

# The Economist

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Industrial transformation in East Asia

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Don't invade Cuba

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How to mint millionaires

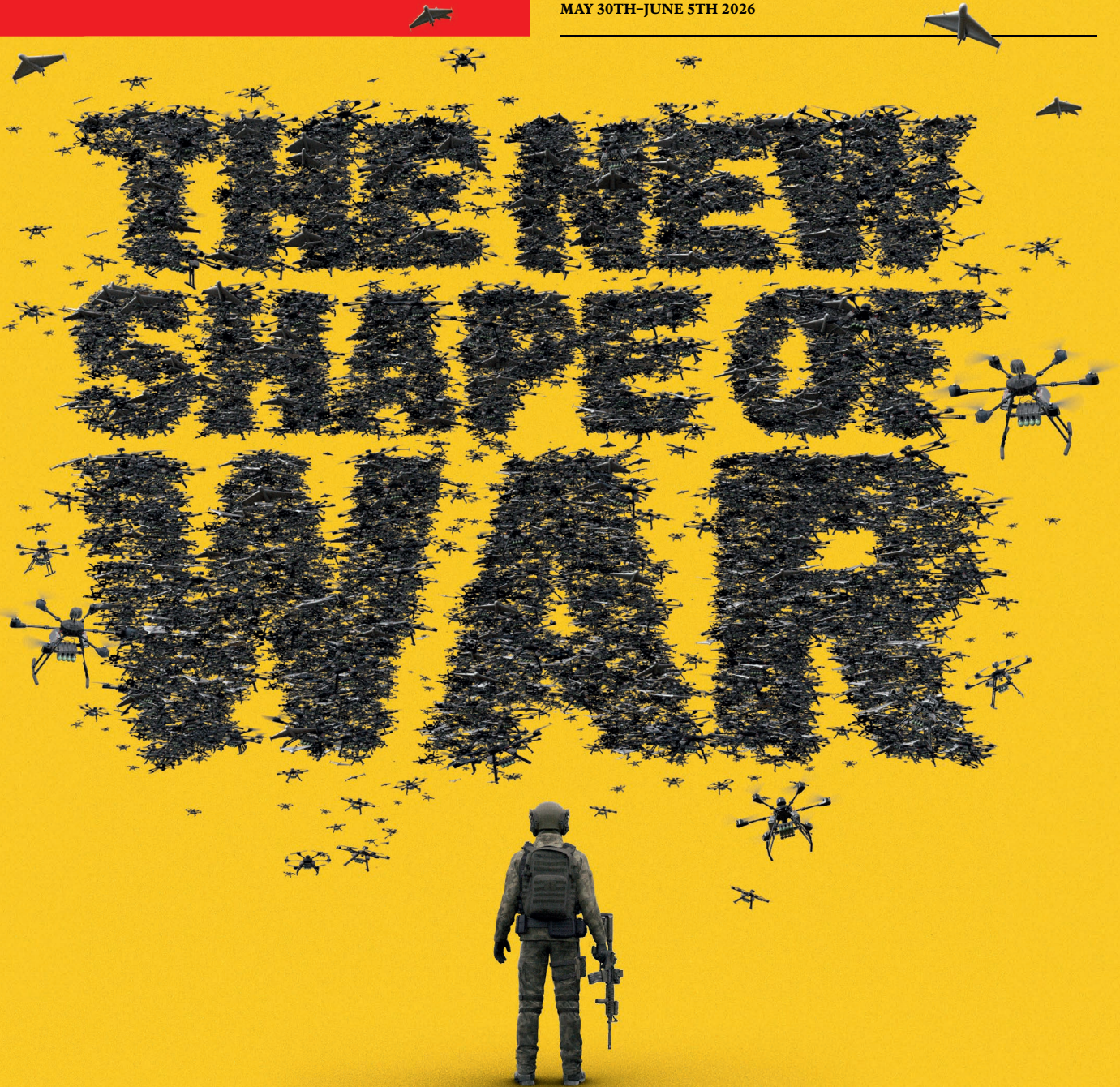
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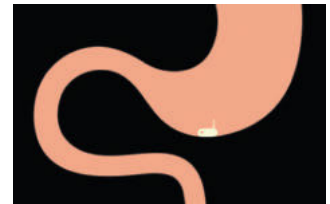
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to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

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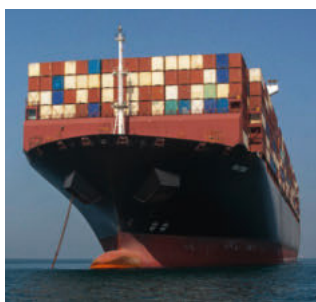
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## The world this week Politics



Hopes that **America** and **Iran** were close to reaching a deal to end their war and reopen the Strait of Hormuz were on shaky ground. In what it described as “purely defensive” measures, America shot down Iranian drones and conducted air strikes against military targets in Iran. Iran retaliated; Kuwait, the home of an American air base, intercepted a barrage of drones and missiles. Days after claiming that a deal was nearly done, Donald Trump dismissed Iranian claims that one was close, insisting that America would not allow Iran to control the strait in any settlement.

**Israel** stepped up its offensive against **Hizbullah**, an Iranian-backed militia, in southern Lebanon. It extended its combat zone against Hizbullah's operations to all areas south of the Zaharani river, which lies 40km (25 miles) north of the Israeli border, and told all residents to evacuate. Separately, **Hamas** confirmed that Israel had killed the new leader of its armed wing in an air strike on Gaza. His predecessor had been killed by Israel just a week earlier.

The WHO called for a ceasefire in the east of the Democratic Republic of Congo to help tackle the **Ebola** outbreak there. More than 1,000 suspected cases and around 250 deaths have been reported; both figures are almost certainly undercounts. Fighting has hindered response efforts and exacerbated the spread. Meanwhile, Canada and the Bahamas imposed similar travel bans to America's on residents from three African countries.

Bassirou Diomaye Faye, the president of **Senegal**, dissolved the government and replaced Ousmane Sonko, the prime minister, following months of disagreement over tackling the country's ballooning debt. Days after he was fired, parliament reinstated Mr Sonko as an MP and elected him speaker. Mr Faye hoped that Mr Sonko's departure would ease talks with the IMF, but it will probably deepen the disruptive rivalry between the two men.

### Smackdown

Donald Trump's favoured candidate won the Republican primary for a Senate seat in **Texas**. Ken Paxton, the scandal-plagued state attorney-general, trounced John Cornyn, the incumbent senator since 2002, by 64% to 36%. Mr Trump had attacked Mr Cornyn as “very disloyal” for occasionally breaking with his agenda. Mr Paxton will face James Talarico, the Democratic candidate, in November's midterm election.

**Tulsi Gabbard** said she would step down as America's director of national intelligence. Ms Gabbard is leaving the job to care for her husband, who has been diagnosed with a rare form of bone cancer. A long-time opponent of war with Iran, she had increasingly been sidelined by Mr Trump.

The death toll from a gas explosion at a coalmine in **China's** northern province of Shanxi stood at 82. It is the country's worst coalmining disaster since 2009.

The Baloch Liberation Army claimed responsibility for the suicide-bombing of a train in Quetta, the capital of Balochistan in south-west **Pakistan**, that killed at least 30 people. The militants said they had rammed a car filled with explosives into the train, which was carrying security personnel and their families.

Kyiv endured one of the heaviest bombardments by **Russia** since the start of the war in

2022. Hundreds of drones and missiles rained down on the **Ukrainian** capital. One of the strikes destroyed the museum commemorating the Chernobyl nuclear disaster of 1986, when Ukraine was part of the Soviet Union. Vladimir Putin vowed to pummel Kyiv again, in retaliation for what he claims was a Ukrainian strike on a building in Starobilsk, in occupied Ukraine, killing 21 people. Mr Putin says the building was a student dormitory. Ukraine insists it did not attack the dwelling but had targeted an elite Russian drone unit.

As it steps up its attacks on “decision-making centres” in **Kyiv**, Russia's foreign ministry warned foreign citizens, diplomatic staff and personnel at international organisations “to leave the city as soon as possible”. The European Union summoned the top Russian diplomat in Brussels to voice its anger. “The EU is not going anywhere,” said the bloc's ambassador to Kyiv.



In **Turkey** riot police were deployed to the headquarters of the main opposition Republican People's Party (CHP) to force the removal of its leader, Özgür Özel. This came after a court overturned the results of the CHP's leadership election in 2023, claiming there were procedural irregularities. The court reinstated Kemal Kilicdaroglu, the opposition's losing candidate against Recep Tayyip Erdogan at the previous presidential election, as CHP leader. The party described the court's decision to remove Mr Özel as a “judicial coup” designed to hurt the CHP ahead of possible early elections.

Police entered the headquarters of the ruling Socialist Party in **Spain** as part of an investigation into corruption. Earlier, tens of thousands of people marched in Madrid demanding the resignation of Pedro Sánchez, the prime minister.

Mette Frederiksen was given another chance to form a centre-left government in **Denmark**, after talks aimed at forming a coalition among her centre-right rivals broke down. At an election in March Ms Frederiksen's Social Democrats won the most votes, though it was the party's worst result since 1903. Ms Frederiksen has remained interim prime minister since March.

Nationwide protests continued across **Bolivia**. Rodrigo Paz, the centrist president, said he would cut his salary in half along with other members of his cabinet to demonstrate their commitment to the country. Protesters want the government to curtail its austerity programme. One minister's car was pelted with stones when he visited a security operation to remove protesters' roadblocks.

### Don't leave me this way

Mark Carney, **Canada's** prime minister, warned separatists in Alberta that they would regret leaving the federation if they chose to do so, comparing them to Brexiteers in Britain who voted to leave the EU. His remarks came after Alberta's premier called a public ballot for October 19th that will decide whether a referendum on separatism should be held.

The Mexican government said that **Iran's football team** would be allowed to stay in Tijuana and cross the border into America to play in the World Cup, which starts on June 11th. Donald Trump has said the players should not stay in America for their own safety. They were supposed to be based in Arizona. The Iranian team is playing its matches in Los Angeles and Seattle in the tournament's opening round.



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## The world this week Business

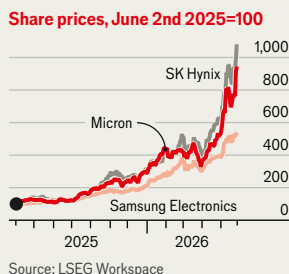
**BP's** share price fell sharply, after the oil company abruptly removed Albert Manifold as chairman. In a statement the board said that serious concerns had been raised about Mr Manifold's "governance oversight and conduct", which news reports suggested was to do with his pugnacious managerial style. At BP's annual general meeting in April 18% of shareholders voted against a resolution to make Mr Manifold a director. Mr Manifold said that the claims of him being bullying and overbearing in the job were a "false narrative" and suggested that he'd been ousted for his "determination to drive change on costs" among other things. He became BP's chairman only last October.

**Not all according to plan**  
**SpaceX's** inaugural test of its redesigned v3 Starship rocket was mostly successful. The upper part satisfactorily released 22 satellite simulators and completed a planned crash landing in the Indian Ocean. But the booster lost control and hurtled into the Gulf of Mexico. Jared Isaacman, NASA's boss, was at SpaceX's launch site in Texas. His agency hopes to use a modified Starship to land humans on the Moon.

**The Dutch government** blocked a takeover of Solvinty, a firm that provides the platform for the Netherlands' digital ID app, by Kyndryl, an American company, concluding that it was a "possible risk to the public interest". It is the first time the Dutch agency that screens foreign investments has blocked an American acquisition since its creation in 2020.

More consolidation beckoned in the food-delivery industry as **Delivery Hero** confirmed that it had been approached about a takeover by **Uber**. Uber has increased its stake in Delivery Hero, which is based in Berlin and operates under various brands in 65 countries outside the United States. Last year DoorDash, Uber's main rival in

America, agreed to buy Deliveroo, which conveys pizza and Chinese dishes to households across Britain and the EU.



Powered by huge demand for their memory chips **Micron** and **SK Hynix** both passed \$1trn in market value, joining Samsung, which recently rose above that mark. Prices for memory chips were twice as high in the first quarter than in the previous one because of the voracious appetite for data centres for use in AI, causing a supply crunch in consumer electronics, such as smartphones and laptops. Samsung's and SK Hynix's stock drove South Korea's KOSPI index to another record. The two companies account for half the KOSPI's market capitalisation.

American and South Korean chip companies are doing well,

but "Taiwan is the epicentre of the AI revolution", according to Jensen Huang, **Nvidia's** chief executive. Mr Huang was speaking at a ceremony that marked the start of construction on Nvidia's new offices in Taiwan, which brings it physically closer to **TSMC**, a big manufacturer of the advanced semiconductors used in AI and an important partner for Nvidia. Mr Huang reckons his company will eventually invest \$150bn a year in Taiwan.

### Labour and capital

Staff who work in **Samsung's** chip business, meanwhile, voted to accept a deal that will see them share 10.5% of the company's operating profit. The agreement averts a damaging strike. Some workers will reportedly get bonuses of around \$400,000 under the settlement.

The European Central Bank held a meeting with **banks in the euro zone** to discuss their plans for dealing with security risks from AI, and Anthropic's Mythos model in particular. Luis de Guindos, who is stepping down as the ECB's vice-president, said that the banks should invest more in cybersecurity as the risks of AI tap-

ping into their systems was "going to be quite structural in the near future".

**Sri Lanka's** central bank raised its benchmark interest rate by one percentage point, to 8.75%. It was the biggest increase in three years and took markets by surprise. Like neighbouring India, Sri Lanka is battling surging inflation caused by the spike in energy prices and a depreciating currency, as it pays more in dollars for its imported energy.

A marketing campaign by the operator of Starbucks in South Korea has backfired spectacularly. **Starbucks Korea** promoted a drink tumbler it called the "tank" and designated May 18th as "Tank Day". Unfortunately, that is also the anniversary of a revolt in the city of Gwangju in 1980 against the country's then dictatorship, when actual tanks killed over 200 protesters. The campaign also used the strapline "Thwack it on the table!", which some took as a reference to the killing of a student activist. Amid public outrage and calls for a boycott, the head of the group that owns Starbucks Korea apologised. The operator's boss has been sacked.





# Smarter tech is making war a dumber choice

Smaller, weaker countries can defend themselves more easily with cheap, deadly kit

**B**ULLETS AND bombs killed nearly three-quarters of a million people in wars between 2021 and 2024. Many more died from the indirect effects of conflict, such as hunger and disease. Combat deaths in the past four years have been the highest since the end of the cold war. And for what purpose? Not even the leaders who started recent wars can be pleased with the results. Russia's invasion of Ukraine has become a humiliating quagmire for Vladimir Putin. President Donald Trump's war on Iran has gone badly awry (see Middle East & Africa section). These two wars of choice exemplify two new battlefield truths. Technology has made it harder for any army to advance on the ground. It has also made it easier for weaker powers, when attacked by stronger ones, to cause havoc.

In a valedictory essay this week, *The Economist's* defence editor reflects on how war has changed over the past decade and how it might evolve in the future. The first big shift is that soldiers are more exposed on the battlefield. Sensors and satellites can see them; small, cheap drones can kill them. Armies have to work harder than before to hide, move and survive. Ukraine's expanding front-line "kill zone", where soldiers move in small groups and ground robots evacuate casualties and deliver supplies, embodies this shift.

Technology quickly spreads. Israeli soldiers in Lebanon now face the same kind of drones that were pioneered in Ukraine. Iranian missiles are far more accurate than the Iraqi Scuds fired during the first Gulf war. Were China to attempt to invade Taiwan, its landing forces would be met with a blizzard of drones. Air superiority is now harder to achieve and buys soldiers less protection than before, thanks to the new drone-saturated layer of airspace.

Some experts draw the lesson that manoeuvre—attacking an enemy's soft spots through shock and rapid movement—is no longer possible. But war is a Darwinian environment, driving constant adaptation, and the battlefield is never frozen for long. The lesson from Ukraine is not that future wars will always involve wretched infantry moving only a few metres a day on long, static front lines. It is that armies will have to train and equip themselves properly to blind, disrupt and elude the cameras, sensors and munitions above and around them.

Western armies are woefully behind in this regard. They need far more jammers and counter-drone defences to avoid being seen and struck. They need realistic training to simulate those conditions, which is why NATO armies are getting help from drone-savvy Ukrainians during exercises. And they need to move more boldly in bringing unmanned systems into their forces for everything from reconnaissance to logistics.

They should not simply copy Ukraine. Though astonishingly innovative, its army has serious flaws. Soviet-trained generals still micromanage brigades at the front. Ukraine's drone forces may be world-class, but they are not as synchronised with assault forces as they could be. And the drones now plying the skies of Donbas and the waters of the Black Sea are smaller, shorter-range and cheaper than those that would be

needed in a war over the vast distances of the Pacific.

The second shift is that new technology has transformed targeting. AI-enabled software allows armies to find and strike targets at a previously unimaginable speed and scale. America's blitz in Iran offers a foretaste of this. An army that can outpace its enemies in identifying and destroying command posts, depots and weapons can, in theory, paralyse them and force them to capitulate. In practice, this is fiendishly hard.

America and Israel could bomb Iran at will, yet Iran shows no sign of buckling. On the contrary, it kept launching drones and missiles through 39 days of conflict and has been able to cling on to its nuclear programme, close the Strait of Hormuz and cause global economic mayhem. Mr Trump celebrates the number of Iranian targets destroyed by superior American kit, but targeting should be a means to an end, not a substitute for strategy. What he expected would be a short, sharp war quickly started to exhaust America's stocks of expensive munitions and exposed its limited tolerance for economic costs, let alone casualties. In previous wars, such as America's in Vietnam and the Soviet Union's in Afghanistan, the smaller, weaker side won because it was fighting on home terrain. Now the weaker side can afford precision-guided weaponry, too.

A third development, alongside these technological shifts, is that the laws of war are increasingly under strain. Mr Putin's forces have subjected Ukrainian civilians to torture, indiscriminate bombing and systematic attacks on medical facilities. Hamas has gloried in the mass murder of Israeli women and children. True, past wars were vicious, too. What is new is that it is not just dictators, terrorists and rebels who openly flout norms. Some leaders of Western democracies do so, too. Israel has inflicted brutal collective punishment on civilians in Gaza. America's secretary of war mocks "tepid legality" in military operations. Mr Trump has threatened to wipe out Iranian civilisation and joked that it is "fun" to torpedo ships full of sailors. The brazen violation of norms is not just immoral but unwise, because in future wars, involving long-range drones and missiles, Western civilians will not enjoy the sanctuary they have come to take for granted.

## What is it good for?

The coming years will surely bring new conflicts. Mr Trump, by making clear his scorn for allies, has weakened America's power to deter aggressors. And political leaders everywhere will keep imagining that, under their brilliant leadership, the next war will be swift and painless. Yet the evidence shows that war is becoming harder and costlier; that it is easier for weaker states to hold off and bleed stronger ones; that it is easier to start wars than to end them. That is something for Mr Trump to ponder as he mulls whether to resume war on Iran, or wage one in Cuba (see Leader); for Mr Putin, as he keeps incinerating lives and cash in Ukraine; and for Xi Jinping of China, as he decides whether to invade Taiwan. As military technology gets smarter, wars of choice are looking ever dumber. ■



Ethiopia

# The imperial vision of Abiy Ahmed

The prime minister's ambitions threaten both his country and the Horn of Africa

FORTUNE HAS smiled on Abiy Ahmed. When Ethiopia's prime minister was a boy his mother prophesied that he would become a king. As a thrusting cadre of the ruling party, he told colleagues he would one day be their boss. They made him Africa's youngest leader in 2018. He promised allies that he would make peace with Eritrea, a country to the north that had been part of Ethiopia until 1993—and win a Nobel prize for it. He was proved right within 18 months of taking office.

Such chutzpah is typical of Mr Abiy, who is up for re-election on June 1st. He wants to create a rich, powerful Ethiopia that occupies what he considers its rightful place as the dominant power in the Horn of Africa (see Middle East & Africa section). Naturally, he expects to be in charge. In the past eight years he has opened up the economy; demolished and rebuilt much of Addis Ababa, the capital; unveiled Africa's largest dam; and broken ground on what is set to be its biggest airport. The IMF says Ethiopia's economy will grow faster in 2026 than that of any other non-oil producer.

Those are all good reasons to pay Mr Abiy attention. Yet there is another, more alarming one: the uncompromising prime minister also risks tearing Ethiopia apart, and could inflict great pain on the Horn of Africa.

When Mr Abiy took office he promised a historic transition to democracy. Instead, through guile and brute force, he has personalised power to a degree unseen since the days of Haile Selassie, Ethiopia's last emperor (who Rastafarians believe was the Messiah). At the polls next week voters will be offered no real choice. Nor is there any reason to trust that Mr Abiy will step down after two terms, as he once promised allies. After the election a "national dialogue" is widely expected to propose changes to the constitution, possibly creating a directly

elected presidency. Mr Abiy could then swap his current role for a grander one and stay in power for decades.

Given the size and diversity of Africa's second-most-populous country (after Nigeria), this is a recipe for instability. Since 2018 Mr Abiy has faced multiple rebellions, none of which has truly ended. By far the biggest is by ethnic Tigrayans, who make up roughly 6% of Ethiopia's population and whose leaders dominated the federal government before Mr Abiy shoved them aside. Hundreds of thousands of people are thought to have been killed in a civil war between 2020 and 2022; Mr Abiy's forces committed crimes against humanity. Troubling signs suggest that the war could soon flare up again.

A deterioration in relations between Ethiopia and Eritrea, which briefly flourished after the rapprochement in 2018, is another cause for alarm. The prime minister says—not without reason—that Issaias Afwerki, Eritrea's longtime dictator, is conspiring with his domestic enemies, including the Tigrayans. But Mr Abiy's increasingly open desire for a slice of Eritrea's Red Sea coastline understandably alarms Eritreans. The risk of a return to a catastrophic regional war remains worryingly high.

This should give outsiders pause. Mr Abiy's global standing, which tanked during the Tigray war, has been on the up of late. Both America and the EU seek closer ties, judging that Ethiopia is too big, and Mr Abiy too important, to ignore. Yet previous Western coddling helped the prime minister consolidate his authority and emboldened him to wage war. Outsiders should thus use their remaining leverage—above all, the promise of trade and investment—to nudge Mr Abiy in a less dangerous direction. The lesson of Ethiopian history, after all, is that unchecked emperors eventually undo themselves. ■



East Asia's rich economies

## Don't look back in Changhua

As they deindustrialise, Taiwan, South Korea and Japan must reform

AMERICA'S ARTIFICIAL-INTELLIGENCE boom has put the rich economies of north-east Asia into overdrive. Taiwan's output is growing at a blistering 14% annual pace, thanks to soaring sales of chips and servers for data centres. In the past year operating profits at South Korea's makers of memory chips have risen by over 500%. Even sluggish Japan is benefiting—though it long ago lost its title as the world's pre-eminent chipmaker. In 2025 all three countries enjoyed record exports and current-account surpluses.

The region's export bonanza, though, obscures an important story in the rest of its economy. As we report, outside its highest-tech sectors, rich north-east Asia is deindustrialising (see Finance & economics section). Strong competition from

China, paired with increasing specialisation in chips, has disrupted an economic model based on a wider range of manufacturing exports—the model that helped make the region prosperous in the 1980s and 1990s. Even as it booms, north-east Asia increasingly needs reform.

### The ascendant assembler

In the past few years China's relations with its rich neighbours have been transformed. Once it imported high-value parts from north-east Asia and focused on low-value final assembly. Now it competes across the whole supply chain. Taiwan's long-running surplus in goods with the mainland flipped into deficit this year, as South Korea's did years ago (though in the ►►



▶ past few months Korean chip exports have returned it to surplus again). In Japan the bilateral deficit with China has plumbed new depths, setting a record earlier this year. Industries from carmaking to chemicals are under intense pressure. As in the West, the perception that domestic manufacturers are competing with goods produced by subsidised Chinese firms is feeding protectionist sentiment.

The specialisation in chips is an understandable development that reflects these economies' maturity. Yet this particular focus also creates fragility. The tech-hardware cycle is notoriously volatile and its vicissitudes increasingly affect the region's economies. The tech supply chain also relies deeply on America and China for both critical inputs and end-user demand. On an index of export-basket concentration, north-east Asia is 73% higher than the rich-world average, and concentration has risen since 2019. This leaves the region dangerously exposed to protectionism by either superpower.

There is nothing wrong with specialisation, as David Ricardo would attest. However, East Asia's rich economies would be better off if they paired their chip-export juggernauts with dynamic domestic economies. The trouble is that domestic demand is too low—a legacy, in part, of outdated economic structures that hold down consumption in order to promote exports above all else.

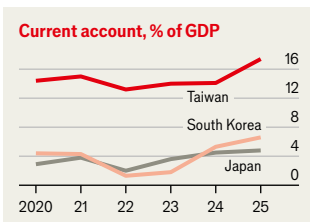
The time has come to sweep these old systems away. Two-tier labour markets guarantee employment for insiders, often working for big exporters, while inflicting wage penalties and precarity on everyone else. Freeing up labour markets would improve the matching of workers and firms, lifting real wages.

Pension systems favour staff at exporters but are stingy for others, leaving the region with some of the rich world's highest rates of relative poverty among the elderly. Higher minimum incomes would boost aggregate spending. Taiwan has engineered a weak currency, and South Korea and Japan use the state to allocate credit. Less financial engineering would let resources flow to the firms that will use them best.

North-east Asia must allow failing manufacturers to die a natural death. Support should be stopped for mighty firms such as TSMC and Samsung Electronics, which do not require lavish subsidies to compete. And although East Asian countries

can hardly avoid relying on markets in America and China—the world's two biggest economies—they can cut other barriers to trade. Some of these barriers are local. Grievances from colonial times mean that South Korea and Japan still do not have a bilateral free-trade agreement. South Korea should join the Japan-led CPTPP, a top-notch trading pact.

The danger is that, spooked by the China shock, the region's governments will instead double down on aggressive industrial policy. South Korea has promised \$530bn in chipmaking subsidies and Takaichi Sanae, Japan's prime minister, is overseeing state-led investment into 61 “strategic” goods. Using the power of the government to promote exports succeeded for these economies when they were poor and trying to catch up with the West. It is not an approach that works in places that are already rich. Doubling down on exports will leave north-east Asia poorer and more exposed. Instead, the region's best economic bet is to become more dynamic at home and more diversified abroad. ■



### Irate in the Caribbean

## Don't attack Cuba

America should strike a deal rather than launch another war

ONLY HOURS after American special forces grabbed Venezuela's dictator from Caracas on January 3rd, Donald Trump said that Cuba was “going down” next. Since then he has leant on Venezuela's new ruler, who wishes to avoid being kidnapped like her predecessor, to cut off the supply of cheap oil to Cuba. As the island suffers blackouts, Mr Trump is urging its regime to make a deal with him “before it is too late”.

Mr Trump is right to want Cuba to change. Its communist rulers are vile. For nearly seven decades they have locked up dissidents and impoverished their compatriots. Ordinary Cubans struggle to afford food or medicine. Cronies of the regime dominate the government-run economy and live large. Cuba is also a (mild) threat to American security; it lets Russia and China run listening posts less than 200km from Florida.

### Negotiating in the dark

The oil embargo has made Cubans even more miserable than before (see Americas section). It has also brought the regime to the negotiating table. A few political prisoners have been freed, and a flurry of economic reforms have been announced. On March 16th the regime said it would let Cubans living abroad wholly own businesses in Cuba. But Mr Trump and

Marco Rubio, his Cuban-American secretary of state, often say they want much more: nothing short of regime change.

They are weighing their options. One is military force. Surveillance drones have been buzzing Cuba. On May 20th the *USS Nimitz*, one of America's 11 nuclear-powered aircraft-carriers, arrived in the Caribbean. On the same day America's Department of Justice indicted Raúl Castro, Cuba's de facto leader. Mr Rubio says the chances of peaceful agreement are “not high”, and that Cuba cannot be fixed with the current political system in place. Asked if America would use force to change the regime, he said Mr Trump would do “whatever it takes”.

There are echoes here of the escalation that preceded Mr Trump's Venezuelan venture, which he overconfidently claims was a great success. The threat of force may give him extra leverage at the negotiating table. But an actual military operation would be highly risky and unlikely to improve matters.

A swift, illegal incursion to decapitate the regime might succeed, but what then? Cuba is not Venezuela. Its dictatorship is more deeply entrenched and ideological. Perhaps Mr Trump might be able to replace the top communists with more pliable leaders, but even the modest degree of control he has established over Venezuela would be difficult to replicate. ▶▶

▶ A full-scale invasion is even less appealing. America could smash Cuba's army, but could it build a better Cuba? Its record of nation-building in the face of guerrilla insurgencies in other countries is poor. Few Cubans have any memory of freedom. Any attempt to impose democracy by force would be slow, fraught and probably doomed.

If not force, then what? America could prolong the oil blockade, causing more hunger and blackouts, in the hope that desperate Cubans will turn on their rulers. But there is no organised opposition and many young, restless Cubans have fled. The remaining population is old and tired; so far, most protests have been limited to public pot-banging.

That leaves the least bad option: pressing for a gradual transition. Some components of a possible deal have been made public. America would let more oil flow and provide \$100m in humanitarian aid for the Catholic church and NGOs to dish out, bypassing the Cuban army's corrupt business empire. It would also provide free internet access, via satellite, for

every Cuban. That would be good in itself, and might help create space for political opposition to emerge. For its part the regime would be required to release more prisoners, ease up on the repression and open Cuba to private investment.

Even if Cuba's rulers agreed to such a deal, vast challenges would remain. Cuba is much poorer than Venezuela, and has no big oil reserves to tempt foreign investors. Nor does it have the rule of law. Many Cuban-Americans would like to invest, but only when the property-grabbing communists are gone. Yet genuine economic reform could make a big difference. Tourism could increase rapidly, if Americans were no longer barred from visiting. Farmland could be put to more productive uses. Economic opening would probably have to precede the political sort, which could take a long time.

If the Trump administration negotiates forcefully and shrewdly, it could do Cubans a big favour. If it resorts to armed force, it could make things much worse. With luck, Mr Trump has learned that lesson from Iran. ■

## Franchising Apply inside

### Why the world needs more franchises

HOW DO YOU get rich in today's America? Founding an artificial-intelligence startup may look tempting, but most fail. Getting an advanced degree and slogging it out as a corporate lawyer or financier was once a reliable path to wealth, but now looks threatened by AI. Perhaps you should look instead to the company that has plausibly created more millionaires than any other in history: McDonald's. Most of its outlets are franchises, run by independent firms that pay royalties to the brand—and often make a fortune. If fast food isn't your thing, do not fear: the franchising model can be found everywhere from hotels to Pilates studios.

They may not have the social cachet of a Wall Street corner office, but franchises make many Americans wealthy (see Business section). If reports are to be believed, the country has even recently minted its first billionaire franchisee. They also boost growth. More countries should try creating a franchise economy—and America should protect the one it has from overregulation.

Franchises have long been sneered at. As the model spread in the 1970s and 1980s it was derided by economists as little more than a cheap growth tactic in which franchisees stumped up the capital to open new outlets. Critics claim that franchisees are not "true" entrepreneurs, in the mould of Elon Musk or Steve Jobs, but merely glorified store managers obsessed with the illusion of being their own boss. Yet franchising has come to account for a steadily growing share of American business: there are almost 850,000 franchise outlets, run by a quarter of a million business-owners. One in eight businesses with at least one employee in America is a franchise—roughly double the share in its closest international rivals, such as Japan and Germany.

Franchising works because of the deep laws of economics: it productively aligns incentives and divides labour. It crops up when a business requires a lot of employees to be geographi-

cally dispersed; when monitoring staff would be hard or expensive; and when knowledge of how local markets work is important. In such conditions it makes sense to divide responsibility between a franchisor, who focuses on the brand and the product, and a franchisee, who adapts to local conditions.

The rest of the world can learn from the success of this model. Franchises thrive in part because of the strengths of American capitalism. Strong intellectual-property rights protect franchise brands, while deep capital markets make it easy for franchisees to borrow.

But franchises have also benefited from good regulation. A vast amount of public information exists about how franchise models work. That is because franchisors must disclose how they make money from franchisees, provide estimates of startup costs and ongoing fees, and reveal any legal issues they are facing. Many also disclose in detail the financial performance of existing franchisees. Franchising flourished after rules mandating transparent disclosure were introduced in 1979. Since 1986 the number of franchise outlets has almost tripled.

More recent attempts to regulate franchising have been less wise. Critics say franchising exploits and evades America's weak labour protections, for example by making it difficult for workers to unionise. Such critics would make franchisors joint employers of franchisee workers. That would expose franchisors to huge legal risk: they could, for example, be sued if a franchisee, who hires and pays staff, failed to pay overtime correctly. Such a shift would make franchising much riskier and, by centralising the system, undermine many of its advantages. It would ultimately be counterproductive for workers, who benefit from the many job opportunities franchises create, in industries mostly untouched by AI. Franchising may not be glamorous, but it is efficient. Best to keep it that way. ■







Jane Leighton  
BEFORE CREATIVE INDUSTRIES  
NOW MATHS TEACHER

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# A Collection of Four Holiday Homes. Designed for a lifetime of returns.

*An effortless way to own extraordinary homes,  
without the complexity behind it.*

There is a familiar reality to second-home ownership. The villa in Provence, idyllic for three weeks in the summer, sits empty for forty-nine. The chalet that defined a family Christmas is closed by Easter. The maintenance, the staff, the slow accumulation of admin — all of it falls on the very people who bought a home in order to step away from such things. And there is the obligation, too, to return to the same place year after year.

For a growing community of homeowners, the answer is to own differently. Fortunately, August has created an ideal solution. Its thoughtfully curated

private collections combine four or five beautifully designed holiday homes across Europe, allowing families to enjoy co-ownership of every property through a single share.

August's Prime Collection is the most refined expression of this idea: four exceptional homes across Europe. A villa in the hills above Mougins, a traditional Tuscan house in the Chianti countryside, a chalet in Megève, and a finca in the Mallorcan hills above Cas Concos des Cavaller. Sixteen families share the collection. Each holds a single share, and with it, a key to all four homes.

*"Prime gave us four extraordinary homes we would never have found ourselves — and the freedom not to settle for one."*

— Caroline, Prime Homeowner





## Exclusively sourced and carefully curated

The collection launched with its South of France home, a 300 sq m Provençal villa set in the hills above Mougins. The house sits within an orchard of thirty-five centuries-old olive trees and opens onto views of Mougins and the sea. Fifteen minutes from Cannes Mandelieu Airport and twenty-five from Nice Côte d'Azur, it has been sourced off-market in a location practically impossible to find on the open market.

The Chianti home is anchored by its own vineyards and a working wine cellar. Megeve offers a chalet built for every season, with sweeping views across the mountainscape; Mallorca, a stone finca with a saltwater pool and views that hold the whole island at sundown.

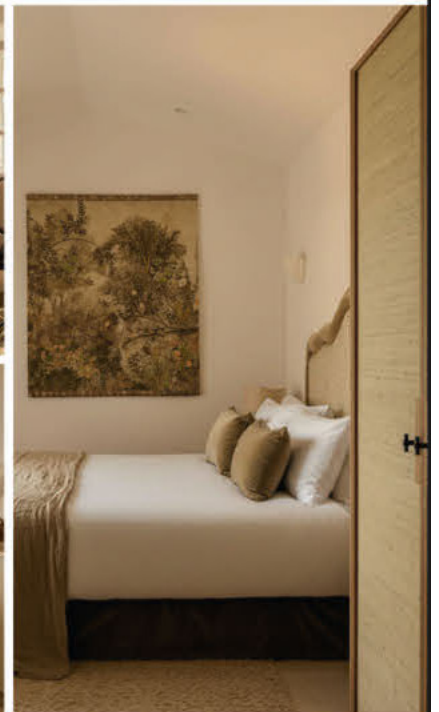
The renovations are led by Studio RL, August's in-house design studio in London, working with regional craftspeople and materials drawn from each place. Limestone and handmade ceramics in the South of France. Reclaimed timber and warm fabrics in the Alps. The result is consistent in care and curation, but never uniform in character — four homes that feel of their place.

## Enjoy ownership without the complexity

August's model is built around what most second-home owners come to realise too late: the running of a home is the part that often erodes the pleasure of having one. Each home is fully managed, year-round, by August's in-house teams — From acquisition, renovation, and interior design, to housekeeping, gardens, and the quiet logistics that make arrival feel effortless. Linen turned down, the kitchen stocked, flowers on the table, the pool ready by the time the door opens. August takes care of everything.

*"The homes we chose for Prime are the ones a family could have grown up in and grow old in," says Mélie Dunod, August's co-founder and chief executive. "Perfectly placed, beautifully made — they are homes you could spend a lifetime returning to."*

For those who have already considered the traditional route — and weighed the empty months, the distant staff, the slow burden of stewardship — August offers a more considered alternative. Not the obligation of one home, but the welcome of four.



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## Letters managing Africa's savannahs, Sir Keir Starmer, bunkers, submarines, bioterrorism, precise percentages

### How to make the grass grow

"How to save the safari" (May 23rd) identified domestic livestock and overgrazing as a problem for conservation. But properly managed, these animals are actually the only economical regenerative tool powerful enough to save savannahs from turning to desert. The "overgrazing" you lament is a failure of management, not a surplus of animals.

Herbivores are selective eaters. At low densities they repeatedly hammer their preferred plants until they die, driving a degradation spiral of bare soil, water run-off, erosion and desertification. So the counter-intuitive solution is to increase animal densities while drastically shortening grazing rotations. This "pulse" forces less selective grazing, recycles nutrients and tramples old growth more effectively than, for instance, the crude reliance on annual fires in Kenya's Masai Mara National Reserve.

It is a scandal that the National Reserve, managed in a pastoralist-free vacuum, torches the plains to lure the great wildebeest migration just before the bulk of tourist arrivals. This practice decimates microfauna, decreases grass diversity, increases bare soil and ruins water infiltration. In contrast, the neighbouring Olare-Motorogi conservancy, with its 13,000 cows and thousands of African megafauna, provides a blueprint for conservation. By concentrating livestock and accelerating rotations it has drastically improved grass growth, diversity and ground cover, reducing erosion to the point where, among other benefits, road-maintenance costs are now reduced to a minimum.

By refusing to harness our livestock capital as the regenerative powerhouse it is when properly managed, we are abandoning the very lands we

claim to protect, leaving them to wither into ever shrinking, fragmented and dying pockets.  
 DR OSCAR HUYGENS  
 President  
 Mara Grassroots Movement  
*Larchant, France*

### In defence of Sir Keir

Your leader calling for Sir Keir Starmer to resign accused the prime minister of lacking vision ("Is Britain ungovernable?", May 16th). Yet in less than two years Sir Keir has built an impressive legislative record. His government has raised the minimum wage, banned forced zero-hours contracts and introduced statutory sick pay from day one at work. It has ended no-fault housing evictions, banned non-disclosure agreements in workplace disputes and started bringing rail back into public ownership. Water-company bosses are now personally liable for sewage pollution. These are not half-measures, they are exactly the kind of practical, competent reforms your publication usually applauds.

### The silent service

You detailed the sub-sea dominance of America's submarine fleet ("Which navy's better, down where it's wetter?", May 9th). That supremacy is largely a consequence of the work of one man, Admiral Hyman Rickover. As an early proponent of nuclear propulsion for naval vessels, Rickover bypassed several layers of superior officers to get authorisation for the project that would become the *USS Nautilus*, the world's first nuclear-powered boat. His standards were rigorous. When submarine captains complained about the quality of repair work being done by outside contractors, Rickover informed all the contracting

Sir Keir does not do memorable gaffes or headline-grabbing stunts. He does not embarrass the country in front of other world leaders or pick fights for the cameras. In today's media this apparently counts against him. But after years of government-by-spectacle, "boring" is not an insult, it's a relief.

Yes, voters are restive. But removing a prime minister who has quietly delivered on his manifesto would not protect Britain from populism. It would hand populism the argument it's been waiting for.  
 CHARLOTTE VLAHAVAS  
*London*

### A doer upper

Every survival bunker and shelter built in America has been a waste of money ("Bunker mentality", April 18th). In 2018 I acquired a former nuclear bunker for next to nothing in Montana. It was one of 46 shelters that a "religious" organisation built in the 1980s after its leader predicted a world-ending nuclear event. The bunker had about 20 tonnes of food in the basement and enough medicine and oxygen supplies to stay down there for years. I cut holes into the concrete to serve as doors and built windows for the amazing view of Emigrant Peak. Many "preppers" condemned my decision

to ruin a perfectly good bunker, but survival experts contend that such structures could not sustain long-term survival during an apocalyptic event.  
 DEAN ANDERSEN  
*Paradise Valley, Montana*

### Beware the mad scientist

"Bio hazards" (May 9th) reported on the risks from a "malicious person with no scientific expertise" creating a deadly pathogen with AI. Two books sprung to mind. "The White Plague" by Frank Herbert centres on a biologist who creates and releases a plague to avenge the indiscriminate murders of his family. And the plot in Dan Brown's "Inferno" revolves around a geneticist who engineers a disease to reduce fertility rates to counter overpopulation. Your concern is that AI could allow non-scientists to create biological weapons. In the novels I mentioned the disturbed creators of plagues and viruses are scientists. And they did not have AI to succeed. Imagine how much easier their tasks would have been if they had.  
 DR DAVID KRASSNER  
*Phoenix*

### Making sense of per cent

"Probable" is a weasel word, you say, because it can mean anything from 25% to 100% ("More weaselly said than done", April 25th). I have my own useful guide. Certain is 100%. Almost certain is 93%. Probable is 75%. Even chance is 50%. Probably not is 30%. Almost certainly not is 7%. Impossible is 0%. Lord Kelvin, a mathematical physicist, said that when you cannot express a topic in numbers, "your knowledge of it is of a meagre and unsatisfactory kind."

PETER TINGLING  
 Associate professor  
 Beedie School of Business  
 Simon Fraser University  
*Vancouver*

firms that after leaving a shipyard, their entire senior-management team was required to be onboard the refitted submarine the first time it dived. He spent 63 years in uniform, and is still the longest-serving member of America's armed forces.

PAUL SHRINER  
*Ankeny, Iowa*



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## BY INVITATION

### *François Villeroy de Galhau*

*A departing central banker's lessons from a fragmented decade*



WHEN I BECAME governor of the Banque de France in 2015, a friend predicted plain sailing. The decade that followed was anything but. For us central bankers—stability-lovers and devout internationalists—deeply held convictions were tested. These years could be viewed as purely chaotic and negative, with slowing economic growth, rising debt and surging populism. Yet beyond this bleak picture, I draw four vital lessons.

First, monetary policy worked, albeit not exactly as expected. In 2020-21 central banks confronted the risk of deflation triggered by the covid-19 pandemic; and from 2022 onwards, an inflation surge amplified by Russia's invasion of Ukraine. Perfection is not the benchmark, but progress has been tangible. Inflation was brought down without the recession many feared—a soft landing, by any definition.

But legitimate pride should not be mistaken for hubris. Monetary policy in the wake of the global financial crisis of 2007-09 relied on an expanded arsenal of unconventional tools. Some proved remarkably effective: all balance-sheet instruments, including quantitative easing. Two other, more Promethean instruments appear less convincing today: long-dated forward guidance, which sought to forge the future, and negative interest rates, which strained economic common sense.

At the time, a refrain was repeated like an exorcism: monetary policy cannot be the only game in town. But the lesson was soon forgotten. After its efficacy against the financial crisis, monetary policy came to be seen as a way to tackle inequality or anaemic long-term growth at little cost. Today, central banks aim to be humble and nimble: data-driven, deciding meeting by meeting; and focusing firmly on price stability. This does not, incidentally, conflict with attention to climate risks, as extreme weather events increasingly affect economic activity and inflation.

Second, independence is not a given, but is a prerequisite for effectiveness. The main challenge for central banks today—the growing threat to their independence—was barely thinkable a decade ago. Modern monetary policy works largely through expectations: households and firms must trust central banks' commitment to bring inflation back to target. Attacking central-bank in-

dependence while claiming to fight inflation is schizophrenic.

More broadly, with today's democratic governments often appearing constrained, the central-bank or "agency" framework offers a governance blueprint. It rests on three legs: a clear and measurable mandate (such as the 2% inflation target); autonomy over the means to achieve it; and democratic accountability for results.

The third lesson is the importance of building "pragmatic pluralism". Multilateralism is in critical condition. The G20 has suffered most, limping from one communiqué to the next since the pandemic; the G7 under the current French presidency has at least been able to keep America on board. The time has come to find new ways to co-operate. Pragmatic pluralism—selected countries working together on specific issues when interests converge—is the way forward.

It is pluralism because realism now calls for coalitions of the willing. In a speech in January, Mark Carney, Canada's prime minister, championed alliances of "middle powers"—a sound idea. The success of the Network for Greening the Financial System illustrates the point: this best-practice-sharing group of central bankers and supervisors was launched from the Banque de France in 2017 with just eight members; it is now 152 strong.

It is pragmatic because it focuses less on grand macroeconomic ambitions and more on specific, shared public goods. Take financial stability: notwithstanding the current American temptation to deregulate or "de-supervise", common rules for banks (Basel III), and even more so for non-banks, are in the common interest. Other topics ripe for such pragmatism could include trade, climate, payments—and not least AI.

The final lesson is that Europe's solidity depends more than ever on speed and delivery. Since 2015-16 I have witnessed several reinforcements of Europe. Citizens' attachment to the EU has strengthened despite Brexit—and arguably because of it. The euro has consolidated spectacularly: support for the single currency in countries that use it stands at a record 82%.

Europe is robust, but not agile enough. Some 40% of the Draghi report's recommendations have been fully or partially implemented—more than many imagine. But we need to speed up and change mindset and governance. Mindset means reconciling John Maynard Keynes's social model and Joseph Schumpeter's creative destruction. This is not an oxymoron: Sweden, Denmark and the Netherlands are among the most innovative countries in Europe, while also having some of the lowest levels of inequality.

As for governance, it is true that democratic deliberation takes time. But must it require three years between a European Commission proposal and a parliamentary vote on the digital euro? Must progress always wait for all 27 member states? The euro itself—adopted by 11 countries at launch, used by 21 today—shows how integration in steps, before all are ready, can succeed when anchored in a strong institution like the European Central Bank.

Nearly 35 years after the advent of the single market, Europe needs a mobilising date "à la Delors"—mirroring the former Commission president's "Objective 1992" single-market push—for economic and financial sovereignty. Why not January 1st 2029, 30 years after the birth of the euro? Such a target could yet turn the challenge of the "Trump years" into a golden opportunity. ■

*François Villeroy de Galhau has been governor of the Banque de France since 2015. He will step down in June. He has been chair of the board of the Bank for International Settlements since 2022.*



## ESSAY *Modern war*



# THE CRUCIBLE OF TRANSPARENCY

*Wars are becoming more common but not more decisive*

IT HAS NEVER been a great time to be an infantryman. But today's conditions are especially pitiable. In the "kill zone" imposed by both sides' drones in eastern Ukraine, the risk of finding yourself inside a lethal video game is omnipresent. In February Ukrainian troops trying to join the small number of their comrades still inside Myrnohrad, a town in Donetsk, knew that Russian drones operated by well-hidden pilots would make it impossible to do so in vehicles. They had to infiltrate gingerly through the forests. It could take weeks. They might not get out for months.

The after-effects might last years. Soldiers returned from the front keep their windows covered and lights dimmed even when hundreds of kilometres outside the zone. Trapped in what psychologists speak of as hypervigilance and hyperarousal, the sound of a drone can trigger fear and a feeling of helplessness. They glance up as they walk.

As the battle for Myrnohrad was grinding on, American and Israeli jets taking part in the other great-power war of the moment were bombarding Iran at will. Their pilots had everything they needed to ►►

► pound, assess and pound again, all the sensors the world's most advanced military forces could bring to bear—on-board infrared and radar, back-up from drones nearby and radar farther off, satellite oversight and more besides. Israel hacked traffic cameras in Tehran to track Ayatollah Ali Khamenei, the country's supreme leader, as it closed in to kill him.

Such different wars in their prosecution. But in other ways oddly similar. Both the war in Ukraine and the war over Iran are shaped by technology which has introduced a new transparency to the places and situations in which armies fight. This transparency is not complete. It is always partial, always sporadic, always subject to challenge. But over the eight years since your correspondent left the world of think-tanks to become *The Economist's* defence editor, a post he is now leaving for pastures new, it has been warfare's defining technological trend.

There are other similarities between Ukraine and Iran. Both are wars instigated by the leaders of great powers in the apparent belief of easy victory. Both have developed in ways those leaders did not anticipate into something like a stalemate—stalemates in which, for Russia and America alike, a lack of victory looks increasingly like defeat. Are technological changes making the role of the defender easier? Or systematically encouraging big powers to start wars they cannot win? Or is this merely a case of business as usual—great powers blundering into ill-advised wars that reflect the prevailing technologies of the day?

The question matters because war is a somewhat booming industry. The Uppsala Conflict Data Programme recorded 65 active state-based conflicts—wars where at least one belligerent is a state and which result in at least 25 battle-related deaths in a year—in 2025, the highest level since its records began in 1946. They included eight wars categorised as state-on-state, two with annual battle-death rates over 1,000. The Peace Research Institute Oslo identifies a similarly bleak trend. “Despite a sharp decrease in battle-related deaths from 2022 to 2023,” it observed, “the past four years have been the most violent period since the end of the cold war.”

**T**ACTICAL TRANSPARENCY boils down to three things: more and better sensors; precision firepower; and networks that convey actionable data from the first to the targeting systems of the second.

To reduce all this to drones is an oversimplification. There are all sorts of robust sensors that can be scattered across battlefields or mounted on the soldiers and vehicles traversing them. There are other sorts of smart projectiles, not to mention dumb projectiles that can be smartly used. And none of this matters without the networks, technical and human, which join all these sensors to the various shooters, providing analysis and decisions as they do so.

The drone, which can combine sensor and shooter under the control of a single operator, invites the imagination to collapse all that complexity into a simple package. To attribute to weapons the advantages that accrue to the systems which use them best has misled military minds in the past. It could do so again.

That said, the drone is an undeniably powerful avatar of change. It hovers like a sentry in the sky; it pursues with hideous intimacy. It captures how this new warfare can at the same time seem delocalised and hyperlocal; how it can be everywhere and also in each

## DRONES ORIGINALLY DESIGNED TO ACT AS BOMBERS DELIVER FOOD AND WATER ON BOTH SIDES

specific somewhere. How it can be controlled from afar—but right in your face, right now.

At the same time as it is strange and new, it is curiously everyday. Its manufacture uses supply chains much more similar to those which produce consumer electronics than to those which produce tanks or high-end missiles—or, for that matter, artillery shells. This allows rapid evolution through endless innovation and counter-innovation. “You update code every few days,” says Air Vice-Marshall Simon Strasdin, who leads Britain's Integrated Warfare Centre. “In six weeks, you typically need to do some sort of larger upgrade to your software. And in six months, you're probably looking at doing a hardware change as well.” New generations of technology can rise and fall without the lines moving more than a few metres.

America began using drones—Predators, then Reapers—to kill its enemies within weeks of 9/11. But the drone that changed things for the non-superpower world was the Bayraktar TB2, developed and built in Turkey. The TB2's first major outing was countering the Libyan National Army's advance on Tripoli in 2019. In 2020 it showed its prowess against armour—first in Syria, then in Armenia—and armies around the world began to take note. Then, in February 2022, Ukrainian TB2s played a role in stopping Russian tanks from reaching Kyiv. Their success was partial—artillery mattered more—and short-lived; but it was amplified by the propaganda value of the videos it produced.

The TB2s, though, were only the first of the drones with which the two sides would bring the war to its current grisly standstill. Smaller, smarter and sneakier drones appeared in 2022; by 2024 many varieties were in mass production. Along with artillery, fortifications, satellite communications and a huge amount of pilot training these created a lethal “attrition belt” that was once 5km deep and is now often closer to 30km.

Today, drones originally designed to act as bombers deliver food and water on both sides—an innovation that appreciably lessens the hardship of soldiering. The wounded are taken away by uncrewed ground vehicles, which Ukrainian forces used for more than 24,000 missions in just the first three months of 2026. And between the meals and the medical evacuations come the attacks.

Every day each side produces thousands of “first-person view” (FPV) drones used to hunt and kill one-on-one. Their use accounts for a significant fraction of the 1.1m-1.4m Russian soldiers whom *The Economist* estimates to have been killed or wounded in the war: one in 25 of the country's men under 50. Ukraine's losses are lower, in part because it is costlier to attack than to defend, in part because Ukraine has gone further in substituting robots for humans. Ukraine's losses equate to one in 16 of its pre-war 18- to 49-year-olds.

Some say this is now the future of wars in which states seek to capture territory: two sides endlessly pinned down by small, cheap and all-seeing killers. General Valery Zaluzhny, Ukraine's ambassador to London and formerly its commander-in-chief, says that large-scale manoeuvre warfare—armies moving with speed and shock, in contrast to frontal, attritional battles—is now “unattainable”. It will become possible again only when wars evolve into robot-on-robot fighting at machine speed.

Others treat this as fanciful. Stephen Biddle, a professor at Columbia University, argues that the scale of the sensor revolution is “easy to exaggerate”. As new ►►





▶ counter-drone systems—lasers are especially promising—appear, and as jammers and dazzlers blind satellites, the balance may tilt again, bringing some relief to ground forces. Jamming was one of the reasons the TB2's early success in Ukraine did not last; Russia's electronic-warfare specialists got their measure. The same fate befell American Excalibur GPS-guided shells, whose hit rate fell from 70% to 6% in just a few months. In the battle over Kursk province, Russia pioneered the control of drones through fibre-optic cable—a modern twist on second-world-war technology which both sides now use.

William Owen, the editor of *Military Strategy Magazine* and an adviser to the British army, says that better trained and equipped armies would not be tied down in the first place. If first-rate Israeli kit and training were used against an opponent of the standard of Russia or Ukraine, he argues, \$3,000 FPVs would be “mostly, if not completely, irrelevant”.

In a speech to Chinese military cadets last year, Admiral Sir Tony Radakin, Britain's then chief of defence staff, said Britain's way of war would be fundamentally different from that seen in Ukraine anyway: its model would be “Israel's strikes on Iran [in 2024], which wiped out the entirety of the country's air defences in a single sortie, on a single night, using long-range, stand-off weaponry, exquisite targeting and fifth-generation technology”.

But armies rarely get the wars they want. Sir Tony is almost certainly correct that in a war between, say, NATO and Russia, the alliance would establish something like air superiority (providing, that is, that America committed itself to the fight). What then? Air superiority has not just become harder to establish and maintain, says Franz-Stefan Gady, an Austrian military expert; it also buys you less than it used to. Below 4,000 metres (13,000 feet) the battlefield is increasingly “decoupled” from what happens above that ceiling. It is dominated by mass-produced drones of various sorts and defences which, though not able to deal with the profusion of drones, can still trouble larger, high-value aircraft. Some have started calling it the “air littoral”. Just as big navies are increasingly challenged when bringing their advantages to bear

against mines, shore batteries and small craft in the confined shallows at the edges of the oceans, so big air forces must worry about the shallows at the bottom of the atmosphere.

This means air power might offer little escape from messy and lethal close fighting at short range. Mr Gady points to the Israel Defence Forces' experience over their past two years of operations in Lebanon as evidence of this. “The IDF had air dominance and superior ISR [intelligence, surveillance and reconnaissance]. It still had to clear villages on foot, take casualties, and accept that strikes alone neither dislodged Hizbullah nor delivered a political result.” In recent weeks Hizbullah has adopted drones controlled by fibre-optic cables, as in Ukraine, to inflict casualties on Israeli troops. To Mr Owen's point, this does not mean that there is a deadlock in Lebanon; indeed, the IDF has responded by pushing its offensive deeper. But it does mean air superiority isn't everything.

Armies which are paying attention increasingly see superiority as something to be created at specific times and places: “pockets of superiority”, as Rob Lee, an expert on the Ukraine war, puts it. For example, Ukraine might disrupt Russian drone operations at a specific place and time, blinding their operators, shelling their positions, attacking them with drones of its own. Given how well hidden, and numerous, such positions can be, such a coup might take weeks of preparations, diversions and intelligence gathering. If the pocket is properly opened up, Ukrainian armour would hope to rush forward and exploit it, getting five or ten kilometres past the front line and precipitating a rout. At that point, it is hoped, Russian drone teams would flee and their lines “collapse”. Mr Lee says he expects to see successful armoured advances based on these principles this year.

WHEN MR LEE says Ukraine is in a “world-war-one moment”, it is tempting simply to understand him in terms of immobility and attrition. But he is also thinking about the new tactics of 1918 which, by combining surprise, right-first-time “predicted” artillery fires and small, well-drilled assault teams, made decisive breakthroughs possible again and brought the trench warfare to an end. “Defensive capabilities have taken the advantage,” he says. “Now we're going to see the demands for technology and tactics that will help re-establish manoeuvre.”

The irony of that particular innovation in combined-arms warfare—the sort which requires contributions from a variety of forces and units—was that the defeated Germans learned more from it than the British and French, taking it forward in ways the victors did not. The Wehrmacht's victory in the Battle of France two decades later reflected not bigger or better tanks, but doctrine which better combined the strengths of armour, infantry, artillery and air power.

Training is one way to try to develop such tactics before the real shooting starts. But though vital, it is also never enough. Mr Biddle says a well-equipped brigade he recently observed at Fort Irwin in California's Mojave Desert—the US Army's National Training Centre—was still “systematically deficient”. It was so concentrated on mechanised warfare skills (which are felt to have atrophied) that it had “little mental bandwidth” to deal with novelties like counter-drone warfare. Command posts, logistical sites and air-defence systems were all dangerously exposed. ▶▶

**AIR FORCES  
MUST WORRY  
MORE  
ABOUT THE  
SHALLOWS  
AT THE  
BOTTOM  
OF THE  
ATMOSPHERE**

► The best way to learn is from the people who are doing. Observers in Ukraine are a boon to European armies; so are Ukrainian veterans. Last year Exercise Hedgehog saw Ukrainian drone operators helping to test NATO's plans for defending Estonia. Sweden's Aurora exercise did much the same this year. The results did not show NATO forces off to advantage. "We failed and failed dramatically," says a Swedish official familiar with that exercise. But that, he adds, was the point: realistic drills where you lose teach far more than heavily scripted ones you do better at. America has found learning this way harder, in part because it has placed very few soldiers inside Ukraine.

Just as new ways of war are always more complicated than the success of a single type of weapon, the decline of old ways is more than the irrelevance of yesterday's champion. Again, the tank is a case in point.

Drone people will tell you that the tank is dead. "Why deploy a tank," asks Ilya Sekirin, a drone operator who has advised Ukraine's high command, "when, for the same price and little risk to operators, you can now send a few dozen tracked land robots...supported by swarms of attack...drones?" But the old threats remain and can adapt. Mr Lee notes that last year Ukraine's 20th mechanised brigade needed more than 60 FPV drones to halt the advance of just two "turtle tanks", armoured vehicles heavily modified to cope with drones. Even then, one of the turtles would have got through and made bloody hay behind Ukrainian lines had its gearbox not malfunctioned. And what should Ukraine push through its pockets of superiority if not tanks?

The long tail of traditional weapons is also evident in other recent wars. In last year's skirmish between India and Pakistan, the most serious conflict between the two countries in 26 years, the extensive use of drones on both sides was much commented on. But the most serious strikes were carried out by piloted

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WAGENEN**

jets firing long-range, high-end missiles. Even in Ukraine the expensive kit needed for deep strikes has its role—as long as the missiles' big, vulnerable launchers, whether tracked, wheeled or winged, are kept mostly out of sight and a long way from the kill zone.

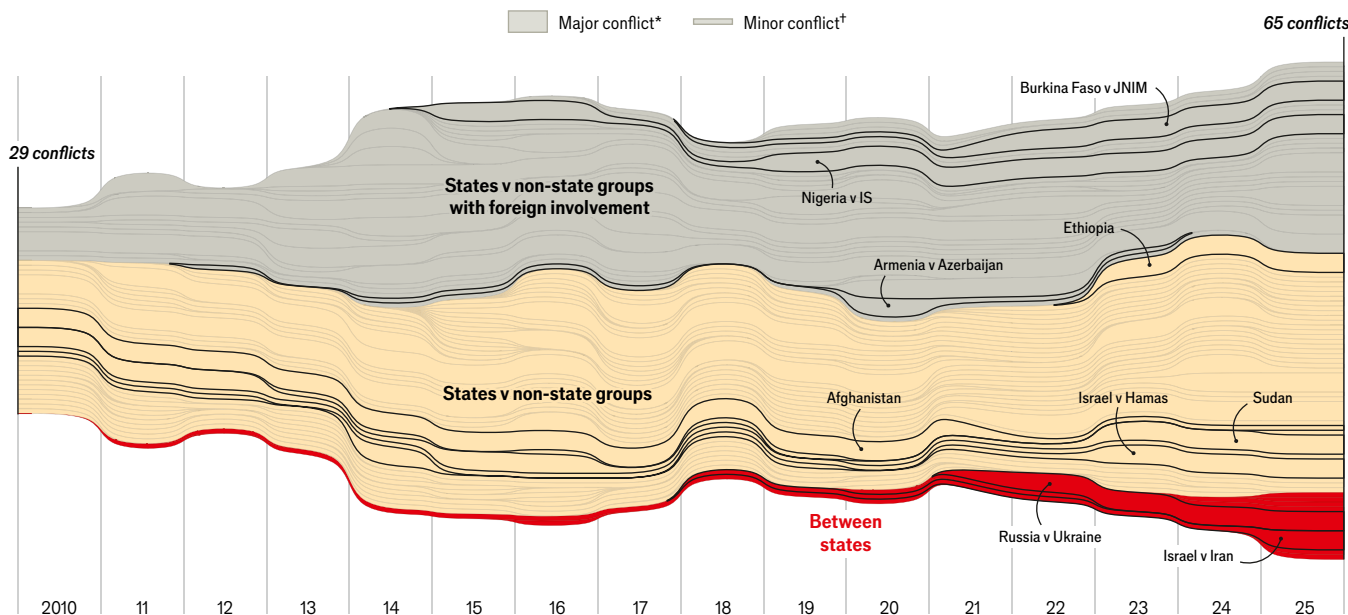
This leads have-it-all generals and admirals to talk about a "high-low mix" in which cheap and numerous weapons supplement a smaller number of expensive high-end ones. Thus they seek to embrace the different and disruptive as well as the newest, swankiest versions of old-time favourites, such as fighter jets and destroyers and, yes, tanks. They promise "hybrid" armies and fleets in which uncrewed and robotic systems work with traditional tanks, planes or ships.

But that is not the way ministries have been spending money. "I think we're going down the pipeline of investing in yesterday's technology," laments Matt Van Wagenen, a two-star American general who recently retired as the deputy chief of staff for operations at NATO's main military command. The alliance's defence planning process, which tells it what to buy, is "based on decades-old stuff", he says. "A 77-ton combat vehicle that's burning 500 gallons of gas every 12 hours on a battlefield that is going to be largely transparent" is unwise, he argues. "The formations of the future are going to be wildly unmanned."

That may be going too far. But at the moment armies which have not actively engaged in the new ways of war seem much more likely to be underinvesting in them—in the relevant tactics and training, as well as the relevant procurement—than overinvesting.

**T**HE EXPRESSIONS of sheer power in which the most advanced armed forces have been investing can be seen nowhere better than in the war against Iran. And yet to the extent that they were ever defined, President Donald Trump's objectives in that war have not been met. More military action of the same sort as ►►

**ARMED CONFLICTS INVOLVING STATES, 2010-25**





▶ before seems unlikely to change that much.

America's Operation Epic Fury has hit 13,000 targets, with Israel adding thousands more. And yet Iran's ability to strike back persists. It has used its missiles and drones to hit the aggressors' early-warning radars, planes, drones, runways, barracks, fuel depots and headquarters. These counter-attacks, though more impressive than many expected, have not had a huge military effect. The fact that they have been possible, though, is still important—as is the shadow Iran's surviving arsenal casts over the Strait of Hormuz. Iran is still capable of producing long-distance drones. And American intelligence indicates that it still has 75% of its pre-war missile launchers and 70% of its cruise and ballistic missiles.

Having removed 30% of the missiles is, by historical standards, impressive. In 1991 America and its allies assiduously hunted Saddam Hussein's Scud missiles, dispatching special forces to scour the desert for their launchers and conducting more than 1,500 air sorties against them. There is no evidence that a single one was destroyed. But in war there are no points for beating your own lacklustre record. The failure in Iran shows that canny defenders, particularly those lucky enough to live in a large country with plenty of craggy nooks, can hide large and powerful weapons for months even when pursued by two of the most advanced air forces on the planet.

One response is to push technology harder—to create situational awareness so all-seeing that launchers are spotted the instant they leave their hiding places, and “kill chains” down which data can flow so unimpeded as to allow them to be instantly attacked. As Sir Lawrence Freedman, a historian, points out, some military minds have a long-standing attachment to the idea of the “knock-out blow”, one which administered hard enough brings victory in and of itself. Proponents of air power littered the 20th century with such notions. Evidence of success was more sparse.

There is certainly room for improvement. In Britain, for example, targeting operations make use of more than 270 different applications running on 20 different computer systems. Connecting them poses all sorts of problems. Sometimes one system produces data far too quickly for the network to handle: in her recent book about Maven, an American targeting system, Katrina Manson, a journalist, reports that at the outset of the Ukraine war users had to send out to satellite companies for “encryptors” with enough capacity to deal with the new spate of information. Sometimes two systems will be simply incompatible in the absence of human mediation—often in the form of a “swivel chair” whose occupant rolls between the desks on which different terminals sit.

The technology is becoming more efficient. Britain's chief of general staff says “sensor-to-shooter” time has fallen by 33%. And AI enthusiasts in charge of America's targeting apparatus are already planning to move beyond the state of the art seen in Epic Fury, with its 400 targets a day. Earlier this year Brigadier General Steve Carpenter, the commander of America's 56th Multidomain Command Europe, said that he wanted his unit to “develop” at least 1,500 targets every 24 hours; a colleague acknowledged this to be “beyond...human scope”. Ms Manson reports that when Maven is integrated with large-language models such as Anthropic's Claude or France's Mistral it is thought to be able to produce 5,000 targets a day.

There are cases where better, faster targeting could be crucial. One of the reasons Russia has never enjoyed air superiority in Ukraine is that the Ukrainians, tipped off by intelligence, moved a lot of their air-defence assets just before hostilities began. The first strikes with which Russia had hoped to blind its victim hit the empty places where they had been. If Russia had been able to update its targeting quicker, it might have promptly destroyed the relocated weapons. That could have changed the course of the war.

But if Epic Fury had 4,000 targets a day rather than 400, would it have been commensurately more effective? There is a tendency for targeting—and, in particular, quantitative measures of targeting—to become a substitute for strategy. In Vietnam, American forces rewarded units with leave and medals for racking up higher reported body counts.

“Once more—with more targets” turns the myth of the knock-out blow into the trap of the perpetual pummel. Look at the history of Afghanistan, a country that can be seen as air-power's graveyard from the days of the Stinger-armed mujahideen on. In 2003 President George W. Bush said the Taliban had been pounded so hard they were “effectively out of business”. In 2017, when Mr Trump ramped up bombing in Afghanistan, General John Nicholson, commander of NATO forces in the country, asserted that the “Taliban cannot win on the battlefield.” (Reader, they won.)

Mr Gady sees in all this what he calls the Belloc syndrome; the belief that a one-sided application of brute force in its most modern and efficient form will always prove decisive. The reference is to the most famous couplet in “The Modern Traveller”, a satire on imperialism written by Hilaire Belloc in 1898. When faced with a native mutiny, William Blood, one of the grasping British colonialists, reassures himself under his breath:

Whatever happens, we have got  
The Maxim gun, and they have not.

It is true that automatic weapons like the Maxim gun were crucial in the “scramble for Africa”, allowing Europeans bloody victories against much larger forces. It is not the case that, in themselves, they could end all resistance—as Blood, when abandoned by those his gunnery protected, discovers to his cost.

IF IN SOME ways the hypermodern war over Iran seems the continuation of pre-existing trends, both in extraordinary technology and poor statecraft, other aspects of modern war are evolving quickly. It has long been claimed that, for those who see modern warfare only through screens, the effect is sanitised. In today's social-media world that is changing radically.

Pentagon and White House social-media accounts have revelled in recorded real-world destruction, intercutting battle-damage-assessment footage with quips and exhortations from Hollywood movies, using exploding enemy ships as money shots. Entrepreneurs weave FPV-derived video depicting the terrified or resigned faces of cornered Russian and Ukrainian soldiers into snuff movies set to heavy metal. Combat increasingly resembles bespoke remote-controlled execution. In one FPV video highlighted by the US Army's Training and Doctrine Command, a Russian soldier approached by a Ukrainian drone gestures towards his nearby comrade lying in a ditch: kill him in ▶▶

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▶ stead. The drone pauses imperiously. It drops a grenade on the second soldier, decapitating him. Then it returns to the first soldier and does the same to him.

The engagement is horrifying. It is not necessarily illegal. Neither soldier was clearly *hors de combat*. Officials say the public believes the rules of war to be much less permissive than they are. If Hamas has built a tunnel under a building, it may be lawful to topple it. If Iran uses a bridge to move missiles, it is not necessarily illegal to blow it up, even if civilians also use it.

Public misapprehensions aside, though, General Van Wagenen says he is “shocked” at the “complete erosion” of the laws of war in recent years. “My peers out there, they’re in shock at it, too.” Janina Dill, the co-director of the Oxford Institute for Ethics, Law and Armed Conflict, points to two important developments. One is the revival of punitive language—threats of reprisal which shade into collective punishment. The other is threats against entire classes of targets, such as bridges and power plants. Both are commonplace in the rhetoric of Mr Trump and his secretary of war, Pete Hegseth, always ready to give voice to his debased version of the warrior ideal.

Where talk of killing is lionised, can killing for the sake of talk be far behind? In 2011 Steven Pinker, a professor at Harvard, devoted a book—“The Better Angels of Our Nature”—to the provocative thesis that humans were getting less violent. Among the evidence he pointed to was a decline in both wars and war deaths. John Mueller, a political scientist, has made a similar case. In 2020 he argued that the previous 30 years had only seen four big inter-state wars, defined as conflicts with at least 1,000 battle-related deaths each year: America’s wars in Afghanistan and Iraq; the Azerbaijan-Armenia war, that harbinger of transparency; and the Ethiopia-Eritrea war of 1998-2000.

Mr Mueller’s timing was unfortunate. Vladimir Putin started the largest land war in Europe since 1945 shortly afterwards. And there are other holes in the argument. Subsequent analysis has shown that the post-1945 spell of great-power peace would need to last another century, at least, to become a statistically significant trend. In that sense, the decline of war is noise. Mr Pinker’s invocation of declining casualties is

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also misleading. Yes, battle deaths had fallen. But battlefield medicine, armour and evacuation have all improved. Many soldiers who would previously have died now ended up wounded—progress, but not exactly a sign of global pacification.

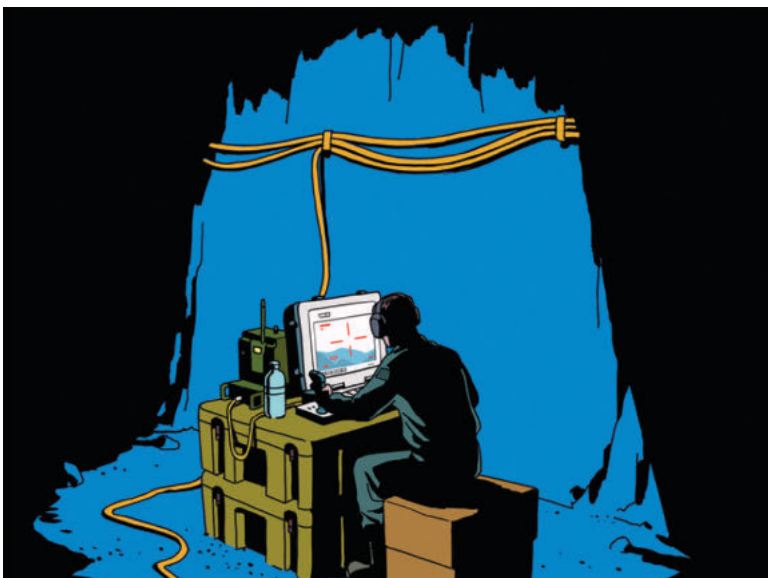
And then there are the nukes. Many would argue that the fact of nuclear arsenals played a central role in the lack of all-out great-power conflicts since 1945. That said, such a role depends on the possibility of their eventual use. And if a large nuclear exchange and its climatic consequences were to kill hundreds of millions, data on long-term trends in violent death would need a spectacular amount of updating, should anyone be in a position to care.

The past eight years have not seen a definitive lurch towards nuclear war. But nor have the auguries been good. The age of nuclear-arms-control agreements has come to an end. The contrasting fates of Kim Jong Un and of Saddam Hussein and Khamenei seem to have made the two possible courses of action for states with nuclear aspirations clear: either abjure the very idea or commit, and be quick not coy about it. Worries about the use of tactical nuclear weapons in Ukraine—which peaked during a scare in October 2022, when American spies reckoned that there was a 50-50 chance Russia would use them if a breakthrough threatened Crimea—have receded. But this does not mean there are no red lines. It just means that people are not sure where they lie. Hardly reassuring.

These uncertainties would be thrown into sharp relief if China were to attempt to annex Taiwan by force. Nuclear powers have gone to war before, and the care with which India and Pakistan have signalled their intentions to each other shows that escalation risks inherent in such conflicts can be managed with some success, as long as those conflicts follow well understood courses. But were America to come to Taiwan’s aid, the world would see two nuclear powers engaging each other’s forces in a whole new way, and with a third, deeply unpredictable nuclear power sitting on the sidelines in the shape of North Korea.

It would be a confrontation of a new sort because the world has not seen what blue-water navies can do to each other when pushed for almost a century. What will the transparency revolution look like when tested on, over and under the surface of a vast, hard-to-monitor ocean? What new tactics will create pockets, or moments, of superiority? What old tactics will fail? Partly because these are not settled questions, America believes its role in such a war would be to attack the Chinese war machine’s connective tissue, rather than its individual ships and planes, thus paralysing its decision-making. But as Mr Gady warns, this would involve lightning-fast attacks on many of the systems that China also relies on to control its nuclear forces. The risks of miscalculation are huge.

Given what it is seeing in Ukraine, the People’s Liberation Army can hardly be relishing the thought of attempting to occupy a country as technologically adept as Taiwan—especially as its supply lines would be vulnerable to attack by submarines, the platforms which have so far succumbed least to transparency. Yet political leaders seem to be perennial optimists when it comes to the utility of war as an instrument of statecraft and their ability to fine-tune its course. Despite the evidence around them, they seem still in thrall to the dangerous delusion that technology will provide them with the knock-out blow. ■





# United States



## The Supreme Court

### Where the justices draw the line

NEW YORK

**How the Supreme Court both checks and empowers Donald Trump**

ONE OF DONALD TRUMP'S most enduring legacies will be his imprint on the Supreme Court. In his first term he appointed three justices—Neil Gorsuch, Brett Kavanaugh and Amy Coney Barrett—creating a 6-3 conservative majority. The court has since delivered a series of landmark rulings cheered by the president and his supporters. The constitutional right to abortion is gone; affirmative action in university admissions has been curtailed; gun rights are more robust than ever before; and former presidents now enjoy broad immunity for acts undertaken in office. More recently the court has provisionally blessed Mr Trump's policies on spending, immigration and the restructuring of the executive branch. The president has made it clear he thinks the conservative justices' job is to advance his agenda; critics on the left accuse them of doing just that.

Yet a closer look at the court's current term—at both the decisions already handed down and those still to come—suggests a more complicated picture. On several occasions the justices have shown themselves willing to rule against the president when he has clearly crossed statutory or constitutional boundaries. At the same time, in cases that will shape the structure of American government and the conduct

of politics, the court is moving to the right—often in ways that benefit Mr Trump. In effect, the court of Chief Justice John Roberts shows how difficult it has become to disentangle conservatism from Trumpism. That, in turn, is making it harder for the court to sustain its reputation as an institution above politics.

The court does not reliably rule in Mr Trump's favour. Earlier this term it delivered its most forceful check on the president, ruling 6-3 that his "Liberation Day" tariffs were not authorised under the International Emergency Economic Powers Act. Chief Justice Roberts pointed out that the act does not mention tariffs, and the constitution clearly gives the power to raise taxes to Congress, not the president. Mr Trump responded furiously. He called the ruling "a disgrace to the nation" and lashed out at the justices in the majority—including two of his own appointees—describing them "fools and lapdogs for the RINOs ["Republicans in name only"] and the radical left Democrats".

More disappointment may be in store for the president if *The Economist's* SCOTUSbot is accurate. This artificial-intelligence tool creates a digital twin of each justice based on their votes, speeches and writings, then uses those models to predict

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▶ the outcome of cases. Two previous versions of the bot have proven reasonably accurate in predicting important rulings by the court. In the upcoming *Trump v Cook*—which concerns whether Mr Trump can remove Lisa Cook, a governor of the Federal Reserve, for allegedly lying on her mortgage application—the model predicts a 7-2 or 6-3 defeat for the president. The Federal Reserve Act says governors may be removed only “for cause”, and at oral argument the justices appeared sceptical that Ms Cook’s alleged misstatements met that threshold. If they rule against Mr Trump, anyone who values central-bank independence will be relieved.

The justices also seem sceptical of the government’s position in *Trump v Barbara*, a case over whether the president can, by executive order, deny birthright citizenship to children born on American soil to undocumented immigrants or visa holders. Mr Trump signed the order on his first day in office and attended the case’s oral arguments, an unprecedented move for a sitting president. He later fumed on social media that America is “the only Country in the World STUPID enough to allow ‘Birth-right’ Citizenship!”

That claim is both untrue (several countries allow it) and irrelevant to the case, which turns on whether the 14th Amendment means what it says: “All persons born or naturalised in the United States, and subject to the jurisdiction thereof, are citizens of the United States.” Mr Trump’s lawyers claim that temporary visitors are somehow not subject to American jurisdiction while in America, a contention they would be unwise to test by, say, robbing a convenience store. SCOTUSbot predicts that he will lose 8-1.

### Consolation prizes

Still, even as the court rules against Mr Trump in cases where he pushes fanciful or strained interpretations of the law or the constitution, several of its forthcoming decisions this term are likely to please him. The conservative majority is expected to uphold bans on natal males in women’s sports, loosen campaign-finance restrictions and allow the administration to revoke temporary protections for migrants from Haiti and Syria.

In *Trump v Slaughter* the president is also likely to get his way. Not because the conservative justices feel any particular loyalty to the man who appointed half of them, but because such a ruling would fit with the aims and principles of a conservative legal movement that long predates his presidency. This case concerns whether the president can fire Rebecca Slaughter, a Democratic commissioner of the Federal Trade Commission (FTC). Ms Slaughter appears to have the stronger argument: a century-old statute, backed by long-standing

judicial precedent, protects FTC commissioners from arbitrary dismissal.

Conservative legal scholars have long opposed that precedent, established in 1935 in *Humphrey’s Executor v United States* after Franklin Roosevelt attempted to remove an FTC commissioner hostile to his sweeping New Deal policies. Since then independent agencies have proliferated, and conservatives have increasingly viewed them as an unaccountable fourth branch of the federal government. Last year the justices allowed Mr Trump to remove officials from several independent agencies while the litigation continued. According to SCOTUSbot, the court is now poised to entrench a far stronger view of presidential power.

### Race to judgment

Chief Justice Roberts often pushes back against accusations that the court has become “politicised”. However, decisions favoured by the conservative legal movement do often have political consequences that benefit Mr Trump and the Republicans. Perhaps the clearest example came on April 29th, when the court overturned a 40-year-old reading of a 1982 update to the Voting Rights Act (VRA) in *Louisiana v Callais*. In a 6-3 ruling the conservative majority held that challenges to electoral maps must show not only racially discriminatory effects but also strong evidence of intentional discrimination. The decision had immediate partisan consequences, making it harder to create majority-black electoral districts while leaving both parties free to pursue partisan gerrymanders. The six conservative justices also agreed to fast-track the legal process to allow redistricting in Louisiana and Alabama, despite the court’s usual reluctance to alter rules close to an election.

The left greeted the decision in *Louisiana v Callais* with outrage. Justice Elena Kagan’s dissent described the ruling as the VRA’s “now-completed demolition”. Justice Ketanji Brown Jackson accused the conservative majority of allowing “principles [to] give way to power”. Justice Samuel Alito, joined by Justices Gorsuch and Clarence Thomas, called her charge “groundless and utterly irresponsible”. Chief Justice Roberts almost certainly agrees. To him the case represented the culmination of a decades-long campaign against racial gerrymandering that dates back to his time as a lawyer in Ronald Reagan’s Justice Department. In his view, the case was about interpreting the constitution correctly, not helping Republicans win elections.

The court will probably continue to rule against Mr Trump when he crosses obvious red lines. But in many cases, as the court puts a conservative stamp on America’s government and political order, the president stands to benefit. ■

### Republicans in Congress

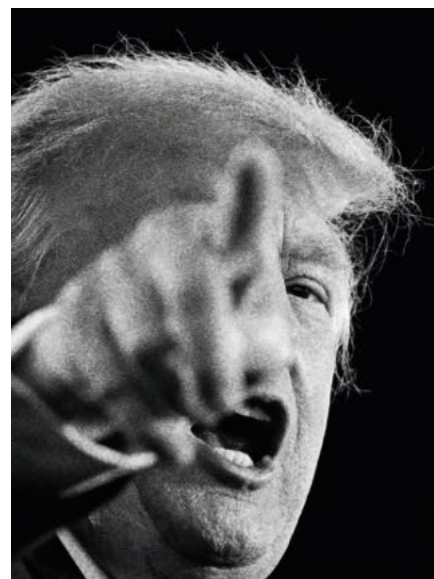
## The YOLO caucus

### Conservatives with nothing left to lose are bucking Donald Trump

REPUBLICANS ARE learning that, occasionally, you can say “no” to Donald Trump. On May 18th his administration announced a \$1.8bn fund to compensate victims of government “lawfare”—read, a slush fund for allies—provoking fury among some Republicans. “Utterly stupid, morally wrong” was how Senator Mitch McConnell of Kentucky described it. “I call it a payout pot for punks,” said Thom Tillis, a senator from North Carolina. The uproar has derailed progress on one of the president’s other priorities: a long-awaited \$70bn immigration-enforcement bill.

Such defiance is new. Since Mr Trump returned to office, Republican lawmakers have bent to his will, backing crackpots for cabinet posts and giving him free rein on everything from tariffs to military action. Now, bracing for big losses in the midterms, some Republicans are beginning to push back against the president, whether out of principle or in an effort to limit the political damage he has caused. Others may simply want revenge. On May 26th John Cornyn of Texas became the latest sitting senator to lose a primary to a Trump-backed challenger. He will remain in office for another seven months—plenty of time to settle scores.

There are nine lame-duck Republican senators, many of whom have long-running feuds with the president. Mr McConnell, for example, has called him “a despi- ▶▶



No longer their point man



► cable human being". Mr Tillis announced his retirement less than 24 hours after incurring Mr Trump's wrath for voting against his "Big Beautiful Bill". Together with moderates from states that reward political independence, they form a kind of YOLO caucus. Whether liberated by retirement or insulated by local politics, they no longer fear MAGA voters enough to fall obediently into line. And given Republicans' slim congressional majorities, it would not take many defections to bring Mr Trump's agenda to a standstill.

Mr Tillis has been a thorn in Mr Trump's side longer than most, breaking with him on several high-profile issues, including immigration, aid to Ukraine and government spending. He recently held up the confirmation of Mr Trump's pick to run the Federal Reserve until a politically motivated investigation into the outgoing chair was dropped. Earlier this month he was one of three Republican senators, along with Mr Cornyn, not to vote on a measure backed by Democrats to limit the president's war powers in Iran. It passed 50-47.

Four other Republicans helped Democrats advance the measure, including Bill Cassidy, a senator from Louisiana fresh from a primary defeat by a Trump-backed opponent. He had voted against the same proposal seven times before. Soon after the Senate action, House Republican leaders cancelled a vote on a similar measure, concluding that it, too, would probably pass.

Mr Cornyn is the newest member of the YOLO caucus. He has until now voted with Mr Trump 99% of the time. Yet despite his ostentatious deference—he even posed with a copy of "The Art of the Deal"—Mr Trump endorsed his opponent, Ken Paxton, the scandal-plagued Texas attorney-general. The snub appeared to sharpen an already mutinous mood among Republicans, culminating in the shelving of the immigration-enforcement bill. "I think it's hard to divorce anything that happens here from what's happening in the political atmosphere around us," said John Thune, the Senate Republican leader, after delaying the measure.

Mr Trump's more self-indulgent fixations are now in the cross-hairs. Senate Republicans recently gutted \$1bn tied to the White House ballroom project that the president had promised would be financed by private donors. A growing number of Republicans, especially those facing tight races, are also looking for ways to restrict the "lawfare" fund. "People are concerned about paying their mortgage or rent, affording groceries and paying for gas," lamented Mr Cassidy, "not about putting together a \$1.8bn fund for the president and his allies to pay whomever they wish."

Some on the left are unimpressed that a few Republicans have rediscovered their consciences only once freed from electoral

consequences and with Mr Trump's approval ratings slumping. Even now, figures such as Mr Tillis remain restrained in their criticism of the president. He often avoids attacking Mr Trump directly, instead aiming his ire at the president's lackeys. A "small handful of advisers", he complains, are the ones pushing "stupid" ideas.

Still, the sudden defiance of Republican lawmakers is causing problems for the president. Asked by reporters whether he felt he was losing control of Senate Republicans, Mr Trump replied: "I really don't know." Either way, the intraparty insurgency may be short-lived. Many members of the YOLO caucus are likely to be replaced by politicians who are more loyal to the president. But January may also bring Democratic control of Congress. This is time Mr Trump can ill afford to lose. ■

## Immigration (1)

# Leave to (maybe) return

CHICAGO

## The Trump administration's big move to limit legal immigration

“GREEN CARD”, released in 1990, is one of the few romantic comedies built around immigration law. In the film Gérard Depardieu plays a French waiter living and working illegally in New York City. Andie MacDowell plays an environmentalist who marries him so that he can obtain a “green card”, as America’s permanent-residency permit is known. Alas, if President Donald Trump gets his way, the film’s premise may no longer work. In a move seemingly designed to slow legal migration—not just ruin mediocre films—the administration wants applicants to leave America before applying for a green card.

That would be a dramatic change. Since 1952, when Congress passed the Immigration and Nationality Act, America has allowed eligible foreigners—including those who marry citizens—to obtain permanent residency through a process formally known as “adjustment of status”. Anyone who arrived in the country legally could do this, in many cases even if they later overstayed a visa or otherwise violated its terms. In 2024, of the almost 1.4m people who obtained green cards, 58% did so from within the United States.

According to a press release issued by the Citizenship and Immigration Services (USCIS) on May 22nd, the administration intends to end the practice except in what it called “extraordinary circumstances”. Instead, “aliens seeking adjustment of status must do so through consular processing via the Department of State outside of the country”, the release said. This, it added, “reduces the need to find and remove those who decide to slip into the shadows and remain in the US illegally”.

The announcement has alarmed applicants and left immigration lawyers scrambling to work out how the new policy might be implemented. If enforced strictly, it would freeze a large share of legal immigration and separate hundreds of thousands of families across the country. Immediate relatives of American citizens—including spouses, parents and children—account for a majority of adjustment-of-status applicants.

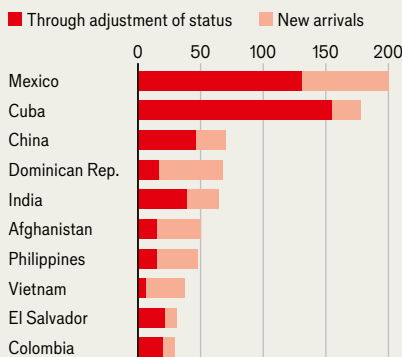
## That door is closed

For many—perhaps most—immigrants, returning home to apply for permanent residency simply is not feasible. In 75 countries the administration has paused visa processing. Nationals of those countries, which include Cuba and Afghanistan, accounted for more than 40% of adjustment-of-status applications in 2024. Elsewhere, including in India, waiting times for consular appointments can stretch to a year or more. Then there is the fact that applicants unlawfully present in America for more than a year face an automatic ten-year ban on re-entry if they leave the country—a category that may include a significant share of applicants.

Accompanying the short press release was a longer policy memo instructing immigration officers on how to exercise their discretion when considering adjustment-of-status applications. Essentially, it tells them to scrutinise such requests more aggressively. But immigration lawyers say the new policies may not withstand judicial scrutiny. “It is cobbled-together nonsense and it should die a swift death in court,” says Justin Randolph, an immigration lawyer in Chicago. “It is going to be enjoined pretty quickly,” adds Matt Cameron, another lawyer from Boston.

## The old way in

United States, people obtaining permanent residency, 2024\*, '000, top ten nationalities



\*Fiscal year ending September 30th  
Source: Office of Homeland Security Statistics

▶ Adjustment of status was not created by Congress as a rare exception. Many “temporary” visas are explicitly designated by law as “dual intent”, meaning they allow foreigners to arrive while intending eventually to stay permanently. The situation is different for tourists who later apply for green cards: immigration officers may deny such applications if they conclude that the applicant entered the country already intending to remain. Even so, the law specifically requires immigration authorities to overlook visa overstays and illegal employment—though not illegal entry—for immediate relatives of American citizens. Judges deciding individual cases will have to look to the statute and long-standing practice, not to the administration’s memo. “With a good lawyer you could still get through this,” says Mr Cameron.

For now, though, the process will almost certainly become tougher. USCIS is already sending out “requests for evidence”, notices demanding additional documentation from applicants. Absent a class-action lawsuit or a clear judicial rebuke, applicants from wealthier countries will probably wait abroad while their cases grind through the bureaucracy. Others may stay and hope immigration judges eventually rule in their favour. Making the process more expensive, unpredictable and exhausting may be the point. The administration’s apparent aim is to scare people away from applying. Officials around Mr Trump have repeatedly promised to deport 20m or more illegal immigrants, which is difficult when there are at most 14m in the country. Preventing some from obtaining legal status may be easier. ■



## Immigration (2)

# The only refugees Trump wants

WASHINGTON, DC

**Afrikaners are welcome. Pretty much no one else is**

SOME REFUGEES flee from wars and end up in squalid tented camps. Others defy this stereotype. Consider the white HR executive from South Africa whose application for protection in America rested partly on her claim that she had not had a pay rise in nine years because of her skin colour. “It’s a different type of persecution, but it’s still persecution,” says this newly minted refugee, who now enjoys the sunshine and safety of Florida. Of the roughly 6,000 refugees admitted to America since October, nearly all are white South Africans.

At the start of last year 130,000 people were in America’s refugee pipeline. Then Donald Trump closed the programme to all except Afrikaners (white South Africans who speak a language related to Dutch) and other minorities from South Africa. Mr Trump has said that white South Africans face “genocide”, which is nonsense. He also says they suffer “government-sponsored race-based discrimination”, which is true, but complicated. On May 26th he raised their quota for this fiscal year by 10,000 places, to 17,500 (the Afrikaner pop-

ulation of South Africa is roughly 3m).

To qualify as a refugee you have to show a credible fear of persecution. Afrikaners note that they are often victims of violent crime. But so, unfortunately, are all groups in South Africa. They also cite laws requiring racial preferences for blacks in higher education, hiring and government contracting. These were supposed to redress the wrongs of apartheid—until 1994 blacks were not allowed to vote. More than half a million white South Africans have emigrated in the past two decades. But few imagined that the laws might allow them to claim refugee status. Now they do. “You don’t have to lie and make up stories,” says Melissa (not her real name), another recent arrival in America. You can also cite your fear of “future persecution”, she adds.

Afrikaners present, in the words of one caseworker, a new “modality”, which is NGO-speak for new questions—such as whether pets can come, too. They tend to be fluent in English and Facebook, where they gripe about America’s threadbare social-safety net. “Managing expectations of resettled refugees is nothing new,” says Erol Kekic of Church World Service, a resettlement agency. “But there are expectations and then there are expectations.”

That Mr Trump axed cash handouts, food stamps and health-care subsidies for refugees just as the Afrikaners arrived is not lost on the newcomers. “We are the victims of that,” says Melissa. “I don’t think they thought this thing through very well.” She runs a Facebook message board where she tells others that the scheme is not a fairy tale. It is a refugee programme, not a “travel opportunity” or a “let’s see how it goes” arrangement. “You are fleeing your country,” she reminds her group. “This requires a clean break.”

Afrikaner-advocacy groups were not actually seeking refugee status when they embarked on an American media tour during Mr Trump’s first term. They just hoped that international pressure would make South Africa’s government ease up on affirmative-action policies. Kallie Kriel, head of AfriForum, one such group, says Afrikaners’ survival “as a people” can only happen at home. He wants “South African solutions to South African problems” and views his activism as “an act of loyalty” to save his country from “going the Zimbabwe route” (ie, degenerating into a farm-involving kleptocracy).

The refugee narrative has undermined these activists, says Carolyn Holmes of the University of Tennessee. “Everyone’s like, ‘If you’re going to leave, why should we bargain with you?’” It is even a little embarrassing. Afrikaners self-mythologise as *voortrekkers*: hardy pioneers who settled in the interior in the 19th century. Today they are called *voetsekers*, a play on the Afrikaans word for “get lost”. ■



## Los Angeles politics

## Unscripted

LOS ANGELES

## Are Angelenos angry enough to elect an insurgent as mayor?

SPENCER PRATT has always been fascinated by villains. At least, that is what he writes in his memoir, *"The Guy You Loved to Hate: Confessions From a Reality TV Villain"*. American millennials will remember Mr Pratt (pictured) as the bad boyfriend on *"The Hills"*, a reality show that ran from 2006 to 2010 and provided endless tabloid fodder. *"The Wicked Witch of the West? My kind of woman"*, he says in the book. Hannibal Lecter? *"We're still quoting that elegant, liver-loving son of a gun."* Literary genius Mr Pratt is not. But his villainy (real or pretend—he hasn't quite decided) and his trauma (his home burned in the Palisades fire last year) have catapulted him into local politics and upended the race for mayor of Los Angeles.

The city's mayoral primary will take place on June 2nd. If no candidate gets more than 50% of the vote, the top two finishers, regardless of party, advance to the general election in November. Recent polling suggests the incumbent, Karen Bass, will get one of those spots—though the fact that she will not win re-election outright speaks to her unpopularity. In March a poll from the Institute of Governmental Studies at the University of California, Berkeley, found that 56% of Angelenos viewed her unfavourably. Mr Pratt, a registered Republican, and Nithya Raman, a city-council member affiliated with the Democratic Socialists of America (DSA),

are battling for the second spot.

Mr Pratt would not be gaining momentum in heavily-Democratic Los Angeles if things were going well. Unlike California's other big cities, which have rebounded from pandemic population declines to varying degrees, Los Angeles lost more people than it gained last year. In 2024 the median sale price of a single-family home in the region was nearly 11 times higher than Angelenos' median household income. Contraction in Hollywood and the collapse of film and TV production in Los Angeles has led to a 30% decline in entertainment jobs in California since 2022. City services are poor. It takes a year, on average, to replace a streetlight due to copper theft and staffing shortages. When a city repaves a street, the Americans with Disabilities Act often requires it to make costly wheelchair-access upgrades as well. So Los Angeles just stopped repaving streets.

Ms Bass is not arguing that things are rosy. *"I inherited a hot mess,"* she told supporters recently. Her main pitch is, essentially, that something is rotten in Los Angeles, and only a person with her experience and connections in Sacramento and Washington (she is a former state assembly speaker and congresswoman) can turn things around. That may be true, but it will be hard as an incumbent to convince voters that she is an agent for change.

Consider homelessness, one of the

city's most intractable problems. The mayor's signature programme, Inside Safe, moves homeless people out of encampments and into shelter at great cost to the city. The number of people sleeping outside has declined by roughly 18%, to about 27,000, since 2023. Yet an analysis by the *Los Angeles Times* found that 40% of those helped by Inside Safe as of December were back on the street. At an event for the Los Angeles Business Council, Ms Bass seemed to admit defeat. *"We don't know where they are!"* she said of those missing 40%. *"Some of them might not even be alive anymore."*

Mr Pratt's campaign, meanwhile, is the political equivalent of a primal scream. Charismatic, disarmingly funny and hungry for fame, he is more naturally like Donald Trump than perhaps anyone else in American politics. His campaign practises a hyper-local version of Trumpian grievance politics. During a televised debate he reminded viewers that he blames Ms Bass for his house burning down. He wants to bring in the feds to help clear the streets of "zombies". A viral AI fan video portrays Mr Pratt as Batman, taking on Gotham's finest: Ms Bass (as the Joker), Gavin Newsom (eating cake) and Kamala Harris (swigging from a bottle of booze). *"Before my house burned down I was selling my healing crystals...and feeding hummingbirds and taking my kids to school,"* he told Joe Rogan, a podcaster. *"That was my dream life and they burned it down, and now they have their worst nightmare."*

Ms Bass would rather face Mr Pratt in the general election than Ms Raman. Only 19% of registered voters in Los Angeles County are Republican, and the city is probably even less red. The Democratic voters Mr Pratt has wooed may still balk at choosing someone endorsed by the president, who last year deployed National Guard troops to Los Angeles. Ms Raman is an urban planner by trade, a fiscal hawk sceptical of big raises for public-sector unions, and a pro-housing YIMBY. *"People talk about LA as having a weak mayor,"* she says. *"It is a weakened mayoral office by choice. It's because this mayor has not chosen to use her power to push us forward."*

It is tempting to think that Mr Pratt and Ms Raman are battling for different voters: Mr Pratt for moderate Democrats and Ms Raman for lefties enchanted by Rae Huang, another DSA candidate polling lower. But the malaise in Los Angeles is scrambling political tribes. At a recent *"Gays for Nithya"* event downtown, 38-year-old Agustin Jaramillo was hoping to show Ms Raman a video of a homeless man living on his block who rants at neighbours and suffers from open wounds. He was still deciding between Ms Raman and Mr Pratt, and wanted to hear what she would do. He never found her. ■



Running from The Hills

## LEXINGTON

### *Race to the stars*

*Elon Musk wants to advance humanity while promoting some of its most primitive ideas*



POLITICS IS NOT exactly rocket science. How interesting, then, that Elon Musk is so bad at it. Unlike the two or three industries—and still counting—where Mr Musk has done as much or more than any other human this century to advance the species, politics does not require much technical sophistication or even rigour. The maths tend to be simple addition or division. Yet the calculations matter: the flourishing of the civilisation whose multiplanetary future preoccupies Mr Musk requires a healthy politics, much as his own companies, such as Tesla and SpaceX, counted on far-sighted government subsidies and contracts, not to mention the principled rule of law, to succeed. But unlike the other fields Mr Musk has shaped, his contribution to this bulwark of civilisation is to make it not more imaginative and optimistic but more atavistic and fearful, and just plain dumber.

In politics, in contrast to other industries, Mr Musk has not chosen the path of revolutionary entrepreneurship. After falling out for a time last year with Donald Trump over his “Big Beautiful Bill”—Mr Musk called it “utterly insane and destructive” for its profligacy and cuts to clean energy—he announced a new political party, the America Party, “to give you back your freedom”. Maybe if he had committed to this party the creativity and drive he somehow applies to his six companies, he would have contributed to politics the constructive competition Tesla brought to the auto industry. The two major parties are surely as uninspired as the Big Three carmakers ever were. But he did not.

Politically, Mr Musk thinks inside a very old box. The bosses who ran America’s 19th-century political machines might marvel at the scale of the \$1m lottery-style payouts he offered voters in battleground states before the 2024 presidential election, but the transactions themselves would be familiar to anyone who ever offered “walking-around money” to get their voters to the polls. Those bosses would also respect his approach to creating a more congenial news media by buying his own printing press, Twitter, now X. They would even recognise the apocalyptic tone he brings to campaigns, the dark inverse of the hype with which he sells his visions of imminent technological transformation. He claimed last year, for example, that the election of a state supreme court

judge in Wisconsin was “going to affect the entire destiny of humanity”. Despite another “lottery” dangled before voters by Mr Musk, his candidate lost; humanity soldiers on.

When it comes to the maths of politics, Mr Musk specialises in division. He practises the aggrieved identity politics he condemns on the left. To him, white people are a beleaguered minority—indeed, “a rapidly dying minority”, as he put it on X in January. An analysis by *The Economist* of Mr Musk’s X feed shows, within his torrent of remarks on many matters, a significant increase in the past three years in posts promoting racial consciousness among white people, urging them to defend or augment their power as a race. In January he reposted with a “100%” emoji an exhortation that “white solidarity is the only way to survive”. The underlying post was at odds with Mr Musk’s view of whites’ minoritarian status but in line with his racial hysteria, For Free Mags Check sastatus.com warning that “if white men become a minority, we will be slaughtered”.

Mr Musk has denied being racist. But he seems to conceive of society, and power, in racial categories. He describes white people as having a shared transnational identity and political interest—the precise nature of both is unclear—that is under attack by non-white groups and white liberals. “There has been unrelenting hate and poisonous propaganda in the West against anyone White, straight or male over the past decade or more!” he wrote on X in February. “No more guilt trips.” He has applied to Germany the same theory that the dominant group is wrongly constrained by lessons of history. Addressing the hard-right Alternative for Germany party ahead of elections in 2025, on the eve of the 80th anniversary of the liberation of Auschwitz, he said Germans must “move beyond” any “past guilt”. He warned that “German culture” and “German values” might be lost to “some sort of multiculturalism that dilutes everything”.

#### Where man has, sadly, gone before

Family history may not repeat itself, but for Mr Musk it rhymes. Some eight decades before he posted about creating “the Martian technocracy”, his grandfather, Joshua Haldeman, a Canadian, joined a movement called Technocracy Incorporated. It aimed to transform Canada and America into the “Technate”, a society that would harness rapid technological change by abandoning democracy in favour of government by engineers and other technical experts. By the late 1940s Haldeman concluded “the Canadian government was usurping too much control over the lives of individuals and that the country had gone soft”, writes Walter Isaacson in his biography, “Elon Musk”. Haldeman moved his family to South Africa in 1950, as the apartheid regime was tightening its grip.

By the time Mr Musk was in high school in the 1980s, black townships across South Africa were in revolt. The white regime imposed a state of emergency but, isolated internationally, it was entering its final years. In the elliptical telegraphy of X, Mr Musk has drawn a connection between that period and the politics of today. “Yes”, he wrote atop a message he reposted warning “the anarchy, tyranny, expropriation, and race communism that destroyed Rhodesia and South Africa are the same things they are bringing to America and the rest of the Occident.” Who, one wonders, are “they”? And, as Mr Musk prepares to list SpaceX in the most valuable stock offering in history, where is the “race communism”? Mr Musk’s role in catapulting humankind to the stars may make him, in retrospect, a hero of the age. What a shame that he is perpetuating some of humanity’s most primitive ideas, too. ■



# The Americas



Cuba (1)

## Will Donald Trump attack Havana?

HAVANA, MEXICO CITY AND MIAMI

America's president is considering all options, including bad ones

EVER SINCE THE CIA organised anti-Castro Cubans to invade at the Bay of Pigs in 1961, the Cuban regime has both feared another attack by Uncle Sam and spun America's fiasco into a tale of national pride and resistance. Today the threat again looms large. Will Donald Trump attack Cuba? What would happen if he did?

On May 20th the US Department of Justice published an indictment of Raúl Castro, Cuba's 94-year-old former president. He is charged with authorising the Cuban army to shoot down two civilian aircraft in 1996, killing four Americans. To some, the charges are symbolic, a sop to Cuban-Americans. To others, they herald action. What is clear is that Mr Trump and Marco Rubio, his Cuban-American secretary of state, have grown frustrated with their inability to cut a deal with the regime. They are demanding the release of political prisoners, sweeping economic reforms, a process for settling property claims by

Cuban exiles and a reduction in Cuba's security ties with China, Russia and Iran. In exchange, the regime would get sanctions relief and economic aid.

An attack is probably not imminent. The aircraft-carrier *USS Nimitz*, whose arrival in the Caribbean on the day of Mr Castro's indictment excited speculation, is on one of its last voyages before decommissioning. Mr Trump, bogged down in the Gulf by the war with Iran, would still prefer a deal. On May 21st Mr Rubio said that diplomacy "remains our preference", but added that "the likelihood of that happening, given who we're dealing with right now, is not high." Military planners are hard at work.

### → ALSO IN THIS SECTION

**32 Cuba's dire economy**

**33 Elections in Colombia**

Three military options exist, reckons Richard Feinberg, a former National Security Council director for Latin America. None is simple. The first would be a Venezuela-style operation to seize Mr Castro. The second would be limited strikes, either to scare the regime into concessions or to provoke splits in the ruling cabal. The third would be a full-scale invasion.

The last is the least likely. America could easily take the island. Cuba's armed forces are estimated to have 40,000-45,000 active-duty soldiers, down from more than 200,000 in their heyday. Their equipment is old; fuel is scarce. "It's really a shell of what it used to be," says Frank Mora, a former Pentagon official. Fidel Castro's doctrine of the "war of all the people", whereby soldiers, militias and civilians would fight any invader, today seems far-fetched. Cubans barely have enough to eat; popular faith in the revolution is diminished. "When you wake up and have no electricity, or when the meagre food supplies that many people do possess end up spoiling, or when you see schools telling parents to pick up their children due to the blackouts and the sweltering heat, none of that old stuff matters any more," says a history teacher in Havana.

Yet an invasion would probably lead to occupation, and that could be trickier. Some soldiers, police and party loyalists ►►

► would probably fight; guerrilla attacks could prove hard to suppress. If the regime really has, as reported American intelligence suggests, acquired 300 drones from Russia and China, they pose little threat to the United States, but they could be used to make an occupation costly.

Limited strikes would be easier. The Americans could hit airfields, docks and Cuban positions near Guantánamo, America's military base on the island. They could consider striking intelligence sites linked to China or Russia. The United States would quickly control the air.

But strikes might not break the regime or force it to accept an accord. Indeed, they might do the opposite, says Ricardo Zúñiga, Barack Obama's principal adviser for the Americas during the "Cuban thaw", when relations with the United States were normalised. For decades Cuban leaders have told themselves that the United States wants surrender, not reform. Mr Castro's indictment, sanctions on the vast military-run conglomerate Gaesa and recent sabre-rattling all support such presumptions. The Trump administration needs to offer more incentives if it wants a deal, rather than just mete out more punishment, says Roberta Lajous, once Mexico's ambassador in Havana.

Mr Trump may be most tempted by a raid that imitates the one American special forces carried out in January to snatch the Venezuelan dictator, Nicolás Maduro, from his stronghold in Caracas, the country's capital. That would be highly risky. Mr Castro is unlikely to be waiting at La Rinconada, his compound in Havana's Siboney district. Cuban security has had decades to prepare bunkers, tunnels and escape plans. It also has the benefit of having seen first-hand what happened to Mr Maduro: most of those who died in the raid on Caracas were Cuban soldiers assigned to his personal guard.

#### Decapitation—then what?

A still bigger problem is that seizing Mr Castro might not change much. There is no sign of cracks between the Communist Party, the armed forces, the interior ministry, state security and Gaesa. And unlike in Venezuela there is no obvious Cuban equivalent of Delcy Rodríguez: an insider who could plausibly help open the door to the Americans, take power and claim continuity. Raúl Guillermo Rodríguez Castro, Mr Castro's grandson, has met American negotiators and appears to have some influence. But it is far from clear that he could rule Cuba on Mr Trump's behalf.

The latest escalation has hyped up expectations. Many Cuban-Americans in Miami see the indictment of Mr Castro as the beginning of the end of a hated regime. Hardliners want the Castro system dismantled, not a cosmetic transition negoti-

ated with the old guard, says Marcell Felipe of the American Museum of the Cuban Diaspora in Miami.

On the island the attitude of long-suffering Cubans is more mixed. Many oppose foreign intervention. "I prefer to die than be a colony of Donald Trump," says one government worker. But most appear to have lost faith that change can come any other way. "When is Donald Trump coming?" asks Brián Zulueta, a former fireman who now sells fruit in Havana. He fears violence, or that Mr Rubio will be appointed as interim ruler. But "we need change," he says. "Things can't get worse." Cubans may not like the gringos in uniform, but they could at least restock shelves and offer islanders some hope, notes Mr Feinberg.

Cuba would be harder than Venezuela to reconstruct, both politically and economically—especially for an administration that is "allergic" to nation-building, says Mr Feinberg. In Venezuela, oil gave

Mr Trump a quick win, both by providing short-term economic relief and by offering a possible lure for future investors. Venezuela also has a healthy, if repressed, political opposition. Cuba has neither comparable politicians nor resources (see next story). It would depend on American aid, relief from sanctions, a boost to tourism and remittances, as well as an influx of capital from the diaspora.

Every option is fraught. A deal big enough to satisfy Messrs Trump and Rubio looks hard to achieve; military action may fail to accomplish what diplomacy has not. The Americans clearly want change. Cubans want it, too. The problem is how to compel a stubborn, entrenched regime. Just as the communists have spent decades preparing for an American invasion, says Ms Lajous, Mr Rubio has spent much of his life pondering Cuba's transformation. For the moment, the island's fate rests partly in his hands. ■

#### Cuba (2)

## Havananomics

### Could Donald Trump save Cuba's economy?

DURING THE 1990s the boss of Sherritt International became known as "Fidel Castro's favourite capitalist". For 30 years the Canadian firm's nickel refineries were the only Western-run resource project in Cuba. Then, in March this year, Donald Trump's fuel blockade forced them to close. An extra set of sanctions made things worse. On May 15th Sherritt said it

would exit Cuba permanently.

Sherritt's woes are widely shared on the island. Havana's beach-front hotels are empty. Food and medicine are increasingly scarce. Most areas get power for just a few hours a day. American officials say this is temporary. They are strangling Cuba's economy, they claim, in order to save it. Once Mr Trump breaks Cuba's communist regime, the economy will be opened up. Everyone, from Mr Trump's friends to rich Cuban émigrés, many of whom live in Florida and the Caribbean, having fled the Castros' brutality, will rush to invest.

Much of that depends on Mr Trump. He could forge a deal with those now in charge, or elevate a lowlier politician from within the regime. Few would-be investors from the Cuban diaspora would venture into a country still run by the Castros or their allies. But suppose Mr Trump picked a third option: using diplomatic pressure or force to remove the regime altogether. In a poll of 800 Cuban-Americans by the *Miami Herald*, a newspaper, just 2% said they would invest in a liberalised Cuba under the current regime. But 51% declared themselves willing, should the regime fall.

"Then", says a Cuban in Miami who runs tobacco farms across the Caribbean, "I would consider going in [to Cuba] a duty." He is one of 60 Miami-based businessmen who have been meeting once a month ►►



Nice to think about, hard to do



► to discuss how to revive Cuba's economy after the Castros. Others, such as Jorge Pérez, a billionaire property developer, are dusting off plans originally written just after the collapse of the Soviet Union.

First, the fuel blockade would end. Sanctions, which stop American firms from exporting anything but food and medicine to Cuba, would be lifted. The economy would soon recover to where it was before the blockade. The end of the regime would free the Cuban economy from decades of state control and regulation. Havana would perhaps resemble Venezuela's capital, Caracas, where Mr Trump chivied American firms and financiers to invest in the months after deposing its president. But when looking for uses for their capital the MAGA types, Cuban-Americans and investors with a taste for big risks would face a problem. Cuba's economic woes predate Mr Trump's embargo and go way beyond communist mismanagement.

Apart from nickel, Cuba's natural resources are modest. What few industries exist are underdeveloped or bloated. This creates both risk and opportunity. Tourism is an example. It provided \$1bn (roughly 10%) of Cuba's foreign earnings before Mr Trump's blockade, even though visitors from the United States, just 145km away, are barred from the island by American sanctions. The last time the American government loosened restrictions, in 2016 under Barack Obama, the number of American visitors reached 1.2m over the following two years, outstripping tourists from every other country.

### Reach for the sky

The infrastructure to handle a surge already exists. The regime has built several skyscraper hotels and sprawling resorts, most of which are empty. Building new hotels, restaurants and airports could benefit construction firms, too. There is potential for growth. Tourism in the nearby Dominican Republic, which has about the same number of people, generates \$21bn a year.

The island's small businesses could thrive, too. Retail consists mainly of thousands of fiercely competitive private businesses. Many operate outside the law, or are too small to attract foreign investors, but would gain from the demand created by lawyers, accountants and other white-collar workers in a newly open Cuba.

Other industries would take longer to rescue. Agriculture employs a fifth of Cuba's workers but is dogged by overuse of fertiliser, decrepit machinery (even Cuba's most mechanised farms use rusting water-wheels) and concentration on sugar. Three decades ago Cuba produced 8m tonnes of it; in 2023 just 350,000 tonnes. Yet sugar cane still covers a fifth of arable land. Investors in Miami want to use it to cultivate tobacco (to make cigars, which have an in-

ternational market), grow coffee and produce beef. But transforming farms is slow.

There would be plenty of pain. Liberalisation would destroy Cuba's least competitive industries, such as manufacturing. The doctors whom the regime lends abroad for a fee, its biggest source of revenue, might return. The United States would probably need to provide cash to run the government while tax revenue recovered. The end of the regime could also spark an exodus of younger people, thinning the population even more after years of emigration. Cuba is already the most aged country in the Americas.

Roads, public buildings and bridges are also deteriorating. Digital infrastructure is lacking, too. The banking sector is tiny, unstable and mostly owned by the regime. All this might deter foreign investors. If Mr Trump and the new government were to wait too long to fix such problems, investors could be frightened away. Trapped in a

cycle of underinvestment and low growth, Cuba could easily remain abysmally poor.

All this could mean minimal reward for the risks of any military intervention that would probably be required to eject the regime. So some elements of the regime may remain. Its record repels not just Cuban investors, but sensible non-ideological ones too. Even if neutered, it could revoke licences or fiddle with property rights. A newly installed, Trump-friendly leader could fall out with the United States in the future, risking new sanctions.

On March 16th the regime said it would allow Cubans living abroad to wholly own businesses in Cuba. *The Economist* could not find anyone planning to take up the offer. But one of Mr Trump's pals is game. On May 18th Ray Washburne, a Texan billionaire, offered to buy Sherritt (the firm later agreed). The president's rich friends will not be able to revive Cuba's devastated economy alone. ■

### Colombia's next president

## No miracles

BOGOTÁ

### Colombia's pivotal, polarised election could not be tighter

THE MEN dressed as tigers never stop screaming their support. On stage, framed by an inflatable claw and plumes of sparks, is Abelardo de la Espriella, the hard-right Colombian presidential candidate who dubs himself "El Tigre". Sporting a bulletproof vest and bouncing around behind bulletproof glass, he grins, salutes and bellows his catchphrase: "*Firme por la patria*" (strong for the homeland).

At the rallies of Iván Cepeda, the hard-left candidate, the standard prop is instead the pages of his speeches which, glasses

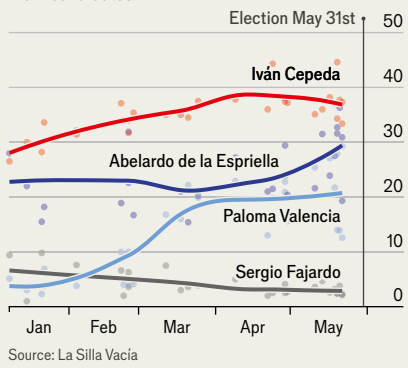
on, he carefully reads from. Paloma Valencia, the establishment centre-right candidate, is different again. "We represent the long road, the road of work, the road of knowledge," she says, "without magical realism or miracles."

*The Economist* has met all three main candidates. Any could yet be the next president. Mr Cepeda is on course to win the first round of voting on May 31st (see chart), but a run-off will surely be needed three weeks later. Polling for either hypothetical match-up is extremely tight. The stakes are unusually high. The election will signal whether the right-wing wave sweeping Latin America has crested. It will also test whether the traditional centre right can beat charismatic Trump-loving populism. Voters will be choosing between radically different visions, both for improving the economy and for stopping drug-traffickers in the country supplying two-thirds of the world's cocaine. Some even argue that democracy itself is at stake.

Colombia is one of the world's most unequal countries. For 60 years communist rebel groups attacked the state, and the army and paramilitary groups fought back. Both sides regularly killed civilians. In 2016 the government reached a hard-won peace agreement with the FARC, the largest rebel group. Then, in 2022, Gustavo Petro was elected as the country's first left-wing ►►

### Far from fifty

Colombia, voting intention in first round of presidential election, 2026, %  
Main candidates



► president. His leadership has been chaotic. He has damaged health care. His scheme of “Total Peace”—which entailed simultaneous negotiation with all remaining armed groups—has failed. The groups have expanded, cocaine production is at record highs and civilians are caught up in the violence more than at any time in the past decade, says the Red Cross, an NGO. Last year a presidential hopeful, Miguel Uribe Turbay, was assassinated.

The economy has beaten expectations, however. In 2025 *The Economist* ranked it fourth out of 36 mostly rich countries on a combined measure of growth, inflation, unemployment and the stockmarket. Since then Mr Petro has raised the already high minimum wage by 17% in real terms. Growth is consumption-led, investment is weak and the government heavily overspends as it bullies the central bank to lower interest rates. Still, jam today is popular: Mr Petro’s approval rating is near 50%.

This helps Mr Cepeda, a senator and Petro ally. In contrast to Mr Petro (who is constitutionally limited to a single four-year term), he is calm, disciplined and austere. His political inspiration is José Mujica, a former guerrilla who became president of Uruguay while continuing to drive a battered Volkswagen Beetle.

Mr Cepeda’s career has focused on uncovering abuses by state forces and pushing peace negotiations. His arch-nemesis is Alvaro Uribe, a right-wing former president who restored desperately needed order, but under whose presidency some 6,000 young men were killed by the army and falsely passed off as guerrillas. Mr Uribe claimed that he did not know. Government-linked paramilitaries assassinated Mr Cepeda’s father, a communist; the FARC killed Mr Uribe’s. The two men’s mutual loathing hangs over the campaign.

Mr Cepeda promises to continue with Total Peace, which he helped design, despite its failings. He will be more organised, but will probably be even warier of using force against rebel groups than Mr Petro. His economics alarms business. He wants to redistribute land using voluntary state purchases and seizures from drug gangs, to spend much more on welfare and to tilt government procurement in favour of smaller providers such as community kitchens. Fiscal concerns will be solved through higher taxes, personal austerity in office and fighting corruption, he says.

His rivals claim he threatens democracy. That is less clear. “We are not going to attack democracy,” he insists. He would be able to nominate two board members of the central bank. That might lead to an increase in inflation, but it is a constitutional right. He will probably be able to nominate only one judge to the Constitutional Court. Mr Cepeda has traditionally been “open to conciliation and debate”, notes



Some pretty cool votes rolling in

Laura Lizarazo of Control Risks, a consultancy. Indeed he has huge faith in dialogue and promises to convene one on Colombia’s big issues to reach a “national accord”. Mr Petro’s influence is a risk, however. The outgoing president has complained of a “soft coup” when courts and lawmakers blocked his plans; he is keen to change the constitution. Mr Cepeda has distanced himself from that, but not ruled it out.

Mr de la Espriella could hardly be more different. He is a former criminal-defence lawyer, now a businessman, with a mansion in Miami, perfect teeth and a macho style. During a recent TV appearance he showed a photo of himself in tight trousers, apparently, though hardly conclusively, displaying a large penis. “With that photo I won some pretty cool votes from the female electorate,” he said.

### Not just the sex

Another physical feature is more relevant to Mr de la Espriella’s appeal. His beard is carefully groomed in the unmistakable style of Nayib Bukele, El Salvador’s dictator, who has crushed gangs by detaining a staggering 8% of all young men in the country. The murder rate there has plummeted, winning him legions of fans across Latin America. Mr de la Espriella says Colombia is experiencing a “pandemic of insecurity”. He promises to build ten privately run mega-prisons in the jungle “in the style of President Bukele”. He says, “It will probably be necessary to use a state of exception,” a constitutional move to temporarily give the president and the armed forces far-reaching powers. Mass trials of gang members are a possibility, he says; longer periods of detention without trial may need looking at. He claims this would all be done legally. “I’m a democrat,” he insists. A prickly one. He has sued more than

100 journalists for defamation.

He claims he will reduce the size of the Colombian state by 40% in four years. He espouses free markets. Yet populism creeps in. He also promises to strong-arm banks into offering mortgages at rates of 2%, a fantastical proposition given they are around 17%. He says being a wealthy outsider makes him independent.

His past raises questions. He was legal counsel to Alex Saab, a close ally of Nicolás Maduro, the ousted former president of Venezuela. Mr Saab was recently charged with money-laundering and extradited to the United States. Mr de la Espriella also (unsuccessfully) defended David Murcia Guzmán, who ran a vast pyramid scheme and has been linked with former paramilitary figures. All this is just a product of his work as a defence lawyer, he responds. Some question his rapid ascent to wealth and allege illicit enrichment defending powerful criminals. He denies this.

Far from being an outsider, Ms Valencia is a senator and a former president’s granddaughter. She has a team of experienced politicians around her. While Mr Cepeda despises Mr Uribe, she recently told a rally: “Uribe is my father.” She would be Colombia’s first female president, but warns that “it is a very sexist country.” Outflanked by Mr de la Espriella, she has played for the centre, picking Juan Daniel Oviedo, an openly gay moderate who used to run the statistics agency, as her running-mate.

On security her right-wing instincts remain. “I’m not for conspiracy theories,” she says, but claims that Mr Cepeda’s persistence with the failing Total Peace is “no longer a mistake: it’s a plan”. Her own approach clearly echoes Mr Uribe’s. She opposes the peace deal struck in 2016 and wants a big accord with the United States to fight gangs. Some 30,000 new soldiers should not just fight gangsters and rebels, but maintain order more broadly. And she wants new prisons. She had wanted Mr Uribe as her defence minister. Yet even Mr Oviedo publicly disagreed with that and Mr Uribe eventually declined.

The state must shrink, she says, but fixing fiscal woes requires growth and that means tax cuts. She combines her free-marketery with a focus on the informal sector, “the real economy”, where more than half the people toil. She promises help with access to markets, building a credit history and creating co-operatives to allow bulk purchases. Education is another priority. Graduates from the state system “can’t read or write”, she says. “It’s very difficult to make common sense attractive when confronted with populism,” she complains. Colombian populism is “cinematic”.

Should she lose in the first round, Colombians will face perhaps the most polarised choice of any election in the world in recent memory. ■



# THE TELEGRAM

## *Centrists crying “Wolf!”*

*The right and the wrong way to beat populists who deny the existence of hard problems*



**A**N UNDEREXPLORED ASPECT of Aesop's fable, “The Shepherd's Boy and the Wolf”, is that there was a wolf. For moralists, this is a tale about lying. Three times a boy cries “Wolf!” and laughs at villagers who run to help. His screams are disbelieved when a real predator attacks his sheep. Woolly carnage ensues.

Read as a parable about national security, Aesop's fable is more complicated. True, the boy tells fibs. But his village clearly underinvested in its defences. No countermeasures are triggered by an actual attack, even as the urchin's shrieks are joined (readers assume) by the piteous bleats and gurgles of dying sheep. Instead, the wolf destroys the entire flock “at his leisure”, Aesop writes.

Tell Aesop's tale to modern presidents or prime ministers, and they might shudder with recognition. This is a ghastly moment to lead a liberal democracy. From Australia to Britain, France, Germany and beyond, centre-left and centre-right incumbents are breaking records for voter disapproval. At the same time, this despised cohort is confronted with huge problems that could, if left unsolved, lead to catastrophe.

Examples include the need to boost European defence budgets to deter aggression by Russia's wolfish president, Vladimir Putin. American allies in Asia and Europe must spend more to replace security previously provided by Uncle Sam. That is complicated by fears of over-reliance on superpower bullies. When buying new kit, governments must avoid dangerous dependencies on America, a country that limits supplies of scarce armaments and controls access to sensitive technologies when it sees fit.

As for China, that country has a record of weaponising its dominance of vital industries. Germany or Japan, for instance, will struggle to upgrade their armed forces in the teeth of Chinese opposition, as long as China controls exports of critical minerals and components. Similar fears apply to green technologies that are needed to slow climate change, another costly problem. Chinese firms so dominate the trade in solar panels, batteries, long-distance electricity-transmission kit and wind turbines, that there is, for now, no way to go green affordably and rapidly without China.

So far, so miserable for such objects of hooting derision as Britain's Sir Keir Starmer (approval rating 20%), France's Emmanuel

Macron (22% approval), Germany's Friedrich Merz (16% of voters “somewhat satisfied”). To that list can be added Anthony Albanese in Australia, whose centre-left coalition enjoys a mighty 41% approval. Unfortunately for centrists, his rival Pauline Hanson, the leader of the anti-immigration party One Nation, recently earned the approval of a majority of Australians for the first time.

Addressing big problems costs money, at a moment when some eloquent advocates of action (hello, Britain and France) are broke. Just as unhelpfully, centrists face populists claiming that hard problems need no fixing because they do not exist. Populists have long promised simple solutions to voters' grievances, whether that involves hard-right pledges to send unwanted foreigners packing, or leftist slogans about taxing billionaires. It turns out they have another superpower: wishing away policy trade-offs. In Aesopian terms, liberal democracies resemble villages belatedly realising that it was not smart to outsource their wolf surveillance to a serially dishonest child. But just as village leaders ponder burdensome, full-time predator patrols, noisy sceptics are urging neighbours to “reject the wolf hoax”.

Take the challenge of deterring Russia from attacking members of the European Union or NATO. Piffle, says the hard-right Alternative for Germany (AfD) party. Its co-leader, Alice Weidel, calls Ukraine a greater risk to Germany than Russia. AfD promises to “advocate for peace with Russia” and buy Russian gas. Jean-Luc Mélenchon, a hard-left dinosaur admired by many French youngsters, says France should return Russia to “the family of Europe”, leave NATO and—without explaining how this might work—stop using American defence and intelligence technologies.

Britain's surging Reform UK party promises to scrap “net-zero” policies crafted by previous Conservative and Labour governments to curb carbon emissions. (The Conservatives last year disavowed net-zero, too.) In Germany, the AfD opposes policies that claim to protect the climate. In Australia, One Nation questions the scientific evidence that man-made climate change exists. To explain why governments would plough on with costly and often unpopular green policies built atop an alleged hoax, One Nation offers a conspiracy theory: mainstream politicians are part of “a global movement” scheming to “use the excuse of reducing emissions” to control how people move around, eat, work and live.

### **Pick your battles, centrists**

The most convincing moderates admit that they cannot eliminate all risks or please all voters. They talk of focusing limited resources on urgent vulnerabilities. Complete independence from Chinese green tech is not possible, for instance. A senior EU official calls for Europe to control the most sensitive technologies, such as the interfaces that let data flow between an electric vehicle or a power grid and their manufacturers. Voters will not get all that they want: balance is all.

Less happily, some centrists try to rival populists in their alarmism. To overcome public inertia and rally voters behind expensive policies, they say that catastrophes are at hand. They declare that the world is in a “climate emergency”, or that Russia may attack Europe's eastern flank in “months”, as Poland's prime minister recently suggested. That is counterproductive if voters doubt leaders' warnings. The unenviable task of responsible politicians is to invest prudently today, to avoid potential disasters that will cost more to fix tomorrow. That requires hard choices and patient coalition-building. Yelling “Wolf!” will not solve the puzzle. ■

A close-up portrait of a woman with dark hair, looking upwards and to the right with a thoughtful expression. The background is a warm, textured brown. Floating around her head are several lines of colorful, stylized code snippets in white, green, and pink, including symbols like { }, < /, and !. The overall mood is one of intellectual pursuit and problem-solving.

# Keep thinking.



Claude

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## Asia



## South-East Asia

## Springtime for hard men

SINGAPORE

**Illiberal leaders in mainland South-East Asia are revamping their regimes**

**W**HEN VIETNAM'S president, To Lam, steps up to the microphone in Singapore on May 29th, he will have a spring in his step. Mr Lam is giving the keynote address at the Shangri-La Dialogue, a gabfest of defence ministers, military commanders and spy chiefs that takes place in the hotel of that name on the island each year. He will do so as Vietnam's most powerful leader in nearly four decades.

Mr Lam was re-elected as chief of Vietnam's Communist Party in January, and last month took the office of president for good measure. He is the first Vietnamese leader to be elected to both jobs for full terms since 1986. This has put beyond doubt Mr Lam's authority to pursue far-reaching reforms in Vietnam, and to run its foreign policy. It also makes him one of the most powerful leaders in South-East Asia. That is a change after decades of infighting in the top ranks of the party.

Mr Lam's consolidation of power is part

of a broader trend observable across the region once known as the Indochinese Peninsula but now referred to as "mainland" South-East Asia. From Vietnam in the east to Cambodia, Thailand and Myanmar in the west, South-East Asia's hard men are undertaking a process of regime renewal. To varying degrees, the changes are putting their rule on a firmer footing after years of challenge.

Cambodia was the first to do so. Its ruling Cambodian People's Party, which started life as a proxy of Vietnam's Communist Party, following an invasion in 1979, under-

took a generational transfer of power beginning in 2023. Hun Sen, prime minister since 1985, yielded office to his son, Hun Manet. At the same time, most of the older man's cabinet ministers handed their jobs to their sons as well. The belligerent former prime minister remains a powerful figure. But his milder-mannered progeny, who is more popular with the masses, fronts the regime. Border skirmishes against Thai forces that took place last year produced a nationalist fervour that has united the country behind Mr Manet.

#### A different kind of authoritarian

The border war has helped reinforce hardliners on the Thai side, too. In January Anutin Charnvirakul, Thailand's prime minister, rode a wave of nationalism to victory in a snap election—the first one to be won by conservatives this century. Unlike its neighbours, Thailand is not a one-party state. But the army and the monarchy have long resorted to coup-making or tricky rules in order to keep populists and liberals out of power. "What Thailand has now, that it has not had in the past, is political stability," says Thitinan Pongsudhirak of Chulalongkorn University in Bangkok. "And it has that because the conservative parties have finally won an election." The easy-going and personable Mr Anutin is electable in a way that the growling gener-

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als who came before him were not.

Signs of regime renewal can be seen even in Myanmar, which held a sham election over several weeks in December and January. The junta that seized power in a coup in 2021 banned from the polls any parties that did not back it, and voting could anyway not be held in the half of the country that the army has lost to rebel groups since its takeover. But the resulting reshuffle served a useful purpose for the military government, says Min Zin of the Institute for Strategy and Policy, a think-tank in Myanmar. It let Senior General Min Aung Hlaing ease out old foes and reward allies in the army by offering them roles in the new legislature and cabinet. Myanmar remains a violent mess, but its ruling generals have, like their neighbours, managed to forge themselves a new mandate of a sort. Each of these regimes seems more resilient than before.

But these governments each face a big short-term problem and a big long-term one. Whether their new-look authoritarian regimes are up to these challenges remains an open question. In the coming months, their leaders will be focused on the energy shock caused by America's war on Iran. The mainland South-East Asian countries have been hit hard. Shortages of fuel have led to long queues at the pump and higher electricity tariffs across the region. Moreover, these places are among the first agricultural economies to enter planting season since the closure of the Strait of Hormuz. Fields that lie fallow due to fertiliser shortages and costly petrol could lead to food scarcity later this year. Higher energy and food prices are a recipe for unrest.

The longer-term challenge for these countries is how to handle China. Mainland South-East Asia's economies have long been some of the most deeply enmeshed in China's supply chains. That gives their northern neighbour great leverage over them. (American bullying has not made things any easier: Indochina was singled out for particular punishment when Donald Trump hit all the world's countries with tariffs last year.)

### Two birds with one stone

There is a clear answer to both challenges: for the mainland economies to integrate more closely. Gas reserves and hydroelectricity from mighty rivers could replace much of the energy that the region imports from the Middle East. A reduction in non-tariff barriers would make it easier to trade with each other and help offset the pull of the Chinese market. Alas, politics between

these regimes is unruly even if politics within them is not. The simmering border conflict between Cambodia and Thailand and the civil war along Myanmar's borders are but the most violent obstacles. The state-centric and protectionist economic thinking that go hand in hand with authoritarianism in Myanmar and Vietnam are another. At a recent meeting of the leaders of ASEAN, South-East Asia's regional organisation, members talked yet again about ways to better integrate their energy markets, but after 15 years of discussion again came away without a deal.

Mr Lam of Vietnam seems alert to these

challenges. His reforms at home would boost the private sector, and he has argued for deeper integration amongst ASEAN members. He could help, too, to bridge the differences between Cambodia and Thailand. Mr Lam's party has long had good relations with Mr Manet's. Unusually for a Vietnamese party chief, the opera-loving former secret policeman has taken up diplomacy with vigour. He visited Cambodia right after his re-election. And on May 28th, he landed in Bangkok for talks with Mr Anutin. A successful peace mission would make Mr Lam the de facto leader of South-East Asia. ■

## Japan

# Curry crunch

TOKYO

Japan's beloved Indian restaurants are under threat

HIMALAYAN CARAVAN, a Nepalese-Indian restaurant in east Tokyo, has sat on its quiet street for two decades. Sanjay Sahani, its Nepalese owner, first came to Japan as a chef in 2006. His ¥850 (\$5) curry-and-naan set lunch draws a steady crowd, from office workers to pensioners. The neighbours and his regulars are like family, he says.

Mr Sahani is not unusual. Japan has little immigration—foreigners are just 3% of the population, compared with 15% across the OECD—yet Indian restaurants are everywhere. The country has between 4,000 and 5,000 of them, more than it has McDonald's outlets, despite having only 59,000 Indian residents. Most are owned and staffed by Nepalese

immigrants, who number around 300,000. Now they are in trouble. As Japanese politics turns against immigration, the government has tightened rules for the “business management” visa on which most foreign restaurateurs depend. The intended target lies elsewhere. Yet the humble curry house has become a casualty.

In recent years officials have grown suspicious that some foreigners, often rich Chinese, have used shell companies to secure visas. In October the government raised the visa's minimum capital requirement from ¥5m (\$31,500) to ¥30m (\$188,000). It also required applicants to employ at least one full-time Japanese worker or permanent resident. Existing holders have a three-year grace period.

The effects have been dramatic. Applications for the visa have fallen by 96%. According to the internal-affairs ministry, fewer than 9% of Japanese firms hold ¥30m or more in capital. The new threshold is therefore beyond the reach of most curry houses. The staffing rule is no kinder. “Even Japanese firms cannot find Japanese workers. How are we supposed to?” says Anju Khatri, 32, another Nepalese restaurant owner. She has a point. Walk into a local shop in Tokyo these days and you are as likely to be served by a worker from South-East Asia as by a Japanese cashier.

The broader loss would be cultural as well as economic. Immigrant cooks are part of what gives Tokyo its culinary range. If Indian, Thai, Vietnamese and other immigrant-run restaurants disappear, salarymen will lose some favourite lunch options. Naan would want that.



Get it while you can

**Correction** Our May 14th Briefing on Indonesia quoted its finance minister discussing a scenario where oil prices rise to \$200 per barrel. In fact, he was referring to a contingency of \$100 per barrel. We apologise for the mistake, which was due to an error in transcription.

## Indonesia

## Taking back control

SINGAPORE

Indonesia's erratic president grabs the country's commodity exports

PRESENTATION TO parliament on fiscal policy might seem like a dry affair meant for bean-counters. Yet this year's address in Indonesia generated high drama. In an unprecedented intervention, Prabowo Subianto, the president, took to the podium. But instead of reassuring markets that his administration had heard their concerns—especially over the rupiah, now at an all-time low, he launched into a defiant broadside. “We no longer want to be a victim and endure unfair treatment of other countries to our nation,” he bellowed. “I am here to say: it has to come to an end.”

Mr Prabowo's main pronouncement was over the creation of Danantara Sumberdaya Indonesia (DSI), a new state-owned agency under Danantara, his sovereign-wealth fund. Citing Indonesia's persistently low tax-to-GDP ratio, Mr Prabowo gave DSI the task of quashing practices that let Indonesian resource-extraction firms pay less in tax. These include selling underpriced commodities to affiliates in Singapore, which are then resold to the rest of the world at a mark-up. Mr Prabowo claimed that systematic under-invoicing had cost the country over \$900bn since the 1990s. To stop this, DSI will act as the sole buyer from Indonesian commodity producers, selling their wares to global customers. It will initially cover coal, palm oil and certain nickel products—for all of which Indonesia is the world's largest ex-

porter. In addition, 100% of foreign-exchange proceeds must now be deposited into state-owned banks, in an effort to prop up the rupiah against the dollar.

It is a vast undertaking, though its precise scope is as yet unclear. A modest version of DSI could amount to merely an extra step added to Indonesia's bureaucratic thicket. But at its most ambitious, DSI could transform Indonesia's economy. Bureaucracy could slow and distort the flow of exports, on which Indonesia relies to raise revenue. Nor is it clear how DSI will handle existing long-term contracts. Rather than increasing Indonesia's tax take, DSI could end up cutting it, as S&P, a rating agency, warned last week.

The abrupt, seemingly half-baked scheme has raised hackles among Indonesia's businesspeople. Stocks of resource companies have been sold off for fear that DSI will squeeze margins. Officials have tried to calm nerves. “We will respect all existing contracts,” said one. “We are listening to the market,” said another. There have also been early signs of backpedalling. American firms have already been exempted from the state-owned bank foreign-exchange retention rule.

But Mr Prabowo's resource nationalism has grown ever more aggressive. He has already nationalised millions of hectares of forest land for alleged regulatory violations and compelled oligarchs to stump up \$3bn to buy low-paying “patriot bonds”. In his speech he rejected “neoliberal capitalism”, which he said does not feature in the constitution. Such thinking could augur a deep shift in the relationship between the state and private business. Mr Prabowo may have hoped to show bold initiative. Instead he has deepened a sense of crisis in a country where the policymaking process is going off the rails. ■

## Asia's Muslims

## Pilgrims' progress

SINGAPORE AND DHAKA

War has not deterred Asian Muslims from the hajj

YOU NEED a lifetime to prepare for a once-in-a-lifetime opportunity, says Zahir Junid, a 57-year-old from Selangor, in western Malaysia. He has been saving for decades. Recently he has been getting fitter, by running and playing pickleball, and keeping sharp by attending talks at mosques. So when, a few months ago, he at last secured a spot on the *hajj*, he knew nothing would stop him from undertaking the pilgrimage to Mecca. Not even a war.

In recent months Iran has fired missiles and drones towards countries in the Gulf, including Saudi Arabia. Travel to the region has been disrupted. It has also become more expensive, as jet-fuel prices have soared. Yet around 1.7m pilgrims are taking part in this year's *hajj*, of whom the majority will travel from Asia. On May 25th they began five days of rituals that have changed little for centuries. These include the *tawaf*—walking seven times anticlockwise around the *Kaaba*, a building at the centre of Mecca's Grand Mosque—and the *sa'i*, walking or running seven times between two hills.

Demand for the *hajj* remains high because it is one of the five “pillars” of Islam. The Koran instructs all Muslims to complete it once if they are financially and physically able. Some countries, such as Malaysia and Indonesia, always easily use up the annual quota of visas that Saudi Arabia grants them. Around 5.7m Indonesians are on a waiting list, but the world's biggest Muslim-majority country gets only 220,000 places. Some wait 40 years to be selected. If they are still alive when their turn comes, they are unlikely to decline it.

Saudi Arabia is reported to have asked Donald Trump to delay any new strikes on Iran until after the *hajj*. This year some pilgrims have had to fly via alternative routes; there remains some worry that if fresh conflict were to close airspace in the region, many of them would get stuck there. The very devout are the least likely to worry. “If people die during *hajj*, they think they will get into heaven as a reward,” says Hussein Ahmed, who runs an Islamic tour company in Bangladesh.

“We see more police and army,” says a tour guide in Mecca, but otherwise “everything is normal”. There will be little discussion of the war; Saudi Arabia has formally banned political and sectarian slogans and stressed that the gathering is “dedicated to worship”. It is expecting to welcome ►►



Now under state control



## ASHOKA

### *Pay taxes, get lectures*

*Narendra Modi gives India's elite a taste of the bad old days*

ON AT LEAST one day this month, Delhi's chief minister rode the metro, a high court judge in central India cycled to work, a politician in Kashmir hailed a horse-drawn carriage and the leader of Bihar walked the entire 500 or so metres to his office. The elected head of Maharashtra, India's richest state, made perhaps the biggest sacrifice of all. He flew economy.

State leaders were heeding Narendra Modi's call for austerity. Energy supplies are disrupted and the rupee has nose-dived since Donald Trump embarked on his war in the Middle East. Yet it took two full months for India to enact emergency measures or allow fuel prices to rise (just a bit). Instead, in a speech on May 10th the prime minister listed seven things Indians could do to help. Work from home, he said. Use less fuel. Avoid foreign trips. Buy Indian goods. Defer gold purchases. Consume less edible oil. And of course, avoid using fertilisers. Linking all these is the need to conserve precious dollars.

This is bad economics; better to let prices determine demand, with support for the poorest. It is worse politics. With the exception of buying gold, which all Indians do, and shunning fertilisers, which only organic farmers do, the message was plainly directed at India's elite. They are the only people who have ever needed to find the unmute button on Zoom. They are the only ones who can afford foreign holidays or the fuel guzzled by their thirsty SUVs. They are a patriotic bunch. They support Mr Modi. They are fed up.

The word "elite" is deceptive. It represents a vast swathe of society, from marketing types in Mumbai to public servants in Delhi and from petty businessmen in Kolkata to IT workers in



Bangalore. Many think of themselves as middle-class. Along with their billionaire compatriots, they make up the 28m people who paid personal income tax in 2024, the last year for which data are available. That is 2% of the population, 5% of the labour force and 10% of households. Whichever way you cut it, it is a thin slice.

What do these people get for their money? Not health or education. No one from this class would dream of sending their children to a state school (nor would their cooks and drivers). Not decent public transport, which Mr Modi blithely advises them to use. Not even clean air. They watch as politicians fall over themselves to hand out free money every election season in what has become a cross-party consensus on legalised vote-buying. The elite puts up with all this. The compact is that in return the government will provide economic growth, national pride and international respect.

The elite voted for Mr Modi's promise of *achche din*—better days. In the old days, the words "foreign exchange" were always prefixed with "scarce". In the old days,

possession of a duty-free Toblerone bestowed prestige upon its owner. In the old days buying a car, or even a scooter, entailed getting on a months-long waiting list. The point of the Modi government was to leave the old days behind. The prime minister's speech was a reminder that the past is never past.

Today's elites have more sophisticated tastes. But fulfilling their desires is getting harder. Graduate unemployment is high. Inflation is rising. And now the elite are being asked to forgo the very things that the new India was supposed to grant them.

Mr Modi likes to present himself not just as a national leader, but as a national father-figure. In 2015 he called on well-off citizens to relinquish cooking-gas subsidies voluntarily so that the deserving poor could benefit. Some 10m enthusiastically answered his call within the first year. But elites have no moral obligation to help the government plug its current-account deficit.

A few days after Mr Modi's appeal, CNBC-TV18, a media outlet, reported that the "highest levels" of government were thinking about levying a surcharge on foreign travel. The outcry was immediate. It took only a few hours for the highest levels to respond: "This is totally false. Not an iota of truth in this," Mr Modi posted on X from Abu Dhabi, the first stop on a five-nation tour. The government had in similarly robust terms denied reports of fuel-price jumps a few weeks before it allowed them to rise. Elites are not fools. They understand that their votes make no difference. But their taxes do. And they are no longer in any mood to suffer for the country.

This is our new Ashoka column, devoted exclusively to India, which replaces the Banyan column.

▶ 30,000 Iranians. Absar Uddin, a Bangladeshi businessman on the *hajj*, has found it "hard to tell who is Iranian" anyway, as "thousands of people are praying together" dressed in the same white garments.

Some countries have offered pilgrims extra help meeting the costs of travel during the war. Indonesia's government has reportedly allocated 1.8trn rupiah (\$100m) from the state budget to cover additional expenses. Other pilgrims must stump up themselves. An Indian government body

that organises pilgrimages is charging an extra 10,000 rupees (\$105) because of the "situation in the Middle East". This is lower than an amount requested by Indian airlines, but still a fortune for many.

Yet even before recent hostilities began, many Asian pilgrims were having to make peace with rising prices. Mr Junid says middle-class Malaysians who could have paid for the trip a few years ago now struggle to do so. Mr Ahmed says that in 2019 a package cost around 300,000 Bangladesh

takas (\$2,440); by this year it had risen to 600,000. Few salaries have doubled in that time. This is in part because flights have become more expensive since the pandemic. In several Asian countries inflation has also surged and currencies have depreciated. Saudi Arabia has knocked down old, cheaper accommodation as it has built new, swanky hotels in Mecca. "*Hajjis* are happier with the facilities," says Mr Ahmed, but "*hajj* is now affordable only for the rich." ■

# China



## Solar power

# Dimming prospects

BEIJING

**China's world-beating industry is in turmoil**

AS AMERICA'S WAR on Iran roils energy markets, China's clean-energy companies would be expected to be cashing in. The country makes over 80% of the world's solar panels, churning them out in vast quantities. Thanks to such efforts, renewable sources generated more electricity than coal last year around the world. Yet China's solar industry, though world-beating, is in trouble. And the boost from the war has not been enough to steady it.

China's solar exports have enjoyed a surge since the bombing began. But that will be small cheer to its companies, as they face three daunting problems. Domestic demand for their products is falling for the first time in decades because the country's power grids—far and away the biggest market for solar panels—have become overloaded with the things. Solar-

panel supply, meanwhile, is overabundant because of years of splashy investment in factories. And even while the war is helping solar sales in South-East Asia and Africa, protectionism has been on the rise in the bigger Western markets.

These problems converge at an ugly time. Most companies have been running at a loss since 2024 because of brutal price wars; bankruptcies are mounting. After experiencing blistering growth, the world's solar factory now faces a reckoning.

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Globally, the solar industry has not always been kind to investors. One solar panel is much like another, and when improvements are made by one producer, they are rapidly copied by competitors. So companies typically try to scale up production as quickly as possible in order to seize market share. That means production can race far ahead of demand, causing margins to collapse. This tendency led to a lurching downturn in revenues in 2018, for instance, followed by a rebound after demand caught up.

## Solar wastes

But the current slump is of a different order. The main market for solar panels has always been within China, and roll-out has been so fast in recent years that it is outpacing the ability of the power grids to absorb it. All across the country, roofs, hills and deserts are carpeted with dark grey silicon. To keep the lights on, China has in the past relied on coal-fired power, which can be turned on and off as needed. Solar panels work only in daylight, which can lead to power shortages at night and excesses during the day. As a result, in January and February about 9% of China's solar generation was wasted, up from 6% in the





▶ same period last year.

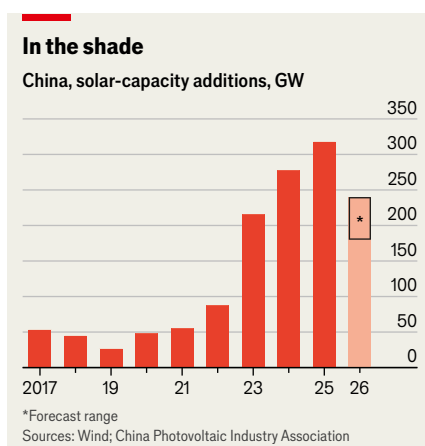
That all makes it hard to justify adding much more. Installations this year could fall by between 24% and 43% from 2025, according to an industry group (see chart). That would be enough to cause global demand for solar panels to fall in 2026 for the first time in two decades, says BloombergNEF, a consultancy. For China's grids to cope, it needs to be able to store excess solar power or move it long distances to where it might be needed. That requires big investments in batteries and power lines, as well as figuring out flexible market mechanisms to co-ordinate everything (in some regions long-term contracts for coal-fired power lock out renewables even though they are cheaper). All this is happening, helped by the fact that batteries, like solar panels, are becoming much cheaper as production of them increases. But it takes time. That means that even if solar installations start rising again next year, growth will probably be much slower than before.

Meanwhile China's solar companies are struggling with a glut of supply. Frenzied investment has left them able to produce over 1,000 gigawatts (GW) of solar panels in a year. That is far more than the already whopping 600GW that were installed worldwide in 2025 and probably more than the global market will ever be able to soak up, reckons Jenny Chase of BloombergNEF, who notes: "We're running out of big countries that don't already have a lot of solar at this point."

### Floors and flaws

Solar manufacturers have been calling for "self-discipline" to ease overcapacity. Last year some tried to co-ordinate production quotas and set floors for the price of panels. It has proved hard, however, for them to work together. Only weeks after the agreement was in place one firm was publicly castigated for breaking it. Then in January officials said they were concerned that the group could become a cartel.

Officials are also keen to trim the bloat, however, which is also a problem in China's other clean-energy industries. The government once lavished support on solar manufacturers in all sorts of ways, from access to cheap land to interest-free loans. Now it has largely stepped back. Since June last year new solar projects have had to sell power at market prices rather than enjoying guaranteed feed-in tariffs. And a big reason for the export surge in March was that companies were cramming in shipments before April 1st, when they would stop enjoying a tax refund on exports. In recent months some Chinese local governments have even started demanding that solar companies return millions of yuan in subsidies, preferring to see them go bankrupt rather than continue to



prop up failing companies.

Geopolitics, meanwhile, could bring more clouds over the horizon. Cheap Chinese solar panels have been a victim of their own success, sparking protectionist backlashes both in Western countries and in China's neighbours, including India. Since 2022 America has imposed tight restrictions on imports, as well as hefty tariffs on the shipments that it does allow to get through. Some also worry that Chinese-made equipment in their power infrastructure could pose a security risk. In May the European Union said it would phase out Chinese suppliers of inverters, a vital piece of solar equipment, in EU-funded projects. Some Chinese companies are trying to outsource production abroad to avoid such political headaches.

It all makes for a gloomy outlook. Already, more than 40 Chinese solar firms have gone bankrupt, been acquired or delisted from stock exchanges since 2024. One-third of the workforce of the country's five biggest solar-industry firms has been laid off, according to Reuters, a news agency. But the biggest wave of consolidation has yet to break, says Jessica Jin of S&P Global, a research firm. Solar-panel prices have nudged up in recent months, but the panels still sell at less than their average production costs. The share prices of LONGi Green Energy Technology, Tongwei, Jingko Solar and Trina Solar, the biggest producers, are all hovering well below half their peaks of a few years ago.

Could anything bring back solar's brightest days? It would certainly help if countries lifted their trade barriers to Chinese goods. And another lifeline for China's industry might be the commercialisation of technologies that dramatically increase solar panels' efficiency. These days most convert 22-24% of the light that falls on them into electricity; more advanced kinds of solar cells called perovskites could push that rate above 30% as well as, in theory, being cheaper to produce. The question is just how many of China's solar firms will survive to witness such advances. ■

### A deadly coalmine disaster

## The dark side

BEIJING

### Much low-paid work remains unsafe

IT WAS LIKE the bad old days. In China's worst mining accident since 2009, a gas explosion ripped through a coalmine in Shanxi province on May 22nd. Television showed scenes of injured coalminers in hospitals, and rescue efforts hampered by maps that omitted hidden tunnels. The blast at the Liushenyu mine killed 82 workers, injured 128 and left two missing. Stories of fathers and sons lost mining the coking coal used to make steel for the country's skyscrapers and cars were a reminder that even as China conquers new technologies, millions of its people still depend on older, more dangerous industries.

Confronted with an accident, many officials' instinctive response is to cover it up. But after this one, state media have reported in surprising detail on a litany of safety violations. President Xi Jinping called for a probe into what went wrong, punishment of those to blame and improved safety.

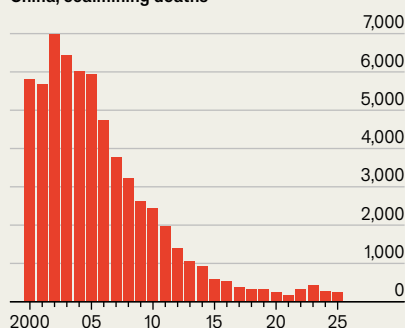
State media reported that, besides its hidden tunnels, the Liushenyu mine had other problems that slowed rescue efforts: it had illegal subcontractors and more than 100 miners without location trackers. Xinhua also alleged that Shanxi Tongzhou Coal Coking Group operates the mine with "yin-yang" blueprints: one map to show inspectors and another that includes illegal, unrecorded and untaxed production. In 2023, regulators launched a campaign to eliminate hidden workforces, ▶▶



In deep trouble

## The black stuff

China, coalmining deaths



Source: National statistics

which, after this disaster, Xinhua likened to “invisible bombs planted inside a mine’s safety system”. The mine was fined last year for illegal production but only 124 of the 247 miners underground at the time of the explosion were registered. And despite being a “high-gas mine” at greater risk of explosions, no gas monitors were installed in hidden tunnels, according to a state radio broadcaster.

China is intent on dominating the industries of the future but this was the second disaster in a month to recall its lethally accident-prone industrial past. On May 4th 37 workers were killed by an explosion at a fireworks factory in Liuyang, Hunan, China’s “fireworks capital”, which was boosting output ahead of America’s July 4th celebration. On May 27th Hunan province launched a campaign against illegal fireworks production.

The mine explosion also highlights regional inequality, as some provinces speed ahead of those still reliant on dirtier industries. Shanxi’s coal production grew as China’s economy opened and demand shot up, with the profits driving illegal mining in its mountains. A poor province, it still has many who make a living underground, despite the known dangers. “When you’ve hit rock bottom, go down a coalmine,” runs one local saying. The 2000s saw a string of accidents, with a particularly deadly one in 2008 claiming 277 lives. That prompted reform and the closure of many of the dodgiest operators. Mining deaths fell from nearly 6,000 in 2000 to around 250 last year (see chart). But even that rate—about 0.05 deaths per million tonnes of coal mined—is considerably higher than in American or Australian coalmining.

The daughter of a miner who worked an earlier shift at the Liushenyu mine that day wrote on social media that she hoped people would see her province’s “predicament and helplessness”. Her father was safe but he knew many of those who were killed, she wrote. “The children of Shanxi shouldn’t only have the path of going down a coalmine.” ■

## Film-making

# Back in its cage

Why is the public outraged by a film that censors endorsed?

THE ROUTE to Chinese cinema screens is a rocky one for film-makers. Twitchy censors are quick to pounce on works that fail to promote “positive energy”. To placate them, directors usually avoid plots dwelling on social maladies. But a movie that was due to be released at the end of May, “Her Heart Beats in its Cage”, has met an unexpected hurdle: an explosion of online outrage demanding that it be banned. Officials who had greenlighted the docudrama about domestic abuse have scrambled to block it. Normally this kind of drastic censorship would reveal the Communist Party’s anxieties. This time it says more about those of Chinese society.

The director, Qin Xiaoyu, had done well to get the film this far. Its topic is grim: the protagonist is a woman who was sentenced to 15 years in prison for killing her husband during a dispute at home. It portrays her attempts to re-establish trust with her son and mother-in-law. After the film won an award at Spain’s San Sebastian Film Festival in September last year, state media reported on it glowingly. A newspaper controlled by the Communist Youth League said it showed “a woman’s self-reliance and growth in adversity, while also conveying the warm power of humanity”.

This month, however, netizens spotted a seeming flaw. They found that

court documents relating to the verdict, which was delivered in 2009 and upheld the next year, did not cite marital abuse as a mitigating factor in the crime. Numerous commentators said the killer, Zhao Xiaohong, was simply a murderer—how dare the film-makers portray her as a victim? Their anger was fuelled by the casting: Ms Zhao, her son and mother-in-law play themselves. Had the grieving mother of the deceased been lured into feigning forgiveness?

Fair questions, perhaps. Chinese propaganda is full of distortion and deception. Braver netizens sometimes poke at these flaws. But many of the hundreds of thousands of online comments (posts with hashtags relating to the film gained nearly 1bn views) suggested a deeper angst. They reflected a touchy nationalism, with the film’s critics portraying it as part of a Western plot to undermine party rule by spreading liberal, pro-feminist values (for which Ms Zhao’s best-main-actor award in Spain was evidence). They echoed the battle cries of China’s large and easily riled online manosphere.

In Shanghai, where the film was produced, the authorities quickly caved in to the pressure and banned it. According to state media, Ms Zhao’s social-media accounts have been blocked. Thin-skinned netizens can relax.



Be still, my beating heart



## CHAGUAN

### *The triumph of China's thin diplomacy*

*It asks little of its foreign "partners", and gives little back*



THE LAST time Xi Jinping left China was in late October. Since then the world has come to him: a dozen heads of state have visited China. The foreign ministry's protocol department has handled it flawlessly, setting up grand receptions for its visitors, lining up soldiers and schoolchildren to greet them, and flying their national flags beside China's on important boulevards.

The symbolism is not lost on anyone. A world adrift from its American anchor is looking to China. Even Donald Trump wants to work with it. China, meanwhile, has displayed remarkable dexterity. In May it has welcomed—in rapid succession—Iran's foreign minister, Mr Trump, Vladimir Putin and Pakistan's prime minister. Mr Xi's trip in October was to South Korea; his next, expected soon, may be to North Korea. No other country has such ready access to leaders across such stark dividing lines.

What explains China's ability to connect with so many? The two obvious answers are its own economic clout and the Trumpian chaos making it more attractive. But those forces explain the demand for China's attention; they do not explain why China is so effective at converting it into relationships. For that, there is something else: China's unrelentingly thin approach to diplomacy. It desires partners, not allies. This crucial difference enables breadth while minimising depth in foreign involvements. China's main requests of its partners are to say nothing about its internal affairs and do nothing to hinder its pursuit of its core interests. The corollary is that it offers less in return, a parsimony that reveals the narrower logic of China's global ambitions.

These are partnerships-lite. Only North Korea is a formal military ally. But, according to Ketian Zhang of George Mason University, China classifies 109 countries as partners. The list features odd bedfellows: Ukraine and Russia; India and Pakistan; Israel and Palestine; Iran and Saudi Arabia. The list will lengthen. Scholars say expansion is inevitable as the country rises. Even places that have territorial disputes with China are welcome. It is, in effect, creating the world's least exclusive club, but one that still offers a sense of closeness and pomp on visits to Beijing.

Flattery is powerful, especially for countries used to getting lectures from America or Europe. In Chinese terminology, there is

a clear hierarchy: "all-weather strategic" partnerships with countries like Pakistan and Ethiopia outrank "co-operative" partnerships with, for example, Finland and Belgium.

Few foreign officials are bothered by these linguistic nuances. One Western diplomat likens it to a "word salad" that pleases China at no real cost. Indeed, countries sometimes drop the language of partnership, as both Canada and India did during stormy days with China, only to pick it up again as relations improve. China, for its part, never downgrades its partners. Instead, it waits for them to see their errors, sometimes helping the process by refusing to buy their wine, beef or timber. And the framing of partnership bakes in China's preference for handling such contention. Disputes ought to be managed bilaterally and behind closed doors—which happens to suit China, as much the stronger party in almost all of its bilateral relationships.

The hierarchy of partnerships reflects what China most wants from other governments. Its main interests are parochial, unless you are on the wrong side. To become an upper-echelon partner, foreign leaders must usually take a few points as given: that Taiwan belongs to the People's Republic; or that China's iron fist in Xinjiang, Tibet and Hong Kong is fully justified, for example.

This is in essence what China means in imposing "non-interference" as a core value in foreign policy. It should be allowed to do as it pleases, free of criticism, within its self-defined territorial remit (or where convenient, to quietly shelve the disagreement). Increasingly, there is also an economic dimension: that other countries should keep their doors open to Chinese exports and investments, even when their domestic companies are suffering. If alliances are traditionally a way for countries to magnify their clout, China's partnerships are more conservative, aimed at stopping others from checking its power.

#### Close your eyes, free your mind

It is easy to see how countries seeking Chinese favour can endorse its language. Little else is imposed upon them. Yet that also constrains what partners get in return: formal military support is not on the table. The downfalls of Nicolás Maduro and Ali Khamenei this year underlined the limits to China's backing. Close partnerships offered economic ties but no shield against American might.

Russia is another example. On several occasions its officials, including Mr Putin, have referred to China as an ally. China has steadfastly avoided such language. The closest it came was a joint declaration of "no limits" friendship in 2022, just before Russia invaded Ukraine. The partnership has enabled Russia's war. China exports "dual-use" goods needed by Russia's armed forces and imports its oil and gas. But in private Chinese officials insist, with reason, that if China truly threw its weight behind Russia, the war would be going far better for it. Mr Putin's frequent supplications to China's leadership suggest he wants even more support.

China is not about to call America a partner just yet, not least because most in Washington would balk. Mr Xi did, however, persuade Mr Trump to sign up to new terminology during his recent visit to Beijing. The two superpowers are now engaged in a "constructive relationship of strategic stability". This confers no obligation on America but it means China has defined how things should proceed: any conflict is manageable and America ought to refrain from meddling in its internal affairs. If America sticks to the script, it might even be on the partnership track. That would be the crowning triumph of China's thin diplomacy. ■

## Middle East & Africa



### Ethiopia

## The new emperor

### Abiy Ahmed dreams of remaking his country in his image

A SHEAF OF wheat can have many meanings. For Ethiopia's Prosperity Party, which chose one as its campaign logo ahead of polls scheduled for June 1st, it is a symbol of national unity: stalks entwined like the country's many ethnic groups. More than that, it is an emblem of Ethiopia's progress towards "food sovereignty", explained the mayor of Addis Ababa, the capital, at a recent rally. No longer should Ethiopians beg foreigners for aid, she said: "We produce wheat ourselves and have become self-sufficient." If once Ethiopia was a byword for famine, now it was rapidly becoming a "model nation", she claimed.

Such grandiose words have become the stock-in-trade of Ethiopian officials under Abiy Ahmed, the prime minister. To Mr Abiy's allies, he is a visionary leader who has laid the foundations for a united,

prosperous Ethiopia strong enough to reclaim what they believe to be its rightful place as the undisputed hegemon on the African side of the Red Sea. To his critics, he is an autocrat who stokes division at home and threatens to foment chaos abroad. What is clear is that few leaders in Africa today have such exalted visions for national development. "Nothing", Mr Abiy recently declared, "can stop us."

When protests forced his predecessor

to resign in 2018, few expected Mr Abiy, then in his early 40s and little known, to last long. Yet he has spent those years in single-minded pursuit of his goals. He has seen off protests and ethnic rebellions and, in the northern region of Tigray, prosecuted a civil war that nearly forced him from power and left perhaps half a million dead. In flawed elections in 2021 the ruling party—a personalised vehicle for Mr Abiy's brand of prosperity-gospel-infused politics—won nearly all contested seats. When he goes up for re-election next week he will face even less competition.

Much of Mr Abiy's vision for Ethiopia depends on economic success. He has taken steps to liberalise the economy by floating the currency and opening industries such as banking and telecoms to foreign investment. He has given Addis Ababa a facelift, razing much of its historic centre to make way for luxury apartments, hotels, parks and cycle lanes, and broken ground on grand projects, including a new airport that is set to be Africa's biggest. In 2025 he struck a deal with Aliko Dangote, a Nigerian tycoon, to build a giant fertiliser plant worth more than \$4bn.

By some estimates, the ambition is paying off. The IMF expects Ethiopia's econ- ►►

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► omy to grow by 9.2% in 2026, less than the government prediction of 10.2%, but still more than double the sub-Saharan African average (and probably an optimistic estimate given the quality of government statistics). Exports are projected to reach \$17.5bn, an increase of nearly 50% since 2024. In February annual inflation fell to 9.7%, down from 15% in 2025. Government revenues have risen sharply, as have—to a less dramatic degree—foreign-exchange reserves. Kristalina Georgieva, the IMF's boss, hails Ethiopia's "impressive progress" on its economic agenda.

Eventually, Mr Abiy hopes Ethiopia will achieve what he calls national "sovereignty", by which he means an economy less exposed to outside pressures. He wants to replace 96 essential imports with local substitutes to make Ethiopia more self-sufficient and end what he calls Ethiopia's "culture of begging" for foreign aid.

Yet that future still looks some way off. Foreign direct investment (FDI) remains anaemic, despite attempts to woo investors. Manufacturing, which made strides under Mr Abiy's predecessors, is in the doldrums; its share of GDP has fallen by a third since he took office. It does not help that Mr Abiy frequently touts statistics that leave experts scratching their heads. "I don't even look at them any more—they're just so made up," says a weary Western aid official. The government recently told donors it no longer needs their help in responding to humanitarian crises, but official figures belie that claim. The World Bank reckons the share of the population living on \$3 a day or less hit 43% last year, up from 33% a decade ago. The UN's World Food Programme says some 7m people are in urgent need of food aid. Hundreds of thousands of young Ethiopians, seeing little prospect for the future, leave each year.

The Gulf war will probably stymie Mr Abiy's growth plans further. Ethiopia imports 97% of its fuel from the Middle East; the closure of the Strait of Hormuz since March has recently caused two-day queues for diesel in Addis Ababa. Aid workers increasingly worry that shortages of fertiliser, much of which also comes from the Gulf, will exacerbate hunger.

Yet the biggest threat to Mr Abiy's economic vision is his political one. The prime minister says he is uniting Ethiopians. In practice, that has meant concentrating power. Subsidies from the federal government to Ethiopia's states were 60% of the national budget in 2018; by 2026 that had shrunk to 20%. Large parts of the state apparatus and state-run economy are under Mr Abiy's thumb. This includes the sovereign wealth fund set up in 2021 and, more recently, a security "task-force" charged with overseeing the upcoming election.

Mr Abiy has been accused of favouring the Oromo, his own ethnic group, the

country's largest. The heads of the army, air force and federal police are Oromo, as is Addis Ababa's mayor. Economic power seems to be shifting their way. One prominent Oromo opposition figure concedes that the government has been focused on uplifting Oromos more than other groups.

That risks undermining the very control Mr Abiy seeks to achieve. Increasingly, Ethiopians of all stripes—not just the Tigrayans who waged war against the federal government between 2020 and 2022—resent Mr Abiy for amassing too much power. In Amhara, the second-biggest region, an insurgency launched against the federal government in 2023 is escalating. Before Mr Abiy took power Ethiopia was an autocratic but largely stable country. Today large swathes of it are beyond the government's control and off limits to investors, both local and foreign—one reason for the disappointing FDI figures.

Beyond Ethiopia's borders, Mr Abiy's mission is riven by similar contradictions. In the Horn of Africa he casts himself as an architect of regional stability and integration. But he dreams of restoring Ethiopia's direct access to the sea, which it lost when Eritrea, its much smaller neighbour to the north, seceded in 1993. Though in public his officials insist they respect their neighbour's territorial integrity and sovereignty, in private they question the legal basis for its independence. Many Eritreans understandably fear that Mr Abiy's ultimate goal is to revive the old Ethiopian empire, by annexing their country and making Ethiopia a naval power on the Red Sea.

### A coronation beckons

None of this will stop Mr Abiy from being re-elected. In 64 of 509 election districts outside Tigray, only candidates for the Prosperity Party are standing. The Tigray People's Liberation Front (TPLF), which dominated national politics for nearly three decades before Mr Abiy's ascent, has been outlawed. No voting at all will take place in Tigray, home to around 6% of the population. "What Abiy did is he killed politics," says an Ethiopian analyst.

But politics could yet roar back to life. Mr Abiy's ambition to reconfigure the Horn of Africa means a conflict with Eritrea is all too plausible. Ethiopia's recent meddling in the civil war in neighbouring Sudan makes it more likely, because its support for the rebel Rapid Support Forces may push Sudan's army to join forces with Eritrea and Mr Abiy's domestic opponents. A peace Mr Abiy signed with the TPLF in 2022 is hanging by a thread. And a prolonged spell of high energy prices risks eating up Ethiopia's foreign reserves at a time when it cannot afford another balance-of-payments crisis. "Until the election, we are safe," says a prominent Ethiopian journalist. "After that, who knows?" ■

## Ebola

# A viral nightmare

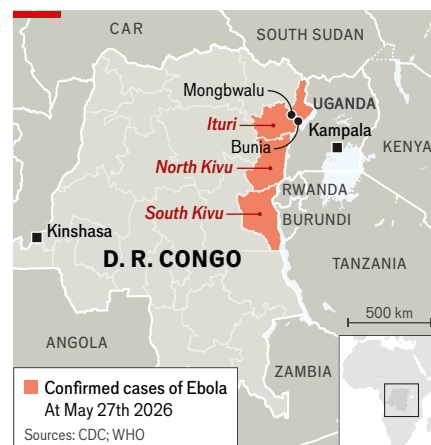
KINSHASA

**Congo's response to the disease is late and chaotic**

TO GRASP HOW hard it is to tackle Ebola in Ituri, the province in eastern Congo that is at the centre of the worst outbreak of the virus since 2018, consider recent events in the town of Mongbwalu. On May 24th young men attacked the local hospital four times in an effort to retrieve the corpse of a preacher who probably died of Ebola. The night before, arsonists had burned an isolation tent. When soldiers arrived and fired warning shots, dozens of patients fled in the chaos.

The lack of rapid tests and a licensed vaccine for the Bundibugyo strain mean that medics already faced an onerous task to curb an outbreak that went undetected for weeks. Realities on the ground in eastern Congo exacerbate the challenge. As of May 28th there were more than 1,000 suspected cases and around 250 suspected deaths in Congo; the true figures will be higher. There is rising concern of regional spread. Uganda, which shares a border with Ituri, has confirmed seven cases and one death. South Sudan, also on the province's border, may follow soon. There is a widespread sense that the epidemic is moving faster than the response.

"We've faced fierce resistance, which has caused enormous damage," says Richard Lokudi, the director of Mongbwalu hospital. Around a third of people surveyed in Ituri by ActionAid, an NGO, do not believe that Ebola is real. There is a deep lack of trust in an area where the state is weak, militias prey on the population, and almost 1m live in refugee camps. Some locals believe doctors are killing patients. They bristle when doctors tell them they must not all gather round and wash the ►►





Fighting the spread

► corpse at a funeral, as local custom demands. Others think that NGOs have invented the disease to line their pockets. His staff have not been trained in how to handle Ebola patients safely, says Mr Lokudi. Nor is there money for petrol to drive around to look for the sick. Mongbwali's only ambulance now doubles as a hearse to take corpses to their graves. "It's a bit of a mess," he says.

Stopping Ebola requires several things to happen in concert. Communities need to be monitored for infection. Laboratories must confirm positive cases. Patients need to be isolated and managed, without health workers getting infected. Contacts need to be tracked and tested in turn.

None of this is going on to the extent required, whether in Ituri or the Congolese provinces of North and South Kivu, where other cases have been confirmed. The immediate problem is finding safe places to quarantine patients. "It's been an extremely slow start," says a UN official. "Surveillance is very, very, very weak. Case management is catastrophic."

There are fears that some will seek to profit from the crisis. During the last big outbreak, which began in 2018, there were kickback schemes and sex-for-work scandals. Locals call such rackets "Ebola business". Eyebrows were raised last week when the Congolese health agency leading the response from the capital, Kinshasa, asked donors for \$240m—of which a whopping \$74m would go towards "co-ordination": that is, running its office.

Even if that money were to be spent wisely, working with Congolese officialdom is exasperating aid providers. On May 23rd the government banned nearly all flights in and out of Ituri's capital, Bunia, where Ebola is circulating. Cargo and aid workers can theoretically still land, but

each flight requires separate approvals from the health and transport ministries.

On May 26th, in a rare and telling sign of his displeasure with the central government, Johnny Luboya, the general who was appointed to run Ituri in 2021 because of its instability, called for flight restrictions to be eased. "The more we waste a day, the closer we get to disaster," he said. ■

### The Iran war

## Waiting for Godot in the Gulf

WASHINGTON, DC

**America and Iran are getting close to a deal. Or not**

A DEAL WITH Iran is largely done and will be announced soon. There is no rush to announce a deal. There may be no deal at all. That is but a sampling of Donald Trump's missives over the past bewildering week, which also saw America carry out air strikes against Iran, despite the ceasefire that took effect on April 8th.

The warring parties are indeed getting closer to a deal, although it will not be a comprehensive one that ends the war for good. At best it is likely to be an interim accord. America and Iran would agree on a set of broad principles. They would also extend the ceasefire, by at least 60 days, and use the time to negotiate how to implement those principles.

Take Iran's nuclear programme. In the initial deal, it might accept a temporary ban on enriching uranium. Negotiators would still need to work out the details. But who verifies compliance? What happens to its existing nuclear facilities?

These will be long, complex discussions.

Talks have continued despite the air strikes, which America claimed were in self-defence. Iran complained about them but refrained from a serious riposte. Pakistan remains the lead mediator, but in recent weeks Qatar has also joined the effort, and its involvement seems to have helped.

Envoys from both countries flew to Tehran on May 22nd. Three days later Mohammad Bagher Ghalibaf, the speaker of Iran's parliament, made a visit to Doha, the Qatari capital. Mr Trump spent much of the long Memorial Day weekend ensconced in meetings with aides and gathered his cabinet on May 27th.

Yet serious disagreements remain. The trickiest issue is Iran's demand for big economic benefits. The regime hopes to immediately tap some of its \$100bn in assets trapped in foreign banks. American officials say they are willing to issue a waiver that would allow Iran to export some oil, but they are refusing to unlock frozen funds until there is progress on the second-stage talks.

Another issue is Iran's stash of more than 400kg of uranium enriched to near-weapons-grade. America has long demanded that it be shipped overseas. Iran insists on diluting it in situ. In a social-media post on May 25th Mr Trump suggested that he might agree to the latter option, perhaps supervised by "the Atomic Energy Commission". It was unclear if he was thinking of the American body with that name, which was dissolved in 1974, or if he meant the International Atomic Energy Agency, the UN's nuclear watchdog.

Politics are another reason for Mr Trump's mixed messages. Pragmatic Republicans want to end the war and bring down high petrol prices. If Mr Trump tries to resume fighting, even this somnambulant Congress may pass legislation to tie his hands. Meanwhile hawkish Republicans fear he is giving away too much. The president spent years fulminating against the "pallets of cash" that Barack Obama sent Iran as part of his own nuclear deal struck in 2015. Yet Mr Trump's deal may deliver the same, while Iran's main concession would be to reopen the Strait of Hormuz—closed only because of the war.

Israel, too, is unhappy about the emerging accord. On May 25th Mr Trump demanded that regional countries, including Saudi Arabia and Qatar, agree to recognise Israel, should America reach an agreement with Iran. They will almost certainly refuse. But Mr Trump is desperate for something to sweeten the deal.

An interim accord might not get oil and gas flowing right away. Producers and shippers might hesitate to resume operations until they are sure the war is over. Even if America and Iran announce a deal soon, uncertainty will linger for months. ■



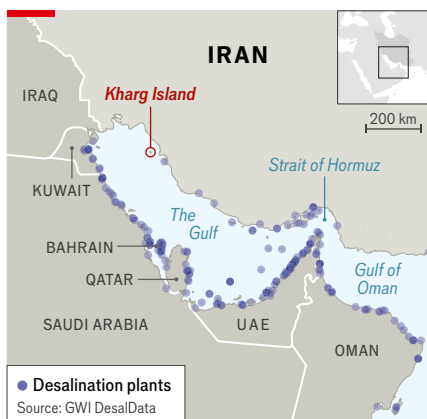
## The Strait of Hormuz

## Oil and troubled waters

The Gulf war has made devastating oil spills more likely and harder to handle

**D**URING THE first Gulf war in 1991, Iraqi troops occupying Kuwait deliberately opened the taps of oil tankers, terminals and a refinery, releasing millions of barrels of crude into the Gulf. It was a last-ditch attempt to prevent American-led forces from making an amphibious landing. Saddam Hussein, Iraq's dictator, then ordered his troops to set hundreds of nearby oil wells alight. One American official said, "if Hell had a national park", it would look like the inferno that resulted. It took international firefighters six months to extinguish the fires. More than 700km of Saudi coastline was coated in oil. The clean-up took decades and cost more than \$500m (at the time). Some ecological damage along the coast proved permanent.

The current Gulf war has produced nothing on that scale. But on May 6th a major spill west of Kharg island, Iran's main crude-export terminal, became visible from space. Satellite images later showed the slick spreading across roughly 60 square kilometres of the surrounding sea. The full extent of the damage is not yet clear: early estimates range from the equivalent of 3,000 barrels to almost 90,000. This is a tiny fraction of the roughly 6m-10m barrels released into the Gulf in 1991. But it and other recent spills have prompted fears that the war could lead to a disaster—and then make it far harder to clean up, exacerbating the economic dam-



age the war has already inflicted.

Such harm could come in a number of ways. A strike on Kharg island has the clearest potential to cause a big, enormously damaging oil spill. Its oil infrastructure can store around 30m barrels. America has already struck the island's military installations and Donald Trump has repeatedly threatened to take out oil infrastructure on Kharg.

Tankers are the next risk. Until this week, neither side had hit a heavily laden one. But on May 26th the *Olympic Life*—a Greek-owned "supertanker" capable of carrying 2m barrels of crude oil—reported an "external explosion" while sailing off the Omani coast. It is not clear what

caused the explosion; on the same day Iran vowed to avenge American air strikes. Disaster was avoided. Though she leaked an unknown amount of her own fuel, the *Olympic Life* was able to keep sailing (it is unclear how much cargo she was carrying). But the Gulf is crowded with vulnerable vessels. Earlier in May, Amin Nasser, the boss of Saudi Aramco, the kingdom's state oil producer, estimated that more than 600 ships were stuck, unable to leave through the Strait of Hormuz.

Nor are tankers the only danger. The *Shahid Bagheri*, an Iranian drone carrier, was attacked early in the conflict. It has been steadily discharging heavy fuel oil into the surrounding waters ever since the attack. America claims to have sunk at least 160 Iranian naval vessels in the course of the war. Each of these is a potential source of pollution.

A serious spill in the strait would be much harder to deal with than usual. Normally, international maritime law means that when a spill occurs, nearby ships, port authorities and coastal states are all expected to help to contain it and assist the crew. The affected vessel's insurer then pays for the clean-up. But third parties have grown increasingly wary of offering assistance in an active war zone. Early in the war, a salvage tug responding to a damaged vessel was itself struck and at least four of its crew were killed.

Diplomatic solutions are harder to reach at the moment, too. With hostilities under way it is trickier to manage the international co-ordination needed to deal with a big incident. In theory diplomatic channels are still open between countries in the region. But as Neil Quilliam of Chatham House, a think-tank, notes, neither Saudi Arabia nor Iran, for example, would be likely to enter any kind of joint effort until a lasting peace agreement has been forged. All sides worry that offers to co-operate would be made in bad faith and could expose them to further attacks.

The closure of the strait adds another complication. Iran has long circumvented sanctions by using shadow-fleet ships—vessels which conceal themselves or their identities. The use of such ships is now increasing. Shadow-fleet operators were the largest group to transit the strait between March 2nd and March 9th, according to Windward, a maritime monitoring company, and their numbers are growing as the conflict drags on.

That makes the clean-up of spills harder. Legitimate ships and salvage firms risk being accused of breaching sanctions themselves if they are seen to be "aiding or abetting" shadow vessels. Most take this risk so seriously that they are "almost fearful of doing the right thing by cleaning up pollution", says David Smith of McGill Partners, a marine-insurance broker. Shad- ➤



A fragile battleground

► Now vessels are often old and poorly maintained, so are more likely to leak if they are hit or run aground. And since they are unidentifiable and uninsurable, no government would take responsibility for a spill. Nor would any party be on the hook to fund a clean-up.

The environmental stakes are high. Oil spills threaten sea life, including the strait's important coral reefs. The human costs may be higher still. Around 100m people in the Gulf depend on desalination plants for drinking water (see map on previous page). Oil could contaminate the sea water with substances such as benzene, which is linked to leukaemia and other

cancers, as well as to liver and kidney damage. The oil released back in 1991 disabled Kuwait's desalination capacity for years.

For the moment, the spill around Kharg island does not look big enough to hinder the movement of ships in the area. But bigger spills could complicate the resumption of normal oil flows from the Gulf once the strait is reopened. This is because tankers that get coated in oil by slicks can themselves contaminate the environment and in some countries they may be prevented from docking.

In 1991 the oil spills were deliberate. Today an accident is more likely. But the consequences could be just as severe. ■

Itamar Ben-Gvir

## Israel's jailer-in-chief

JERUSALEM

The national-security minister takes pride in presiding over abuses in Israeli prisons

“WELCOME TO ISRAEL! We are the landlords!” cried Itamar Ben-Gvir, Israel's national-security minister, during a visit to Ashdod Port on Israel's Mediterranean coast on May 20th. He was encouraging his officers to abuse activists who had been brought to the port, bound and forced to kneel after being detained at sea on a flotilla bound for Gaza. The video was not leaked to the press: Mr Ben-Gvir proudly published it himself. For the leader of the far-right Jewish Power party, it was just another stop on the campaign trail.

The video produced an international scandal as the scenes drew condemnation from Western governments, whose citi-

zens were among the detained. But the episode at the port was just the latest illustration of the abuse that has become commonplace in Israel's prison system on Mr Ben-Gvir's watch, and of the impunity the minister has enjoyed.

Binyamin Netanyahu, Israel's prime minister, issued a rare rebuke following the international outrage, posting on social media that the way his minister dealt with the activists was “not in line with Israel's values and norms”. But he did not threaten consequences. Mr Ben-Gvir knows he can afford to be unrepentant.

The rabble-rousing minister has been convicted by Israeli courts of inciting rac-

ism and supporting a terrorist group, and indicted dozens of times for inciting violence. But he was a key part of the bloc of parties that helped Mr Netanyahu return to power in 2022. Demanding the national-security post as his reward, he vowed to impose harsher conditions on Palestinians incarcerated on terrorist charges.

Following the Hamas attack on Israel on October 7th, 2023, he made good on his promise. Prisoners have had their cells stripped of furniture. Their rations have been cut to levels that the Israeli Supreme Court ruled insufficient for “a basic level of existence”. They have been subjected to beatings and deprived of medical treatment and visits by lawyers and the Red Cross. According to Physicians for Human Rights, an Israeli organisation, at least 98 Palestinian prisoners died in the first two years of the Gaza war. Released detainees are visibly emaciated.

The worsening conditions have been well documented, not least by Mr Ben-Gvir himself. Though he has prevented prison inspections required by Israeli law, he has invited friendly reporters to film prisoners forced to spend hours bound prostrate in their cells, listening to blaring music. Visiting prison guards, he has praised the “180-degree change” in conditions.

There has been little official pushback. Since October 2023 just a handful of investigations have been launched into inmates' deaths. Only one resulted in charges. Five soldiers were charged after an investigation into an alleged sexual assault in the Sde Teiman prison camp in July 2024. But the army's own advocate-general who charged them was fired and then arrested for leaking a video of the alleged incident to the media. Her successor dropped the charges. Mr Netanyahu called the leak a “blood libel” against “heroic fighters”.

In general, the prime minister has preferred to accuse critics of lying instead of reckoning with reports of alleged abuse. When the *New York Times* published detailed allegations of sexual assault of Palestinian prisoners this month, he threatened to sue the paper for libel. (No suit has yet been filed; the *Times* says it stands by its reporting.)

Mr Ben-Gvir is likely to continue unhindered. When the war in Gaza began, Yair Lapid, the leader of the opposition, offered to join an emergency government on the condition that the minister was removed from his job. Mr Netanyahu refused. When Mr Ben-Gvir resigned in January 2025 over a short-lived ceasefire in Gaza, Mr Netanyahu kept the post open until he returned two months later. His need for far-right support in the upcoming election trumps any misgivings over “values and norms”. The abuse taking place in Israel's prisons is the ultimate responsibility of Mr Ben-Gvir—and of Mr Netanyahu. ■



Ben-Gvir on the march



## Europe



## Ukraine's war

## A turning tide

KYIV

Ukraine's latest challenge is how to deal with hope

IN A FIELD in Kyiv, a group of patriotic teenagers is practising military drills under the watch of army instructors. The youngest is 14. They come here four or five times a week after homework, and say they are ready to step in for the fallen. "Our guys are not infinite. Someone has to replace them," says 18-year-old Danylo, his emerald eyes framed by a khaki balaclava.

Across town, a 28-year-old stares at the walls of his safe house, in lockdown since escaping conscription in February. At the war's start Ivan raised money for the army. Now he rejects the idea of an independent Ukraine. He is one of an estimated 300,000 Ukrainian men absent without leave.

The two scenes are close enough to share the same postcode. But they describe two different wars: one where Ukraine is starting to get an advantage, and one where it is still struggling. The front line is stabilising, Europe is delivering cash, and the country is carving out a role as a de-

fence power, producing drone technology the world needs. Volodymyr Zelensky is leaning into a longer war, as confidence grows that Russia, with its burning refineries, stalling economy and grumbling elites, is growing more unstable.

Ukraine has achieved something extraordinary simply by remaining sovereign. But survival alone is not victory. Questions remain about its reserves of men and resources—and about what type of country can emerge from this war without end.

By every conventional measure, Ukraine should already have lost. It is stymy-

ing an adversary with 4.5 times its population, 28 times its land mass and an economy 12 times bigger than its own. News from the front line is the most promising in years. The fighting is bitter, but Ukraine's commanders believe their drone-led forces have found a formula to thwart Vladimir Putin's offensive. For months they have knocked troops out of action faster than the Kremlin can replace them. Ukraine is killing or seriously wounding an average of 35,000 Russian soldiers a month. The target is 50,000—the ceiling of Russia's training capacity and the point, the Ukrainians hope, at which its arithmetic breaks.

Russia is at least two years behind its timetables for taking the rest of Donbas, Mr Putin's key aim. Brigadier General Pavlo Palisa, a Ukrainian presidential aide, says the Kremlin has again ordered its army to reach the Donbas provinces' borders, this time by autumn. He rubbishes the prospect. "We have the edge in professionalism, speed, technology and morale."

Ukraine's growing extended-range drone and missile campaigns are crucial. Mid-range strikes are wreaking havoc on Russian supply lines; long-range ones are hitting targets, from oil facilities to arms factories, more than 1000km inside Russia. America continues to supply critical intelligence. But perhaps 95% of the long-range systems are designed and built by ►►

## → ALSO IN THIS SECTION

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► Ukraine's own burgeoning defence industry. The army is reaping the rewards: surging production, a pipeline of better weapons and a methodical campaign to destroy Russian radar and air defences.

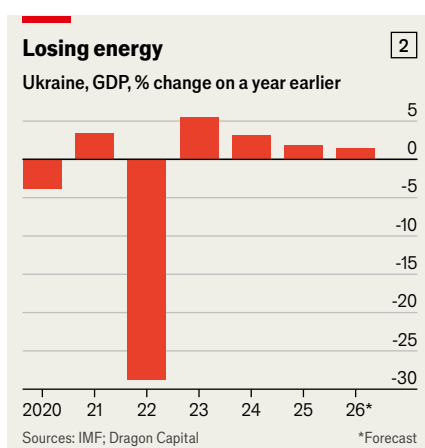
Yevhen Karas, commander of the 413th Regiment, says reaching such targets is now "three times easier" than it was. His unit has led important operations including strikes in March on Silicon El, a micro-chip-maker for Russian missiles. He predicts a Russian air-defence crisis by autumn. By then, Ukraine's ballistics production should be in full swing, causing fear and embarrassment deep inside Russia.

In Europe, meanwhile, political elites increasingly realise that their security is tied to Ukrainian resilience. That should guarantee macroeconomic support for the foreseeable future. A long-promised €90bn (\$105bn) in aid is about to flow (see chart 1). Just in time: the government had been writing IOUs to some of its workers.

Nonetheless, a war fought mostly on Ukrainian soil has hollowed out the rear. Infrastructure is fraying. Air defences are dangerously thin. A huge missile and drone strike on Kyiv on the night of May 23rd resulted in at least 40 locations being hit. Russian first-person-view drones are making life miserable in cities near the front lines, such as Kherson and Kharkiv.

### Twilight zones

This winter the capital came close to a full blackout; in February the system was just one strike from collapse, insiders say. The lights stayed on thanks to the courage of emergency workers. The economy, boosted by the defence sector, performed as well as it could. (Ukraine's labour force has dropped from 17m before the war to about 12m.) But the blackouts cut GDP growth by an estimated 2.5 percentage points this



year. It is now forecast at 1.5% (see chart 2).

Taras Chmut, a civil-society activist and sometime adviser to the defence ministry, says he now worries more about energy than the front line. Morale is not breaking, but failure to prepare for the coming year could test that. "If the belief in our ability to withstand the war breaks down, so too will the will to fight," Mr Chmut says. An unpublished survey found society fracturing into three camps: patriots (46%), sceptical moderates (36%) and the demotivated (18%). The main demotivating factors are not trauma or exhaustion but elite corruption and distrust of institutions.

Injustices in conscription are hitting a nerve. The shortage of soldiers is less acute than before, and on the modern battlefield, only a tiny fraction of soldiers come in contact with the enemy; half a dozen men can hold a 5km strip. But for the unlucky few posted deep in the kill zone, it is often a one-way trip. Fear of such deployments has corroded the will to serve.

Ukraine's defence minister, Mykhailo Fedorov, is promoting higher pay and international recruitment to draw volunteers. For now, forced conscription is the norm. Ivan, the fugitive from conscription, was bundled into a van after a chase through back alleys. Like an estimated 30% of conscripts, he absconded during training—after paying a \$10,000 bribe. In Odessa and Dnipro, where draft campaigns have been harshest, a significant share of conscription-age men have gone into hiding.

Internal politics pose a considerable risk to the country's prospects. Early in the war national unity was almost complete, at least in public. Since then, wartime pressures and corruption scandals have reopened divisions; one involved some \$100m and implicated members of the president's circle. The scandals prompted the first real protests of the war and last November forced the resignation of Mr Zelensky's powerful number two, Andriy Yermak. He was formally named as a suspect in May. The mood is feverish, like a campaign season without the release valve

of elections. But a proper vote would be impossible during wartime.

For all Mr Zelensky's courage and diplomatic agility, he is thin-skinned. Rather than embrace a government of all talents, insiders say, he has drifted into an increasingly detached, Byzantine style of rule. His office controls much of the media, including anonymous social-media accounts used to smear opponents. Anti-corruption investigators have been sabotaged with counter-prosecutions. Vasyl Maliuk, a former domestic intelligence chief, was demoted after refusing to help harass them. Kyrylo Budanov, the powerful military intelligence chief and an opponent of Mr Yermak, was sidelined with a "promotion" to head the presidential office. "Zelensky doesn't tolerate strong people," complains a senior intelligence officer. "He has built a cult of loyalty around himself."

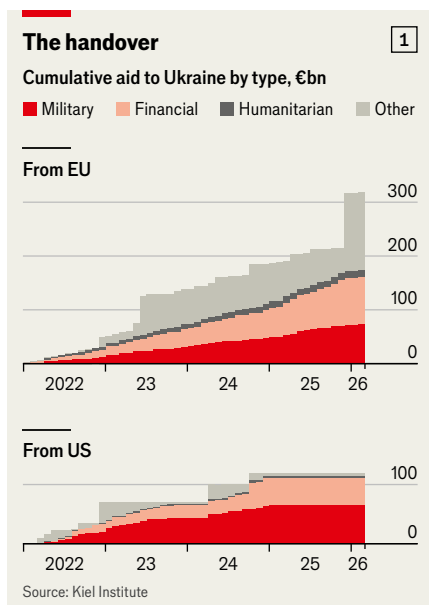
For a short period early this year, American-brokered peace talks looked like they might lead to an uneasy deal in which Ukraine walked back from parts of Donbas in exchange for dubious security guarantees. Mr Putin never approved a proposal, and the idea is no longer under serious consideration. On May 22nd America said it was ending its role in talks. Optimistic insiders think dealmaking could resume this summer. More likely, the fighting will continue until Ukraine or Russia cracks.

### War without end

Russia's breaking point is unknowable. Some weaknesses are visible: growing dissent and a stagnating economy, weighed down by sanctions and Ukrainian strikes. The state budget has been rescued by the Iran war; higher oil prices will bring in an unexpected \$60bn this year. But it is unclear how long that can last. "We've become quite similar, though our risks are different," says a Ukrainian diplomat. He draws a parallel to the collapse of Germany in 1918. "Who collapses first, or what if neither of us does? That's something no one can tell you right now."

Government sources say Mr Zelensky has ordered preparations for another two-to-three years of war. There is no persuasive reason why Ukraine cannot keep fighting that long. It will survive, though tarnished by militarism and wartime corruption. For some Ukrainians that is not enough. "What are we fighting for," asks Ivan, "if we are no better than Russia, just packing people into vans?"

Yet most are more optimistic. Ukraine will probably emerge as a damaged but functioning democracy and a new middle power: poorer, traumatised, but confident in its identity. "As crappy as things look, we'll make it work," says the senior intelligence source. "I have this strange sense, this confidence, that, I don't know, God loves Ukraine." ■





## Left-wing populism

# The French Mamdani

PARIS

## Why Gen Z still falls for Mélenchon

HE PROMISES TO stage a “citizens’ revolution”, hand power to the people, tax the rich, save the planet and bring in the “right to silence” for humans and animals. He is a 74-year-old who delights Gen Z. He is an old-fashioned revolutionary with a fondness for Latin American populists and millions of TikTok followers. Jean-Luc Mélenchon has tried to win the presidency three times. With a pitch that finds echoes from New York to Hackney, the firebrand thinks his time has come.

As France’s political centre struggles, the populist right is the chief beneficiary. But a form of radical socialism that mixes vintage class warfare with modern critical race theory is also thriving in the shape of Mr Mélenchon’s Unsubmissive France (LFI). At mayoral elections in March the party took towns with symbolic significance. Among them was the Parisian *banlieue* of Saint-Denis, won by Bally Bagayoko, who is of Malian descent, and Roubaix, a big city in the northern rustbelt.

LFI sits to the left of the Socialist, Green and Communist parties. Its citizens’ revolution would usher in a “new republic” under a fresh constitution, with a less presidential regime to end “monarchical” rule. Mr Mélenchon promises to share wealth “between capital and labour”. France would leave NATO, seek accommodation with Russia and breach European Union rules if necessary. “We were safer during the cold war than now that capitalism is everywhere,” he said on a recent TV show.

No poll for next year’s two-round presidential vote, at which Emmanuel Macron cannot stand again, suggests that Mr Mélenchon could win. Yet if he qualified for the run-off he would probably face the populist-right candidate, either Marine Le Pen or Jordan Bardella, and so boost their chances. A skilled campaigner, he often defies the polls. In 2022, after a late surge, Mr Mélenchon only narrowly failed to beat Ms Le Pen into the run-off.

What explains the stubborn appeal of the French populist left? One factor is the enduring allure of Marxist thought in a country where until the 1970s the left was dominated by the Communist Party. Another is France’s rebellious history. LFI’s revolutionary discourse goes down well in some quarters. Students like his promise of a “more inclusive, anti-racist” world, says one in Paris; another calls him “an intellectual”, the ultimate badge of left-bank ap-

proval. His stance on Gaza and Palestine has won him a big student following, even at Sciences Po, an elite university.

Fully 58% of French 18- to 24-year-olds view Mr Mélenchon favourably, according to a poll last month, next to a mere 14% of those aged 50-64. With the moral clarity of the ideologue, the grey-haired Mr Mélenchon manages to speak to a fretful younger generation by promising to focus on humanity, banish racism and make the world fairer. “What do we have to tell younger generations?” he asked on television recently, mocking other parties: “Save money and cut public services!”

Above all, Mr Mélenchon, a former Trotskyist, is a canny tactician. The Communists have long lost working-class voters to Ms Le Pen; the Socialists are now backed predominantly by public-sector workers and bookish types. Mr Mélenchon has methodically built an electoral base that marries educated young voters with ethnic minorities and those living in social housing. Noé Fridman and François Kraus of Ifop, a polling group, call this Mr Mélenchon’s “magic mix”.

In Saint-Denis, for instance, 43% of residents live in social housing and immigrants make up 38% of the population. A striking 69% of Muslim voters backed Mr Mélenchon at first-round presidential voting in 2022, according to another Ifop poll. The LFI leader has taken far-right scaremongering tropes and turned them into his own slogans. Born in Morocco, he speaks of his “shame” at not speaking Arabic and embraces the “creolisation” of the French population.

There are plainly limits to Mr Mélenchon’s appeal, not least his domineering character and disregard for certain democratic norms. Polls show him to have a high disapproval rating. His party has links to violent anti-fascist movements. Charges of antisemitism abound. Raphaël Glucksmann, a centre-left leader, recently accused Mr Mélenchon of “playing with the worst extreme-right codes” after he mocked the pronunciation of Mr Glucksmann’s name. An alliance with the other parties of the left in 2024 has since collapsed. In private Mr Mélenchon is scathing about the squabbling Socialists, whom he considers a disconnected “caste”.

Mr Mélenchon’s brand of left-wing populism borrows heavily from his longstanding links to Venezuela, Ecuador and Spain. It also chimes with players outside his natural orbit, including Zohran Mamdani’s democratic socialism in New York and Zack Polanski’s Greens in Britain. But few on the left can match his durability. “He’s the most Trumpian figure in France,” suggests Philippe Marlière, a political scientist at University College London; “He’s faced so many scandals and setbacks, but he’s still around.” ■



## The pope and AI

## Of God and Claude

ROME

### Leo’s first encyclical warns against technological messianism

POPE LEO’S first encyclical, *Magnifica Humanitas*, is very long (at more than 42,000 words, the length of a short novel). It tackles numerous issues, perhaps too many. The pontiff pleads for fact-checked journalism and multilateral diplomacy. He apologises for the papacy’s belated condemnation of slavery. He declares the concept of “just war”, most recently used by J.D. Vance, America’s vice-president, to justify the attack on Iran, “outdated”. The central purpose of the document, however, is to challenge the unregulated development of artificial intelligence.

That will delight officials of the European Union, who have struggled to impose constraints on a technology only partially understood by its developers. Among those invited to take part in the presentation of *Magnifica Humanitas* in the Vatican was Chris Olah, co-founder of Anthropic, the maker of the Claude and Mythos AI models. He introduced a chilling note by observing that he and other researchers were encountering aspects of the models they developed that were “mysterious and even unsettling”.

Yet the encyclical is more than a demand for effective regulation or, in Leo’s phrase, the “disarming” of AI. At its philosophical core, it is a rebuttal of two views of humanity’s destiny that are popular in Silicon Valley and the tech community: transhumanism and posthumanism. Leo describes the first as envisaging “the en- ▶▶

► hancement of human beings through technologies”, such as body engineering, devices and algorithms, and the second as the “hybridisation of human beings, machines and the environment”. In its extreme forms, posthumanism looks forward to a point at which “humanity surpasses itself in a new evolutionary stage”. Though Leo does not use the term, this is often referred to by techies as the Singularity.

What unites trans- and posthumanism, Leo says, is an enthusiasm for “a supposed optimisation of the species”. That was also the aim of 20th-century eugenics, popular with Nazis and Fascists. Magnifica Humanitas argues that trans- and posthumanism carry similar risks: “If the human being is treated as something to be perfected or surpassed, it becomes easier to accept that some lives are less useful, less desirable or less worthy. In the name of progress, ‘necessary sacrifices’ may begin to be justified.”

Imperfections are integral to humanity, Leo argues, which “flourishes not despite its limitations, but often through them”. Here the pope is at his most fervent: “we carry within us lessons that leave their mark like scars, the memories of a journey shaped by freedom and failure,” he writes. “It is only thanks to the interplay of these elements that the wonders of the soul occur within us.” The nub is that “humanity—in all its grandeur and woundedness—must never be replaced or surpassed.”

The encyclical looks like the opening salvo in a philosophical turf war. The technological optimism of Silicon Valley looks forward to an apocalyptic moment in which humans acquire god-like attributes. That eschatology seems modelled on the Christian narrative, but with its guts ripped out and replaced with something else. The Pope is no fan of a worldview that sees the coming of artificial general intelligence in messianic terms. That many MAGA-leaning AI enthusiasts, such as Peter Thiel, an influential tech investor, are vocal Christians adds spice to the debate.

Leo nevertheless stresses he is not anti-technology. On the contrary, “technological development has significantly improved the living conditions of humanity.” It may also have increased the writing output of some Vatican officials. Modern popes do not write encyclicals from beginning to end. The more routine passages are left to subordinates. And according to an analysis by Linch Zhang, a tech blogger, parts of Magnifica Humanitas seem to have been written by AI, and specifically by Claude. Anthropic’s brainchild has stylistic quirks, such as a fondness for the word “genuinely”, which are mirrored in the encyclical. An AI detector, Pangram, identified 11% of the text in the opening 20 paragraphs as AI-generated. The same test on previous encyclicals returned 0%. ■

## Superyachts

# Ruling the waves

NICE

Europe’s gleaming superyacht industry is going through rough waters

THE VIEW from the breakwater at Nice has not altered too much over the decades: stately harbour front, azure sea. What has changed is the size of the yachts. Over the past decade superyachts, defined as any private boat over 24 metres long, have become as common as gulls at a fried-fish stand. Europe is not only a playground for such craft; it is where most of them are built. But the war in Iran has plunged the industry into stormy waters.

Europe is in trouble in many manufacturing sectors, from automobiles to chemicals, but it dominates superyacht construction. Over half of the more than 1,000 big boats built last year were made in Italy. Four of the next five top producing countries are European. Purveyors of floating palaces are dotted across the continent. Andrey Melnichenko, a Russian magnate, turned to Nobiskrug in Kiel, Germany. Howard Schultz, ex-CEO of Starbucks, bought his (pictured) from Feadship in the Netherlands.

The giant pleasure-cruiser business is usually resilient to crises. After 2008 orders dipped, then recovered, as the drop in ultra-wealthy fortunes was short-lived. The pandemic only increased demand: salesmen marketed them as an escape from lockdown. The total number of superyachts on order rose from 821 in

2021 to 1093 today. This year, however, orders are spluttering. At Ferretti, a large Italian yacht-builder, they were down by a third in the first quarter compared to the same period in 2025, in large part because of war in the Gulf.

One reason for the slump is the rising cost of marine diesel. But that mainly affects demand for smaller boats, says an industry insider; superyacht owners are less price-sensitive. More worrying is the prospect that clients in the Middle East may not be able to take delivery of their boats. And the war has highlighted the lethality of cheap military drones, which may mean that superyachts are no longer the secure floating fortresses that the world’s richest expect them to be.

A drop in orders would be bad news on a continent that could use a manufacturing success story. Italy’s yacht industry employs 168,000 people and added €13bn (\$15bn) to its economy last year, about 0.6% of GDP. Employment in the sector rose about 6% in 2024, the last year measured, according to Confindustria Nautica, an Italian yachting-industry association. It may yet stay afloat: one broker notes that America, the biggest market, is growing in spite of the oil crisis. Since last July, Uncle Sam considers vessels majority-owned by American firms tax deductible.



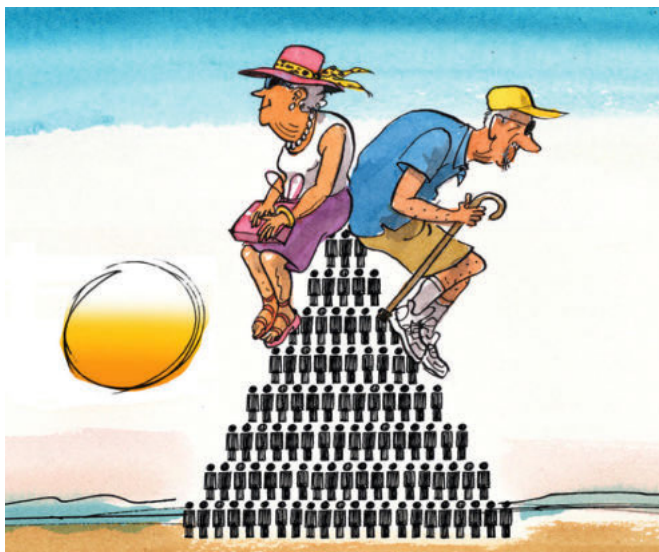
He ordered the grande



# CHARLEMAGNE

## *Grey expectations*

*Or, how boomers screwed Europe*



ONCE UPON A time, inequality in Europe was largely horizontal. The rich western half drove BMWs and holidayed abroad, while the poorer east rewired its own appliances and queued for bread. But three decades of catch-up growth in erstwhile communist countries has put paid to jokes about Romanian cars whose top speed was “downhill”. These days inequality in Europe has a vertical dimension—one that goes up and down family trees. Youngsters unable to move out of their parents’ spare room due to sky-high house prices wonder if they will ever enjoy the lifestyle as adults which they knew as kids. Thirty-somethings in jobs pay hefty taxes to fund the pensions of oldies who retired in their prime. Costs related to ageing are guzzling a quarter of the European Union’s GDP, a figure unlikely to fall as the Old Continent grows older still. To be a young European is to feel oneself an unwitting participant in an intergenerational confidence trick.

If the European welfare state looks like a pyramid scheme, its pharaohs are the “baby boomers”. The bumper generation born in the two decades after 1945, aged roughly between 60 and 80 (Hello Mum! Hi Dad!), would like to go down in history as the first in centuries not to have started a war pitting one bit of the continent against another. Sociologists will surely celebrate the 1960s, when boomers sought to replace chauvinism with rock ‘n’ roll. But economists will judge them less kindly. Boomers granted themselves generous pensions, relying on demographic trends that have since lapsed. The costs turned Europe lethargic. Today’s grandparents inherited a continent rebuilding itself after war; they will pass on one in need of repair after the damage they helped wreak.

The most obvious goodies in the intergenerational heist are houses, which boomers bought for a song and which are now worth millions. Yes, they did so by borrowing money at eye-watering interest rates—but they then profited when property prices kept climbing after the mortgages had been repaid. Even adjusted for inflation, housing in Europe has gone up by a quarter in just a decade, with rents also increasing faster than incomes. The result, beyond making boomers feel like financial whizzes when they were merely lucky, is to lock the young out of home ownership. The share of Europeans who live in their parents’ homes well into

middle age (not entirely voluntarily, one assumes, no matter the quality of mama’s cooking) has steadily increased over time. Among those born in the 1980s nearly a quarter still lived at home at 30, half again as many as those born two decades earlier. Home ownership used to be the path to financial independence. Now inheritance looks a better bet—if it ever arrives.

Europe is hardly the only place with old people in pricey homes. But its cradle-to-grave welfare state has pushed more of the cost of ageing onto the young. In most other rich places, including America, Japan and South Korea, over-65s derive most of their income from working a bit and drawing on private pensions they funded during their careers. Europeans quit their jobs early, live long and expect the state—ie, current taxpayers—to pick up the tab for their retirement plans. In America the trillions of dollars stashed away in private pensions provided the cash for venture-capital and private-equity funds, which in turn allowed American firms to grow into behemoths. In most European countries today’s pensions are paid by today’s workers, in the expectation that tomorrow’s as-yet-unborn workers will pick up the baton and fund their own parents as they age. (Some of it is financed by government deficits, which the yet-to-be-born will also have to repay one day.) That means less capital for European firms, one reason why there are so few big ones in areas like tech. Instead there is a huge unmet cost that weighs down the public purse.

None of this mattered when both the economy and the population were growing, as post-war babies remember from their youths. But Europe’s population is now peaking—not least thanks to boomers starting the trend of having fewer kids. In 1960 over five workers supported each pensioner in western Europe. Now there are just 2.5 workers supporting each pensioner. The upshot is that today’s young know they must at least in part make their own pension arrangements, as Americans do, on top of shelling out for payouts to their parents. The only other readily available option to improve the ratio of workers to pensioners is to import lots of migrants. But efforts to do so have helped poison European politics by boosting nasty parties on the populist right.

### No continent for young men

Nobody will begrudge boomers their elongated lifespans. (Again: an awkward hello to your columnist’s parents here.) But an older society is one that caters to the immediate present, not the future. The median age of voters in France’s most recent presidential elections was 52, not least because the old are more likely than the young to shuffle to the polls. That is within a decade of the effective retirement age. Unsurprisingly, politicians have made old people’s priorities their own. When budgets are tight, money can always be found to protect pensions and old-age homes; it is far easier to push through cuts to education and innovation instead. “The future of democracy is increasingly decided by voters who don’t have one,” laments Maxime Sbahi, an economist at Club Landoy, a demography think-tank in France.

Things might have changed after covid-19, when the young endured years of social restrictions largely to protect the old. Alas, the favour has yet to be repaid (though these days there is a European Commissioner for “intergenerational fairness”). Raymond Aron, a French thinker, once warned that an ageing society is one that will “be stalked by the spirit of abdication”. That weary mood feels all too real for today’s Europeans, as they trudge past yet another nursery being converted into a nursing home. ■

# Britain



## Immigration policy

### Quantity not quality

WARWICK

**Britain has slashed immigration by deterring many people who could benefit the country**

A FEW YEARS ago Britain's door was wide open to immigrants. It was possible to hire foreign workers "from the other side of the world" and pay them just £26,000 (\$35,000) a year, marvels Dawood Ibtehsam, who owns a McDonald's restaurant franchise in Warwick, a county town in the West Midlands.

Huge numbers of people arrived in the country between 2021 and 2024, an unprecedented surge that Reform UK, a right-wing populist party, calls "the Boriswave" (see chart 1 on next page). At the peak, the year to March 2023, almost 1.5m immigrants came. The Office for National Statistics thinks that far fewer people left, so net migration amounted to 944,000. Many of the migrants were workers drawn by a newly liberalised visa regime. Others were students, who had recently been permitted to work after graduating. Still others were Hong Kongers and Ukrainians fleeing oppression and invasion.

How much has changed. Net migration to Britain last year amounted to 171,000—the lowest level since 2012, if the pandemic years are excluded. The human haul will probably be even lower this year, largely because the number of economic migrants continues to fall fast. Between January and March just 5,900 people applied for skilled-worker visas, down from 19,100 two years ago. Applications for student visas are also declining. James Bowes of Warwick University thinks net migration

might even turn negative in 2026.

In a few years Britain has gone from a remarkably open country to a remarkably closed one: a considerable achievement, though not a commendable one. Under public pressure, successive governments have slashed every kind of immigration that they can. They have stanching the flow not just of low earners, such as care workers, but high earners too. They have not yet seen a political benefit. Half of Britons still think immigration is growing, perhaps because they focus on asylum-seekers, whose numbers have recently been steady at about 100,000 per year.

Madeleine Sumption, the author of a new book, "What is Immigration Policy For?," says that Britain is drawn to tough measures. The country is globally attractive, partly because it uses English, partly because it has a (deserved) reputation as a good place to be an immigrant. To achieve a given level of migration, Britain will probably require tighter restrictions than, say, Portugal or Sweden.

It acquired new restrictions when it abolished free movement in January 2021, having left the European Union. Immigration from Europe, which had exceeded immigration from farther afield for much of the 2010s, fell sharply. But at the same time, to compensate, the government introduced a more liberal regime for non- ➤

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Europeans, letting in many workers on modest salaries. Africans and Asians leapt at the opportunity. The number of work and study visas given to Indians—the biggest migrant group in recent years—tripled between 2019 and 2022. The number given to Nigerians rose tenfold.

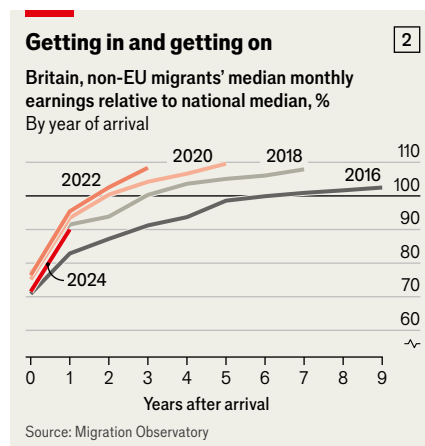
Britain has reversed course ever since. In 2024 it raised salary thresholds for companies that wanted to employ skilled migrants, and charged immigrants a higher premium for using the National Health Service (in effect taxing them twice, since immigrant workers pay income tax). Care workers were barred from bringing dependants. The amount of money that people must earn in order to bring a foreign spouse to Britain jumped by 55%.

The squeeze has continued under Labour. Salary thresholds rose again in 2025. Long-term work visas are normally given only to people whose work is deemed to be highly skilled. In December 2025 the fee that companies must pay the government to employ them was raised by a third, to £1,320 per year. Language requirements have been tightened. Foreign students are still allowed to work in Britain after graduating, but from next January the sojourn will be cut from two years to 18 months.

### Out of control

Meanwhile the Home Office is cracking down on employers. Some 124,000 have licences to sponsor skilled workers from overseas. In the past year the government has revoked 4,369 licences, more than it had cancelled in the previous eight years put together. It boasts of cracking down on unscrupulous firms, but hits honest ones too. Chetal Patel of Bates Wells, a legal firm, says that companies are pulled up for small infractions such as not disclosing that foreign workers are on maternity leave, which can look to the government like salaries are falling below the thresholds it has set.

If ordinary people have not yet noticed the squeeze, businesses have. Jarmila Entezari at IMD Solicitors observes that fewer



companies are applying for licences to sponsor migrant workers. “It’s really costly to sponsor anyone,” she says. She is busy anyway, thanks to a rise in inquiries from companies that have been threatened with the removal of their licences.

From an economic point of view, restricting immigration to the highly skilled and highly paid seems wise. It is better than carving out exemptions for industries that claim they cannot survive without immigrants—something that just encourages lobbying. Yet the government’s approach is odd. Because it applies job-specific salary thresholds as well as a general one, a marketing director who has been offered a job at £87,000 a year might be barred from working in Britain, whereas a sports scientist might get in with a salary of £42,000.

The government’s attempt to filter for highly desirable immigrants is not working in practice. As expected, the number of visas given to care workers has plunged. But the number of visas given to IT professionals has also fallen, from about 28,000 in 2022 to 10,000 last year. Some skilled workers might be falling short of higher salary and language bars. Or they might have ears. Sir Keir Starmer, the prime minister, has complained that too many visas are being given to engineers.

The many African and Asian immigrants who have arrived in Britain since the early 2020s are routinely called unskilled and unproductive. Sir Keir argued last year that some industries had become “almost addicted to importing cheap labour”. “We have never, in the history of this country, had so much low-skilled migration in so little time,” the home secretary, Shabana Mahmood, added in March.

Not all migrants are cheap or low-skilled, though. Regardless of whether he or she arrived with a work visa or by other means, the average India-born employee in Britain earns £32,400 a year, whereas the average Nigeria-born employee earns £34,000. British-born people lag behind both, with average earnings of £30,900. Although not all migrants work, the adults

among them are slightly more likely to work than adult natives.

The Migration Observatory, a think-tank, has shown that people who arrive from outside the EU often earn little at first. Yet the wages of recent migrants have quickly exceeded the national average (see chart 2). The rise could be caused partly by low earners, such as foreign students who wait tables in the evenings, leaving the country earlier than others. It could also reflect rapid progress among migrants, who are often a determined lot. Mr Ibtehsam, who arrived in Britain from Pakistan, began as a delivery driver and warehouse worker. He now employs 77 people.

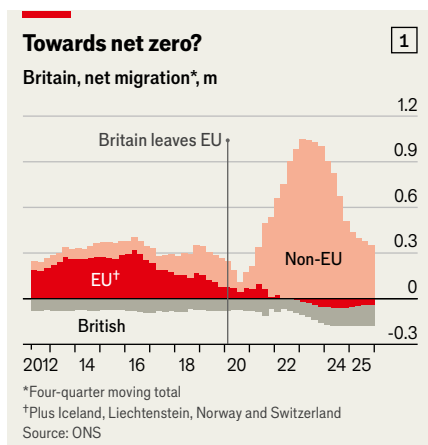
The government’s latest scheme to cut net migration involves making permanent residence, and thus citizenship, harder to obtain. The Home Office is considering changes that would lengthen the standard qualifying period from five to ten years. Low earners would have to wait far longer. It might not come to pass. Labour figures including Angela Rayner, a formidable MP from the left of the party, have called the proposals “un-British” because they would affect people already in the country.

### Not just a numbers game

Migrants having to linger in an extended legal purgatory can look attractive to the Treasury because they and their employers must keep paying fees and health surcharges, while they remain ineligible for benefits. But they also remain bound to specific employers, which almost certainly makes them less productive. Preventing workers from changing jobs is as bad for migrants as it is for everyone else.

Citizenship has repeatedly been shown to benefit people economically—which is rather surprising, because it confers few economic rights over permanent residency. One study of the Netherlands by Floris Peters, Maarten Vink and Hans Schmeets not only estimated that naturalisation boosts employment rates by 12% among men and 13% among women. It also found that migrants moved more rapidly into work in the run-up to citizenship.

Successive governments have succeeded in making Britain less attractive to immigrants. Unfortunately, they may also have made the immigrants who arrive less attractive to Britons. As the number of migrant workers has collapsed, asylum-seekers have become a bigger part of the mix. The proposed changes to settlement and citizenship could make those who still arrive for work less successful, and thus less appealing. Numbers aren’t everything. ■



We are delighted that the **2026 Press Awards** recognised the outstanding work of our colleagues Duncan Robinson (columnist of the year) and Catherine Nixey (critic of the year), as well as the 1843 summer issue (supplement of the year).

# BAGEHOT

## *Treat Britain*

*From welfare state to funfair state*



RACHEL REEVES entered office with a morose message. “If we cannot afford it, we cannot do it,” said the new chancellor in July 2024, cancelling an array of transport projects and scrapping winter-fuel payments for the elderly for good measure. On May 21st, announcing £300m-worth (\$403m) of VAT cuts on a host of theme parks and children’s meals, she struck a very different tone. “Prices have been pushed up,” wrote Ms Reeves in the *Daily Mirror*, “and when that happens, it is life’s little treats that can fall by the wayside, such as a meal out, a family holiday or a day trip making memories with your kids.”

Parliamentarians queued to applaud the “Great British Summer Savings”. Why didn’t the chancellor do this sooner? asked a Liberal Democrat. A Labour MP invited Ms Reeves to try out the Avikiti, a new £9m gyro-swing ride in Blackpool, a seaside resort in north-west England. Ms Reeves was the latest politician to surrender to the most powerful force in British politics: the Treat.

The rise of the Treat began under the Conservatives. During the shocks of the 2020s, the state paid people’s wages and then it paid their energy bills. In this period, it also did something smaller but more significant: it bought everyone lunch. Eat Out To Help Out offered discounts of 50% on meals to encourage people back into restaurants. Handing out cash is an everyday event for a state. But *lunch*? This was something new; this was a Treat.

It was the beginning of a strange evolution of the state, from welfare state to funfair state. In 2026 expectations of the state have reached almost absurd levels, with life, death and now the little luxuries in between. If people cannot afford a visit to Alton Towers, it is the chancellor’s responsibility. Whether governments like it or not, Treats are now a matter of state.

All in Westminster agree that the “cost-of-living crisis” is, by far, the biggest political topic of the moment. It is better understood as a “cost-of-treats crisis”. When the phrase first flared up in 2022, calling the situation a crisis was justifiable. Inflation was careering along at 11%; typical energy bills were set to breach £4,000 a year without government aid. But now inflation is at 2.8% (although forecast to rise) and energy bills are less than half their terrifying peak. After years of stagnation, real wages are growing,

though not spectacularly, and have been for three years now.

Such economic reality comes second to how Britons feel. And how Britons feel depends on Treats. Sit through a focus group and people lament that it is small luxuries that have gone—fish and chips here, a trip to the cinema there—Luke Tryl, a pollster with More In Common, points out. Even anger at energy prices—set to rise by 13% come July—is best understood in terms of how they affect treats. For all that the cost of energy is high, there are not that many people in the “eating-or-heating” brigade. They are far outnumbered by the “heat-or-treats”.

It is the Treat economy that just about keeps British high streets alive. Corner shops rely on what analysts call “the Treat Mission”, where Britons pop out for a little something for themselves. (It accounts for one in ten of all shopping trips.) Stroll through Ashton-in-Makerfield, one of the towns that make up Makerfield, which is hosting a crucial by-election, and treat purveyors are doing well. Nail bars are full on a wet Tuesday afternoon; barbers, too, are trading at a clip. Only the Treat can hold the public realm together.

At this point, one must consider the macroeconomic role of the Treat. The Resolution Foundation, a think-tank whose alumni shape British economic policy, has argued for higher investment. If Britain wants to invest more, the country has to save more and consume less. It had one sector in mind which should shrink: hospitality, or rather, Big Treat. Hospitality had gone from 6% of all jobs to 8% between 1997 and 2024, tutted the think-tank.

Treat dominance is a brake on productivity growth; someone serving a beer is someone who is not manufacturing precision machine-tools. In the Resolution Foundation’s telling, hospitality must wither so more productive sectors can thrive. It is the closest thing Labour has to a growth strategy. In short the Treat has become both the cause of, and solution to, Labour’s problems.

### Bread and roses

Treat politics will not fade. Brexit has only embedded it. In the EU, VAT exemptions usually require collective sign-off from meetings of sour-faced east European finance ministers. It provided the perfect excuse for chancellors to declare that, alas, their hands were tied. In Brexit Britain, no such binds exist beyond an instinctive scowl from the Treasury’s permanent secretary. Now, like an exhausted parent with a nagging child, British ministers will give in.

Even after the binge, Britain still spends far less than other centre-left countries when it comes to the response to Iran. Splurging £300m on theme-park bungs is silly. But it is not actively damaging. Spain, whose centre-left prime minister, Pedro Sánchez, makes Labour members go all gooey, spent €5bn (£4.3bn), or 0.3% of GDP, on cutting taxes on energy, almost overnight. Even the stingy Dutch, who have a liberal-led government, have spent much more. Perhaps looking generous is the best way to be frugal.

Without more growth, British politicians will have to return to Ms Reeves’s original message: if we cannot afford it, we cannot do it. Britons have high expectations of a country that is far poorer than they think. Fundamentally, the rise of the Treat is a sign of failure, with Britons unwilling or unable to provide the joys of life themselves. Labour loudly promised higher investment and quietly admitted there would be lower consumption; in the end, higher interest rates mean Britons will probably end up with less of both. What little economic strategy Labour had has been blown apart. All that is left is a discounted ride on the Avikiti. ■



# Business



## Entrepreneurship in America

# The millionaire machine

WASHINGTON, DC

**Franchising has quietly made countless Americans rich. It could gain many more converts in the age of AI**

WHEN GREG FLYNN graduated from Stanford Business School in 1994, with the dotcom boom in full swing, his friends chose the obvious career path. But while they “were all making PowerPoint presentations...becoming paper millionaires,” he went off to help a friend open a second restaurant. A few years later, spotting generous financing on offer for would-be franchisees, Mr Flynn bought eight Applebee’s restaurants of his own. He now runs more than 3,000 franchise outlets across seven brands in three countries, and is reportedly worth over \$1bn, making him probably the first franchisee in the world to reach that milestone. On February 22nd the International Franchise Association, a lobbying group, inducted him into its Hall of Fame—an accolade once reserved for franchisors, the innovators on the other side of the business who established big chains, such as Ray Kroc of McDonald’s or Colonel Harland Sanders of KFC.

Mr Flynn’s is a tale of slow and steady success. So is that of the franchise model, which began spreading across America in the 1950s. Nowadays there are close to 850,000 franchise establishments in the country, run by around 250,000 owners, employing some 9m people and generating about 3% of GDP. As many as one in six businesses with at least one employee are part of a franchise. All kinds of establishments, from Dunkin’ Donuts to the UPS Store and most Marriott hotels, are fran-

chised. Lately the model has been spreading into new areas—such as boutique fitness, home services and child care—thanks in part to private-equity investors that have become enthusiastic franchisors.

Owning a franchise may be the purest distillation of the American dream. Some 95% of McDonald’s 14,000 American outlets are operated by franchisees, and the chain has plausibly created more millionaires than any firm in history. “We’re not all going to be Steve Jobs or Elon Musk,” says Matt Haller, who runs the IFA, but many can imagine themselves saving up to have a go at the all-American business of “slinging hamburgers”. The proposition has long appealed to immigrants in particular: around two-thirds of American motels are owned by Indians, many descended from Gujaratis who bought Super 8 and Travelodge franchises in the 1980s.

Mr Haller says franchisees now report growing interest from their children in succession plans. That is perhaps unsurprising. A decade ago the path to prosperity for young Americans looked certain: a college education and a white-collar “laptop” job. But rising tuition fees and the emergence of artificial intelligence have prompted renewed interest in the trades and other more pedestrian ways to make a living. In-person businesses—teaching Pilates, cooking food—look like a safer bet ►►

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► now. “There’s really not a franchise that you can run without people,” says Mr Hal-ler. Many more young people, then, may soon follow Mr Flynn’s example. Will it pay off for them?

To economists, franchises are something of an oddity. As Paul Rubin of the University of Georgia noted in a paper in 1978, they blur the boundary between a firm and the open market. Franchisors, who typically maintain control over things such as menus and opening hours, gain a network of motivated entrepreneurs prepared to put down their own capital, allowing the company to scale quickly. In return, franchisees are given the opportunity to run their own business with the security of an established brand.

The arrangement is most common in industries that require armies of physically dispersed employees—serving food made to order in thousands of locations, or running hotels. Letting the franchisee keep the profits, minus the royalty, gives them reason to work harder than a salaried store manager would.

Local knowledge is another advantage. Roads have “dinner sides” and “breakfast sides”; opening a coffee drive-through where people pass on the way home, not on the way to work, is a bad idea. Some locations are what Dinesh Goswami, who operates more than 100 outlets across Taco Bell, Dunkin’ Donuts and other chains, calls “Statue of Liberty” spots—highly visible but hard to reach. He opened a Pop-eyes in Nashville that customers could see from a mile away, but it was so hard to navigate to from ground level that revenues quickly collapsed by 60%.

Mr Flynn bought his first eight Applebee’s outlets, in Washington state, from a franchisee based in Cleveland who insisted that “the way I do things in Ohio is the way I want to do them in Indiana and New Jersey and Washington.” When Mr Flynn took over, Dan Krebsbach, a local employee, told him the restaurants could do better. In the Midwest, Applebee’s was a family joint; but in Seattle, Mr Krebsbach told him that “there is an opportunity for a great chain of bars.” He also wanted to increase staffing levels. Mr Flynn agreed to do things Mr Krebsbach’s way, offering him a profit-sharing arrangement—a sort of franchise within the franchise.

“The business, frankly, turned on a dime,” Mr Flynn recalls. Revenue jumped by a third. He opened two more Applebee’s on Mr Krebsbach’s recommendation. They boomed as well. Mr Flynn called the Cleveland owner and offered to buy the rest. “We bought 62 more. We went from 10 to 72 overnight.” Today Mr Krebsbach runs all 460 of Mr Flynn’s Applebee’s. The Flynn Restaurant Group operates on what its owner calls a “state and federal” model: regional managers share profits and run

their local markets, while the head office handles areas such as finance and training where there are economies of scale.

Bert Albertse, boss of JETSET Pilates, a chain of more than 100 studios, also sees the benefit of franchising at first hand. “None of the corporate units are top-quartile performers,” he says of the studios his company owns directly. “Every single one of them is below average performance relative to our franchisees today.” One of Mr Albertse’s franchisees, Justin Clonts, who works in private equity while owning and operating three JETSET studios in Manhattan with his wife, says “there is no way we would have opened three studios within a 12-month period” without being part of a franchise. He points, for example, to the guidance they received from the chain on hiring and digital marketing.

### Chain reaction

The terms on offer to franchisees are remarkably easy to look up: any business selling a franchise in America must produce a Franchise Disclosure Document (FDD), and several states publish their registries. FDDs disclose the many fees a franchisee must pay—including both upfront and ongoing payments—and can include detailed data on how existing franchisees are performing.

Leafing through a dozen or so FDDs reveals that they have much in common. Ongoing royalties to the franchisor are typically paid as a share of sales. So are other fees such as for marketing. Together these amount to perhaps 5-7% of sales for food-service businesses and 10-12% for beauty and fitness. The initial fee paid to a franchisor to open a single outlet is usually tens of thousands of dollars, and often \$50,000 or more, with discounts for multi-unit purchases. That is before any money

has been put into renovations or equipment. Total opening costs vary widely: a food-service restaurant tends to run north of \$1m; a fitness studio \$300,000-800,000.

That is serious money. Some franchisees raise it from friends and family, in the manner of the Gujarati motel-owners; others use the savings from a first career. Patrick Buckley, a franchise analyst, says most successful franchisees he has met funded themselves through a mix of loans and a raid on their retirement savings.

As with all business ventures, there is a decent chance of failure. When comparing franchisees and independent businesses, “the difference in survival rate is small”, says Francine LaFontaine of the University of Michigan, and is present only for the first year or two. After that the likelihood of staying in business is about the same.

Yet the risk varies significantly based on the type of franchise. “The chances of succeeding with a new restaurant are much greater if you’re part of a franchise that has worked out the systems, has high brand awareness and a huge marketing budget that’s helping you,” says Mr Flynn. And even if it doesn’t turn out as well as the franchisee hopes, there is often the option to sell the business on. “There are liquid markets for franchises,” explains Mr Flynn. That is less true for newer franchises that are still establishing their brands, however. The rewards can be far bigger (early adopters get better territory) but so is the risk.

The structure of the franchise arrangement also matters. When Ray Kroc took charge of McDonald’s, most other franchisors at the time made their money selling supplies or charging a licensing fee, rather than the revenue-sharing model that prevails today. “Once you get into the supply business, you become more concerned about what you are making on sales to your ►►



Plenty to go around



► franchisee than with how his sales are doing,” Kroc argued.

This approach still causes problems when it arises. Many franchisees ended up failing under the model run by XPonential Fitness, the former owner of CycleBar, a fitness chain, which required them to purchase pricey equipment from it at a profit. In March the Federal Trade Commission announced that the company would return \$17m to franchisees as part of a settlement with the regulator over violations of franchising rules.

Another criticism of franchises focuses on their impact on the many low-paid workers they employ. In his new book, “Chains of Command”, Brian Callaci of the Open Markets Institute, a think-tank focused on competition policy, argues that the distinction between franchisee and employee is a legal fiction because of the extent of control exercised by franchisors. And given how little power they have, the only way franchisees can make money for themselves is to pay their workers as little as possible, according to Mr Callaci.

### Division of labour

The clearest evidence that franchising has harmed low-wage workers comes from no-poach clauses, which once restricted hiring between outlets in the same chain. In 2018 the late Alan Krueger published a paper showing how common such clauses were in franchises and arguing that they suppressed wage competition. A number of states began investigating and the practice was eventually abandoned. Research by Mr Callaci in 2024 found that eliminating no-poach clauses had raised affected workers’ wages by 4-6%.

Beyond the no-poach example, however, evidence of broader harm to workers is hard to find. In another paper Krueger found that wages for front-line staff were about 2% lower at franchised outlets than at company-owned ones—a gap he called “trivial”. And the suggestion that franchisees are employees in disguise sits awkwardly with the existence of operators like Mr Flynn. (Mr Callaci, for his part, notes that where franchisees have more power, workers tend to earn slightly more.)

In 2015, during the Obama administration, a “joint-employer rule” was introduced making franchisors jointly liable for their franchisees’ workers. But it was never upheld in court, and the rule was narrowed to cases of “direct and immediate control” in 2020 during the first Trump administration. An effort in 2023 during the Biden administration to relax the more restrictive definition was unsuccessful, and in February this year it was formally reinstated by the second Trump administration. Franchising is “an engine of opportunity”, argues Mr Flynn. America’s politicians would be wise not to tamper with it. ■

Gautam Adani

## The Houdini of Gujarat

MUMBAI

Everything is going right for India’s richest man

GAUTAM ADANI, an Indian industrialist, has been called many things: a tycoon, a fraudster, a Bollygarch and worse. His close relationship with Narendra Modi, India’s prime minister, has left him dogged by claims of cronyism. Admirers and critics might agree on one label, however: master escapist. In 1998 Mr Adani survived an alleged kidnapping attempt. A decade later he escaped a terrorist attack in Mumbai when gunmen stormed a luxury hotel he was visiting for a dinner. His latest Houdini-like feat has been to quietly settle a trio of legal cases brought by America’s government that have cast a shadow over his conglomerate.

In November 2024 federal prosecutors in New York alleged that Mr Adani and seven others, including his nephew, had paid more than \$250m in bribes for a \$2bn solar-power deal in India. A parallel civil case was brought by the Securities and Exchange Commission (SEC). On May 18th the Department of Justice (DoJ) dropped its charges, a few days after the SEC settled for a mere \$18m (with no admission of guilt). Mr Adani’s lawyers had argued that there was no evidence to support the two cases, that there were no victims and that the prosecution lacked legal authority because the supposed events took place in India. A third case involving alleged purchases of Iranian gas subject to sanctions, brought by America’s Treasury, was settled for the more sizeable sum of \$275m on the same day as the DoJ settlement.

It is possible that American prosecutors decided they could not win in court. But Mr Adani may also have benefited from the transactional approach to cor-

porate justice taken by the Trump administration. According to the *New York Times*, Mr Adani’s legal team, headed by Robert Giuffra, a lawyer who has also represented Mr Trump, recently reiterated a previous offer the tycoon had made to the president to invest \$10bn in America.

Whatever the reason for the settlements, they remove a major nuisance for Mr Adani. The charges had weighed on his business abroad—the Kenyan government scrapped a set of contracts after the bribery cases were brought—and had prevented Mr Adani from travelling to America for fear of arrest.

It is the second time Mr Adani has emerged from trouble relatively unscathed in the past few years. In January 2023 Hindenburg Research, an investment firm, alleged that the Adani Group was committing accounting fraud and inflating its stock prices through shell companies. That episode wiped \$150bn off the conglomerate’s market value over a few weeks and led to the cancellation of a share offering. Yet India’s securities regulator gave Mr Adani a clean bill of health over the allegations in September last year. Hindenburg, by contrast, wound down in January 2025.

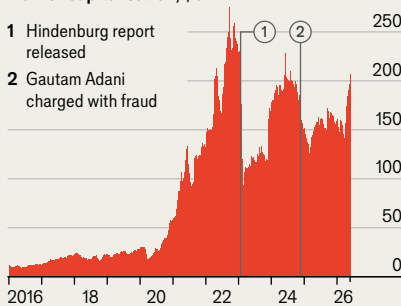
The Adani Group now has the wind at its back. Already the conglomerate’s market value is up by 30% since the start of the year, to just over \$200bn (see chart). Adani Green Energy, its clean-power business, is set to benefit as India looks for alternatives to hydrocarbons from the Gulf. The group is also looking to cash in on artificial intelligence. It has signed deals with Google and other hyperscalers to provide electricity to their data centres. And in February Adani Enterprises, the conglomerate’s core enterprise, revealed that it would invest some \$100bn in data centres of its own over the next ten years.

Mr Adani’s recent good fortune stands in contrast with that of his arch-rival Mukesh Ambani, a fellow Gujarati industrialist. The value of Mr Ambani’s Reliance Industries is down by 13% since the start of 2026, owing to the war in Iran. Reliance generates much of its cash from refining and petrochemicals, so has been squeezed by rising oil prices. The introduction by India’s government of an export tax on refined fuels has not helped. In April Mr Adani overtook Mr Ambani as the country’s richest man.

Some of the forces propelling Mr Adani could reverse. Enthusiasm for AI might cool. The Strait of Hormuz might reopen. At least for now, though, everything looks to be going his way. The victory of Mr Modi’s Bharatiya Janata Party in elections last month in West Bengal, one of India’s most populous states, means new infrastructure deals may soon flow Mr Adani’s way. The master escapist has wriggled free right on time. ■

### Powering on

Listed Adani Group companies, market capitalisation, \$bn



Source: LSEG Workspace

## Contraceptives

## War and love

The world's top condom-maker is getting squeezed by Donald Trump

**M**ALAYSIA HAS long been one of the world's biggest rubber producers. The country no longer accounts for as high a share of global supply as it did under British colonial rule, but one consequence of around 150 years of experience working with the material is that the country is home to the world's largest condom-maker.

Karex, which also makes rubber gloves, among other things, produces more than 5bn condoms each year—around a fifth of the global total. It sells its own and also supplies other brands such as Durex and Trojan, as well as public-health services.

Lately, however, the firm has been looking flaccid. Its share price is down by a third since the start of the year. On May 25th it reported its second quarterly operating loss in a row. Sales in the first three months of 2026 were down by more than a fifth from a year ago.

Karex can blame Donald Trump for its failure to perform. Spending on contraceptives by international health agencies has shrivelled thanks to cuts to America's aid budget. Tariffs and the weakening dollar have also sapped the company of virility.

More recently, Mr Trump's war with Iran has left the company exposed. In April Goh Miah Kiat, its boss, warned that the costs of several raw materials—including silicone oil, used as a lubricant, and aluminium, for packaging—were rising because of the conflict. For protection, he said that the firm would increase prices by 20-30%, though that may turn off customers.

Karex had only just recovered its mojo. At the start of the covid-19 pandemic some thought that lockdowns might bring a boom in condom sales. Instead, they brought supply-chain snags that pushed up costs and pulled down profits. Karex plunged to a loss in its 2021 and 2022 fiscal years.

Still, the firm is likely to rise up once again. It recently rolled out the first condoms made with synthetic nitrile, which are less likely to trigger allergic reactions and will be cheaper to produce than traditional rubbers (though their cost has spiked because nitrile is petroleum-based). Investors would be foolish to pull out now.



## Ferrari

## Seeing the light

The Italian marque's first electric car is unashamedly divisive

**C**ARMAKERS USUALLY talk up a new model. Yet Ferrari (whose biggest shareholder, Exor, part-owns *The Economist's* parent company) is not like other car firms. When the supercar brand unveiled its first electric vehicle (EV), called the Luce (Italian for "light"), on May 25th, its marketing chief described it as "polarising". Social media erupted with criticisms. Investors also gave it the thumbs down, though the motoring press was kinder. Yet divisiveness may be the point.

Some features of the Luce are typical of the Italian marque. Four electric motors deliver over 1,000 horsepower, blistering acceleration and a top speed of 193mph for around €550,000 (\$640,000). That makes the Luce the priciest of the brand's higher-volume models, though exclusive limited-edition hypercars can run to over €3.6m. Despite weighty batteries, its engineers will have ensured that it handles as smoothly as any other Ferrari.

But in other respects it is a radical departure, with five seats (a first for the marque), four doors and more boot space than the Purosangue, another four-door model launched in 2022. That model—which Ferrari refuses to concede is an SUV, despite the evidence—was also a controversial departure from Ferrari tradition, but a resounding commercial success.

With the Luce, Ferrari is making a "deliberate decision to lead what comes next", says John Elkann, its executive chairman. Yet where the Purosangue stuck to

the curvaceous aesthetic of other Ferraris, the Luce barely resembles them. The new car was developed in conjunction with LoveFrom, a "creative collective" founded by Sir Jony Ive, a former design chief at Apple, and Marc Newson, who worked with him. Unsurprisingly, minimalism is to the fore. Few critics take issue with its application to the sleek interior. But many fear that the clean lines of the bodywork lack the brand's customary appeal.

Ferrari will hope that the Luce meets with the same success as Rolls-Royce's Spectre, another pricey EV from another firm that is closer to a luxury-goods enterprise than a carmaker. Elsewhere, however, demand for electric supercars has been lacklustre. Lamborghini, an Italian rival, dropped its plans for a battery-powered vehicle, citing lack of interest among its customers. Even Ferrari has scaled back its electrification target to 20% of its line-up by 2030, down from an earlier goal of 40%.

The firm's market capitalisation, at €55bn, is on a par with that of Ford, which sold 4.4m vehicles last year, compared with Ferrari's 13,640. Yet investors have lately begun to question whether its valuation has sped too far ahead. Its market capitalisation has fallen by around a third ►►

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▶ since October, after an investor day where projections of future growth disappointed.

Ferrari need not sell that many of its first EV to notch up a victory. Although the firm is tight-lipped about targets, it is likely that the Luce is the type of Ferrari that would sell at most 9,000 cars over a roughly four-year model cycle. It will probably turn a healthy profit selling fewer than that. More important will be establishing Ferrari in the EV business.

The marque's strong ties to its loyal

customers will help with that. Many of them own several cars adorned with the prancing-horse logo, and may wish to add the first EV to their collections. Benedetto Vigna, Ferrari's boss, has stressed that demonstrating brand loyalty, the usual route to eligibility for acquiring one of the firm's coveted limited-run hypercars, does not apply to the Luce. But many of the faithful will not take the risk.

Then there is the prospect of luring new customers. Ferrari's hope is that the

Luce's bold but unfussy design and tech-filled interior will appeal to a different audience from its usual clientele. Mr Vigna has said that his firm is pursuing the segment of the market that "want and will buy a Ferrari, if and only if it's electric". Around four-fifths of the firm's sales currently go to existing customers. At the launch event for the Luce, however, around half the invited guests were reportedly new to the brand. Ferrari is attempting a risky manoeuvre. It might just pull it off. ■

## BARTLEBY

### *How should bosses talk about AI?*

*Employees are being asked to embrace a technology that causes fear*

IF YOU ARE a bank boss and in the headlines, you are either Jamie Dimon or you have screwed up. Bill Winters, the chief executive of Standard Chartered, an emerging-markets bank headquartered in Britain, made waves recently when he talked about a planned 15% reduction in back-office jobs over the next four years. Four words in particular landed him in trouble: a reference to the replacement of "lower-value human capital" by financial capital invested in automation. The kerfuffle provides an instructive case study in a problem now faced by almost every manager: how to talk about the effect of artificial intelligence on jobs.

Bosses want employees to use AI in order to improve productivity, see off AI-using rivals and more. Employees, on the whole, are less enthused. They can see some benefits to the technology. But they can also see the risks that it poses to jobs. Even if the numbers do not point to widespread lay-offs yet, an AI backlash is well under way. It has spawned the acronym "FOBO", for "fear of becoming obsolete". It shows up in viral videos—of American graduates booing commencement speakers who mention the technology and of a departing Meta employee singing about the tech giant's AI strategy to the tune of "American Pie" ("And now I'm singing bye bye to professional pride").

Job insecurity is not great for anyone. It has the most unpleasant effects on employees. A literature review by Magnus Sverke of Stockholm University and his co-authors—published in 2019, before the start of the generative-AI age—found that it is generally associated with worse health outcomes and decreased job satisfaction. But firms suffer, too. In theory, job insecurity might benefit

organisations if it spurred greater employee effort. In practice, it seems to lead to impaired performance.

The degree of trust that employees have in the management of their firms can alleviate the effects of job insecurity, however. A paper by Wen Wang of the University of Leicester and her co-authors analysed data from a national survey of British employees and employers, covering over 16,000 respondents at 1,100 organisations. The researchers found that objective measures of job insecurity, such as cuts in working hours, were generally associated with lower levels of employee commitment, but that this effect was weaker if workers viewed bosses as being honest, reliable and fair.

On this score, Mr Winters got one thing badly wrong but a lot of other things right. His choice of words was his big mistake. Referring to people as human capital is always pretty weird; no one gives a farewell speech saying "what I'm really going to miss is the human capital". Appearing to divide people into lower-value and higher-value categories was never

going to work out well, whatever Mr Winters's intention.

The clumsy phrasing also missed an important truth. Some jobs are more vulnerable than others to AI: roles that comprise repetitive and easily verifiable tasks, for example, or that do not require interpersonal skills. But exposed jobs cannot be neatly categorised as low-value, as the fate of software engineers shows. Programmers are in the firing line because AI is good at coding and because capital investment in the technology has to be paid for somehow—Meta connected its latest lay-offs to the need to offset other spending.

Look at the fuller version of Mr Winters's remarks, and in other respects, he deserves credit. In particular, he talked about the pre-emptive efforts that the bank made to find new jobs for employees who were going to be affected by a back-office automation project but wanted to stay at Standard Chartered. Preparing employees for changes in the labour market is the best way to retain the trust and expertise of existing staff. That might mean giving people the skills to do a less automatable kind of job; DBS, a Singapore-based bank, has positioned employees to move from being customer-service agents, say, to becoming salespeople. It also, inevitably, means lots of training on AI tools.

The long-term impact of AI on jobs is unknowable. Firms and employees have different incentives—they are not all in this together. And the burden of managing widespread disruption will fall largely on governments. But bosses can still mitigate job insecurity by identifying the skills they will continue to want from humans, and then helping employees to acquire them. For people to embrace AI, they have to be braced for it, too.



## SCHUMPETER

### *British Pantomime*

*BP cares too much about feelings and not enough about performance*



SINCE 2020 as many people have run BP as have run Britain. Sir Keir Starmer, the fourth prime minister in as many years, promised to end the pantomime in Westminster. Last year Albert Manifold was appointed as chairman of BP to do the same thing in nearby St James's Square. Sir Keir is still hanging on. Mr Manifold is finished. On May 26th, after less than eight months in post, Mr Manifold was sacked in a unanimous vote by the board, which includes Meg O'Neill, the oil company's new chief executive.

Mr Manifold inherited a neglected giant. The net-zero strategy of his predecessor Helge Lund, a Norwegian, had made BP uninvestable. It is fitting, then, that Mr Manifold's dismissal should have the air of a Eurocratic initiative. The timing of the directive announcing his departure could not have been better chosen to agitate markets. It travelled down the wires just as traders in New York returned to their desks after a bank-holiday weekend and were busy digesting news about a possible end to America's war in Iran. Shares in BP fell by nearly 10%.

But the real sin was the statement's style. It was written in the worst literary tradition of arrogant, managerial minimalism. Rather than elaborate on the reasons why BP must now search for another chairman, the board offered just a few lines of cryptic lanyard-speak. There are "serious concerns" about "important governance standards, oversight and conduct", the statement said. Trust us, he's a wrong'un, pleaded a board which shareholders have little reason to trust. Like Sir Keir, BP's board appeals confidently to an authority that has been spent twice over.

Thus began a guessing game: what did Mr Manifold do that was seemingly awful enough to jeopardise BP's turnaround? Plotting a coup in some faraway resource-rich land? Not likely. Trying to sink Ed Miliband, Britain's fanatical minister for net zero, in the North Sea? If only. Predictably, initial speculation turned to sleaze. In its recent history two BP chief executives have left their posts in bizarre circumstances related to their private lives.

That wasn't it, either. Instead, Mr Manifold was apparently exiled from clubland for being a bad chap. The *Financial Times* reported allegations that he had been viewed by some at BP as aggressive and that the board had received complaints from whistle-

blowers. Some reportedly called him a bully. On May 28th Mr Manifold responded. Yes, he may have pushed people to accelerate cost-cutting and strengthen the balance-sheet. But "at no point", he wrote, "has anyone raised with me any issue about my conduct...I dispute entirely this characterisation of my conduct."

If Mr Manifold was truly intolerable, the board must explain to shareholders in more detail. If he was merely disagreeable, that is probably proof of a job well done. As a supposed City grandee herself, Dame Amanda Blanc, the BP director who led the process to appoint Mr Manifold, would surely have known his City-wide reputation for directness. Having (very) successfully run CRH, an Irish building-materials firm, for a decade, Mr Manifold could hardly have been expected to be a passive and detached chairman.

Accusations of abrasiveness are, in the markets' eyes at least, a less serious crime than the value destruction of which other members of the board are plainly guilty. Sure, BP is in much better shape than it was a year ago. Profits from producing oil rise with the price of the commodity, after all. The company's traders are making a fortune. Last year it made a huge discovery off the coast of Brazil. Its corporate structure is in the process of being simplified. But the job is not even half finished. Costs are out of control, including at its headquarters in St James's. It is the most indebted of the major oil companies and still bears the weight of some of its worst misadventures in renewable energy.

Must BP always be as ungovernable as Britain? Oil majors often reflect the politics of their home countries. Exxon and Chevron are run by men who care little about the separation of powers. Both run the board and manage the company. Together the firms are worth \$400bn more than a decade ago. The top job at Total-Energies, the French oil major, is held by a former civil servant; at Eni, by a colourful Italian. The two have outperformed their British rival. BP, once in effect a branch of the British state in the Middle East, now mirrors its decline. Whitehall talks about "delivering at pace"; BP, about "moving at pace". Neither goes anywhere.

#### Manifold destiny

The psychodrama at BP could not have been better designed to embarrass Britain's business elite. One view is that an outsider was appointed to shake things up at a national champion before being pushed out unceremoniously by a club of grandees who talk about change without really wanting it. An alternative reading of Mr Manifold's tenure is about as bad: an amateur with little experience in the industry thought he knew better than the experts and came unstuck. The big American firms would hardly hand such power to someone new to drilling.

The main problem with reforming Britain's business elite is that it doesn't really have one. Those in America, Japan, France and Germany are all easily pictured. But Britain? Its once-mighty merchant banks have disappeared. So have its fund managers. Its biggest companies, like BP, have mostly become a global clearing house for mediocre management talent.

The City nowadays is best viewed as a battleground between European collectivist politics and American finance. Capitalist villains such as oil companies, tobacco giants and banks make up much of Britain's stockmarket. But the top investment banks and funds fly the American flag. The saga at BP is a case in point. It threw itself zealously into net zero. Now it is being disciplined, mostly by Elliott Management, an American hedge fund. A very British shambles—and an international joke. ■



## Finance & economics



### East Asian economies

## Boom and bust

SEOUL, TAIPEI AND TOKYO

**AI is concealing industrial rot in Japan, South Korea and Taiwan**

**T**HE NUMBERS look staggeringly good. Taiwan, a rich economy that in a good year might be expected to expand by 3-4%, is growing at 14%. That is thanks to an explosion in exports, which, even after adjusting for inflation, rose by over 40% last year. In a similar vein, operating profits at South Korea's biggest firms ballooned by 159% over the past year, thanks chiefly to its mighty exporters. Even usually sluggish Japan is seeing record corporate profits. Since the covid-19 pandemic its exports have grown four times faster than its econ-

omy. On the face of things, north-east Asia is in the midst of an export-led bonanza.

That is only half the story, though. North-east Asia's export industries increasingly operate on two tracks. On one track, the boom in artificial intelligence is driving high-tech exports, by the all-conquering chipmakers of South Korea and Taiwan, and by Japanese makers of equipment and materials used in chipmaking. On the second track, the rest of industry is clapped out. If you exclude semiconductors and AI servers, Taiwanese exports

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have actually fallen by 40% since 2022. In South Korea, non-AI exports have stagnated and Japan's industry is in decline. In areas such as cars and chemicals, China is lapping the trio.

China once absorbed north-east Asian capital and intermediate goods, which its factories assembled into finished products. It is now a direct rival. South Korea's exports overlap most with China's in products in which China's market share is growing fastest, calculates Adam Wolfe of Absolute Strategy Research, a consultancy. Japan is the third-closest (after Vietnam, which is gaining ground on China in some lower-tech industries).

In all three countries the balance of trade in goods with China has deteriorated since 2022. Taiwan's long-running surplus with the mainland flipped into a deficit this year. In February Japan's monthly deficit hit a record ¥1.1trn (\$6.9bn, equivalent to around 2% of GDP). For Free Mags Check [sastatus.com](https://sastatus.com) South Korea had been running a growing deficit with China for years, though in the past few months its unstoppable chip exports have lifted it into surplus again.

Unglamorous industries across north-east Asia are under crushing pressure. Taiwanese machinery-makers are furloughing workers. Chinese carmakers are supplanting Japanese ones in their own backyard. South Korean battery firms, outclassed by China's CATL, are running factories at half their capacity. In chemicals—a hallmark of industrial modernity in South Korea since the 1970s and in Japan since the first world war—a glut of Chinese capacity has lowered prices and led the output of Japan's chemical companies to contract by a quarter since 2019 and that of South Korea's by a fifth since 2022.

The result is that north-east Asian manufacturing is getting narrower. Chips and other gear related to AI make up over 40% of South Korean exports, more than double their share just two years ago. In Taiwan it is 80% of exports, compared with about half before the pandemic. After accounting for firms not neatly captured as AI-linked in official statistics, like Japan's Advantest (which makes chip-testing gear) and Taiwan's Foxconn (which produces data-centre servers, among other electron-



ics), *The Economist* finds that all 15% of the region's rise in industrial output since 2019 is thanks to AI (see chart 1). In Japan, South Korea and Taiwan output at factories unrelated to AI has shrunk in recent years.

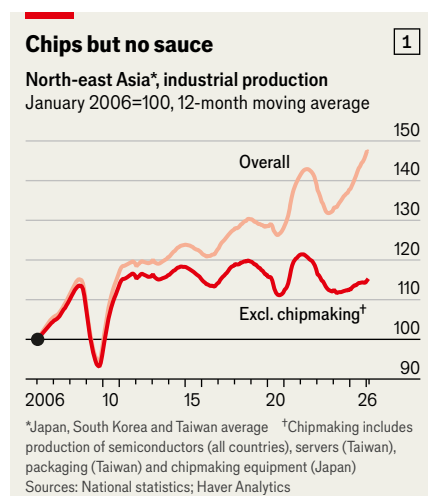
North-east Asia's reliance on AI is likely to become more pronounced, both because of intensifying competition from China in lower-tech industries, and because of industrial policies at home. South Korea plans to spend \$530bn to support chipmakers over the next two decades. It wants Samsung Electronics and SK Hynix, local champions that dominate memory chips globally, to branch out into other semiconductors. A Taiwanese law from 2023 gives local chip giants a tax break that lets them as much as halve their bills for gear, research and development. Takaichi Sanae, Japan's prime minister, wants to boost the manufacture of 61 "strategic" goods, including chips. The Ministry of Economy, Trade and Industry (METI), which guided development through much of the 20th century, is mighty again—and splurging \$16bn on Rapidus, a moon-shot project to make cutting-edge chips.

### Specialisation in trade

Specialising in more sophisticated manufactures is only natural. Economies that become rich typically see low-end sectors shrink as they reorient towards consumption and a residual slice of world-class tech. For Japan, South Korea and Taiwan, however, there are two reasons for worry. The first is their growing reliance on exports for growth. Since 2019 the ratio of exports to GDP has risen by an average of nine percentage points across the three countries. It has hit 73% in Taiwan and 46% in South Korea. In the two countries, AI-related tech exports provided around three-quarters of overall growth in 2025, estimates Goldman Sachs, a bank. In less export-reliant Japan, the ratio has grown steadily since its bubble burst in the late 1980s, to a record 22% in 2024.

The second cause for concern is the small number of countries to which north-east Asia sells its wares. The region's exports are 73% more concentrated than the rich-world average, according to an index produced by UNCTAD, a UN agency, that accounts for the range of goods and the number of customers (see chart 2). Taiwan is the biggest outlier: two-thirds of its chip-heavy foreign sales go to America and China. But South Korea and Japan stand out, too. And concentration has risen in all three in the past decade.

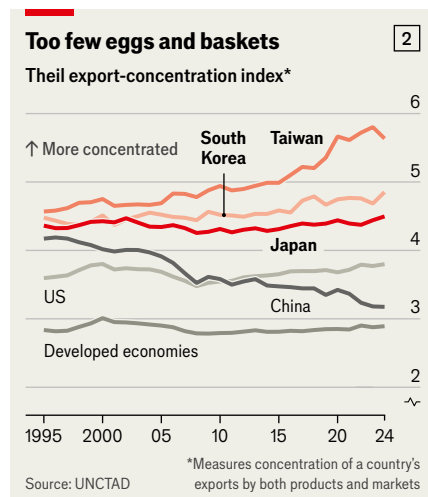
Although each country has its particulars, all of north-east Asia is buffeted on the one side by fierce industrial competition from China and on the other by tariffs and arm-twisting from America. This is a source of anguish. Headlines in Seoul fret that South Korea's exporters will soon fall



behind China—or already have. In Taipei politicians bicker about the pledge America has extracted from Taiwanese chipmakers, to invest \$250bn in chip factories in America, which critics say will hollow out the industry and turn Taiwan into a *feidao* ("waste island"). An official in Tokyo laments that "We've lost autonomy."

To make matters worse, domestic demand in the region is too weak to offer a buffer against an increasingly hostile outside world. Despite their wealth, north-east Asian households consume far less of what their economies produce than is typical in rich places. In Japan private consumption is 53% of output; in South Korea and Taiwan it is closer to 40% than to the rich-country average of 60%.

This is all the more striking given the region's ageing populations, which should push up the ratio of consumption to GDP. After all, pensioners have stopped producing but still consume. The higher share of consumption in Japan is better explained by protracted weakness in the rest of the economy than by consumer strength. After decades of deflating wages private consumption accounted for a tiny 3% of



Japan's (sluggish) growth over the past decade, notes Richard Katz of Japan Economy Watch, a newsletter (58% came from ballooning government spending).

North-east Asia consumes so little because of decades-old policies designed to promote manufacturing for export. As its economies took off, production overshadowed consumption. Besides showering favoured firms and workers with subsidies, governments channelled capital to big exporters by pushing household savings into financial systems controlled by the state.

This approach had an internal logic, says Dani Rodrik of Harvard University. Although consumers enjoyed a relatively smaller portion of output, rapid expansion meant that consumption was still growing in absolute terms. The bias towards exports was meant to be temporary, however. "The closer you get to the technological frontier, the harder it is to eke out more productivity gains," Mr Rodrik observes. Once that frontier is reached it makes sense to reduce the emphasis on production and to stop repressing consumption.

North-east Asia's governments haven't done this. One reason is the clout of export-oriented corporate titans. The value generated by TSMC, the Taiwanese chip-manufacturing juggernaut, accounts for 9% of GDP and its market capitalisation for 40% or so of Taiwan's stockmarket. Samsung Electronics and SK Hynix, each now worth over \$1trn, are parts of South Korea's influential family-run conglomerates. Japanese exporters are METI's darlings.

### Division in labour

Even though some of these behemoths are among the world's most competitive firms, they hoard talent and capital. Regulation also favours workers in the vanguard of industrialisation, who receive benefits that employees of small businesses do not, creating what Arvid Lukauskas and Yumiko Shimabukuro of Columbia University call a "labour aristocracy". Meanwhile, unproductive small businesses, which account for 60% of employment in South Korea, 70% in Japan and 80% in Taiwan, create a larger labour underclass without the means to spend.

The region's labour markets are warped in other unhelpful ways. Lifetime employment with generous wages and benefits remains standard for the labour aristocrats; everyone else earns peanuts. Samsung workers have just secured another plum pay deal. Irregular workers make half of what regular workers do in South Korea; in Japan it is 40% less. Many big employers retain large irregular workforces that can be slashed in a downturn, without imperiling the core of lifelong staff. So irregular employment (including part-time work) has grown to over a third of the workforce in Japan, up from a sixth in the 1980s. Tem-



▶ porary employment in South Korea, at over a quarter of the total, is the highest in the OECD club of mostly rich countries.

In Taiwan, workers in the electronics industry, which employs a tenth of the workforce, enjoy a 70% wage premium over the national average. Because everyone else subsists on meagre pay, that average (adjusted for living costs) is roughly the same as in Spain, whose (similarly adjusted) GDP per person is a third lower. Taiwan's numerous university graduates—more than 80% of 25- to 34-year-olds have degrees—face higher unemployment rates than peers with vocational degrees. Youth unemployment, at 12%, is over three times the national average. Perhaps 500,000 Taiwanese leave the country every year in search of better prospects abroad.

Another restraint on consumption is stingy welfare states. Taiwan and South Korea spend 5% and 4% of output, respectively, on pensions, half the OECD average. Japan's pension system is more generous. Yet in both Japan and South Korea, the size of pension payments is tied to the nature of past employment. Those outside the lucky salaried elite receive much less.

One result is that Japan and South Korea have high relative poverty rates among the elderly, of 20% and 40% respectively, compared with 14% in the OECD as a whole. In Taiwan, which does not publish official figures, academics put it at around 30%. Half of Taiwan's elderly households fall into its lowest income quintile. Other forms of state support are paltry, too. Japan, South Korea and Taiwan spend on average just 2% of GDP on social assistance such as tax credits for low earners and retraining schemes.

### Incentives matter

Governments have started to take notice. In Japan the lifetime employment system has become somewhat less rigid, leading to a 60% surge in the number of workers quitting their jobs for higher pay or better conditions. This year South Korea will enact several reforms to pensions, including raising contribution rates for the first time since 1998. But the impact of such measures has been muted. Complaints about “K-shaped” economies, where the rich get richer and the poor struggle, are widespread in north-east Asia.

At best, then, the region's prosperity is only narrowly shared. At worst, its reliance on AI-related exports is a recession waiting to happen. Even the AI bonanza will slow eventually and the chip industry is notoriously prone to booms and busts. Rather than using the good times to diversify, north-east Asia is instead making an all-in bet: on exports to provide growth, on the semiconductor industry to provide the exports, and on America and China to buy them. It is a risky trifecta. ■

### Offshore finance

## A shore bet

NEW YORK

**There is more to tax havens than crystal waters and a promise of opacity**

SINCE THE global financial crisis of 2007-09 the days of offshore finance have regularly looked numbered. In 2010 America passed the Foreign Account Tax Compliance Act, which required foreign financial firms to disclose the assets of Americans. A year later Nicolas Sarkozy—who led both France and the G20 at the time—boldly declared that tax havens would face global ostracism. In 2016 investigative reporters unearthed the “Panama papers”, a vast cache of documents that traced hundreds of thousands of tax-dodgers. The revelations led many rich-world governments to force offshore centres to create registers of beneficial ownership and share information with other jurisdictions on pain of sanctions.

In the years since, it is Mr Sarkozy who has been ostracised after a brief spell in prison for election-finance misdeeds. Offshore financial hubs, by contrast, are on some measures more popular than ever. Between 2010 and 2024 companies' total offshore assets grew half as fast again as world GDP, more than doubling in nominal terms to \$64trn (see chart 1). By the end of last year 31% of the total outstanding stock of international corporate bonds, which firms use to raise debt outside their home countries, had been issued in offshore centres—a record, and up from a post-financial-crisis trough of 24% in 2010 (see chart 2 on next page).

A big reason for the recent growth is that, as Jason Sharman of the University of Cambridge observes: “Secrecy was less important than people thought it was.” So were lax regulations. Andrew Morris of Texas A&M University, another scholar of

offshore finance, explains that being small and nimble, havens are in some areas simply better regulated. This makes them a magnet especially for fast-growing parts of finance such as reinsurance, private-credit funds and emerging-market wealth. It also gives them an incentive to stay off rich-world regulators' naughty lists.

The growth of offshore reinsurance and private-markets funds is related. American life insurers, which sell annuities with a guaranteed return to American customers, have invested heavily in illiquid private assets lately. They have also ceded more and more of their liabilities and assets to reinsurers, which lightens their balance-sheets and allows them to sell more annuities. These illiquid assets—such as private equity, private credit, property and venture-capital bets—are often managed on the reinsurers' behalf by Wall Street's private-markets giants like Apollo and KKR through vehicles also domiciled offshore.

This symbiosis between life insurers, reinsurers and private-asset managers (which these days often own or work closely with the other two) is dubbed the “Bermuda triangle”, after the Caribbean jurisdiction where it has blossomed. Bermuda is fertile ground because its regulators allow reinsurers to fund their holdings of certain types of private-asset investments with less capital than is required in America. It also lets reinsurers use their own internal models to prove that these investments match the annuity liabilities.

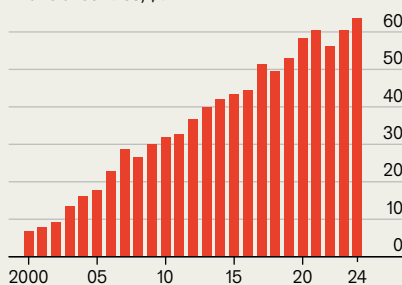
American and European regulators have blessed this arrangement because of Bermuda's regulatory sophistication (Vermont copied some Bermudan ideas in designing its own rules for insurance finance, notes Mr Morris). This has helped Bermuda become home to \$1.5trn in reinsurance assets, or nearly 4% of the entire insurance industry's global total, and 15% of world-wide reinsurance capital.

The Cayman Islands, which in 2023 was struck off the “grey list” of offshore offenders kept by the Financial Action Task Force, an international watchdog, wants in on the action. Its reinsurance assets have quadrupled since 2020 to over \$100bn. It has attracted lots of private-asset funds, in part thanks to a six-year-old law that brought previously unregistered funds of the sort favoured by private-asset managers under the jurisdiction of the Cayman Islands Monetary Authority. The prospect of greater oversight seems to have attracted more investors than it repelled. The number of such funds registered in the Caymans has risen from fewer than 13,000 in 2020 to nearly 18,000.

Another growing source of business for the havens is the emerging world. In places without secure property rights, explains Mr Sharman, “offshore is the next best thing.” Ricardo Soares de Oliveira of ▶▶

### Islands popping

Global external assets held in offshore financial centres, \$trn



Sources: Bank for International Settlements; “The external wealth of nations database”, by G. Milesi-Ferretti, 2026

► Sciences Po, a French university, observes that although precise numbers are scarce, offshore links between Africa and Asia, in particular, are clearly rising.

African elites and businesses increasingly park their wealth in newer financial centres closer to home, such as Dubai. Sometimes their motives are dubious (for those smuggling gold from Africa, for instance). Often, though, they simply want a place with predictable rules, good financial infrastructure and a choice of accountants, advisers and other professionals. Henley & Partners, a consultancy, estimates that the United Arab Emirates (including Dubai) drew 9,800 migrating millionaires in 2025, more than any other jurisdiction. The war in Iran has dulled Dubai's lustre, but not that of offshore finance.

Offshore centres are also indispensable to China. To gain access to foreign capital, Chinese firms have for years set up "variable-interest entities" (VIEs) in the Cayman Islands, which through a series of other vehicles have contractual rights to profits generated by a Chinese operating company. When an American stockmarket investor buys a share in a Chinese company listed in America, such as Alibaba, or a European venture capitalist backs an unlisted Chinese tech darling, like ByteDance, TikTok's corporate parent, they are actually passing money to a Cayman VIE. Many other Chinese companies rely on offshore centres to raise billions of dollars in bonds and private credit.

To get around China's strict capital controls, Chinese firms and business owners also reinvest profits made abroad through offshore jurisdictions. The Caymans and British Virgin Islands are popular conduits for investments, notably in American assets. They are behind only Hong Kong (itself an offshore centre of sorts) and America as destinations for Chinese overseas portfolio flows. Chinese official statistics record \$192bn in investments in the two offshore hubs as of June 2025, three-fifths as much as in America and almost five times more than in Britain.

Not everything is going the offshore centres' way. American regulators worried about signs of strain in private-credit markets are paying closer attention. In April Britain set out plans to tighten capital requirements for offshore reinsurance, and Japan increased its supervision of the industry. Chinese authorities, worried about losing hold of Chinese technology, are trying to curb the use of VIEs; Moonshot AI, a buzzy Chinese tech firm, is reportedly unwinding its Cayman VIE and going public in Hong Kong instead. It is unclear if Dubai can ever recover its pre-war shine.

Such developments may be temporary setbacks. But time and again offshore centres have proven themselves remarkably adaptable. It would be ironic if these products of globalisation thrive in today's fragmenting world—but not surprising. ■

## Offplanet finance

# Tax heavens

EARTH

## How to tax businesses in orbit and beyond

IN 1587 THE English jurist Sir Edward Coke popularised the legal principle that whoever owned a piece of land also owned the space above it "up to the heavens (and the stars) and down to hell". Hell may yet be remote, but lately the stars have become more accessible. For much of the 20th century space exploration was a public affair handled by governments and directed toward scientific research. Increasingly it has become a private business filled with commercial aspirants.

The industry's top firm, SpaceX, Elon Musk's soon-to-be-listed rocketry venture, seeks to establish a city on Mars. Others hope one day to run interplanetary package holidays or mine asteroids and the Moon. The commercial space sector's annual sales could reach \$1.8trn by 2035, reckons the World Economic Forum, the non-profit behind the Davos plutocrats' retreat. As it grows, it is set to give tax collectors a headache. That is because existing space law was crafted for a world in which the heavens were the province of governments. It is less-suited for a world of space capitalists seeking profit among the stars.

The legal regime that governs space dates to 1967, when dozens of governments signed the Outer Space Treaty. They agreed that each vessel heading into space would register with a nation, whose laws would apply to it and who would take responsibility for negative externalities, such as debris, its activities generated. The agreement made clear that, contrary to

Coke, countries did not control the vertical territory above them beyond a certain point. Today governments mainly tax space companies on their earthbound activities, as with America's recently announced launch fees, which are levied on firms based on payload.

At times countries have poked at the treaty's principles. In 1976 a group of equatorial ones declared sovereignty over the geostationary orbit above them, which many satellites use. (They soon abandoned the idea.) Countries such as China and India have mulled theoretical tax powers over income generated in space. In 2001 a Los Angeles County bureaucrat attempted to tax satellites. And every spacefaring government has eschewed an international agreement against commercial use of the Moon—a form of space capitalism on which Donald Trump's administration has been particularly keen. Yet most attempts to assert taxing powers or sovereignty over space itself remain theoretical.

As corporate profits from space balloon, that may change. For a start, it would help to establish what counts as space. No one really agrees where it begins; the United Nations has suggested 100km above mean sea level. But that is chiefly for scientific purposes, not fiscal ones.

Tax authorities then have two options for how to respond. The first is to assert tax powers over vessels registered in their country after launch. That approach might lead companies to employ a strategy common on the high seas called "flag of convenience". Firms could register their spacecraft in a low-tax jurisdiction in order to avoid future levies—or even attempt to launch them outside any country's territory. Some five space launches have been registered in the Cayman Islands, notes Jonathan McDowell, a retired astrophysicist formerly of Harvard University. But existing tax treaties are used to dealing with earthly havens through established tests such as looking at where a firm designs its spacecraft and where its executives live.

Tax havens among the stars will prove trickier. That raises the second option for policymakers: to revisit the notion of sovereignty. Doing so would help deal with economic activity that occurs entirely off Earth, no longer a sci-fi scenario.

For example, Axiom Space, a startup, is attempting to launch a private successor to the International Space Station. If two people begin a business aboard it or another private space vessel, it is unclear who will tax them, particularly if they are not nationals of the country to which the vessel is registered, remarks a forthcoming paper by Erika Scuderi of the University of Florida. As humans are able to spend more time aboard space stations, they might also lose their previous tax residency. If Mr Musk achieves his dream of a self-govern- ►►

## Debt and (low) taxes

Global offshore international debt securities, as % of total outstanding issuance



Source: Bank for International Settlements



▶ ing city on Mars, Earth's tax collectors will want their share.

The possibility of income generated with no true connection to Earth's sovereign territories makes the case of space harder than that of aviation, the sea or the ocean floor. Space is likewise not perfectly akin to Antarctica. The treaty that governs the southern continent is much clearer about sovereignty; it froze a 1959 status quo in which seven countries claimed territory on the continent. Countries are also not as inclined as they were in the mid-20th century to follow international agreements. As profits from space become more than theoretical, simply asserting that they belong to mankind will create a pool of untapped revenue. The temptation to carve up the heavens and heavenly bodies may then prove irresistible. ■

## The Federal Reserve

# An uncomfortable chair

WASHINGTON, DC

**Kevin Warsh faces a troublesome inflation in-tray**

KEVIN WARSH'S first day in his new job on May 22nd was instructive. For the first time in nearly 40 years, the chairman of the Federal Reserve was sworn in at the White House—an odd setting for the head of an institution that prides itself on political distance. Donald Trump nevertheless assured his hand-picked inflation dove that he should be “totally” independent. Hours later, at a rally in New York, the president sketched the boundaries of that independence. “I had a rotten head of the

Fed, now I have a great head of the Fed,” he boasted, before predicting that interest rates would come down “very quickly”.

Yet the path to lower rates has narrowed since he nominated Mr Warsh in January. As war in Iran pushed up energy prices, America's consumer-price index (CPI) rose at an annualised pace of 7.3% in the three months to April. Pricier oil is feeding into other costs, from plastics to transport, inflating prices far from the pump. Even excluding energy and food, CPI is up by a hot 3.2%. The central bank's preferred gauge of underlying inflation is hotter still.

At his confirmation hearing in April, Mr Warsh told Congress he was not interested in “the one-time change in prices because of a change in geopolitics”. Central bankers are usually taught to “look through” energy shocks, since these may lift prices once without stoking underlying inflation—so long as they do not provoke the public to expect higher inflation in future. But one-offs are easier to ignore when they are brief. The war in Iran has already dragged on, and the buffers holding down oil prices are dwindling.

Moreover, the oil shock is only Mr Warsh's first constraint. Broadening inflationary pressures, markets sceptical of easing and a Fed committee turning more hawkish all stand in the way of his—and the president's—rate-cutting ambitions.

Start with America's inflation outlook, which looks grim even after stripping out energy. More than half the categories in the consumption basket are up by 3% or more this year. Services prices, which best reflect underlying demand, are also rising uncomfortably fast. “Super-core” services, which exclude energy and housing, are up in price by 3.2% in the past year and have accelerated in recent months.

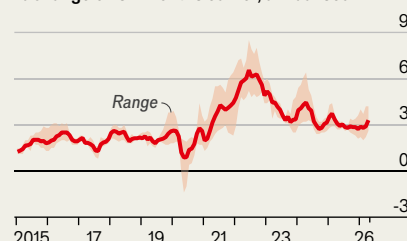
Goods are no longer providing relief. In the PCE index, durable-goods prices rose at an annualised pace of 7.7% in the first quarter of the year, compared with an average fall of 1.7% a year in 2015-19. Tariffs have delivered a temporary jolt to prices. The artificial-intelligence boom may be bringing about a more lasting one. Inflation in software and accessories (considered durable goods) is the highest since the series began in the late 1970s.

Mr Warsh has objected that conventional inflation gauges are “quite imperfect”. He has called for “new data sources”, including trimmed-mean measures that ignore extreme price moves. However, these alternatives offer little solace. Trimmed-mean indices from the Fed's Cleveland and Dallas branches are both accelerating: one-month inflation exceeds the three-month pace, which is itself faster than over 12 months (see chart 1).

The Dallas measure does offer Mr Warsh one scrap of comfort. Over the past 12 months it is only a touch above the cen-

## Quad-core processor

United States, underlying inflation\*, % change on six months earlier, annualised



\*Average of trimmed-mean CPI, trimmed-mean PCE, core CPI services excl. housing and core PCE services excl. housing  
Sources: BLS; BEA; Federal Reserve Banks of Cleveland and Dallas; The Economist

tral bank's target. But that is a fragile foundation for cuts. The Dallas Fed's method trims more from the top of the price-change distribution than the bottom, reflecting historical patterns in which price declines were more extreme than increases. During inflationary surges, its researchers warn, the measure may be misleading.

To avoid cherry-picking the most convenient measure, *The Economist* examined four—the two trimmed-mean estimates and two measures of core services excluding housing. To strip out the noise from the oil shock, we calculated a six-month annualised rate. Our estimate of underlying inflation in the American economy is 3.3%, well above the 2.0% average in 2015-19. More worrying, it has moved further above target in recent months (see chart 2).

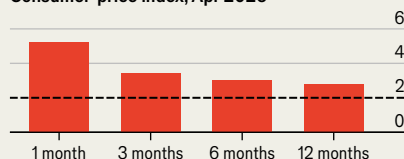
Sticky inflation is starting to affect expectations. After more than five years of above-target inflation, faith in a swift return to normal takes some optimism. In May respondents to the University of Michigan's consumer survey expected inflation of 3.9% five years ahead, almost a percentage point higher than before Mr Trump took office in January 2025. The New York Fed's survey, preferred by many policymakers, looks more benign when respondents assign probabilities to different outcomes. But when households were ▶▶

## Don't be so mean

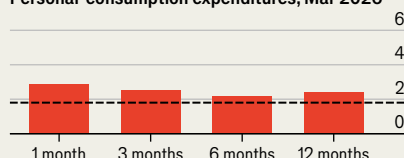
United States, trimmed-mean inflation rates\*, %

--- 2015-19 average

Consumer-price index, Apr 2026



Personal-consumption expenditures, Mar 2026

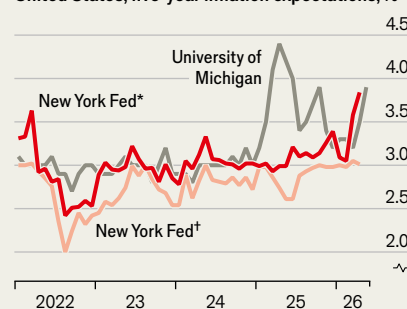


\*Annualised

Source: Federal Reserve Banks of Cleveland and Dallas

## The price won't be right

United States, five-year inflation expectations, %



Sources: University of Michigan; Federal Reserve Bank of New York

\*Median-point prediction  
†Probability-based median

asked directly about inflation five years ahead, the median answer in April was also above 3.8% (see chart 3 on previous page).

Markets are drawing similar conclusions. At the start of the year investors expected at least one or two rate cuts this year. They now price in a rate rise instead, and roughly a one-in-four chance of two or more. Treasury yields have climbed, too. Some analysts detect a “Warsh premium” in long-dated bonds, compensation for the risk that the chairman bends to Mr Trump

and lets inflation run. Cut too soon, and bond vigilantes may awaken.

Mr Warsh’s colleagues may prove as troublesome. They are already turning hawkish. In April three of them dissented in favour of dropping the Fed’s “easing bias”, the language in its statement hinting that the next move is likelier to be a cut than a rise. Christopher Waller, a Fed governor, agreed in a speech on May 22nd. If the committee pushes for a rise over Mr Warsh, he will face a painful choice. Dis-

sent as chair, and he looks weak. Fall in line, and he looks disloyal to Mr Trump.

Mr Warsh can afford to wait a bit. But the ability to blame rising prices on a brief war could vanish by September, weeks before America’s midterm elections. He would then be squeezed between a committee eyeing tighter money, markets ready to punish dovishness and a president demanding rate cuts. Mr Warsh must be hoping that at least his new chair is comfy, because his position certainly isn’t. ■

## BUTTONWOOD

### *The incredible shrinking stockmarket*

*Giga-IPOs are a symptom of public markets’ giga-problem*

AMERICAN STOCK indices’ record highs mask a niggle: getting firms to list is getting harder. The number of initial public offerings (IPOs) fell from an annual average of over 400 in the 1990s to 115 in the past decade. This plus attrition and more firms going private has reduced the ranks of public companies in America from a peak of 8,000 in 1996 to 3,900 last year. Jamie Dimon, boss of JPMorgan Chase and Wall Street wise man, would like to see 15,000 or more. If companies steer clear of public markets, as so many now choose to, ordinary investors miss out on their dynamism.

Could the imminent listings by some of the world’s buzziest firms provide a fix? SpaceX, Elon Musk’s rocket-to-server-racks conglomerate, has just filed the paperwork to raise perhaps \$75bn in June. OpenAI and Anthropic, two leading AI labs, are preparing the ground for their own mammoth flotations. Before long all three will enter stockmarket indices and, thanks to tracker funds, the stock portfolios of the investing everyman. Yet for all the excitement it is generating, the coming IPO bonanza is not a solution to stockmarket shrinkage. It is a symptom of the malaise.

Consider just how unusual the gigatrio are. Although many firms claim to be at the forefront of the AI revolution, the stockmarket’s propellant these days, Anthropic, OpenAI and SpaceX can say it with a straight face. As a result, no other potential IPO comes close in terms of size. They are eyeing a combined market capitalisation near \$4trn. Their latest private valuations already make them the eighth-, 14th- and 15th-largest firms in America by value. The next three biggest startups—Databricks (in analytics), Stripe (digital payments) and Anduril (military drones)—are together

worth less than \$400bn.

The heft of Anthropic, OpenAI and SpaceX becomes a problem for index investors, who rely on a few outperformers to carry the stockmarket with them. According to a database of American IPOs maintained by Jay Ritter of the University of Florida, most IPOs are duds. In 30 of the years between 1980 and 2022 the typical newly listed firm underperformed the broader market in terms of three-year returns, often badly. The only reason investors with broad exposure to the market have made any money is because the success of a few outliers outshines the failure of the many disappointments.

As firms list later and at larger valuations, these outliers are rarer. Fully 48 startups which listed between 1990 and 1998—nearly 4% of the total—generated a five-year return of 1,000% or more from their IPO price (most did so before the dotcom bubble). Only 13 of those listed since 2012 pulled it off. Amazon, which went public in 1997, has increased its share price by over 26,000% since then. Nvidia, which listed two years later, has soared by

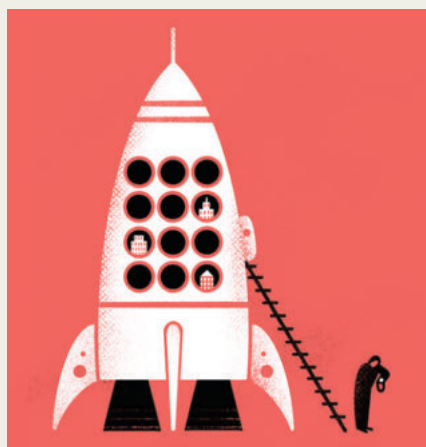
525,000%. If SpaceX went public at its target valuation of \$1.75trn, its market capitalisation would need to exceed \$470trn to offer the same return as Amazon, more than six times the current value of all American stocks, and nine quadrillion dollars to match Nvidia.

Some smaller firms will doubtless attempt to ride on the coattails of the giga-IPOs to their own listings in a buoyant stockmarket. America’s Securities and Exchange Commission, which regulates the industry, hopes to “make IPOs great again”, for instance by relaxing regulatory disclosures for newly public companies and allowing firms to report earnings every six months rather than every three.

Yet this will not diminish the appeal of private life. In the 1990s tech startups tended to list at the age of eight. In recent years this has risen to 11, as the explosion in venture capital (VC) has let founders avoid the scrutiny of public markets for longer. OpenAI turns 11 this year; at 24, SpaceX looks geriatric for a stockmarket newbie.

That is unlikely to change so long as VC stays plentiful and secondary markets in private shares make it ever easier for early investors and employees to turn their stakes into cash without an IPO. PitchBook, a data provider, estimates that secondary deals for VC-funded firms nearly doubled in the first quarter of 2026, to \$112bn, and for the first time outstripped money raised in IPOs.

Perhaps in the brave new AI world a few gargantuan winners are all that matters. If their valuations swell to quadrillions of dollars, public-market investors could still partake in America’s dynamism. Anything short of that, however, will leave much of the upside out of reach in private markets.





## FREE EXCHANGE

### *A passport to prosperity*

*China is quietly making life easier for rural migrants. Marx would approve*



**A**N IMPERTINENT SOUL once asked Paul Samuelson to name a social-scientific principle that was true but not trivial. The Nobel laureate's answer was comparative advantage, which explains why two countries can both benefit from trade even if one is better than the other at everything. That principle has sadly fallen out of fashion. So here is another one that is true, non-trivial and more germane to this age: China would face fewer trade wars with the rest of the world if its people were less thrifty.

China angers its trading partners because it sells more goods than it buys, earning more than it spends. The underspenders include its households, which save at an unusually high rate. China's migrants are among the thriftiest. And there are a lot of them. The number of people who have left the countryside to work in cities was 131m at the end of 2025. (The broader "floating population", which includes non-workers and urbanites living outside their home city, exceeds 357m.)

The migrants' thrift reflects insecurity. Though they live and work in bustling cities, many remain registered in their villages of birth under the *hukou* system of internal passports. This creates what one author calls "invisible walls" within cities. It makes it harder for new residents to gain full access to social insurance and public services where they live. Instead they save strenuously for a rainy day. In 2012-22 the saving rate of migrant households, living in cities with rural *hukou*, was 6.8 percentage points higher on average than similar households with urban *hukou*, according to a paper published last year by Yizhi Xu and colleagues at the IMF.

*Hukou* reform could reduce some of this precautionary saving. Migrants' extra spending would leave Chinese firms with fewer excess goods to dump on global markets. That would cut China's export surplus and ease trade tensions with the rest of the world. The non-trivial implication is that *hukou* reform, not tariffs, might be the answer to trade wars.

China has clung to its internal passports for various reasons. In 1956 the government was spooked by what it called the "blind outflow" of farmers, demobilised soldiers and other rural folk to industrial centres. It has relied on *hukou* to prevent slums and maintain people's ties to the land, which provides a refuge in hard

times. When jobs dry up, China's migrant workers have dispersed to their village plots rather than uniting fearsomely in cities. Without *hukou* China would also need some other way to decide who may farm and build on rural land, which is owned communally.

So China's reform of this system has been incremental and uneven. That has made it difficult to summarise, let alone quantify, progress. Some scholars have tried to "score" *hukou* requirements in different locations. But these numbers are somewhat subjective. Others have looked not at policies but at outcomes: how has the registered population grown? But these more objective indicators can also mislead. An attractive city might hand out more *hukou* registrations not because its eligibility requirements are lax but because people try harder to fulfil them.

A valiant attempt to sidestep these problems was published in 2024 by Zhu Chen of Southwestern University of Finance and Economics in Chengdu, and Qianqian Shang and Jipeng Zhang of Shandong University. They first consulted a city's official documents to identify the hurdles a migrant must clear to obtain *hukou*. They then estimated what share of the floating population in the city would clear these. The result is what they call the "settlement probability". (Since a reform could attract migrants who benefit from it, they base these calculations on the population present in a city a few years before it was enacted.)

On the face of it, their index shows a dramatic easing of *hukou* requirements over the past 15 years. In 2011, 46.9% of the floating population in the average city would qualify for its *hukou* if they tried. By 2024 that average was 94.6%. The index may miss some practical impediments that do not appear in official documents, the authors point out. Dongguan, a southern city, said in 2018 that settlement restrictions for college graduates would be "resolutely eliminated". But in practice, many applicants still had to show they had paid several years of social insurance.

Hurdles also remain high in China's biggest and richest cities. The settlement probability is 0.19% in Beijing and 1.44% in Shanghai. If you weight cities by GDP, the average settlement probability falls from 94.6% to less than 80%, *The Economist* calculates.

Probabilities are also not actualities. Not everyone who could obtain urban *hukou* will apply for it. Many rural migrants are reluctant to forfeit land rights in their home villages. In the easier cities (with settlement probabilities above 50%) migrants who want to settle down are outnumbered by those who don't, a survey found in 2017. The pattern would be instantly recognisable to Marx (Groucho, not Karl): a go-getting migrant wouldn't want *hukou* from any city that would admit them too readily.

#### Slicker cities

Fortunately, reforms making *hukou* more available have been accompanied by reforms making *hukou* less necessary. In many cities, a local *hukou* is no longer strictly required to enroll in social insurance, buy a house or put children in a state school, although other barriers remain. On May 22nd the State Council, China's cabinet, urged cities to continue these efforts to extend public services to unregistered residents.

The reforms also seem to be having an effect on China's thrift. The IMF economists found that the gap in saving rates between city-dwellers with and without urban *hukou* has narrowed from 11.8 percentage points in 2014 to just 3.2 points in 2022. To stop its trading partners building tariff walls against its goods, China must continue tearing down the invisible walls in its cities. ■

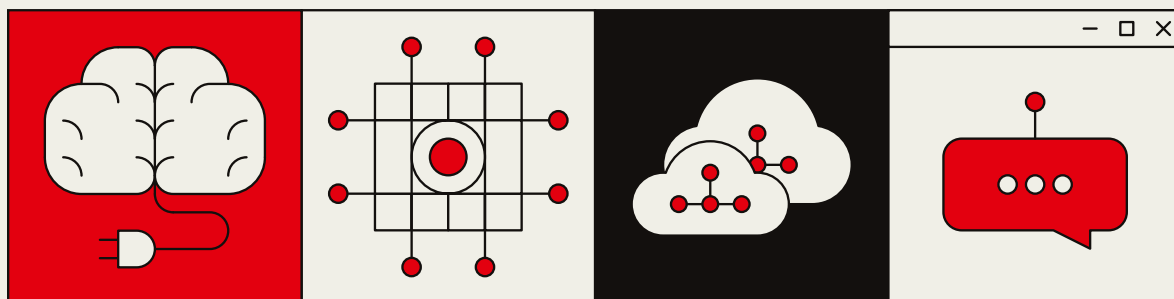
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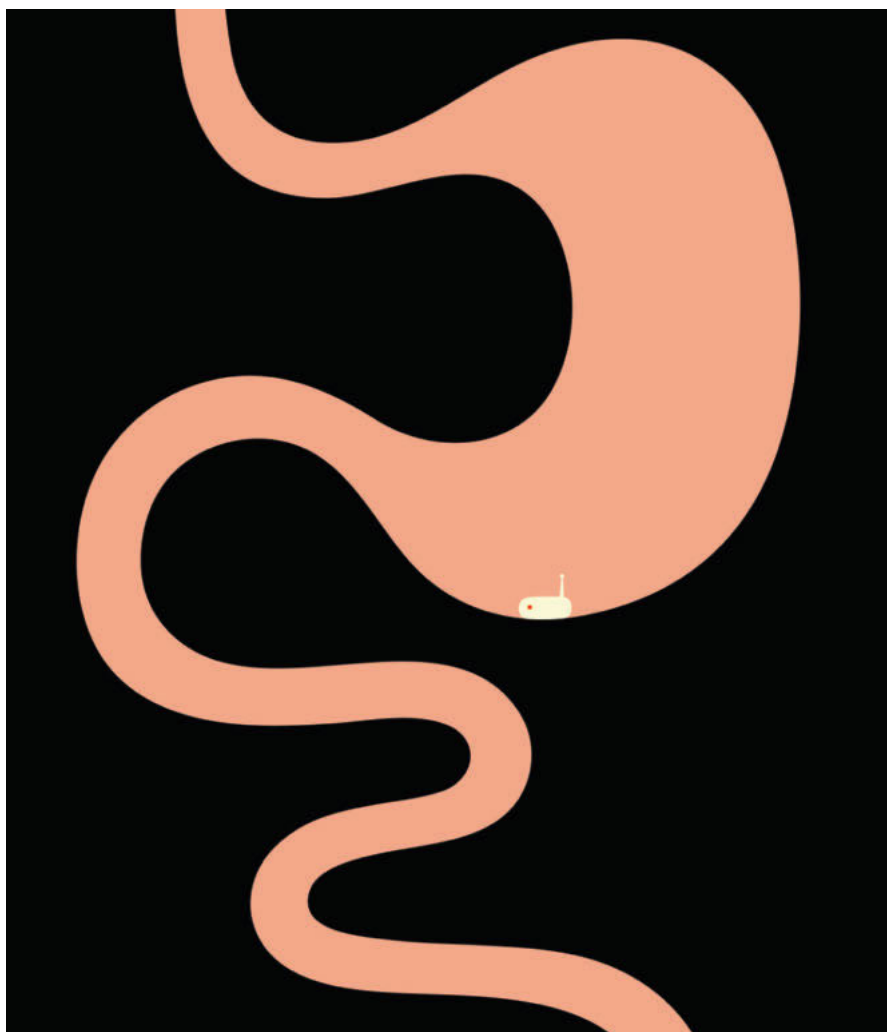


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## Science & technology



### Medical devices

## Eat your electronics

**From riboflavin batteries to toothpaste transistors, the future of medical sensing might come served with dinner**

**S**WALLOWING ELECTRONICS is not usually recommended. But researchers in Belgium and the Netherlands have worked out how to make eating components, from a wireless transmitter and microchips to a battery and a suite of chemical sensors, not just safe but useful.

The result is GISMO (gastrointestinal smart module): an edible capsule about the size of a Tic Tac that travels the length of the human gut, takes a chemical reading every 20 seconds and sends the results to a receiver worn on the belt. It is an early example of a new generation of ingestible devices that can report back, live, from inside

the gut. Potential applications run from routine diagnosis to targeted drug delivery, and eventually to electronics made entirely from food.

The GISMO measures changes in the gut's "redox balance", which can offer an early warning of inflamed or diseased tissue. Researchers are now testing it in people with ulcerative colitis and colorectal cancer. Patients swallow it before breakfast and must recover it, in the usual way, a few days later.

The human gut is an enormously complex ecosystem, home to trillions of microorganisms whose collective metabolic out-

### → ALSO IN THIS SECTION

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put offers a running commentary on their host's health. It has usually been difficult territory for doctors—endoscopy and colonoscopy can examine parts of it directly, but they are invasive. A standard colonoscopy takes around 30 minutes, costs several hundred pounds, and is unpleasant enough that many patients who need one simply avoid it.

A swallowable camera called PillCam solved the visual part of that problem more than two decades ago. According to Medtronic, a firm based in Minneapolis which now owns the technology, PillCam has been used in more than four million patients worldwide. But the most important signals in the gut are often environmental: gases produced by microbes, acidity, the outputs of chemical reactions, inflammatory molecules, and how those conditions change with food, disease and drugs.

In 2018 a pilot study tested an ingestible capsule that was the first to send back readings of oxygen, hydrogen and carbon dioxide on its voyage through the hostile environment of the gut, whose acid is strong enough to dissolve metal and where conditions swing from hour to hour. The capsule could also detect changes in microbial fermentation after changes in the amount of dietary fibre. The goal since then has been to make such readings more precise and clinically useful.

To that end, researchers at the University of Maryland produced, in 2023, an ingestible capsule that uses a gold electrode coated in Nafion, a polymer cousin of Teflon, to detect hydrogen sulphide in real time. The gas, responsible for the smell of rotten eggs, is produced both by gut bacteria involved in inflammatory bowel disease and, notably, by *Helicobacter pylori*, the bacterium behind most stomach ulcers and a major risk factor for gastric cancer.

The capsule was designed primarily to study gut inflammation, but the same approach could extend towards bacterial detection. One day it might replace current *H. pylori* diagnosis, which requires endoscopy, stool tests or sometimes imprecise breath analysis.

Ammonia can also be a flag for an *H. pylori* infection. In 2024 researchers at the University of Southern California developed an ingestible pill with optoelectronic sensors for oxygen and ammonia. Combined with neural-network algorithms it

► can map gas concentrations along the gastrointestinal tract with millimetre-scale precision. Animal trials are needed before human testing, but the goal is a capsule patients could use themselves, transmitting data to a smartphone.

Other gas-sensing capsules have already entered clinical development. Atmo Biosciences, an Australian company, is running a trial of a capsule that measures fermentation gases to diagnose small intestinal bacterial overgrowth. The condition results from bacteria colonising the small intestine in abnormal numbers, fermenting nutrients before the body can absorb them. It causes bloating, pain and, in severe cases, malnutrition. According to the company, an earlier safety study found the capsule was 3,000 times more sensitive than standard breath testing.

Detection is only half the ambition. Others are aiming for edible electronics that can identify a disease signal, locate where in the gut it originates, and release treatment at that site. That would be better than dissolving drugs blindly in the stomach, which floods the whole body just to hit a specific patch of inflamed tissue.

Researchers at the Massachusetts Institute of Technology (MIT), for example, are developing ingestible capsules that sense internal conditions and act on what they find. In 2024 they created a device modelled on the jet propulsion of cephalopods, which pumps drugs directly into the wall of the digestive tract. Earlier that year, the MIT team had received \$66m from ARPA-H, a federal grant system that pushes high-risk, transformative health-care technology, to develop ingestible devices for the oral delivery of mRNA treatments. The five-year programme also seeks to develop electroceuticals, therapies based on electrical stimulation of the body's hormonal and neural signalling networks.

A challenge to all of this is power. Every sensor needs electricity and today's capsules rely on conventional batteries made from silver oxide—acceptable for a single diagnostic procedure, less so for routine monitoring of chronic conditions in millions of patients. A battery that enters the body must leave it as electronic waste. It is also often the capsule's largest component, setting a floor on miniaturisation.

### Power to the paunch

The proposed solution is one that Willy Wonka would enjoy: electronic food. Researchers at the Italian Institute of Technology in Genoa have worked under a European Research Council project called ELFO (Electronic Food) to identify food-derived materials that can function as electronic components.

In 2023 they announced the world's first rechargeable edible battery, built from riboflavin (vitamin B2), quercetin (a flavo-

noid found in capers), activated charcoal, seaweed, beeswax and featuring food-grade gold contacts. It operated at 0.65 volts and delivered 48 microamps for 12 minutes—plenty for a low-power LED, and enough to prove the principle.

The following year the same laboratory produced a fully edible transistor, built using copper phthalocyanine, a blue pigment found in toothpaste, as the semiconductor. Transistors are the fundamental switching elements of logic circuits. Edible versions are nowhere near as sophisticated as conventional chips, but that is arguably an easier problem to solve than asking people to eat bits of silicon.

Substantial obstacles remain. Edible batteries hold much less energy than lithium cells. Edible semiconductors are unstable and slow. Transmitting a wireless signal from inside the body is a persistent engineering issue because tissue absorbs radio waves. And a device that is simultaneously a food ingredient, a medical sensor, an electronic circuit and a drug delivery system is a bellyache for regulators.

It could, therefore, be a while before edible electronic devices reach pharmacies and supermarkets. But soon the gut could become a part of the body that is able, when queried, to answer back. ■

### Bad vibes

## Southern inhospitality

**A study of an Antarctic crew finds that, eventually, time together breeds conflict**

AFTER TEN days in space, Christina Koch described her Artemis II crew as “inescapably, beautifully, dutifully linked”. Reid Wiseman, another of the NASA astronauts, said they were “bonded for ever”.

Scientists overwintering in Antarctic research stations might greet such statements with a collective eye-roll and a suggestion that the astronauts try ten months together, as opposed to ten days. Research published this week in *PNAS* shows how a winter in Antarctica can invert the normal benefits of social interaction.

The study followed 12 so-called hibernants based at Concordia, a French and Italian research station on the Antarctic Plateau, over the course of their ten-month mission. As the hibernants ran experiments, fixed machinery and shared meals, sensors recorded their proximity to each other. At various points they also completed questionnaires measuring loneliness, paranoia, individual performance, team conflict and cohesion.

Winter temperatures at Concordia can



**Just wish I could get some space**

reach -80°C, making it impossible to go outside without specialised gear. The station spends around four months in total darkness and its nearest neighbour is 560km away. Hibernants have private sleeping quarters, but share their research and social space.

As the winter progressed, the hibernants reported increasing levels of loneliness and paranoia, and rated their individual performance lower. Social interaction with crewmates did not help—close-range interactions were correlated with worse ratings of group conflict and more paranoia. Over time the hibernants also increasingly clustered by nationality.

In normal organisations, more contact with colleagues is usually good for well-being. “But it seems to be in this confined environment it is exactly the opposite,” explained Jan Schmutz, an author of the study. Dr Schmutz suspects the difference may stem from a lack of privacy. “We humans are deeply social creatures, but also there are boundaries.”

Though Antarctic researchers are psychologically screened before heading south, there are still examples of tensions boiling over. Earlier this year a South Korean researcher was evacuated from the Jang Bogo research station after threatening colleagues with a makeshift knife. In 2018 a Russian engineer at another Antarctic base stabbed a colleague after he allegedly revealed the endings of several books.

The latest study focused on a single crew over a single winter but its results will hold lessons for long-duration space missions. Dr Schmutz thinks that soft skills like teamwork and conflict management should form a larger part of pre-mission training. That way more researchers may return from their stints with the joyous camaraderie of the Artemis crew. ■



## Entomology

# When DEET means dinner

Mosquitoes can learn to associate bug spray with food

DEET IS THE gold standard for preventing mosquito bites. Although there is some debate over precisely how it works to ward off the insects, most researchers agree that a key part of its effectiveness is unpleasantness—the bugs just hate to be around it. Effective as it is, however, some mosquitoes seem capable of getting over their revulsion. This has led to the speculation that the insects might be getting used to the chemical.

Claudio Lazzari at the University of Tours set out to investigate, by running a version of the experiments made famous by Ivan Pavlov, a Russian physiologist, in the late 1800s in which dogs were conditioned to associate sounds with food. In those experiments, Pavlov routinely made a sound with a metronome or buzzer and then promptly fed the dogs. Eventually, when he made the sounds but did not provide food, he found that the animals still salivated, as they would before a meal.

In his experiments, Dr Lazzari presented hungry mosquitoes with warm sheep's blood while they were being exposed to a gentle breeze of ordinary air or of air blown past a piece of paper soaked in DEET. With colleagues, he then repeated the experiments with sugar water, instead of blood, on a different set of mosquitoes.

The researchers then bravely presented their own hands to the captive insects. One hand was sprayed with DEET while the other was left untreated. To their dismay they watched as 60% of the mosquitoes that had been presented with blood or sugar water while being exposed to DEET flew (and bit) the hand coated in the repellent. In contrast, all mosquitoes trained with ordinary air avoided the repellent entirely.

Dr Lazzari's conditioning in the laboratory, reported this week in *Journal of Experimental Biology*, was important for the mosquitoes in developing their fondness for DEET. But the chances are good that a similar scenario is taking place in the real world, where the effects of DEET typically weaken over time, especially when people are sweating or not applying enough of the stuff in the first place.

In such circumstances, hungry mosquitoes are most likely to be able to put up with the faint odour of DEET, bite a lightly protected person, begin associating the repellent with food and become all the more dangerous to those whom they encounter later in their lives. ■

## Well Informed

# You probably don't need extra electrolytes

Unless you're athletic or unwell

IN 1965 SCIENTISTS at the University of Florida mixed an unusual cocktail of water, sugar and salt for the college's American football players. The drink tasted like urine, but the Florida Gators downed it anyway. With lemon juice added for flavour, Gatorade—as the drink was called—was designed to replenish the minerals lost through sweating during hard training sessions in the southern heat. The team reckoned it also boosted their stamina on game day.

Gatorade was an early electrolyte drink, a category of beverage now popular among athletes, gymgoers and schoolchildren. Influencers on social media hawk the stuff as a way for ordinary people to achieve “superior” hydration. But who actually needs it?

Electrolytes are charged particles of minerals such as calcium and potassium that are essential for a healthy body. By creating the voltage differences that drive electrical signals between cells, electrolytes enable everything from muscle movement to body temperature. A healthy diet provides plenty of electrolytes. But as large quantities are lost in sweat, those engaged in intense activity must take pains to replace the lost minerals when they rehydrate. As water alone can dilute the electrolytes in the blood, says Dileep Lobo of the University of Nottingham, electrolyte supplements

are sometimes needed.

They offer other benefits, too. A paper published in *Nature* in 2020 found that the glucose in electrolyte supplements stimulates the absorption of sodium in the gut, making it easier for a dehydrated body to absorb fluid. Supplements may also improve fluid retention and reduce bloating, a potential boon for endurance athletes seeking to reduce bathroom trips.

Illness may be another reason to reach for extra electrolytes. A review published in *Health Science Reports* in 2022 stressed the effectiveness of electrolyte supplementation in treating diseases involving acute diarrhoea and prolonged vomiting, both of which drain the body of fluid and minerals. Electrolytes can also help cancer patients to cope with treatment. Some of the drugs used in chemotherapy can cause harmful build-up in the kidneys. Electrolytes give those organs a boost in flushing the drugs out of the body.

A normal diet will provide sufficient hydration and electrolytes for most non-athletes. Fruit is full of potassium. Calcium comes from dairy and greens. Magnesium comes from nuts, legumes and whole grains. There is no evidence, yet, that electrolyte supplements offer any benefits to this healthy and (largely) sedentary majority.

What's more, electrolyte drinks usually come with the sugar, additives and colourings that have been linked to poor health. Sipping electrolytes all day will also overburden the kidneys. Such products offer a one-size-fits-all solution, notes Professor Lobo, even though different bodies may require different concentrations of these minerals. Too many supplements can also be bad for a body's cells, leading to symptoms such as nausea, headaches and fatigue. Sodium, for example, is a common ingredient in ultra-processed foods, and excesses of it are associated with high blood pressure and weight gain.

For now, take claims for supplements with a pinch of glucose and salt. PepsiCo, which now owns Gatorade, claims the electrolyte-laden drink is “perfect for all-day, everyday hydration, not just game day”. The science suggests water, most of the time, would be just as good.



## Culture



The best books of 2026 (so far)

## Stack attack

Here are our suggestions for new titles to read this summer

### Business, science and technology

**A World Appears.** *By Michael Pollan.*  
This delightful book looks at the enduring mystery of consciousness. Academic philosophising is not always page-turning, but Mr Pollan has a journalist's eye for the surprising and intriguing.

**Bonfire of the Murdochs.** *By Gabriel Sherman.*  
An absorbing history of Rupert Murdoch. To understand the world's most powerful news machine, you have to understand the family behind it. This saga is like "Succession", but in real life.

**The Intimate Animal.** *By Justin Garcia.*  
Humankind is facing an "intimacy crisis", argues a leading sexologist. Part of the problem is the mismatch between the world in which our brains evolved and the one in which people now search for love.

### → ALSO IN THIS SECTION

**78 The pull of Istanbul**

**78 Sporting prodigies**

**79 Meet Marilyn Monroe's keepers**

**80 A great American road trip**

**Muskism.** *By Quinn Slobodian and Ben Tarnoff.*  
Just as Henry Ford provided the template for 20th-century capitalism, known as Fordism, Elon Musk offers one for the 21st. The authors provide a revealing portrait of the world's richest man.

**Project Maven.** *By Katrina Manson.*  
A scintillating account of the team of mavericks who put AI at the heart of America's war machine. It is also a story of Silicon Valley's shifting relationship with the Pentagon. One of the most important books on war and technology in years.

### Culture and the arts

**Like, Follow, Subscribe.** *By Fortesa Latifi.*  
A fascinating exposé of "kidfluencing". As parents broadcast tantrums and potty training on social media, "children's privacy is traded for profits."

**Picky.** *By Helen Zoe Veit.*  
Why do children become fussy eaters? The author decries changes in adults' thinking that "allowed picky eating to hijack American childhood".

**Talking Classics.** *By Mary Beard.*  
Britain's best-known classicist offers a spirited defence of her discipline. Like an archaeologist, she excavates classics from the layers of discourse that surround it.

### Current affairs and politics

**The Doom Loop.** *By Eswar Prasad.*  
This riveting, depressing book argues that changes to the balance of power between countries have transformed the world economy into an engine for disorder.

**Centrists of the World Unite!** *By Adrian Wooldridge.*  
This bracing manifesto charts a future for ➤



► the modern era's most successful philosophy. Liberalism, the author argues, must revive itself before it's too late.

**The Coming Storm.** *By Odd Arne Westad.* Today's world looks "quite a bit" like the world before 1914, argues a history professor. A third world war is plausible; this book reveals how to avoid one.

**The Descent.** *By Marc Bennetts.* To understand how Vladimir Putin dominates Russia, you must study how his propaganda works. Other books have explored the country's disinformation state, but this one charts its evolution into a wartime dictatorship.

**How Africa Works.** *By Joe Studwell.* One of the most high-profile books on Africa of the past few years. This is valuable reading for anyone curious to understand "the last great frontier of global development".

**If Russia Wins.** *By Carlo Masala.* Imagining how the West might lose in Ukraine is a first step to avoiding disaster. This chilling book draws on two years of data, research and chats with officials to offer a scenario for a Russian victory.

**London Falling.** *By Patrick Radden Keefe.* Zac Brettler said he was an oligarch's son. The lie had tragic consequences. Mr Radden Keefe offers a sad, strange portrayal of London's underworld.

**The Next World War.** *By Peter Apps.* A journalist blends vivid reporting with shrewd analysis in this study of great-power conflict. Mr Apps puts the odds of another world war in the next decade at 30-35%.

## Fiction

**Arabesques.** *By Serhiy Zhadan.* This collection of short stories elegantly describes ordinary people enduring war in Ukraine and offers a poignant portrait of Kharkiv, the author's home town, which is some 40km or so from Russia.

**Land.** *By Maggie O'Farrell.* In 1865, on a remote peninsula of Ireland, a cartographer has an experience that transforms his life. A bold, epic novel about people and place, which artfully blends history and mysticism.

**Lost Lambs.** *By Madeline Cash.* The Flynns are a dysfunctional American family, but a chance to mend bonds emerges from an unlikely source. A rollicking read with vibrant wordplay, quirky characters and madcap scenarios.

**This is Where the Serpent Lives.**

*By Daniyal Mueenuddin.* A multigenerational epic set in Pakistan. This novel spans decades, exploring class, privilege and ambition.

**Transcription.** *By Ben Lerner.*

A man conducts a magazine interview with his 90-year-old mentor but fails to record it. This book offers shrewd insight into art and technology, friendship and fatherhood, and the reliability of memory.

**Vigil.** *By George Saunders.*

The author behind one of this century's best books, "Lincoln in the Bardo", is back with a deft novel, which unfolds in the final hours of a former big-oil CEO's life. The prose zips with quick-fire repartee.

**Whistler.** *By Ann Patchett.*

Daphne reconnects with Eddie, her former stepfather, and finally learns the truth about why he divorced her mother. A tale of secrets and lasting love, enriched by sharply drawn characters.

## History

**A Kingdom and a Village.**

*By Simon Morrison.* This technicolour chronicle of Moscow shows that, beneath the petro-funded sheen, the city is a domain of purges and paranoia. Frequent invasions punctuated the city's rise from medieval backwater to imperial metropolis.

**The Black Death.** *By Thomas Asbridge.*

Although medieval people were used to sudden ends, the Black Death was devastating. The disease also changed society and art, frequently for the better, this enjoyable book argues.



**Custody.** *By Lara Feigel.*

An excellent survey of social history through the lens of divorce law. The author casts her spotlight across nations and centuries, using seven subjects to show how women shaped attitudes about parenting after marital dissolution.

**The Death of Trotsky.** *By Josh Ireland.*

How do you tell a gripping story when its ending is already known? This history of Leon Trotsky's murder overcomes that problem. Mr Ireland's book reads like a spy thriller.

**Mafia.** *By Ryan Gingeras.*

This engaging tale of how mafias have "helped define the making of the modern world" takes readers from classical Rome to Las Vegas today.

**The Successor.** *By Mikhail Fishman.*

Was Vladimir Putin's tyranny inevitable? One of Russia's leading independent journalists tells the story of the country's emergence from Soviet communism and its collapse into dictatorship.

**This Land Is Your Land.** *By Beverly Gage.*

An enjoyable drive through America. From Philadelphia to California, a historian explores "the greatest tensions of American history".

## Memoir and biography

**Ausländer.** *By Michael Moritz.*

This tale joins a growing list of books written by children of the Nazis' victims. Sir Michael offers an engaging memoir of displacement and an examination of how tragedy reverberates across generations.

**The Game Changer.** *By Jon Ralston.*

Few American legislators understood their job as well as Harry Reid, Nevada's representative in the Senate for 30 years. This biography argues he was one of the "most consequential national leaders of the 21st century".

**A Hymn to Life.**

*By Gisèle Pelicot with Judith Perrignon.*

The author's ordeal captured global attention and led to a change in France's rape laws. Here Ms Pelicot emerges as an accidental heroine. What could be a dark, depressing chronicle is propelled forward by the force of her courage.

**Strangers.** *By Belle Burden.*

The author documents a worst-case marital scenario, when her husband, without warning, announces the end of their relationship. This memoir is at once a horror story, a record of suffering and a cautionary tale. ■

## Turkey's recent history

# Byzantine Byzantium

**From Life Itself.** By Suzy Hansen. Farrar, Straus and Giroux; 368 pages; \$30. Profile; £12.99

YOU CAN barely dig a hole in Istanbul without hitting history. During construction of a tunnel under the Bosphorus, engineers uncovered the remains of an ancient harbour, along with shipwrecks from around 1,500 years ago. Across the strait, renovation of the Haydarpasa train station, built in 1906, revealed that platforms and tracks had been laid over the ruins of Chalcedon, a Greek settlement founded in the seventh century BC.

From the Greeks to the Genoese to the Ottomans, Istanbul (formerly Constantinople) has been marked by its scores of new arrivals. A time traveller from 1950, when the city was home to roughly 1m souls, would scarcely recognise it today. Istanbul has become Europe's largest city, with countless new housing and infrastructure projects and some 16m people—more than the population of most EU countries. Only a fraction of the Greeks, Armenians and Jews who once made up a large share of Istanbul's population remain. In their place have come migrants from Anatolia, including Kurds, and more recently, refugees from the Middle East.

The city's recent transformation, especially under Recep Tayyip Erdogan—once Istanbul's mayor, now Turkey's president—is the subject of a new book by Suzy Hansen, a journalist. She uses a single neighbourhood, Karagumruk, to tell a broader story about migration, urban development and authoritarianism. "What I saw during the day in Turkey were the headlines; what I saw at night in Karagumruk was the information, life itself," she writes.

The war that erupted across Turkey's southern border in Syria, and the refugee crisis that followed, drove nearly 4m Syrians to Turkey in the early 2010s. Many of them settled in neighbourhoods such as Karagumruk, holing up in cramped apartments, often alongside other Syrian families, and scraping by as workers in sweatshops or as day labourers.

Ms Hansen spends much of the book as a fly on the wall in the cafés and barber-shops of this conservative, somewhat seedy neighbourhood nestled inside the city's Byzantine walls. She becomes a chronicler of Karagumruk's culture wars, waged between secularists and conservatives, as well as old residents and newcomers. Gas-



**A big step change**

tronomy, music and even standards of cleanliness become battlegrounds. (Turks are notorious germophobes.)

Cultural differences are one cause for tension. But so are economic malaise, populist fearmongering and Istanbul's rapid, uncontrolled growth. When a brawl breaks out between a group of Syrian and Turkish teenagers, Ms Hansen goes looking for answers. There are no easy ones. Yes, a local shopkeeper tells her: racism played a role in the violence. But the breakdown of the neighbourhood's social fabric, and of the trust that had once made Istanbul such a hospitable city, were as much to blame.

Political violence and mounting repression also leave a mark on the neighbourhood. In 2016, after a bloody coup attempt against Mr Erdogan, there are mass arrests; room for dissent narrows and mistrust spreads. Neighbours start to inform on each other. But even then, faith in Turkey's democracy endures, mostly unshaken. The descent into one-man rule under Mr Erdogan was not a plunge, but a gradual decline. "Authoritarianism, in Turkey, was not simply a strongman taking over a state," Ms Hansen writes. "It was an act of creation, a process of transformation that begins when few are watching and, once identified, is often too late to stop."

Wars on Turkey's doorstep, from Ukraine to Iran, as well as the prospect of a wider conflict with Russia, have steered much of the commentary on Turkey towards its growing regional footprint and important role in NATO. The view from within the country gets shorter shrift. That suits Mr Erdogan perfectly well, as he is keen to avoid outside scrutiny of his autocratic excesses. Through Karagumruk, Ms Hansen offers a window into the Turkey he has created. Few books in English have captured its texture better than this one. ■

## Sporting prodigies

# Building an innings

DELHI

**The hard-hitting youngster sending cricket fans into a spin**

WHEN VAIBHAV SOORYAVANSHI of the Rajasthan Royals lined up to bat against Mitchell Starc of the Delhi Capitals, it was a contest of innocence and experience. Mr Starc is 36, a three-time World Cup winner and regular star in the Indian Premier League (IPL), the sport's most lucrative franchise-based tournament. Mr Sooryavanshi is 15 and has only played one full season in the IPL. Yet it was the youngster who put in a masterful performance on May 17th, smashing the Australian bowler around the stadium. Though Mr Starc's team went on to win the game, the onslaught of runs was humbling.

For cricket fans, Mr Sooryavanshi's talent is a source of unalloyed joy. He is lighting up the IPL. This year he has propelled the Royals into the play-offs and a shot at the final on May 31st. He exploded onto the cricket scene last season when, as a 14-year-old, he became the youngest-ever professional player to score a century (100 runs). The achievement prompted disbelief and even scepticism about Mr Sooryavanshi's age. (His father has rejected such claims, citing bone-density tests.)

Mr Sooryavanshi has continued to rack up runs at an astounding pace. He scores at a rate of 2.4 runs a ball, far higher than any of his peers. An analysis by ESPNcricinfo, a website, found that he scores more off fast, vicious deliveries than anyone else in the league. He recently broke the record ►►



**No one's calling it child's play**



► for the number of sixes scored in a single IPL season. So far he has cleared the boundary 65 times—six more than the previous record, which stood for 14 years. (He has also matched the record for the fastest half-century in IPL play-off history.) It is hard to think of an athlete in any sport who has been so dominant at such a young age.

Mr Sooryavanshi's success rests on technique, physique and temperament. He stands up to bowlers with an extravagant backlift, which gives him more room to swing his bat in a long, violent arc. He is burly, which gives him power when striking the ball. Coaches and analysts credit his success to a less tangible quality: an unusual blend of maturity and audacity.

He is also a product of bigger forces. The IPL's launch in 2008 revolutionised the sport, helping elevate the Twenty20 (T20) format it uses into cricket's most popular. Unlike traditional Test cricket, played over five days, T20 matches are short and prize power-hitting over patience. Mr Sooryavanshi embodies that philosophy. He has played only a handful of red-ball, or multi-day, matches; one of his early coaches says he has never been trained in defence. In this IPL he has featured as an "impact player", a rule that allows him to bat without having to field as well.

He reflects a deeper shift in Indian cricket, too. The sport has long thrived in the country's wealthier areas, such as Mumbai and Kolkata, but the IPL has helped embed the game in India's hinterlands. Coaching academies have been set up and are sustained by parents desperate to raise the next IPL star. Mr Sooryavanshi grew up in a small town in Bihar, India's poorest state. His father sold his farmland to fund daily training in Patna, the state capital, a three-hour drive away.

Mr Sooryavanshi will need to prove himself on the global stage. In February he powered India to victory in the under-19 World Cup. It seems inevitable he will be selected for the senior team, maybe even this summer. But in many ways he is already a national hero. As he was dismantling Mr Starc, the Delhi crowd lapped it up, screaming at every boundary even though it was their own side that was conceding runs. Shirts bearing his name are among the most popular at IPL grounds; clips of his batting trend on Indian social media.

All prodigies are compared to other players, and so it is with Mr Sooryavanshi. In 1989 Sachin Tendulkar made his debut as a 16-year-old. Indians consider him the greatest player ever, who helped their country emerge as a force in global cricket. Now that India is the sport's established superpower, Mr Sooryavanshi can never match that legacy. But observers reckon he is a once-in-a-generation talent who might become a megastar. He is a virtuoso, right off the bat. ■

## Celebrity estates

# The 100-year itch

On her centenary, the late blonde bombshell is still making millionaires

THERE WERE many Marilyn Monroes. In the 1940s a young actress named Norma Jeane swapped her normal-sounding name for this more glamorous one; Marilyn, she felt, was "a veil" she could wear. Then came Hollywood Marilyn and, soon enough, sex-symbol Marilyn. Others emerged in gossip: there was girlish Marilyn who called her husband "Daddy"; political Marilyn who sang to (and probably slept with) the president; and even literary Marilyn, who read Dostoevsky and married Arthur Miller, a playwright. Later Marilyn became a tragic figure, dying from an overdose in 1962, aged 36.

This year there are almost as many celebrations as there are versions of Marilyn: June 1st marks the centenary of her birth. There are exhibitions at the National Portrait Gallery in London and the Academy Museum of Motion Pictures in Los Angeles, as well as new books and film screenings. At commemorative auctions fans can bid on everything from Marilyn's used lipstick to a tile from her bathroom. New products are also being released: you can sip Marilyn champagne, hold Marilyn china or wear jewel-encrusted Marilyn high heels. And if that's not too many Marylins, 500 or so will gather in Palm Springs on May 30th to try to break the world record for the largest gathering of Marilyn lookalikes.

The celebrations are not only the result of adoration. Much of the centenary was

planned by the firm that owns the rights to Monroe's estate and intellectual property (IP). Founded in 2010, Authentic Brands Group acquired Monroe as its first celebrity estate; today its portfolio includes Elvis Presley and Muhammad Ali.

You can make a killing from the IP of bygone celebrities. Authentic claims to make \$80m a year in sales from Monroe's estate alone. (The company is the second-largest IP-licensing business by revenue in the world, after Disney, with a mix of celebrity estates and other brands expected to bring in more than \$38bn this year.) Anyone who was anyone—from Albert Einstein to Rosa Parks—has an agent to license their IP.

The business of profiting from dead celebrities is legally complex. Estates own what Mark Roesler, head of CMG, the firm servicing both Einstein and Parks, calls "a portfolio of IP". This includes copyrights, trademarks and "right of publicity", which in some American states allows estates to control the commercial use of the celebrity's likeness, name and voice. (Monroe had few relatives, so Authentic snapped up the whole estate.)

The market grew in the late 1970s and early 1980s, driven in part by Presley's death and his estate's efforts to stop others profiting from his likeness; post-mortem publicity rights expanded, says Jennifer Rothman, the author of a book on the sub- ►►



The Monroe doctrine

ject. Celebrity identities came to be seen as something that could be inherited like other property. Estates saw an opportunity.

The dead-celebrity business is profitable for two reasons. First, famous faces sell products. Einstein's likeness has been used to plug reading glasses; Presley's to sell red wine. (Some deals are turned down: CMG rejected a plan to make James Dean condoms, for example.) Brand deals help Monroe keep "pace" with modern culture, says Dana Carpenter, who oversees her estate at Authentic. Though her name is sometimes used to promote products she might have been baffled by, such as trendy LED face masks, the aim is to find a new generation of fans.

Second, celebrity IP can help tell better stories. In theory anyone could make a biopic or documentary about Monroe or Einstein, but estates often have the rights to copyrighted materials that are useful to film-makers. Authentic licensed IP for the "Elvis" biopic; CMG, which works with Robert Oppenheimer's estate, helped with the film "Oppenheimer". In 2023 Authentic launched its own production studio, and co-produced the recent film "EPiC: Elvis Presley in Concert", directed by Baz Luhrmann. As Jamie Salter, boss of Authentic, puts it, the most successful estates think not only about "preserving the past", but also "participating in culture".

They think about the future, too. In particular, firms are finding ways to use AI and holograms to bring back stars for live tours and fan experiences. In 2024 Authentic partnered with Soul Machines, an AI firm, to create a "digital Marilyn" who is "authentic and responsive". The avatar wears Monroe's signature red lipstick and says "darling" with alarming frequency.

Yet AI has also made it easier for others to use a celebrity's likeness and voice. Now even a student in his bedroom can create a cartoon that looks or speaks like a star. It has become a bit like a game of "whack-a-mole" to get the "unauthorised" likenesses off the web, admits Mr Roesler. (Estates have long demanded payment for the right to use a star's words or identity in films and adverts, and even on monuments.)

Celebrities who are still alive are also thinking about the future of their personal brands. Authentic has a roster of "living legends", including Sir David Beckham, an ex-footballer. Unlike with Monroe's estate, these stars are co-owners of their brand and actively collaborate on IP deals. Since partnering with Authentic in 2022, brand Beckham has plugged everything from beer to wireless headphones.

Monroe believed that she "belonged to the public and to the world". Thanks to Authentic, people will know her for longer than she could have imagined—whether as a film star, a digital avatar or the beautiful face on a bottle of champagne. ■

## American history

# A perfect brake

NEW YORK

Hop in for a trip down America's memory lanes

## This Land Is Your Land.

By Beverly Gage. *Simon and Schuster*; 352 pages; \$30. *Oneworld*; £22

AMERICANS DRIVE a lot. That habit has some detrimental effects, from air pollution and immense car parks to an inflated reverence for Jack Kerouac. But it also has benefits, such as the American road trip, used by generations of parents to annoy their captive children and by novelists to tell stories of new beginnings ("The Grapes of Wrath") and catastrophic endings ("The Road").

In a charming new book, Beverly Gage—a historian at Yale, who won a Pulitzer prize for her biography of J. Edgar Hoover—drives through American history. From George Washington to Ronald Reagan, and from Philadelphia to California, she roams among historic homes, monuments, parks and presidential libraries "in an attempt to explore, if not reconcile, the greatest tensions of American history".

That sounds like a tall order for a road trip, but Ms Gage is a fun travelling companion. And her timing is good, with this year marking America's semiquincentennial and the centennial of Route 66, one of the nation's original highways.

The book begins, fittingly, with Washington, who tried to discover his

country by road. Six months after taking office, he was back in the saddle, riding around New England and sleeping in taverns and inns "to commune with ordinary Americans". Washington found that most Americans did not think of themselves as such: they identified with their town or region rather than their country. That was for good reason: the United States was barely an adolescent.

To her credit, Ms Gage avoids both the simplistic history of the Trumpian right and the fatalism of the progressive left. Visiting the Legacy Museum in Montgomery, Alabama, focused on racial injustice, Ms Gage takes issue with the museum's contention that "Slavery did not end. It evolved." Such pessimism is unhelpful: abolition involved "massive, heroic efforts and near-impossible efforts...I'm not sure what's gained by suggesting they didn't make much difference," she argues.

The book's pleasure is its journey, so it spoils nothing to say that she ends her trip feeling buoyed. On the road Ms Gage found faith in American progress that opinion polls fail to capture. However fractious today's politics are, the country retains a great capacity for reinvention. Putting down the phone and picking up car keys this summer may also make others feel heartened.



A backward glance can often lift the heart

# Economic & financial indicators

	Gross domestic product				Consumer prices				Unemployment rate	Current-account balance	Budget balance	Interest rates	Currency units	
	% change on year ago				% change on year ago				%	% of GDP, 2026†	% of GDP, 2026†	10-yr gov't bonds	change on year ago, bp	per \$
	latest	Q1	quarter*	2026†	latest	Apr	2026†	Apr	%			latest,		May 28th
United States	2.7	Q1	2.0	2.2	3.8	Apr	3.7	4.3	Apr	-3.4	-6.5	4.5	5.0	-
China	5.0	Q1	5.3	4.9	1.2	Apr	1.6	5.2	Apr <sup>§</sup>	3.2	-5.8	1.4	\$ <sup>§</sup>	-13.0
Japan	0.6	Q1	2.1	0.5	1.3	Apr	2.3	2.7	Mar	3.3	-1.8	2.7	121	160
Britain	1.1	Q1	2.5	0.8	2.8	Apr	3.5	5.0	Feb <sup>††</sup>	-3.1	-5.1	4.9	12.0	0.74
Canada	0.7	Q4	-0.6	1.2	2.8	Apr	2.6	6.9	Apr	-0.4	-2.2	3.5	21.0	1.38
Euro area	0.8	Q1	0.6	1.0	3.0	Apr	2.6	6.2	Mar	2.3	-3.3	3.0	46.0	0.86
Austria	0.6	Q4	0.1*	0.8	3.4	Apr	2.6	5.6	Mar	1.0	-4.1	3.2	31.0	0.86
Belgium	0.7	Q1	0.8	0.9	4.2	Apr	3.2	6.3	Mar	-3.2	-4.9	3.5	42.0	0.86
France	1.1	Q1	nil	0.8	2.5	Apr	2.2	7.7	Mar	-0.6	-5.3	3.6	39.0	0.86
Germany	0.3	Q1	1.4	0.6	2.9	Apr	2.7	4.0	Mar	4.2	-3.7	3.0	46.0	0.86
Greece	2.5	Q4	3.2	2.0	4.6	Apr	3.4	9.0	Mar	-5.5	0.8	3.6	35.0	0.86
Italy	0.7	Q1	0.7	0.8	2.8	Apr	2.1	5.2	Mar	0.9	-3.0	3.7	16.0	0.86
Netherlands	1.2	Q1	0.2	1.0	2.5	Apr	3.1	3.9	Apr	9.3	-2.6	3.1	35.0	0.86
Spain	2.7	Q1	2.5	2.2	3.5	Apr	2.9	10.3	Mar	2.3	-2.4	3.4	19.0	0.86
Czech Republic	2.5	Q4	2.9	1.8	2.5	Apr	2.3	3.0	Q1*	0.2	-2.6	4.8	60.0	20.9
Denmark	5.8	Q1	7.8	1.8	1.3	Apr	2.0	3.0	Mar	12.4	1.2	2.7	24.0	6.43
Norway	1.7	Q1	1.4	1.3	3.4	Apr	3.2	4.8	Mar <sup>††</sup>	14.8	9.0	4.4	32.0	9.28
Poland	3.4	Q1	2.0	3.4	3.2	Apr	3.2	6.0	Apr <sup>§</sup>	-1.3	-7.0	5.8	25.0	3.64
Russia	-0.2	Q1	na	0.9	5.6	Apr	5.5	2.2	Mar <sup>§</sup>	2.2	-2.9	14.9	-105	70.9
Sweden	2.0	Q1	-0.8	2.3	-0.1	Apr	1.8	8.7	Apr <sup>§</sup>	5.7	-2.0	2.7	25.0	9.29
Switzerland	0.7	Q4	0.6	1.0	0.6	Apr	0.4	3.0	Apr	5.2	0.1	0.5	23.0	0.79
Turkey	3.4	Q4	1.5	3.0	32.4	Apr	30.1	8.1	Mar <sup>§</sup>	-3.0	-3.6	33.0	222	45.9
Australia	2.6	Q4	3.2	1.6	4.2	Apr	4.3	4.5	Apr	-1.9	-1.8	5.1	68.0	1.40
Hong Kong	5.9	Q1	12.2	5.0	1.8	Apr	2.1	3.7	Apr <sup>††</sup>	6.6	-2.5	3.2	11.0	7.83
India	7.8	Q4	7.1	6.5	3.5	Apr	4.8	6.7	Apr	-1.8	-4.7	7.0	80.0	95.8
Indonesia	5.6	Q1	6.0	5.2	2.4	Apr	3.5	4.7	Feb <sup>§</sup>	-0.9	-3.5	6.7	-11.0	17,854
Malaysia	5.4	Q1	1.7	4.7	1.9	Apr	2.5	2.9	Mar <sup>§</sup>	2.5	-4.1	3.6	3.0	3.97
Pakistan	4.8	2026**	na	3.0	10.9	Apr	7.8	6.9	2025	-1.1	-4.7	12.8	†††	47.0
Philippines	2.8	Q1	3.6	2.7	7.2	Apr	6.8	5.8	Q1 <sup>§</sup>	-4.0	-6.3	7.6	133	61.4
Singapore	6.0	Q1	3.9	2.9	1.8	Apr	2.8	2.1	Q1	15.3	0.8	2.1	-38.0	1.28
South Korea	3.6	Q1	6.9	2.9	2.6	Apr	2.9	2.9	Apr <sup>§</sup>	8.2	-2.4	4.1	139	1,502
Taiwan	13.7	Q1	11.9	10.3	1.7	Apr	1.6	3.3	Apr	28.9	1.8	1.7	8.0	31.4
Thailand	2.8	Q1	2.7	1.8	2.9	Apr	2.9	1.0	Apr <sup>§</sup>	1.0	-5.5	2.3	49.0	32.6
Argentina	2.1	Q4	2.5	3.1	32.4	Apr	32.6	7.5	Q4 <sup>§</sup>	0.4	0.1	na	na	1,412
Brazil	1.8	Q4	0.6	1.8	4.4	Apr	4.5	6.1	Mar <sup>§††</sup>	-2.6	-7.3	14.1	16.0	5.07
Chile	-0.5	Q1	-1.1	1.4	4.0	Apr	3.7	8.9	Mar <sup>§††</sup>	-2.2	-2.5	5.6	-24.0	895
Colombia	2.2	Q1	2.4	2.5	5.7	Apr	5.7	8.8	Mar <sup>§</sup>	-2.5	-6.6	13.4	104	3,632
Mexico	0.2	Q1	-2.4	1.0	4.4	Apr	4.1	2.8	Mar	-0.3	-3.8	9.3	-9.0	17.4
Peru	3.5	Q1	3.2	2.5	4.0	Apr	4.1	5.0	Apr <sup>§</sup>	1.8	-2.4	6.2	-33.0	3.42
Egypt	5.0	Q1	-24.0	4.5	14.9	Apr	13.5	6.0	Q1 <sup>§</sup>	-4.9	-7.5	25.5	78.0	52.2
Israel	2.0	Q1	-3.3	3.1	1.9	Apr	2.2	2.9	Apr	1.8	-4.5	3.8	-69.0	2.83
Saudi Arabia	4.5	2025	na	-2.0	1.7	Apr	2.3	3.5	Q4	-2.2	-6.1	na	na	3.75
South Africa	0.8	Q4	1.5	1.6	3.8	Apr	3.8	32.7	Q1 <sup>§</sup>	-1.8	-4.4	8.5	-191	16.4

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  
<sup>§§</sup>5-year yield †††Dollar-denominated bonds Note: Euro-area consumer prices are harmonised

## Markets

In local currency	Index	% change on:	
	May 27th	one week	Dec 31st 2025
United States S&P 500	7,520.4	1.2	9.9
United States NAS Comp	26,674.7	1.5	14.8
China Shanghai Comp	4,093.7	-1.6	3.1
China Shenzhen Comp	2,834.9	-1.2	12.1
Japan Nikkei 225	64,999.4	8.7	29.1
Japan Topix	3,918.0	3.3	14.9
Britain FTSE 100	10,505.0	0.7	5.8
Canada S&P TSX	34,412.1	0.7	8.5
Euro area EURO STOXX 50	6,070.5	1.6	4.8
France CAC 40	8,207.9	1.1	0.7
Germany DAX*	25,177.8	1.8	2.8
Italy FTSE/MIB	49,578.7	0.8	10.3
Netherlands AEX	1,040.0	0.6	9.3
Spain IBEX 35	18,380.9	1.8	6.2
Poland WIG	136,056.4	1.8	16.0
Russia RTS, \$ terms	1,150.9	-1.8	3.8
Switzerland SMI	13,627.4	1.7	2.7
Turkey BIST	13,662.8	-2.5	21.3
Australia All Ord.	8,945.2	2.6	-0.8
Hong Kong Hang Seng	25,328.2	-1.3	-1.2
India BSE	75,867.8	0.7	-11.0
Indonesia IDX	6,130.2	-3.0	-29.1
Malaysia KLSE	1,699.0	-1.1	1.1

	Index	% change on:	
	May 27th	one week	Dec 31st 2025
Pakistan KSE	171,725.3	4.2	-1.3
Singapore STI	5,028.8	-0.3	8.2
South Korea KOSPI	8,228.7	14.1	95.3
Taiwan TWI	44,256.8	10.6	52.8
Thailand SET	1,571.0	2.8	24.7
Argentina MERV	3,072,011.0	10.2	0.7
Brazil BVSP*	175,744.4	-0.9	9.1
Mexico IPC	70,021.4	1.6	8.9
Egypt EGX 30	52,658.8	1.4	25.9
Israel TA-125	4,432.9	2.5	21.0
Saudi Arabia Tadawul	11,027.5	0.4	5.1
South Africa JSE AS	115,426.9	0.7	-0.3
World, dev'd MSCI	4,828.1	1.3	9.0
Emerging markets MSCI	1,739.1	6.2	23.8

US corporate bonds, spread over Treasuries			
		Dec 31st	
Basis points	latest	2025	
Investment grade	87	93	
High-yield	326	354	

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research \*Total return index

## Commodities

The Economist commodity-price index				
2020=100	May 19th	May 26th*	month	% change on year
<b>Dollar Index</b>				
All items	155.0	154.6	1.9	14.9
Food	148.3	147.4	1.0	-3.6
<b>Industrials</b>				
All	160.5	160.6	2.6	34.5
Non-food agriculturals	150.1	149.3	2.1	19.2
Metals	163.2	163.5	2.7	38.6
<b>Sterling Index</b>				
All items	148.7	147.7	2.3	15.5
<b>Euro Index</b>				
All items	152.7	152.0	2.6	12.1
<b>Gold</b>				
\$ per oz	4,498.2	4,509.6	-1.4	36.7
<b>Brent</b>				
\$ per barrel	111.5	99.6	-10.5	55.3

Sources: CME Group; LME; LSEG Workspace; NOREXCO; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA \*Provisional

For historical indicators data, visit [economist.com/economic-and-financial-indicators](https://economist.com/economic-and-financial-indicators)



## OBITUARY

### *Barney Frank*

*The trailblazing Democratic congressman died on May 19th, aged 86*



HE HAD NEVER known what being in a majority was like, and Barney Frank enjoyed that. First, he was left-handed, which accounted perhaps for the mess of spills and crumbs he left on himself after lunch, and for the cuts on his face because he tried to read while shaving. Second, he was Jewish, which was hardly a career-favouring fact when he started out in politics, and not a great one as he was growing up in the heavily Catholic and Mafia-ridden city of Bayonne, New Jersey. He also kept a fine Joisey twang all through his years as congressman for the Fourth District of Massachusetts, preserving his outsider status as Not From There Exactly. But the most crucial minority he belonged to was that of people who believed in government.

His America was divided into two tribes: those who thought government inherently evil, and those who thought it good. For much of his political career, in the 1970s in the Massachusetts legislature and from 1981-2013 in Washington, he seemed to be battling forces—the Moral Majority, the Tea Party, the Republican Party in its many permutations—that wanted government to be as small as possible. As a liberal Democrat, he naturally believed the opposite: it could, and should, help anyone on society's losing side. He felt that way from the age of 15, when he heard of racist lynchings in Mississippi, to the age of 70, when in the wake of the sub-prime financial crash he led the charge to stop the banks taking foolish risks with ordinary people's money.

He was also gay. But for many years no one knew that. Perhaps, he hoped, no one had to know it. To be gay meant, besides all the pansy and pinko slurs, that he could not marry, join the army, or necessarily get the job he wanted. But he could hide it. The fact that, from 13, he lived in the pain and fear of being attracted to men was disguised by his brilliant and often lacerating tongue.

Once in politics he was part of a national underground movement working for gay rights, and managed to get a gay-rights bill through the Massachusetts Senate. No one suspected. But his eagerness to get to Washington, when the Fourth District became available, was not only to work for more rental housing and child-nutrition programmes but also because he could have a full and thriving social life there, where his constituents couldn't see him.

So, though a brutally honest man—who called people stupid to their faces, because they were—the central element in his life was dishonesty. From the mid-1970s he wanted to come out, and on his own terms, rather than being expelled for some sex scandal. He did not manage it until 1987, when the insinuations in books and gossip were gathering pace, but he set it up with well-rehearsed nonchalance. A reporter from the *Boston Globe*, which had been promised an exclusive, thrust a microphone at him and asked “Are you gay?” He replied, “Yeah. So what?”

He was now the first openly gay man to come out voluntarily in Congress, and the reaction astounded him. His colleagues there, even some Republicans, embraced him. His vote in the Fourth District dropped only four points, and only four more after it emerged in 1989 that he had used his office to help out a rent-boy called Stephen Gobie, whom he'd also paid for sex, in his closet years. For that, Congress reprimanded him. It could have done much worse.

But times had changed. He could have open relationships now, first for 11 years with Herb Moses and then for 14 years, as a married couple, with Jim Ready. He made sure they were treated just like other congressional partners: same invitations, same special pins, public cheek-to-cheek. Meanwhile, in Congress, he spear-headed the drive to let gays serve in the armed forces and to ban discrimination in the workplace. It wasn't radical to demand such things, just human progress. And though he was profoundly anti-social, talking in a rapid-fire mumble and wilfully ignoring people, he now almost enjoyed marching in local parades. Three steps and wave to the right, three steps and wave to the left. Nothing to it.

His career in Congress was very much a matter of waving to both left and right. No change could come if he couldn't get the votes. It was useless to try to win diehard opponents over, but he could lean all his rumpled weight on the undecided or under-energetic from either side. Similarly, he could shift himself. He poured scorn on the idea that he was a liberal on social policy and a pragmatist on economics. As a liberal, he was morally obliged to be pragmatic, or what earthly good could he do?

The best he did, in his own mind, was the Dodd-Frank banking reform of 2010 that followed the financial crisis. He was in his top post, head of the House Financial Services Committee. With Christopher Dodd, head of the Senate equivalent, he drew up a bill that reined in the banks from risky lending and provided more protection for consumers, eventually returning \$21bn to them for forced foreclosures. Some thought it massively over-complicated (just raising the capital requirements would have been simpler), and Congress later modified some parts, but he had never meant to spare the tender feelings of bankers.

Housing, especially for the poor, was a long-term preoccupation. For years he had campaigned for more rental accommodation. Home-ownership was nice, but not suitable for everyone. As he replied to those who actually blamed him for the sub-prime crash, because he had described the two giant government-backed mortgage firms, Fannie Mae and Freddie Mac, as “fundamentally sound”, he had never said that all should have mortgages; just a right to a roof over their heads.

His own after 2013 was in Ogunquit, Maine, with Jim. By then, the list of other rights he had helped to fix in legislation was long. As yet, there was none against leaving crumbs and chip-bits in the kitchen when snacking, or not tucking in his shirt. Nor was there any mandate to think the best of government. But he truly did. ■

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