	Q2	1.1‡	0.1	4.1	Aug	3.0	5.5	Jul
Belgium	1.0	Q2	0.7	1.0	2.6	Aug	3.0	5.8	Jul
France	0.8	Q2	1.3	0.7	0.8	Aug	1.0	7.6	Jul
Germany	0.2	Q2	-1.1	0.2	2.1	Aug	2.1	3.7	Jul
Greece	1.7	Q2	2.3	2.2	3.1	Aug	2.7	8.0	Jul
Italy	0.4	Q2	-0.3	0.5	1.7	Aug	1.7	6.0	Jul
Netherlands	1.5	Q2	0.4	1.1	2.4	Aug	3.0	3.8	Jul
Spain	2.8	Q2	3.0	2.6	2.7	Aug	2.3	10.4	Jul
Czech Republic	2.3	Q2	1.8	2.1	2.5	Aug	2.4	2.8	Q2‡
Denmark	1.3	Q2	5.1	2.5	2.0	Aug	1.8	2.9	Jul
Norway	-2.1	Q2	3.4	1.1	3.5	Aug	2.8	4.9	Jun‡‡
Poland	3.4	Q2	3.2	3.3	2.8	Aug	3.9	5.5	Aug§
Russia	1.1	Q2	na	0.9	8.1	Aug	8.7	2.2	Jul§
Sweden	1.6	Q2	1.9	1.5	1.1	Aug	2.3	8.0	Jul§
Switzerland	1.2	Q2	0.5	1.3	0.2	Aug	0.1	2.9	Aug
Turkey	4.8	Q2	6.6	2.8	33.0	Aug	34.2	8.3	Jul§
Australia	1.8	Q2	2.4	1.7	2.1	Q2	2.2	4.2	Jul
Hong Kong	3.1	Q2	1.8	2.4	1.0	Jul	1.5	3.7	Jul‡‡
India	7.8	Q2	7.4	6.2	1.6	Jul	3.2	6.3	Aug
Indonesia	5.1	Q2	5.9	4.7	2.3	Aug	1.6	4.8	Feb§
Malaysia	4.4	Q2	5.8	4.1	1.2	Jul	1.7	3.0	Jul§
Pakistan	4.8	2025**	na	4.8	3.0	Aug	3.5	6.3	2021
Philippines	5.5	Q2	6.1	5.5	1.5	Aug	1.5	5.3	Q3§
Singapore	4.4	Q2	5.8	2.9	0.6	Jul	0.8	2.1	Q2
South Korea	0.6	Q2	2.7	0.8	1.7	Aug	2.1	2.0	Aug§
Taiwan	8.0	Q2	12.8	4.5	1.6	Aug	1.8	3.3	Jul
Thailand	2.8	Q2	2.4	1.8	-0.8	Aug	0.1	0.7	Jul§
Argentina	5.8	Q1	3.4	4.5	33.6	Aug	41.2	7.9	Q1§
Brazil	2.2	Q2	1.5	2.1	5.1	Aug	5.1	5.8	Jun§‡‡
Chile	3.1	Q2	1.4	2.4	4.0	Aug	4.1	8.7	Jul‡‡‡
Colombia	2.5	Q2	2.0	2.3	5.1	Aug	4.9	8.8	Jul§
Mexico	nil	Q2	2.6	0.1	3.6	Aug	3.9	2.6	Jul
Peru	2.8	Q2	1.8	2.9	1.1	Aug	1.8	4.9	Jul§
Egypt	4.8	Q1	-23.0	4.1	12.0	Aug	15.0	6.1	Q2§
Israel	2.5	Q2	-3.5	2.7	3.1	Jul	3.3	3.0	Jul
Saudi Arabia	2.0	2024	na	4.4	2.1	Jul	2.6	2.8	Q1
South Africa	0.6	Q2	3.4	1.0	3.5	Jul	3.1	33.2	Q2§

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 $, Sep 10th	% change on year ago
United States	-3.9	-5.9	4.0		39.0	-	
China	1.7	-5.9	1.7	§§	-9.0	7.12	nil
Japan	4.3	-3.4	1.6		66.0	147	-3.2
Britain	-3.0	-4.9	4.6		73.0	0.74	4.1
Canada	-0.9	-2.0	3.2		28.0	1.38	-1.4
Euro area	3.1	-3.3	2.6		51.0	0.85	5.9
Austria	2.3	-4.5	3.0		31.0	0.85	5.9
Belgium	-0.4	-4.9	3.2		47.0	0.85	5.9
France	-0.3	-5.7	3.5		60.0	0.85	5.9
Germany	5.3	-2.7	2.6		51.0	0.85	5.9
Greece	-5.9	-0.2	3.4		15.0	0.85	5.9
Italy	1.2	-3.6	3.5		-3.0	0.85	5.9
Netherlands	7.8	-2.4	2.8		38.0	0.85	5.9
Spain	2.4	-3.2	3.2		20.0	0.85	5.9
Czech Republic	0.3	-2.4	4.3		63.0	20.8	9.4
Denmark	12.2	2.1	2.5		35.0	6.37	6.4
Norway	13.6	9.5	3.9		62.0	9.88	9.7
Poland	0.1	-6.7	5.4		10.0	3.63	6.9
Russia	2.0	-2.7	13.7		-155	84.3	8.0
Sweden	5.7	-1.4	2.5		53.0	9.31	11.7
Switzerland	6.2	0.5	0.3		-18.0	0.80	6.3
Turkey	-1.7	-3.4	30.5		346	41.3	-17.6
Australia	-1.2	-1.8	4.4		41.0	1.51	nil
Hong Kong	10.7	-5.3	3.0		28.0	7.79	0.1
India	-0.6	-4.4	6.5		-37.0	88.1	-4.7
Indonesia	-1.1	-3.1	6.4		-21.0	16,460	-6.1
Malaysia	1.9	-4.0	3.4		-36.0	4.22	2.8
Pakistan	-1.4	-5.4	12.0	†††	-131	282	-1.0
Philippines	-3.3	-5.4	6.0		-17.0	57.1	-1.3
Singapore	15.0	0.2	1.8		-76.0	1.28	1.6
South Korea	3.8	-2.4	2.8		-19.0	1,386	-3.1
Taiwan	15.7	0.6	1.4		-15.0	30.2	6.5
Thailand	2.0	-5.8	2.1		-48.0	31.8	6.2
Argentina	-2.4	-0.1	na		na	1,419	-32.5
Brazil	-2.9	-8.1	13.8		201	5.41	4.1
Chile	-2.0	-2.2	5.7		17.0	961	-1.1
Colombia	-2.6	-7.3	11.3		163	3,924	9.4
Mexico	-0.1	-3.5	8.9		-60.0	18.6	8.0
Peru	2.0	-2.7	5.8		-68.0	3.49	9.7
Egypt	-4.2	-7.7	na		na	48.1	0.5
Israel	2.5	-5.2	4.1		-74.0	3.32	13.2
Saudi Arabia	-1.8	-2.9	na		na	3.75	nil
South Africa	-1.6	-4.9	9.5		46.0	17.5	2.6

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Markets

In local currency	Index Sep 10th	% change on: one week	Dec 31st 2024
United States S&P 500	6,532.0	1.3	11.1
United States NAS Comp	21,886.1	1.8	13.3
China Shanghai Comp	3,812.2	nil	13.7
China Shenzhen Comp	2,407.5	1.1	23.0
Japan Nikkei 225	43,837.7	4.5	9.9
Japan Topix	3,141.0	3.0	12.8
Britain FTSE 100	9,225.4	0.5	12.9
Canada S&P TSX	29,179.4	1.5	18.0
Euro area EURO STOXX 50	5,361.5	0.7	9.5
France CAC 40	7,761.3	0.5	5.2
Germany DAX*	23,633.0	0.2	18.7
Italy FTSE/MIB	42,059.7	0.7	23.0
Netherlands AEX	901.5	1.5	2.6
Spain IBEX 35	15,217.5	2.9	31.2
Poland WIG	105,682.9	1.2	32.8
Russia RTS, $ terms	1,081.1	-3.2	21.0
Switzerland SMI	12,217.5	0.1	5.3
Turkey BIST	10,586.3	-1.4	7.7
Australia All Ord.	9,095.2	0.9	8.0
Hong Kong Hang Seng	26,200.3	3.4	30.6
India BSE	81,425.1	1.1	4.2
Indonesia IDX	7,699.0	-2.4	8.7
Malaysia KLSE	1,590.8	0.8	-3.1
Pakistan KSE	157,020.8	3.2	36.4
Singapore STI	4,346.5	1.3	14.8
South Korea KOSPI	3,314.5	4.1	38.1
Taiwan TWI	25,192.6	4.5	9.4
Thailand SET	1,278.1	1.5	-8.7
Argentina MERV	1,825,228.0	-5.6	-28.0
Brazil BVSP*	142,348.7	1.8	18.3
Mexico IPC	60,489.2	1.4	22.2
Egypt EGX 30	34,670.1	-0.3	16.6
Israel TA-125	3,196.8	3.9	31.7
Saudi Arabia Tadawul	10,498.0	-1.1	-12.8
South Africa JSE AS	103,587.8	2.0	23.2
World, dev'd MSCI	4,223.7	1.6	13.9
Emerging markets MSCI	1,307.5	3.2	21.6

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	94	95
High-yield	355	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist **commodity-price index**

2020=100	Sep 2nd	Sep 9th*	% change on month	% change on year
Dollar Index				
All items	135.7	136.3	2.2	10.5
Food	148.7	148.4	2.4	10.1
Industrials				
All	124.9	126.2	2.0	10.9
Non-food agriculturals	124.6	124.9	0.2	-1.4
Metals	125.0	126.6	2.4	14.6
Sterling Index				
All items	130.1	129.3	1.8	6.6
Euro Index				
All items	132.9	132.8	1.6	3.8
Gold				
$ per oz	3,511.9	3,635.6	8.7	44.9
Brent				
$ per barrel	69.2	66.4	0.4	-4.5

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

- Giorgio Armani freed the forms of both men and women

Obituary | Elegance, not extravagance

Giorgio Armani freed the forms of both men and women

The Italian master-designer of a whole lifestyle died on September 4th, aged 91

September 11th 2025



Those clear blue eyes noticed everything. In a second, in a restaurant, how the tablecloths were wrong. How a colleague's tie, 1.5cm too long, spoiled the balance of his outfit, and how much of the angle of a woman's glove was too much to show. That was not a matter of inches, but of millimetres. The last say on everything had to be his: on the lanterns outside his headquarters in Milan, the make-up on each of his models, the weight of branch-office writing paper. Though he made no rule about it, at work he was "Giorgio" to no one. He might be in his favourite navy T-shirt, loosely pleated blue shorts and brown loafers, but he was "Signor Armani", the arbiter of every detail of his life.

So when faced with that classic of English tailoring, a man's suit, he had to change it. As it was, it punished the beautiful male body, squashing it into a box. What he demanded of a suit was freedom to move: to kneel before a mannequin or a model with a mouthful of pins to dress them, to reach across a table to grab samples. So he took the stiffness out, replacing heavy wool with crepe and choosing softer colours: beige, sand, light green. He dismissed shoulder pads and snipped away the lining. The suit drooped then, looking almost louche, suggesting the body without constraining it. He lengthened the jacket, enlarged the lapels, lowered the buttons. And there stood Armani Man.

He changed the way women looked, too. His suits gave a fluid confidence without the rigidity of tight trousers and skirts, and hid bad legs. (He sympathised, because when he appraised his own body—the cute little nose, the too-big face—it was his short calf muscles that most displeased him.) These basic suit ideas came to him in the late 1970s and, having had them, he barely changed. He also loved to put women in flowing, simple evening gowns, tastefully beaded and in the colours of faded flowers. These too stayed. When designs were this good, when colours were this natural and the whole look breathed elegance, not extravagance, why chase after fleeting trends?

He was not the first Italian tailor to redesign English suits, but he was the first runaway success at it. His company, founded in 1975, chalked up $14,000 in sales in its first year; a decade later, it made $100m. By 2024 it was worth $9.3bn-11.7bn and had branched into sportswear, furnishings, hotels, clubs, chocolates and floristry. It was possible, if clients had enough money, to live an Armani lifestyle in an Armani world, where all was natural sophistication, harmony and ease.

The big four French luxury houses ached to acquire him, but he ignored them. Independence was his byword. Giorgio Armani SpA was the child he had created with his life partner, Sergio Galeotti, after Sergio persuaded him to sell his blue Volkswagen Beetle to raise capital. He had done the designing, Sergio had done the books, a perfect arrangement. After Sergio's death from AIDS in 1985 the sole shareholder was himself. As a firm believer in astrology, he was a Cancer in every way: creative, hyper-

sensitive, introverted, and like a crab gathering everything to himself. He was Giorgio Armani, and he was not for sale.

One key to his success was simplicity. His lines were loose, comfortable and unfussy, and his more down-market range, Emporio Armani, was relatively cheap. But the chief secret of his stellar rise was cinema. As he grew up in northern Italy it was the best of entertainments, endlessly inspiring him. He would have liked to be a film director, and in a way he was: to him, life was cinema, and his clothes were the costumes. So when, in 1980, his style flew to fame on the back of Richard Gere in "American Gigolo", it was a heady moment, and one that lasted. Stars on and off the red carpet took up his look by the limousine-load: Diane Keaton, Tom Cruise, Sean Connery, Julia Roberts, Tina Turner, Kevin Costner, his hero Martin Scorsese, and on and on. In 1983 he set up an office in Los Angeles; sometimes he gave his clothes away. No stilista had ever courted Hollywood so well.

Yet star endorsements did not go to his head. He was shy, and admitted that he had got into fashion almost by accident. There had been no sudden spark, no sacred Muse; he toyed with being a doctor, then served in the army, before wandering off to dress windows. From then, fashion slowly stole his life away. By 1964 he was designing a menswear line for Nino Cerruti. After that he set up with Sergio, and other close friends were few. Evenings in his heyday often found him (whether in his casa in Milan, his penthouse on Central Park West, his island villa in Pantelleria, or any other of the houses he collected) settling with his cats, which he also collected, and turning on the TV just to hear another voice. His absolutist ways hid a lingering insecurity about his role in the serious business, the public service, of fashion.

That was also why he worked as he did, morning and night, getting everything as perfect as possible. This was the life he had chosen for himself, wrapped tight in sartorial chains. When he woke in the mornings and leapt out of bed (where he slept in a white T-shirt), he sometimes asked himself, "My God, why don't you stay in bed, relax, make yourself a nice breakfast?" That was impossible. He had ideas to sketch out, fabric to look at, the next show to plan. He had his and Sergio's "child" to look after.

He also had to think of the future. That was hard. Though all films had endings, he could not imagine his company without him. It was not just a fashion house and a label; Giorgio Armani SpA was himself. The best he could do was to hope it would stay in the family, in the care of his right-hand man, his two nieces and his nephew, an organic succession with no rupture. But who would really ensure the correct buttons on the jackets, hold the fort against violent colours, insist on the size of his blue-glass flower cubes, achieve the perfect lighting for his shows? Unless he could make himself immortal, he feared no one could. ■

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