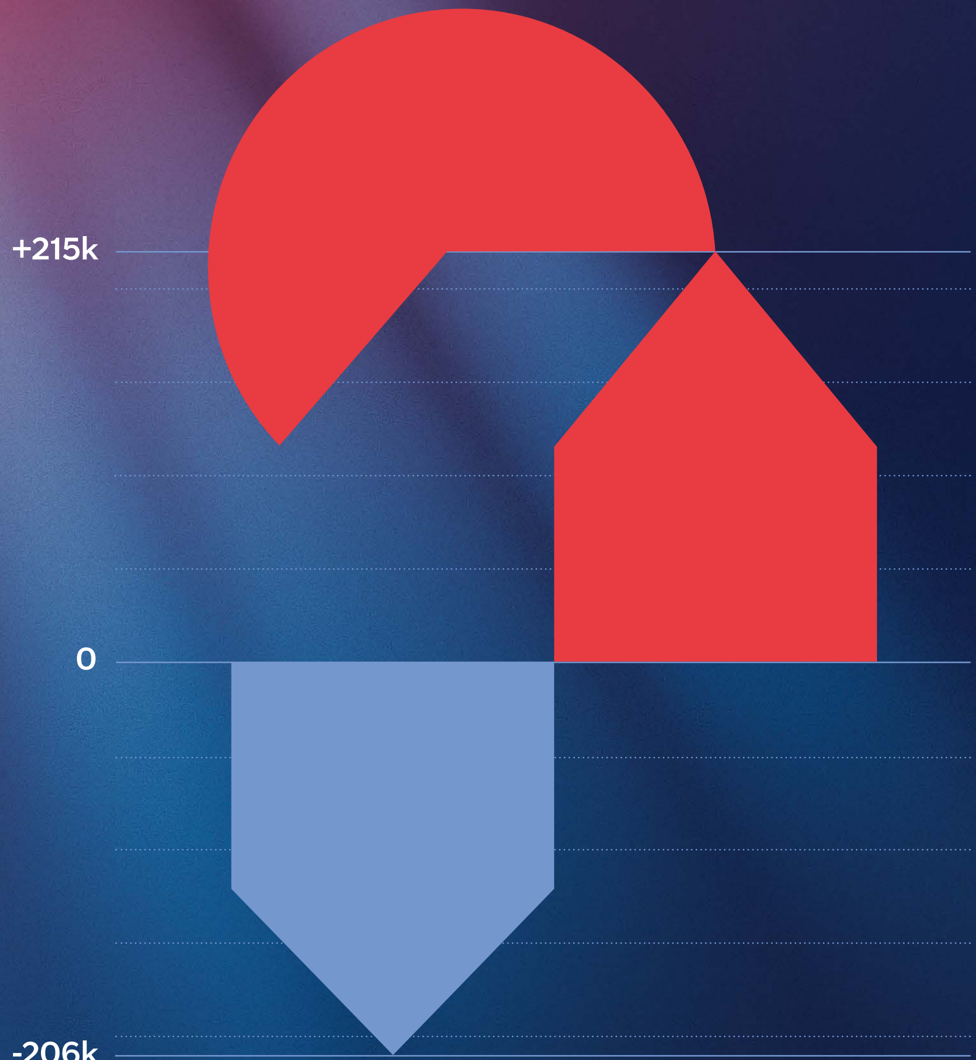
The Economist

- US Treasuries: a $32trn time bomb
- India's baby bust
- Should you use a sleep tracker?
- Alexander the Greatly entertaining

JUNE 6TH–12TH 2026

THE RISE OF GEN-Z SOCIALISM



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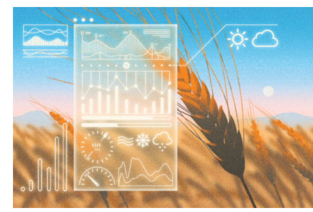

Culture

Economic & financial indicators

Obituary

Volume 459 Number 9502

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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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The world this week Politics

Israel and **Lebanon** agreed to renew a truce negotiated by America between Israel and Hizbullah, the Iran-backed militia. Israeli troops made their deepest advance into Lebanon in a quarter of a century, capturing Beaufort Castle, a crusader fortress last held in 2000. It also struck Beirut, the capital, for the first time in three weeks. But in an apparently obscenity-laced phone call, **Donald Trump** ordered Binyamin Netanyahu to hold further fire. The deal, similar to one agreed in May, is contingent on Hizbullah also ceasing attacks on Israel. Iran's foreign ministry warned of a "full-scale resumption" of its war if Israel attacked Beirut.

There was little diplomatic progress in negotiations between **America** and **Iran**. Mutual strikes escalated. An Iranian drone strike on Kuwait's international airport killed one person and injured more than 60. America intercepted other missiles fired at Kuwait as well as Bahrain, which Iran had not targeted in weeks. Iran said the strikes were retaliation for American attacks on Qeshm Island in the Strait of Hormuz and an oil tanker. Mr Trump said that peace talks were continuing but were "getting very boring".

Ethiopians went to the polls in an election marred by the exclusion of a major opposition party, repression of the media and anti-government violence in parts of the country. Official results are not expected for several days, but the ruling Prosperity Party of Abiy Ahmed, the prime minister, is expected to win comfortably.

Zimbabwe's government took a step towards a controversial constitutional amendment that would extend the president's term by two years and replace presidential elections with selection by lawmakers. The bill, introduced in parliament by the justice minister, still faces several legal challenges in the constitutional court.

Kenya's High Court blocked the opening of an **Ebola** quarantine centre for Americans for another three weeks. The facility, which was approved by the Kenyan government, sparked protests in which two people have died. The Trump administration has said it would prevent people infected with the virus from returning.

Islands in the stream

Pete Hegseth extolled America's relations with China as the best they've been in "many years" at the Shangri-La Dialogue. Speaking to other defence ministers in Singapore, he counselled regional allies to spend more on arms. He did not mention **Taiwan**.

Indonesia's president, Prabowo Subianto, fired the head of his **free-school-meals** programme. The government's flagship scheme to feed 80m children is believed to have caused tens of thousands of children to fall ill. The offices of the agency running it were closed in an anti-graft raid.

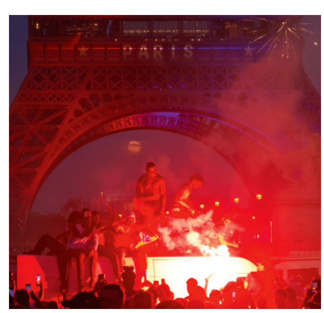
Births in Japan hit a tenth consecutive low of 671,000 in 2025. The health ministry also said that women were expected to have 1.14 children on average in their lifetimes. Early census data showed that Japan's population shrank by 3m, the most ever, between 2020 and 2025.

Protests erupted in **Britain** over the police's treatment of **Henry Nowak**. The 18-year-old died in handcuffs from a knife wound inflicted by a Sikh man, as police responded to a false report of a racist attack. Nigel Farage, Reform UK's leader, lambasted the police for "anti-white prejudice". The home secretary, Shabana Mahmood, accused protesters of "hijacking" the murder to "stir up violence and disorder".

The populist-right's **Abelardo de la Espriella** won the first round of **Colombia's** presidential election. Mr Trump's ally unexpectedly inched ahead of Iván Cepeda, a senator backed by Gustavo Petro, the incumbent, by 43.7% to 40.9% of the vote. With neither candidate winning outright, a run-off is set for June 21st.

Ukraine and **Russia** bombarded each other. Russia, which is struggling to advance on the front lines, launched one of its largest assaults in months on Ukrainian cities. Ukraine fired drones at the Leningrad region, hitting an oil refinery, as the St Petersburg economic forum got under way. Volodymyr Zelensky, Ukraine's president, called the attacks "long-range sanctions" on Russia.

Denmark's **Mette Frederiksen** finally formed a new government. Her centre-left Social Democratic Party will rule with three smaller coalition partners after it lost seats in an election in March. She vowed to resist Mr Trump's repeated threats to annex Greenland.



More than 200 people were injured and one died in street fights in Paris following **Paris Saint-Germain's** victory in the Champions League. The French club defeated Arsenal in a penalty shoot-out to claim its second consecutive title. Celebrations after PSG's victory in the 2025 tournament had also turned violent.

America's Justice Department ditched its $1.8bn fund for alleged victims of the government's **"weaponising"** of the law after the proposal drew criticism from both Republicans and Democrats and was temporarily blocked by a court. Todd Blanche, the acting attorney-general, said that a provision that gives Mr Trump, his family and companies immunity from tax audits would be kept.

The House of Representatives voted to curb **Mr Trump's war powers**, with four Republicans joining the Democrats in a rebuke to their leader. The resolution to force the president to seek congressional approval before taking military action in Iran will probably get ground down in the Senate.

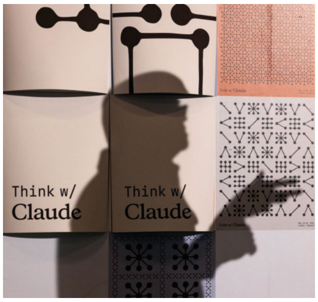
Steve Hilton led the pack in early polls after **California's** gubernatorial primary. The former strategist to Britain's Conservative government, backed by Mr Trump, looked set to face Democratic rival Xavier Becerra in November's general election. In **Iowa**, Mr Trump's pick, Randy Feenstra, lost the Republican Party's nomination for governor to Zach Lahn, a political outsider.

Mr Trump picked **Bill Pulte** as acting director of national intelligence, replacing Tulsi Gabbard. As head of the federal housing regulator, Mr Pulte went after the president's enemies with mortgage-fraud investigations.

Watch this space

Blue Origin's New Glenn rocket exploded on its launchpad in Florida during an engine test. The company's owner, Jeff Bezos, promised to "rebuild whatever needs rebuilding" to stay in the commercial space market. Meanwhile, **China** completed its Shenzhou-21 mission, bringing three astronauts back to a landing site in Mongolia after some 200 days in orbit—the longest stay by a Chinese crew—as it gears up to reach the Moon in 2030.

The world this week Business



Anthropic filed paperwork for an initial public offering of its shares. The listing is expected to value it at around $1trn. Another giga-IPO, for **SpaceX**, is due on June 11th. Elon Musk's rocketry firm is trying to raise as much as $75bn at a valuation of $1.8trn. **Alphabet**, meanwhile, has said it intends to issue $85bn-worth of new shares. All are taking advantage of a buoyant stockmarket: America's S&P 500 share index has been on a long winning streak and on June 2nd closed above 7,600 for the first time. "We are definitely in a moment where there's more greed than there is fear," said the boss of **Goldman Sachs**.

As it prepares to go public, Anthropic is also rolling out its **Mythos** AI model far more widely. It had initially restricted access to around 50 companies, mostly in America, owing to Mythos's prodigious skill at hacking computer systems. It will now be shared with many more organisations including **NATO**, **SWIFT** and the parent company of the **New York Stock Exchange**.

Britain's **Competition and Markets Authority** ordered Google to let publishers block their material from being used in its AI summaries of internet searches. Google must also allow publishers to prevent their output from being used to fine-tune its AI models, and cannot retaliate against those that choose to do so.

The share price of **Broadcom** fell by 14% in after-hours trading following its earnings report. The chipmaker said it expected revenue of $29.4bn this quarter—more than the consensus forecast by analysts, but less than the most bullish ones. Broadcom's market value dropped by over $300bn.

Nvidia has developed a new chip for use in personal computers. The RTX Spark is designed to help individual devices run AI models. This marks a contrast with the firm's other AI chips, most of which are used in data centres.

China's **DeepSeek**, yet another AI firm, is close to completing its own fundraising deal. It is seeking around 50bn yuan ($7.4bn) from investors including **Tencent**.

Rebuild the wall...

Donald Trump's White House said it intended to impose new **tariffs**, of 10-12.5%, on 60 trading partners including Britain, Canada, China, the European Union, Japan and Mexico. The Office of the US Trade Representative said it was imposing the levies because other countries had not done enough to prevent the import of goods made with forced labour. But it has announced them, coincidentally, a few weeks before the expiry of time-limited tariffs it levelled after the Supreme Court struck down a previous batch.

English **Premier League** football clubs have been warned by Britain's Financial Conduct Authority about "questionable sponsorship deals" with **cryptocurrency firms**. Several crypto firms that are not authorised by the financial watchdog have signed such deals with top teams. The FCA said these "potentially expose clubs to legal liability, money laundering risks and serious reputational damage".

An **exchange-traded fund** managed by Vanguard and tracking America's S&P 500 share index became the first ETF to oversee more than $1trn-worth of assets.

Andrew Left, an American **short-seller**, was convicted of **securities fraud**. Prosecutors said Mr Left had used social-media posts to try to move stock prices after having taken a position, then reversed his trades without telling followers he had done so. Mr Left said the verdict marked "a sad day for free speech".

Gold is now a more popular reserve asset than American **Treasury bonds**, according to a report by the European Central Bank. It found that the precious metal made up 27% of central banks' reserves at the end of 2025, compared with 22% for Treasuries. Euro-denominated assets accounted for 15%.

...and shut those gates

Partners Group limited withdrawals from one of its **private-equity funds**, seeing its share price tumble in response. Cliffwater, another asset manager, also gated one of its funds, which invests in **private credit**. The two followed a bevy of others that have restricted redemptions after heavy withdrawal requests.

Would-be **American house-sellers** are pulling their properties off the market. In April 5.8% of listings were removed without a sale, the joint-highest share in any month since March 2020.

A **British parliamentary committee** warned the government that its reliance on **Palantir** "represents an unacceptable point of weakness". The tech company should not play such a significant role in British defence, health and policing systems, the committee said.

The rise of Gen-Z socialism

The next generation of illiberal leftism is gaining ground. Time to fight back

SOMETHING NEW is stirring on the left. A fresh crop of socialists want to remake the economy with price controls, hefty wealth taxes and a spree of nationalisations. Supercharged by fury over Gaza, they are winning voters at a formidable pace. Many rose to prominence only recently, like Zack Polanski, who leads the Green Party in Britain, or Zohran Mamdani, the mayor of New York. Others are long-standing political fixtures: the septuagenarian Jean-Luc Mélenchon is on his fourth swing at the French presidency, but thumping support from the 20-somethings of "Generation Z" has put the Elysée back in his sights again.

Call it Gen-Z socialism. Not because all its adherents are young—or because it is new for young people to lean leftward—but because it is the brand of leftism, made for the TikTok era, that today's young revolutionaries support (see Finance & economics section).

Forget weighty collectivist ideals or seizing the means of production. Gen-Z socialism is a me-first doctrine. Climate change and race, preoccupations of the 2010s and early 2020s, are now much more peripheral concerns. So are social issues, barring Gaza (see Britain section). Angst about inflation, housing and artificial intelligence have replaced all that with something cruder. "This country is awash in wealth," says Avi Lewis, freshly elected leader of the New Democratic Party in Canada, a country where productivity has been all but flat for a decade. "We can have nice things." Saying that prices should be capped to keep your bills down while someone else pays for your public services is a seductive, shareable message.

Plenty of the grievances that animate Gen-Z socialists do stem from real issues. Inflation has been too high, rent in big cities is now often unaffordable and AI could upend the labour market. Dismissing these worries would be foolish. Yet Gen-Z socialism is wrong about how to fix the problems of capitalism. It must be resisted, because it is a profound threat to prosperity.

No country's Gen-Z socialists are quite alike. The realities of power have forced some, like Mr Mamdani, to become more moderate. But they broadly agree on three core principles. First, that growth does little to help ordinary people. Theirs is a zero-sum mindset, where a better outcome comes not from creating but from taking—as they fear AI barons will soon do on a vast scale. Second, that spending can be paid for by the richest. Once the left wanted higher taxes for everyone; Gen-Z socialists demand handouts funded by billionaires. The third tenet is a remarkable hostility to private enterprise. Gen-Z socialists are uninterested in letting the market rip and redistributing the proceeds. They would have chunks of everyday life, from housing to groceries, governed by state diktat.

Politics has always had zany fringes. The far right is no less barmy—and more dangerous. But what is so worrying about the Gen-Z socialists is how deeply their ideas are bleeding into the centre-left. Desperate to compete, even mainstream Democrats in America now propose mad schemes like exempting over half of tax filers from federal income tax. In Britain the Labour Party, having won power on a centrist platform, has been spooked by the Greens and is rekindling its zeal for higher taxes and state control. Increasingly, the ideas of the Gen-Z socialists can win even when their candidates lose.

That is bad news. Rent controls would worsen housing shortages by crushing the incentive to build. The profit margins of big supermarket chains, demonised by Gen-Z socialists, are already wafer-thin after years of ruthless competition—a miracle of modern capitalism. Wealth taxes would become confiscatory and deter innovation (see Free Exchange). Do not assume that the failure of these policies, if implemented, would bring about an automatic course correction. Europe has struggled for decades to escape the low-growth funk left by its own over-regulation; the rise of statist "Peronists" in Argentina helps explain its century of relative decline.

Resisting Gen-Z socialism is therefore an urgent task. The first step is for free-market liberals to stop apologising. A series of popular criticisms of capitalism, each containing a grain of truth, has in aggregate obscured the fundamental wisdom that private enterprise is at the root of human prosperity. Yes, people aren't always rational, as behavioural economics shows. True, inequality matters and growth is better when broad-based. Free trade and globalisation create losers as well as winners. But this is the best time in human history to be born, given record real incomes, high life expectancy and low rates of extreme poverty. A punchier defence of capitalism would work better in the social-media age than hand-wringing by uncharismatic centrists like Sir Keir Starmer.

Centrist governments must also solve the problems driving popular discontent. "Abundance" liberals are right to want to build cheap and plentiful housing and infrastructure. Politicians must stop saddling the young with the burden of funding excessive pensions. The tax system must ensure that meritocracy prevails over inheritocracy: broader-based inheritance taxes and levies on property would help. The hardest challenge will be the disruption caused by advances in AI. The Gen-Z leftists have set out their stall with calls for a moratorium on data centres and a government jobs guarantee. Liberals must be more positive and imaginative in their own prescriptions, using a mixture of taxes, distributed capital ownership and support for workers to make sure that the upsides of labour-market disruption are widely shared.

The world is ruled by little else

Populists have the wind in their sails; it can sometimes seem as though market liberalism is doomed to political failure. *The Economist* disagrees. A robust defence of the ideas that have brought unprecedented riches has barely been tried. Many of the problems that animate Gen-Z socialists, like high rents, are the result of markets that are insufficiently free, not excessively so. There is time yet for liberalism to once again produce results—and to win the argument. ■

A new demography

India's baby bust

What a sharp slowdown in births means for the giant country—and for the rest of the world

YOU ARE having too many babies. For decades that crude message was drilled into the minds of Indians by their rulers, abetted by inept foreign donors. In the 1960s slogans on school buildings chided parents, telling them: "Two or three children, enough". By the 1970s officials had taken a crueller turn, overseeing the sterilisation of millions of young adults, usually the poor, many forcibly. But when Indian school textbooks are reprinted this summer, they will carry a very different message. They will warn not of the dangers of having too many babies, but of the risks of having too few.

That's because the world's most populous country is experiencing a baby bust (see Briefing). India has a total fertility rate (TFR), a measure of children per woman, of 1.9 and falling. This is below the replacement rate, of 2.1 or so, needed for a stable long-term population. In several Indian states the TFR now matches the sputtering rates you find in rich European countries. Tamil Nadu, an industrialised state in the south, and West Bengal, a populous one in the east, each have the same fertility rate (1.3) as Finland. Maharashtra, a big western state encompassing Mumbai, is on a par with Norway (1.4). If you think of Indian demography, Scandinavia is not the natural reference point. Increasingly, it will be.

India's population will still continue to grow from its current tally of 1.45bn: it takes time for fewer births to translate into fewer people overall. But the number of births is already down by a fifth from its peak in 2001. In Tamil Nadu 1,200 schools were closed last year for a lack of pupils to fill their classrooms. Those who do attend increasingly show up without any siblings. The government frets that India will get old before it gets rich—that the country is on a similar path to China, where the population has already peaked and is starting to fall. Some politicians are offering cash to encourage Indians to procreate.

India's demographic transition is the most striking example of a global trend. For it is no longer just wealthy places where families have few, or no, kids. Over two-thirds of all countries are now below the replacement rate. Middle-income ones like Brazil, Iran, Thailand and Turkey have been well below it for years. Poorer countries are steadily joining their ranks. Sri Lanka has a TFR of just 1.3; Tunisia's is 1.6. Morocco has fallen below replacement rate. Nairobi, the capital of Kenya, may be close to that point. In many places birth rates are plunging despite marriage remaining near-universal and even though few women have formal jobs.

India also exemplifies why this global slump is happening. Falling rates of child mortality provide one explanation: parents need not have as many children if they can be confident they will all make it to adulthood. But demographers have long shown that what really counts is girls' education. Schooling means that girls gain more autonomy and a greater say in life's decisions. It is no coincidence that, in the 1990s, both India and much of Africa saw a huge surge in girls attending schools. It is only in the few places where most girls still don't go into formal education—like Niger, northern Nigeria or Chad—that fertility has hardly budged.

Education shoves down fertility in another way, too. The more aspirational parents get, the more they need to invest in each child. This dynamic is accelerated when public schools are dire. Remarkably, 39% of Indian children went to fee-paying schools last year, up from 32% in 2015. Parents are caught in an educational arms race. If your neighbours have few kids and spend more on their education, your own will be out-competed unless you do the same.

Aspiration also spreads more easily than it once did. One study showed how the arrival of cable television in Indian villages in the 2000s led to a moderate fall in fertility. Soap operas depicting urban, middle-class women with small families may have changed norms (though some wonder whether people were just watching TV rather than having sex). The smartphone is an even more powerful—and distracting—device for bringing the lifestyles of richer peers into poorer places.

Whatever its precise cause, the baby bust has big implications. The UN, which tries to predict such things, has failed to account for the speed of fertility decline in its central forecast for the global population. Its lower forecast is likely to be more accurate. That suggests India's population will peak at about 1.6bn in 20 years or so, and then fall back dramatically to just under a billion before the century ends. Asia as a whole may also reach its apex in the 2040s. As for the peak of the overall human population, that is probably coming sooner than most expect, perhaps even in the 2050s, because Africa won't be as populous as previously thought. In the worst-run, most conflict-ridden places, fertility will stay high. But the lesson of India is that predictions of a future in which there are 500m Nigerians or 3.8bn Africans should be treated with appropriate scepticism.

They grow up so fast

If most countries are set for low fertility, it will be harder for anyone to bank on imports of migrant labour to tackle their own worker shortages. In India, fertility fell below the replacement rate at a much lower level of development than most countries: its GDP per person at purchasing power parity was less than half that of Malaysia, Mexico and Turkey at the same point. That need not cramp growth—China and Vietnam crossed the threshold at an even lower level of income—but it will complicate policymaking. In particular India, and countries like it, will be forced to divert scarce public resources into things like pensions and old-age care sooner than expected. That makes it more important than ever to increase the tax take: far more people, especially women, should be brought into India's formal labour force, for example.

The sources of falling fertility—girls' education, lower child mortality and the choices of individuals—are unambiguously good. But as India and others hurtle through their demographic transition, the consequences will not be pain-free. ■

Ukraine and the EU

No charity case

Europe needs Ukraine's help just as badly as the other way round

GIVE EUROPE credit for stepping up when many doubted it could. Since Donald Trump cut American military aid to Ukraine, Europe has managed to fill the breach. It is accelerating the flow of money and arms eastward, while stiffening sanctions on the Russian aggressor. Partly as a result of European help, Russia's grim losses on the battlefield are putting pressure on Vladimir Putin. With American diplomatic efforts to end the war fizzling, some in Europe are asking whether it is time for them to take the lead and talk to the Russian leader.

That time may come, but not yet. The more urgent question for Europe concerns its relationship with a country that has transformed itself from a ward of the West into a crucial security partner. Ukraine's battle-hardened army is making progress and its innovative defence industry is growing. If Europe is to defend its borders and wean itself off a reliance on transatlantic help, it needs Ukraine as badly as the other way round. Europe's priority should be to fully embrace Ukraine, and fast.

For Ukraine itself, the goal has long been clear: full EU membership, to cement links with the West and make up for territory lost to Russia. Four years after accepting Ukraine as a candidate for membership, this month the EU is expected to open the first negotiating "cluster", covering topics such as democracy and the rule of law. Some in Kyiv hope full membership could follow as soon as next year. In the EU, however, even enthusiasts doubt it can come within a decade. The gulf in expectations between the two sides is dangerous.

Some responsibility for that lies with Volodymyr Zelensky, Ukraine's president. He should do more to strengthen domestic, independent institutions, and especially to fight corruption. He should be more open to creative ways for Ukraine to take early steps into the union. Friedrich Merz, Germany's chancellor, recently proposed an "associate membership", with limited voting rights, as a waystation to full-fat accession. Mr Zelensky was rash to dismiss that out of hand.

But the bigger task falls to the Europeans. Too many still look at Ukraine as a kind of charity case. In reality Europe has much to learn from Ukraine's achievements, especially in drone technology, production and deployment. Europe's armies can bolster their own security by investing in their neighbour. Sweden's defence minister says that testing arms systems in Ukraine brings innovations in weeks or months, whereas doing so at home takes years or decades.

Some Europeans worry about going too fast. They talk of the risks from rushing to bring a big, poor, institutionally weak country into their union. These concerns are not baseless, but they miss the bigger picture: Europe must act fast to acquire more of the hard power needed to defend itself in an increasingly hostile world. Folding Ukraine into Europe's embrace is a means of confronting the obvious regional threat, Russia. Enlargement is not merely a bureaucratic process. It is a geopolitical tool for a continent that looks vulnerable among more predatory great powers.

Other ideas, such as a European Security Council that might include Britain, could help formalise a security partnership with Ukraine more quickly. But the priority must be to speed up the EU entry process for Ukraine. The EU should begin drafting an accession treaty now, as a sign of intent to Ukraine's war-weary people as well as to investors who will fund its post-war reconstruction. In return, Ukraine should be open to delays in subsidies or freedom-of-movement rights to make it easier for Europe to find unanimity.

The alternative is bleak. Polls show some young Ukrainians souring on EU membership. That should ring alarm bells. Which is worse: letting a poor but enthusiastic Ukraine into the club, or leaving an embittered but powerful one outside? ■

Free speech

Muzzled Britannia

Britain is wrong to ban speakers like Hasan Piker and Cenk Uygur

"I'VE BEEN banned for criticising Israel. Are we free any more?" Cenk Uygur's question, posed to his followers on X this week, has some merit. Mr Uygur and Hasan Piker, two controversial American left-wing influencers, were both blocked by the British government from entering the country to speak at the SXSW festival in London and at Oxford University. The decision is shabby behaviour for a country that sees itself as the birthplace of free speech, one of the fundamental pillars of liberal democracy. That people should be able to say and think what they want is not just a right for citizens; it is a cultural norm that is eroded if speakers from abroad are regularly turned away at the border.

Messrs Piker and Uygur were blocked because Shabana Mahmood, the home secretary, judged that their presence in the country "may not be conducive to the public good". This extraordinarily vague standard is increasingly being used, it appears, to ban high-profile foreigners whose views the government does not welcome (see Britain section). In April this rationale was deployed to stop Kanye West—a rapper with a history of unhinged Nazi ramblings, for which he has since apologised—from performing at a music festival. In May it was cited as justification for blocking several far-righters from at- ▸▸

tending and speaking at a rally organised by Tommy Robinson, a white-nationalist rabble-rouser, in London.

All this is a worryingly aggressive application of the discretionary power afforded to the home secretary. Such power should be used very sparingly. Direct and deliberate incitement to violence is unlawful; it may well be right to exclude someone with a history of such behaviour. Hurtful, disturbing or disgusting views—some of which have been on display this week in the furore over the police's response to a fatal attack on Henry Nowak, a student (see Britain section)—do not meet that threshold.

Mr Piker has many opinions that reasonable people find offensive or simply bonkers. He thinks bank robberies are "cool"; says he understands why someone might want to murder a health-insurance boss; and once opined: "I would vote for Hamas over Israel every single time." But he does not pose a threat to Britain, any more than the protesters arrested just for holding signs saying "I support Palestine Action" do. The country that once gave sanctuary to Karl Marx should not be frightened of his modern social-media disciples.

Nor will visa bans on the likes of Mr West and Mr Piker stop Britons from hearing their views. Anyone can tune into their social-media accounts. Indeed, the attempt to suppress their speech makes it more likely that Britons will seek them out. Google searches in Britain for Mr Piker and Mr Uygur are higher this week than they have ever been. As provocateurs who make their living from clicks, they are no doubt delighted.

Britain is not the only country that uses visa bans to keep out speakers whom its government dislikes: America, Australia, Germany and many others do the same thing, too. But that is no excuse. Parliament should press the government to stop using its powers so casually.

It should also do more to blunt the tools used by the rich and powerful to intimidate or silence critics, such as lawsuits intended to impose ruinous costs on them (known as "strategic lawsuits against public participation", or SLAPPs). This past weekend provided an egregious example, when Sarah Wynn-Williams, a former Meta employee turned whistleblower, had to sit mute on a stage at a literary festival in Wales, gagged by a global non-disclosure agreement and unable even to nod her head without risking financial penalties.

Gag reflex

With free speech under siege around the world, it is shameful that Britain, once a bastion of tolerance for vigorous debate, should be so censorious. The government's job is to keep people safe from actual violence, not to try to shield them from words that might upset them. If it makes a habit of banning visiting speakers, it will create the impression that it endorses the views of the people it does let in. It will encourage more and more activists to lobby for bans on foreigners whose ideas they disagree with. And it will make Britain less free. ■

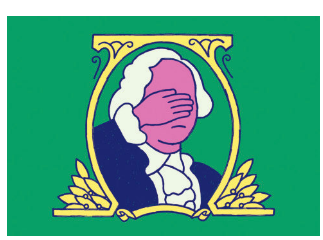
Financial markets

Treasure it

How to fix the decaying market for American government debt

SINCE RICHARD NIXON broke the link between the American dollar and gold in 1971, global finance has floated on a sea of Treasuries. No asset is more important than America's government debt. It provides a haven for investors at dangerous moments. Trillions of dollars of contracts and securities worldwide are priced with reference to Treasury bonds.

Alas, as our special report explains, the world's safe asset has seen better days. The volume of Treasuries outstanding has grown by 126% over the past decade, to almost $32trn, far outstripping steady demand from the likes of foreign central banks. As a result yield-hunting private investors and hedge funds, fuelled by leverage, have taken a growing share of the market. Occasionally—most notably in March 2020—this demand has suddenly dried up, sending short-term funding costs surging and forcing the Federal Reserve to buy bonds and, in effect, to underwrite the market.



Economic and geopolitical trends are also hurting demand for Treasuries. The resurgence of inflation since 2021 has often made stocks and government bonds sell off in tandem, meaning that Treasuries have ceased to play the valuable role of ballast for riskier portfolios. Meanwhile America's belligerent trade policy and its repeated deployment of financial sanctions (whatever their merits) have made foreign buyers think twice before becoming a long-term creditor to Uncle Sam.

If these patterns continue, the market risks losing a special status that provides crucial benefits to both America and the wider world. Salvaging the situation raises tough questions for Kevin Warsh, the new chair of the Federal Reserve, for Scott Bessent, the treasury secretary, and for Congress.

Mr Warsh has declared his intention to reduce the Fed's holdings of Treasuries. That is an achievable goal, even if it will bring about a need for still more private demand. Yet Mr Warsh must also stand ready to buy bonds at any moment to calm a sudden seizure. Any such intervention would require a defter hand than the Fed has managed previously, when it has failed to distinguish quantitative easing (QE), bond purchases designed to stimulate the economy, from short-lived "market functioning" interventions designed to stop fire sales. In the past, it did not need to: in March 2020, for example, both goals were operative at once, and inflation was quiescent.

Today the economy does not want for stimulus but the bond market could still need rescuing. It would be a disaster were a purchase of bonds made to unclog financial plumbing to be interpreted as the Fed kowtowing to President Donald Trump's desire for loose money. So Mr Warsh must get a battle plan ready for a surgical intervention. The Bank of England is a model to follow: during a sell-off in British gilts in 2022, following a disastrous "mini-budget", the bank bought bonds aggressively but promised to get out of the market as soon as possible. It fulfilled its promise in a matter of months,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and ended up making a profit for taxpayers, to boot.

Reforming the market will require America's many other regulators to work in tandem with the Fed. Trading currently operates through dealer banks, which have struggled to clear the market in moments of stress. Trading data are published daily, unlike the real-time reporting in the corporate-bond market. Quicker reporting would allow for the development of so-called all-to-all trading. Like the stockmarket, any investor could buy and sell directly to any other, boosting liquidity.

But the most important remedy is in the gift of politicians. The size of America's budget deficit, at around 6% of GDP, has no parallels during peacetime, except during deep recessions. Further fiscal pressure is coming, not least when the Social Security trust fund runs dry in six years (see United States section). Mr Bessent is easing the strain of rising interest payments by favouring short-term debt, which is cheaper to service today but leaves the government more exposed to a crisis because it must be frequently refinanced. As for Congress, which writes the budget, it worries about the market only during its regular brinkmanship over the debt ceiling, a statutory limit which must regularly be lifted. Both the executive and the legislature must summon the will to confront the underlying long-term problem and find ways to shrink borrowing.

Breaking bonds

It is not too late to stop the slow, steady erosion of the Treasury market. The prize is enormous. By one estimate America's role as the supplier of safe assets to the world saves the country about 1% of GDP in interest spending each year, which today means more than $300bn. Only Treasuries can sate the world's need for safe and liquid assets. There are few winners from letting the foundation of the global financial system rot. ■

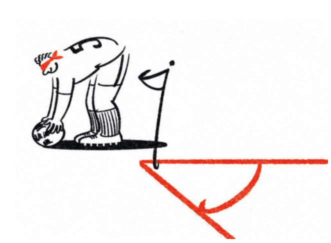
Football fantasies

The even more beautiful game

The World Cup is wonderful. It could be even better

FOOTBALL IS THE beautiful game. But it's often also the boring game. The World Cup, which starts on June 11th, is being hosted by America, Canada and Mexico, the international equivalent of going to a dinner party and hearing the hosts rowing in the kitchen. The tournament will feature 48 teams playing 104 matches over the course of six and a half weeks. Although watching matches that feature your own nation is dependably exciting, for neutrals the average game is likely to be pretty drab (see By Invitation). The stakes at a World Cup are too high for players to take big risks, and hanging on for a draw often pays off for less fancied teams.

Ideas are already circulating for making football more fun. Arsène Wenger, a manager whose credentials include making Arsenal bearable to watch, has proposed changes such as tweaking the offside rule and turning throw-ins into kick-ins. But these ideas are not radical enough. *The Economist* would like to propose the following changes, so that the world game is one that the world thrills to.



If a team hits one of the posts or the crossbar three times, that will count as a goal. Attacking intent should be amply rewarded. This will favour teams that really go for it.

Non-qualifiers get a team of their own. Some great footballers never get to participate in a World Cup because they play for countries that have not qualified. A neutral team, made up of the highest-ranked players from these countries, would give everyone a second-favourite side.

As the match progresses, the goalkeeper is allowed to use less and less of his body to make saves. First one hand is off-limits, then the other. In injury time the only part of the body that a goalkeeper can use to block the ball is his face.

Anyone who feigns injury runs a higher risk of being injured for real. Watching someone writhe around in pretend agony for minutes on end is tedious beyond belief. If a player is judged to have feigned injury, the next foul on them will be unpunishable. Either there will be less rolling around on the floor or there will be the drama of violent retribution. Either way, football is the winner.

For a ten-minute period in the first half, a random member of the crowd is chosen to participate for each team. Spectators may well be picked to play for a team they do not support; their allegiances will not be known to anyone, including their new teammates. It's up to them how they use their time.

Corners have become wrestling matches. To make them more interesting, everyone on the pitch, including the corner-taker, must be blindfolded. Play will be allowed to continue until the ball goes off the field or the crowd starts booing.

There's nothing like the promise of permanent residency to make sport exciting. As well as the usual yellow and red cards, the referees will be able to award a green card to any player who dribbles past an opponent in games played on American soil.

One of the most memorable figures in the World Cup was a Cameroonian player called Roger Milla, who did a dance by the corner flag when he scored. If that makes football sound boring, our point is made. Still, a creative goal celebration can be fun; to encourage them, the referee can rescind a yellow card for foul play if they are particularly imaginative.

Competition is always a good thing, and that principle can be applied within matches by having two balls on the field at once. This will mainly be fun because of the effect that it will have on referees and commentators.

In extremis, a panel of video assistant referees can award a penalty against a team for being too boring. Even the best teams spend inordinate amounts of time passing the ball from one side of the pitch to the other, apparently unaware that the goal is in front of them. They should be punished.

It is just possible that these ideas will not be adopted before the World Cup starts. Bold thinking often takes time to become accepted. In the meantime, there are some consolations. It could be six and a half weeks of golf. ■

Managing Director

Bocconi University, Milan, Italy

Bocconi University is a leading research and teaching institution with a strong international orientation at the forefront of the areas of Economics, Management, Finance, Legal Studies, Political Science, Data and Computer Science with a growing focus on AI. Its mission is to advance and disseminate knowledge in the social sciences by conducting rigorous and cutting-edge research that can help address the major challenges of our times.

The University Board of Directors is seeking to appoint a **Managing Director** for a four-year renewable term. The Managing Director serves as Head of Administration and is responsible for the overall management of the University's financial, administrative and operational functions, ensuring efficiency, sustainability, and organizational effectiveness. Together with the President and the Rector, the Managing Director contributes to defining strategic priorities and ensuring the effective execution of the university's ambitions. The role is pivotal in supporting the University's continued growth, internationalization, and positioning among the top global academic institutions.

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The Partner leading the project is Giovanna Gallì at ggalli@spencerstuart.com

Letters *reading clubs, SpaceX, Star Wars and cinema production, urban trees, management waffle, dressing for the City*

Where reading is dangerous

"From red carpet to reading list" (May 9th) noted that most celebrity book-clubs are irritating, but that such clubs make reading less lonely, turning "a solitary experience…into a collective one", as one academic put it. That is precisely the function of Charmaghz, a non-profit that works with girls in Afghanistan. Founded by an Afghan girls' education activist, Charmaghz runs online book clubs where the Taliban has banned girls from secondary school and university.

Girls and women in Afghanistan are now routinely excluded from most public spaces. What they lack is the company of other readers their own age, and a setting in which their views on a novel, or anything else, are worthy. A weekly 90-minute session led by Afghan women, discussing "The Adventures of Tom Sawyer" or "Around the World in 80 Days", supplies both.

You said that critics question the seriousness of many book clubs, in particular those led by celebrities. Seriousness is in no short supply among our participants. They are among the most determined readers I know, despite and probably because of the barriers they face to get hold of a book at all.

LIZ ROBINSON
Chief executive
Charmaghz
London

The state's helping hand

SpaceX "is a marvel of free markets" and "capitalism at its most remarkable", you said in your leader on the rocket firm's forthcoming initial public offering ("A Starship enterprise", May 23rd). This overlooks the critical role that government played in getting SpaceX off the ground. In 2008 the fledgling startup was heading for bankruptcy until NASA awarded it a $1.6bn contract, thereby providing a trajectory-changing revenue stream. American taxpayers absorbed much of the early risk that private investors would not. SpaceX's success is impressive, but it is a triumph of state-supported capitalism more than a free-market marvel.

T. MICHAEL SPENCER
Washington, DC

The neverending sequel

Your account of how Star Wars has descended from cinematic event to serialised filler deserves a wider diagnosis ("Yodanomics", May 23rd). The paradox of our cultural moment is that the means of producing novelty have never been so abundant (generative tools, distribution platforms, and so on) and yet the cultural industries have rarely been so timid. Disney's retreat from Tatooine to television is not idiosyncratic but symptomatic.

Data-driven greenlighting rewards the legible past over the speculative future. Algorithmic recommendation collapses taste onto a handful of safe attractors. Capital markets, anxious about subscriber churn, prefer extending a known universe to funding an unknown one. The result is an ecosystem in which the cost of failure has become unbearable just as the cost of production has collapsed: an economy of infinite remixes of finite ideas.

Generative AI will only sharpen the contradiction. A technology trained on the past can produce, at vanishing cost, ever more elaborate variations of what already exists. The risk is not that Star Wars becomes a soap opera, but that everything does. Whether audiences will keep paying for the upholstery of nostalgia, once they can stitch their own, is the real question on the desk of Josh D'Amaro, Disney's new boss.

PIER LUIGI SACCO
Professor of biobehavioural economics
Gabriele d'Annunzio University of Chieti-Pescara
Chieti, Italy

Root and branch reform

Banyan set out his case for felling India's urban trees because they are hindering development (May 9th). The real issue isn't a lack of courage to chop down the trees, it is a refusal to acknowledge the law of induced demand. In cities such as Bangalore and Hyderabad, the time savings promised by new flyovers typically evaporate within months as the new road capacity simply invites more private vehicles.

Furthermore, the state's interest in "greenery" is suspiciously selective. One need only visit the leafy, walkable streets of a government enclave, to see that the state understands the value of a canopy. It is only when one steps outside these protected zones into the "dysfunctional" city that trees are treated as impediments to progress rather than essential public-health infrastructure.

When the state chops trees "in the dead of night", as it did in Mumbai, it isn't acting rationally, it is acting autocratically. Until Indian urban planning moves away from the 1960s American model of car-centric expansion and towards transparent, public-led transit design, "tree-huggers" remain the only thin line between a liveable city and a heat-radiating concrete desert.

DHARMENDRA TOLANI
Delhi

Wordy rappinghood

Bartleby's stream of unpunctuated consciousness on management babble (May 16th) caught my attention. I spent my career in middle management. The senior ranks commanded that each organisation within the company produce a mission statement. A seemingly simple task since we had only internal customers and a single product. Our mission statement was stated in straightforward English contained in one sentence. Clearly that did not pass muster. We had neglected to use the currently fashionable buzzwords. We ended up with meaningless gobbledegook and wasted countless hours.

JOSEPH VANDERSLICE
The Woodlands, Texas

Perhaps I'm not alone in having read Bartleby's "velocity pivot" to the tune of Billy Joel's "We Didn't Start the Fire".

Should a new title be needed for this corporate filler text, I might suggest "We Didn't Start the Email Thread".

DAVID PEDUTO
Annapolis, Maryland

City style

A photograph of a gentleman striding across Threadneedle Street wearing brown shoes with a dark suit accompanied your article on the recovery of London's financial district ("Getting its mojo back", May 2nd). In 1980, just transferred from the sartorially relaxed Rio de Janeiro to the City, I was similarly attired and on my second day I was called to the managing director's office. Rather sniffily he enquired whether I had trod in dog poo on the way in. Thankfully the City's mojo no longer depends on its dress code.

PETER BREESE
Lauzerte, France

→ *Letters should be addressed to the Editor at: The Economist, The Adelphi Building, 1-11 John Adam Street, London WC2N; Email: letters@economist.com. More letters available at:* ***economist.com/letters***

BY INVITATION

James Tozer

How football should respond as other sports tweak rules to lure more fans

DURING THIS year's World Cup, three outcomes are guaranteed. First, fans of one country will experience nirvana, while those in 47 others (up from 31 previously) will be heartbroken. Second, there will be moments of everlasting genius and infamy. There could be a goal as mesmerising as Diego Maradona's solo dribble against England, a touch as sumptuous as Johan Cruyff's turn against Sweden or a save as improbable as Gordon Banks's against Pelé; a penalty miss as agonising as Roberto Baggio's against Brazil, a handball as blatant as Luis Suárez's against Ghana or a headbutt as shocking as Zinedine Zidane's against Italy.

The third certainty is plenty of stodgy matches which few people remember fondly. That is because the World Cup—for all the fervour about sweepstakes, sticker albums and occasional screamers—typically produces an ugly version of the beautiful game. One way to measure this is in goals: in the past three editions, there have been only 2.6 per game in normal time, falling to just 2.3 in the quarter-finals, semi-finals and final. During that time, the rate in the English Premier League, the world's richest domestic competition, has been 2.8. Notably, the moments of brilliance and ignominy mentioned above happened in otherwise cagey games. In only one did a team score multiple goals, and that was because Maradona punched one in with the "Hand of God".

This attritional nature shows up in other statistics. Compared with the preceding season of the Premier League, the last World Cup had 16% fewer shots per 90 minutes and 17% more fouls. One match featured 18 yellow cards and a red. This is partly because players are exhausted after an extended campaign. (The heatwaves expected in the upcoming matches will not help.) They also rarely train with international teammates, causing disjointed play. Tension is a factor, too, as eternal glory looms.

Another reason for humdrum football is that, for middle- and lower-tier countries, it works. Since the World Cup expanded to 32 teams in 1998, six ranked outside the top third by bookmakers have reached the semi-finals: Croatia (1998 and 2022), South Korea (2002), Turkey (2002), Uruguay (2010) and Morocco (2022). Their runs to the semis had an average score of 1.1 versus 0.7 in normal time. New Zealand, ranked last by bookies in 2010, were the only unbeaten team that year, scoring twice across three draws. Put simply, for countries outside the elite, it pays to "park the bus" and pray—a logic that will apply even more strongly with 48 teams. There might be more goals in group-stage drubbings, but also more Davids hacking down Goliath in the knockouts.

The possibility of winning the World Cup is so intoxicating that every game could be scoreless and billions would still watch. But football is competing in a global market for eyeballs, in which the governing bodies of other sports are trying to make their "product" more appealing. Sometimes that means making matches snappier, as Major League Baseball has done by introducing a 15-second limit for pitchers. Often it means making them higher-scoring, as both codes of rugby have done by refereeing the "ruck" more favourably to the attack, and the Indian Premier League has in cricket by adding a 12th "impact player". Meanwhile, Formula One has increased unpredictability by changing several rules for constructors: this season Lewis Hamilton and Max Verstappen, champions in ten of the past 12 seasons, have yet to win a race.

There is a long history of administrators making such tweaks. America's National Basketball Association introduced a shot clock to force more attacking play in the 1950s, when matches averaged 160 points (it is now 230). But today the rate of experimentation is accelerating, amid fears that broadcast deals have peaked and that younger audiences are watching more highlights and fewer matches. In truth, teams in most sports play conservatively in play-offs, so organisers who do not innovate are risking an anticlimax as other leagues reach a crescendo. Some governing bodies even use external analysts to model how changes in gameplay and the behaviour of fans might affect their businesses.

Football has historically been less open to this. The laws are largely untouched from 30 years ago—with changes few in number and mostly minor—though they are enforced more strictly: today you'll get a red card for raking someone's shin, with the video assistant referee (VAR) adding extra scrutiny to every decision. Recently, however, FIFA, world football's governing body, has realised that it too might need to innovate, to maintain the sport's share of the attention economy—and, perhaps, to grow it in America, which will host 78 of this year's 104 matches. Arsène Wenger, a venerated former manager who now works for FIFA, has suggested relaxing the offside law to apply only when there is "clear daylight" between the attacker and defender. This is being trialled in the Canadian league. The idea is to reinstate many goals that are currently being chalked off by VAR (though officials will still have to draw a line somewhere, so the debate over whether someone's shoelace was offside will never end).

Given how much fans dislike VAR—in a recent survey of British fans, 72% said it makes watching football less enjoyable—fixing it ought to be top of FIFA's agenda. Using it solely when teams make "challenges", with each given a limited number, as is common in other sports, should mean that only howlers get checked, while shifting some blame to the teams if something gets missed. That change, in tandem with Mr Wenger's offside tweak, could mean more goals and fewer refereeing delays. For fans in the 47 eliminated countries that won't lift the World Cup trophy, that would be a victory to celebrate. ■

James Tozer is a co-founder of Prospect, a sports analytics firm that works with governing bodies, teams, coaches and others. He was a data journalist with The Economist from 2014 to 2022.

Briefing India's baby bust

Missing children

DELHI AND CHENNAI

India's population will soon be falling—probably quite fast

IN THE SPRAWLING slum in Delhi where Parul Gayen lived in the 1970s, children were everywhere. It was not unusual then that her mother had been one of six, or her grandfather one of 11. Swapan, the handsome boy whom she often saw cycling to work, and later married at 16, had six siblings—the seventh did not survive infancy. But times have changed, says Ms Gayen, who is now 58 and lives with Swapan in a one-bedroom flat nearby. Of the couple's three grown-up kids, only two decided to have children of their own. Both stopped at one. "One child feels lonely," she says.

In 1950 India's population was 360m. The average woman had six children—roughly the same as an American woman a century earlier. Today, with a population of 1.45bn, India accounts for a sixth of humanity. It surpassed China as the world's most populous country in 2023 and has kept growing. But its total fertility rate (TFR), the number of births a typical woman has over her lifetime, has fallen to 1.9 (see chart 1 on next page), below the level needed to keep the population stable in the long run. Although the population will keep growing for a spell, as the generation that are currently children themselves become parents, a future contraction is inevitable unless the fertility rate rises back above 2.15. In practice, it is likely to keep falling, accelerating the impending shrinkage. In Delhi, for instance, the TFR is 1.2.

Baby blues

The rich world and many middle-income countries are awash with anxiety about declining fertility, shrinking workforces and impending or intensifying falls in population. Politicians often badger or bribe parents to have more children, with little success. Now India, once a source of angst about exponential population growth, is joining the same club. New school textbooks, to be published this summer, will warn of the perils of too few, rather than too many, children. In May Chandrababu Naidu, the chief minister of Andhra Pradesh, a southern state of about 55m, announced a 30,000 rupee ($315) payout for couples who have a third child.

As recently as 2019 Narendra Modi, the prime minister, warned of a "population explosion". But the government's thinking has flipped, says Sanjeev Sanyal, an adviser to Mr Modi. Today officials worry that India is on a similar path to China, whose population has been shrinking since 2021. Fertility has fallen much further and faster than expected, says Neelkanth Mishra, chief economist of Axis Bank. In both Tamil Nadu, a state of roughly 77m, and West Bengal (100m) the TFR stands at 1.3, the same as in Finland. The average for urban India is 1.5. For a long time demographers thought poor northern states would delay India's demographic transition. Now they seem to be converging with wealthier, less teeming parts of the country.

Some might see a shrinking population as a blessing. After all, India's infrastructure often seems inadequate: think of commuters cramming themselves into Mumbai's local trains, for instance. Yet the prospect of an India with fewer children is not an entirely comforting one, either. It would get old before it gets rich, making for a difficult demographic transition. The effects would ripple through its society, its economy and its politics.

India's extraordinarily fertile land and largely reliable monsoon help explain why it accounts for 2.4% of the world's land mass but 18% of its people. Its population was given a further boost by the medical advances of the late 20th century. In 1950 a quarter of children did not survive to their fifth birthday; by 2000 only a tenth died young. India went through this transition in mortality at an unusually early stage of development, when its birth rates remained very high, says Sonalde Desai of the University of Maryland.

That combination made India exhibit A for population alarmists. It was a visit to a "hellish" slum in Delhi in the 1960s that inspired Paul Ehrlich, an American biologist, to write "The Population Bomb". He warned that the battle to feed humanity was lost and that India was bound to starve. He was completely wrong, but extremely influential. His work informed a shameful drive in the 1970s to curb population growth, in which Indira Gandhi's government forcibly sterilised some 10m men.

Subsequent governments, whether led by Gandhi's party, Congress, or the Hindu nationalists of the Bharatiya Janata Party (BJP), have largely enacted policies that enable family planning and reproductive choice, says Poonam Muttreja of the Population Foundation of India, a think-tank. In the 1990s the decline in fertility accelerated, as more girls went to school and the country got richer. Kerala, a southern state of 36m where the TFR is 1.3, has been closing schools and importing workers for decades. Other places are catching up.

The UN still forecasts that India's population will keep growing until the 2060s and then fall slowly. This is based on a giant assumption: that fertility rates will stabilise, starting tomorrow. But there are only a handful of countries in the world in which fertility has fallen and then rebounded. "There is nothing natural or inevitable about a rate of two," says Dean Spears, an economist. "There is no sign of stabilisation yet," notes Rukmini S. of Data for India, a think-tank.

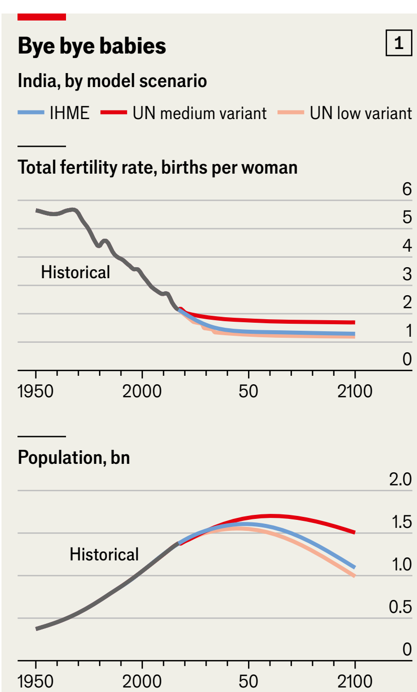
Demographers at the University of Washington's Institute for Health Metrics and Evaluation (IHME) have produced a more plausible forecast. It shows India's population peaking in 21 years and then falling as sharply as it has risen. By the end of the century India's population would be just over a billion—a contraction of nearly half a billion. (The UN also produces high- and low-growth forecasts; the low one is similar.) Another model, by S. Irudaya Rajan, an Indian demographer, foresees India's population peaking in the 2050s—a little later than IHME, but much sooner than the UN—before declining rapidly.

Few experts anticipated this, for several reasons. One is a paucity of data. The last full census was carried out in 2011. A follow-up is now belatedly under way, but the wait has forced demographers to patch together data from other surveys, which may have obscured the speed of the decline.

Another factor befuddling demographers is India's relative poverty. Its GDP per person at purchasing power parity was only $7,000 in 2020 when fertility fell to the replacement rate, the level at which the population will stop growing in the long run. That is much lower than in most countries that have passed the threshold (see chart 2 on next page). "In the past in demography 101 we used to teach that countries reach a certain per-capita income, women get educated and join the labour force, then you get low fertility," says Jesús Fernández-Villaverde of the University of Pennsylvania. But fertility is now low in many poorer countries, too.

In some ways India's trajectory reflects what the evidence has long shown: by far the most important factor for fertility is whether girls go to school, says Lant Pritchett of the London School of Economics. Those with at least some education have a greater degree of autonomy, and over time this leads to fewer children. Falling fertility in India now reflects a surge in girls' enrolment in school since the 1990s. If a country is able to provide schooling for girls at an earlier stage of development than is typical, it seems, fertility will start falling earlier, too.

But India's experience also flies in the face of some conventional wisdom about fertility. Conservatives in Western countries often blame falling fertility there on the decline of marriage and the high proportion of women who work. It is true that many Western women complain that they end up having fewer children than they would have liked, because the difficulty of balancing family and career (or of finding a suitable partner) means they start having children relatively late in life.



Sources: UN Population Division; Institute For Health Metrics and Evaluation

Trad wives, not trad mothers

Yet India, where more than 90% of women get married and only 33% work, is seeing fertility slump, too. Although childbearing happens a little later than in Ms Gayen's day, the average Indian woman still ties the knot at 19 and has her first baby at 21 (see chart 3). In other words, age and career cannot be at fault, at least in India's case. In fact, even as fertility has fallen, surveys suggest that Indian women would like even fewer babies. In many states desired fertility is around 1.5 children. The majority of women get sterilised once they have finished having kids, which suggests they are not hankering for more.

For women across the country, having fewer children has become a powerful cultural norm. A traditional Indian wedding blessing goes, "May you be the mother of a hundred sons." But the attitude of modern Indian parents can be likened to an old story from the Mahabharata, a Hindu epic. The sage Agastya asks his wife Lopamudra whether she wants ten good sons or one super-son with the combined heroism of ten. Lopamudra chooses the super-son.

Three factors explain this shift. First is a change in the aspirations of modern Indian parents. A typical explanation comes from Sanjini Raman, a 42-year-old mother in Chennai. She says she and her husband decided, "All our resources should go to one because if it's two it gets divided." It costs around 3.5 lakh rupees ($3,650) to send her daughter to a private school and to pay for extra tutoring.

Demographers call this the "quantity-quality trade-off", and it dominates conversations between Indian spouses. Ms Raman says that most of her daughter's classmates are from one-child families, which is common in southern India. The proportion of Indian children in fee-paying schools rose from 31.7% in 2015 to 38.8% in 2025. This trend is not confined to richer states. Surveys in Bihar (one of India's poorest states, with 130m people) and Uttar Pradesh (the most populous, with 240m) suggest that many poor parents are choosing to have just one child so that they can afford at least some private tuition.

A second factor discouraging lots of children is the waning of the tradition of living in an extended family. As recently as 2001 around half of Indian families lived in houses with several generations—grandparents, parents, children, aunts, uncles, cousins—under one roof. Now 70% or so live in nuclear families, according to government data, owing to urbanisation and changes in the labour market. This makes child care a bigger burden and creates an incentive to limit family size. But most Indian men do not seem to have noticed. "My husband sometimes washes his own plate," says Kavitha Kannan, a farmer and mother of two from Tamil Nadu.

Pink aye

In the past, as the old blessing suggests, another consideration motivated couples: a strong preference for boys. That helped to keep fertility higher, because couples would keep having children until they had a boy. But "boy preference" has fallen dramatically: the data show that many Indian parents are content with a girl.

Third, even if education and family structures shape parents' thinking, it is reinforced by culture. Having fewer children has become aspirational, and that is being shaped by changes in technology and access to information. A study has found that the spread of cable television to villages in the 2000s led to a fall in the number of pregnancies, which the author put down to soap operas depicting urban, middle-class women with small families.

It is possible that smartphones—which are becoming ubiquitous, even in poor villages—are having a similar compounding effect. There is as yet scant evidence that their spread has accelerated fertility's fall. But it is likely that smartphones help disseminate cultural norms more rapidly. In Nagepur, a village in Uttar Pradesh, women say they see lots of videos that depict small families and discuss how hard it is for youngsters to find jobs. Mr Rajan likens low fertility to a "contagion": "What happens in Kerala ends up in Bihar," he says.

That all this is already leading to smaller families and paving the way for a contraction in population is beyond dispute. The only question is how far fertility will fall. Some demographers suggest that strong marriage and childbearing norms will act as a floor, sparing India a baby drought as severe as, say, South Korea's. Others flip this on its head, arguing that it is remarkable that fertility has already fallen so low despite such norms. They speculate that in the coming decades more Indian women will opt out of marriage and childbearing altogether.

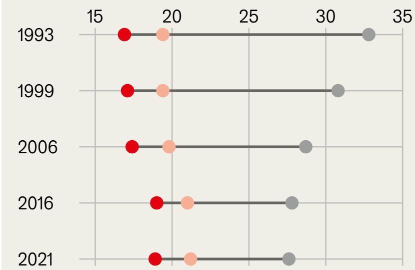
Even if India does not become South Korea, the speed of its demographic transition will have far-reaching consequences. Most obviously, it will get old before it gets rich. In Kerala, where almost a fifth of the population is over 60, the government has just created a department for ageing. The state has the most comprehensive social-safety net in India but, even so, only 19.4% of the workforce belong to any kind of pension scheme (the national figure is 12%). Providing for the growing ranks of elderly Indians seems a remote prospect.

Yet the decline of the extended family undermines the assumption that children will care for parents in their old age. In south India rich-world-style care homes are popping up. In rural places more basic forms of care for the elderly are appearing, centred around yoga and gossip. But families unable to find or afford care, particularly for those with serious illnesses such as dementia, may be forced back together. Cases of elderly relatives abandoned at mass gatherings, such as the Kumbh Mela, a Hindu pilgrimage, are on the rise.

The strains on family ties are exacerbated by another trend, a boom in internal migration. Southern states have long relied on labour from the North and East, particularly in hotels and restaurants. But the flows of migrants are increasing, to provide workers for factories and care homes, among other jobs. At the Athulya care facility in Chennai, the capital of Tamil Nadu, the staff are almost all young women from the state of Odisha. The pull of migration will see more elderly Indians left behind in the village. Some aggrieved parents are already taking to social media to castigate their absent children.

Start young, stop young 3

India, women's median age



*Women surveyed aged 25-49 †Aged 40-49
Source: National Family Health Survey

A more rapid demographic transition means that the share of India's population that is of working age could peak as soon as 2030. India's workforce can continue to grow even as its population ages because many working-age people are under-employed. In the long run the economy will need to make better use of women in particular, says Mr Mishra of Axis Bank.

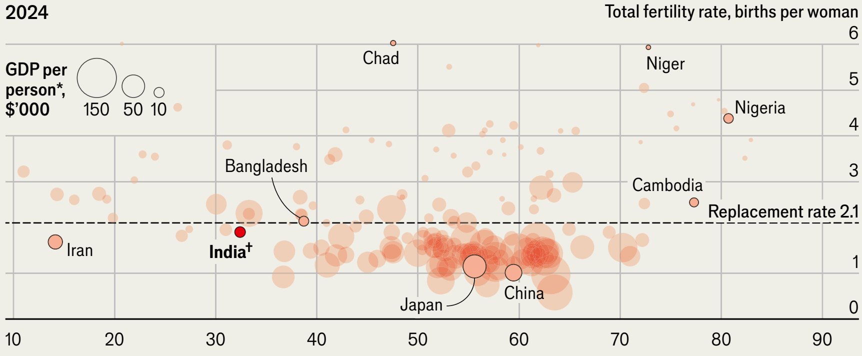
Demographic concerns already infuse politics. Mr Modi's BJP likes to stoke fears that Hindus (around 80% of the population) will be overrun by Muslims (around 15%). Although fertility among Muslims is indeed higher, it too is falling fast and the difference is mainly because Muslims are poorer. Nonetheless in February Mohan Bhagwat, the leader of the RSS, a huge Hindu-nationalist social organisation, exhorted patriotic Indians to have three children to help with "population stabilisation".

Southern states, meanwhile, worry that Mr Modi will "punish" them for their lower birth rates by trimming their seats in parliament. There may also be tensions between internal migrants and their adoptive states. Most southern politicians realise that migrants boost the economy, but there is some griping about an influx of outsiders who do not speak the local language. It is easy to imagine the north-south divide becoming more fraught.

For now, expect politicians of all stripes to cast around for policies to promote baby-making, like Mr Naidu. Yet evidence from around the world suggests that exhortations and bungs will not work. Fertility seems to be driven by forces too powerful for states or religious leaders to control very easily. Mr Rajan points out that India's fertility has been declining for 70 years. The odds of a sudden reversal are slim. ■

Homemakers, but not big procreators 2

2024



*At purchasing-power parity
†Based on Sample Registration System data
Sources: World Bank; ILO; Sample Registration System; UN Population Division

Britain

The murder of Henry Nowak

Was this Britain's George Floyd moment?

No, but Nigel Farage and his Reform UK colleagues would have you think so

THE FINAL moments of Henry Nowak's life must have been unimaginably distressing. Lying on the ground, bleeding internally from a knife wound, the 18-year-old student was clapped in handcuffs by police who cast doubt on his claim to have been stabbed. Mr Nowak's murderer, Vickrum Digwa, had lied to officers, saying that the teenager had racially abused him and caused him injury. Mr Digwa, a Sikh Briton from a family of Indian origin, claimed Mr Nowak had knocked off the turban that he wears as a sign of his faith and called him a "Paki", a slur.

In fact, according to the judge who has sentenced Mr Digwa to at least 21 years in prison, what happened was that the victim "perhaps cheekily" commented on the large dagger that the killer was wearing (another religious symbol, although most observant Sikhs carry a much smaller knife hidden under clothing). In response Mr Digwa grabbed Mr Nowak's phone, sparking a scuffle which ended with him unsheathing the 21cm blade and stabbing the student several times. Even after his arrest Mr Digwa was not handcuffed.

The crime took place in Southampton, on the south coast, in December last year. But it was not until this week, after Mr Digwa's sentencing and the release of harrowing video footage showing officers cuffing Mr Nowak as he lay helpless on the ground, that the events became politically explosive. The prime minister, Sir Keir Starmer, said he "felt sick" watching the video. Shabana Mahmood, the home secretary, called it "disturbing" but insisted that the Independent Office for Police Conduct, the watchdog for police forces, should be left to complete its investigation into the behaviour of the officers involved (before they arrived an emergency call is said to have mentioned the possibility of a stabbing). The attorney-general is considering whether to review if the minimum prison term is "unduly lenient".

Nigel Farage and his Reform UK colleagues on the populist right have been less measured. Mr Farage broadcast an "emergency address" on June 2nd in which he called on the public to respond "with pure, cold rage" and declared: "White lives matter too." Robert Jenrick, his economics spokesman, said: "There is an issue with anti-white racism in this country." When Kemi Badenoch, the Tory leader who boasts of her anti-woke credentials, accused Mr Farage of trying to stir up division by presenting himself as the defender of whites, Reform's aggressive home-affairs spokesman, Zia Yusuf, retorted, shamefully: "Kemi and the Tory party do not care about white people."

This sort of rhetoric is new to British politics—and dangerous. The main parties have largely agreed on a message of racial unity, and avoided encouraging the white majority to nurse grievances. Although Mr Farage has tended throughout his career to draw support disproportionately from white voters—in 2015 his UK Independence Party (UKIP) won the backing of 14% of those who identify as white and just 2% of ethnic-minority voters—he has pushed a vision of "colour blind" politics. He prides himself on having sped the decline of the overtly racist British National Party, which was in effect displaced by UKIP after a burst of popularity in the late 2000s.

This strategy has been a success. Now 12% of non-white voters back Reform. A number of Mr Farage's best-known colleagues, such as Mr Yusuf and Suella Braverman, a former Conservative home secretary, are from minority backgrounds.

So why has he embraced a new, uglier way of thinking, which casts white people as a group that now requires help? Reform points to genuinely concerning examples of crimes committed by ethnic minorities being downplayed out of misplaced concerns about stigma or stereotyping—notably the "grooming gangs" scandal in which groups of Pakistani-origin men sexually abused (mostly white) girls.

It is also possible that training designed to overcome the police's history of mistreating non-white people has made some officers overly credulous when faced with claims of racism, such as those cynically made by Mr Digwa. Sir Keir has promised to investigate "how accusations of racism informed the decision-making in this case". Official advice published last year which appears to suggest officers should treat ethnic minorities differently is now being reconsidered.

The politics of anger

But the idea of widespread "two-tier policing" that systematically discriminates against whites in Britain is a nonsense. White and black people are equally likely to be victims of crime. And black people are more than twice as likely to be arrested than their white counterparts.

Mr Farage's dark turn seems prompted by a threat, a grudge and an opportunity. The threat is from even more radical forces to Reform's right: Rupert Lowe, the leader of Restore Britain, said that the killer should be executed and his family deported. Restore is endorsed by Elon Musk and an opinion poll recently showed the party on 7% in the upcoming Makerfield by-election—a margin potentially large enough to stop Reform winning the seat and hand it to Labour's Andy Burnham. Tommy Robinson, a far-right rabble-rouser whom Mr Farage has previously repudiated, led a protest on the streets of Southampton on the evening of June 2nd which resulted in violence against the police from a handful of attendees.

The grudge, privately admitted by allies of Mr Farage, is against the Black Lives Matter movement which began in America and had a worldwide impact, including in Britain, after the death of George Floyd at the hands of a police officer in Minneapolis in 2020. (In his video on June 2nd Mr Farage refers to the response to the death of the "career criminal George Floyd".) Many on the right have long resented the support that mainstream politicians gave the campaign, arguing that it helped import American identity politics to Britain; they now feel they are giving the left a taste of its own medicine.

And the opportunity stems from Britain's fragmented electorate. With Britain's ethnic-minority population at 17% and rising, alienating non-white people will surely make it harder to build the broad-based voting bloc that used to be necessary to win power. But with voters now split between five different parties—more in Scotland and Wales—even Reform's current polling of 26% may be enough for victory. Targeting the angry, and making them angrier, could be a winning formula. Never mind the dignified response from Mark Nowak to his son's murder: "We do not want his death to be used to create further division, hatred or tension." ■

Executive pay

Robbing Peter to punish Paul

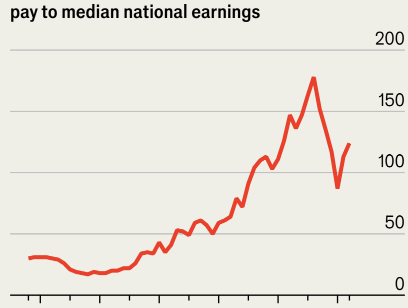
The Green Party's proposal to cap CEO pay would hurt low earners the most

DENOUNCING FAT CATS is a purity test for the British left. It is one that Peter Mandelson failed in 1998, when as a Labour minister he said that he was "intensely relaxed about people getting filthy rich, as long as they pay their taxes". For Britain's socialists, this was the dark lord's original sin; his links to Jeffrey Epstein, the convicted child-sex offender, merely confirmed that he was a wrong 'un. Zack Polanski, the leader of the Green Party, has become the left's darling in part because of his relentless prosecution of high earners.

The Greens' solution is to cap the pay of the highest earner in any public or private organisation at ten times that of the lowest. The idea is popular: 65% of the public back it, according to a YouGov poll. Ellie Chowns, the party's parliamentary leader, claims that "such a ratio would end obscene salaries for greedy CEOs while pulling up wages for the lowest-paid in organisations." It is true that the policy would reduce executive pay. But the picture for lower earners is less rosy.

Fattening cats

Britain, ratio of FTSE 100 chief-executive pay to median national earnings



Source: Dr Alexander Pepper, London School of Economics

Mr Polanski is right that pay disparities have grown. In the 1970s the median chief executive of a FTSE 100 company was paid only 20 times more than the median British worker, according to estimates by Alexander Pepper, an academic (see chart). In 2024-25, they were paid over 120 times more. Denise Coates, the founder of Bet365, a gambling company, made £280m ($377m) last year, more than the GDP of the Marshall Islands (population: 38,000).

Corporate pay differentials started to widen in the 1980s, as trade-union power waned and falling marginal tax rates incentivised executives to demand more cash. America awarded ever-larger performance-related pay. Britain soon followed and, though its pay differentials have never reached American levels, they sit comfortably above those of continental Europe.

Some argue that a superstar leader can generate returns that dwarf their pay packet. But the empirical evidence is unclear. Sceptics say that sky-high salaries do not reflect a well-functioning talent market but rather failures of corporate governance, and that the benefits of high pay do not justify the inequality that it creates.

Yet even if there is a case for making wages more equal, Mr Polanski's proposal is an astonishingly poor way to do it. The closest precedent is San Francisco, where the exodus of rich people has been buoyed by a tax on firms paying CEOs more than 100 times the median worker's salary. Bernie Sanders, a populist-left American senator, has proposed a national corporation-tax surcharge of up to five percentage points on companies breaching a 50-to-1 ▸▸

pay ratio. But both policies are child's play compared with the Greens' proposal.

Mr Polanski claims it would increase the wages of the lowest-paid. The maths suggests such benefits would be minimal. Take Tesco, the country's biggest supermarket chain, which employs 260,000 people in Britain. Its chief executive's total compensation was £9.2m in 2024-25, whereas its lowest-paid workers earned £12.02 an hour (less than £24,000 a year full-time). Even if you assumed Mr Polanski's cap covered all remuneration, not just pay, it would unlock only £9m of savings from reducing the CEO's salary. That could barely pay for an annual pay rise of £34 per worker. Chuck in savings from other top executives, and there's a little more to play with—but not much, as salaries fall rapidly below the C-suite.

More importantly, this approach naively assumes that businesses will do what they are told. In reality their first instinct will be to evade the policy. High earners could be spun out into their own company, or rewarded via ways not covered by the cap (such as complicated loan structures). More worryingly, firms might fire their lowest earners to increase the maximum salaries, paying third-party contractors to do their work.

Even if the Greens did design a watertight system, the consequences could be worse. Some multinational companies would move their headquarters abroad to evade the cap, while salary cuts (of over 95% in some cases) could be enough to cause an exodus of top talent. Studies suggest poor management is already a leading cause of Britain's low productivity growth.

Firms would be more reluctant to take on apprentices or low-paid workers, already threatened by AI, as hiring them would drag down the maximum pay of the highest earners. When Francesco Caselli, an economist, modelled the impact of a theoretical pay cap in America, he found that the incomes of the bottom 50% of workers were "essentially insensitive" to the policy.

A more pragmatic approach would be to tackle the causes of rising executive pay. This could include corporate-governance reforms to give shareholders and workers more say and to make remuneration committees more independent. A radical-left government could also increase the top marginal rate of tax to disincentivise CEOs from asking for big pay rises. This would still crimp growth and the tax take, but it would be less damaging than a pay cap.

The Greens' championing of a ten-to-one pay cap reveals a party still in the primary-colours phase of development, where everything is a purity test and complexity is an inconvenience. Its ill-considered design means that it is Mr Polanski's disproportionately young and precarious voters who would lose the most. ■

Greens and reds

Passed peak Palestine?

The war in Gaza has turned a cohort of voters leftwards

"FIRST OF ALL, they are very complicit in the genocide in Gaza," says Ishan, a young Muslim in Manchester, asked about the Labour government. "That's a big thing." As the conflict in Gaza has ground on, Britons' views of Israel have hardened. Fury at the Labour Party for its handling of the issue has fuelled the rise of pro-Gaza independent MPs, in constituencies with many Muslims, and of the Green Party elsewhere. But despite the passions around the matter, relatively few voters name Israel or Palestine as their most important concern. There are signs that the war is beginning to fade from people's minds. Still, advocacy for Gaza has created a cohort of (often young) left-populist voters.

Britain is not an outlier. In the median of 24 countries surveyed by the Pew Research Centre in March 2025, 62% had an unfavourable opinion of Israel, while 29% had a favourable view. In Britain the figures were 61% and 30%. Likewise YouGov found in May 2025 that 32% of Britons sympathised more with Palestine than Israel, compared with 18% in Germany, 24% in France, 31% in Italy and 33% in Spain.

Even so, there are reasons why the issue is especially fraught in Britain. Although the country supplies less than 1% of Israel's arms imports, activists have latched onto the idea that the British government has supported Israel's war. Britain's history in the region has not helped.

Labour has been repeatedly wrong-footed. In the weeks after October 7th 2023—when Hamas breached Israel's border fences before killing and kidnapping Israelis—Sir Keir Starmer, then leader of the opposition, clumsily defended Israel's response. Anxious to avoid accusations of antisemitism, Sir Keir repeatedly refused to call for a ceasefire, prompting a rebellion by his own MPs. In government, the party has shifted towards a pro-Palestine position, suspending some arms exports to Israel and formally recognising the Palestinian state, while taking a hard line against some protesters.

Britain's Muslims, 6% of the population, are particularly exercised. In May 2024 a poll by Savanta found that 21% of them said the Israel-Palestine conflict was the most important issue when deciding how to vote in the general election that year (compared with 3% in Britain overall, including 9% of 18- to 24-year-olds). As Britain elected Labour by a landslide, pro-Gaza independent MPs managed to seize four formerly safe Labour seats with large Muslim populations.

In May's local elections Gaza independents failed to win four councils they had targeted (although the Muslim-led Aspire party was re-elected in Tower Hamlets). Instead, many Muslims are turning towards the Greens. A recent poll by Think Labour, a Labour-affiliated think-tank, found the Greens had 30% support among Muslims, compared with 44% for Labour and 10% for independents.

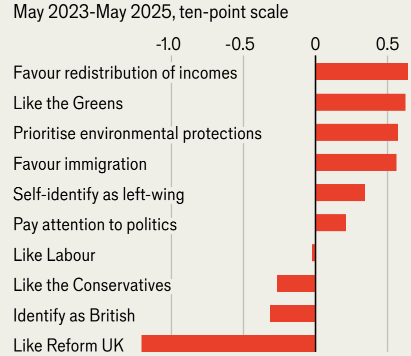
Only a tiny fraction of non-Muslim voters say the war in Gaza is their top issue. The British Election Study (BES) gives respondents an open-ended text box to write about their most important concern. Less than 0.5% of respondents wrote the words "Gaza", "Palestine", "Israel", "genocide" or "war crimes" in their responses in May-June 2024. By May 2025, the figure had fallen by half. In May 2026 Google searches in Britain about the war dropped to their lowest level since 2023.

Although Gaza is the main matter for only a shrinking fringe it continues to shape British politics. A close look at those who responded to the BES in May 2023 and May 2025 reveals the lingering effects of pro-Palestine advocacy on a wide range of topics. Altogether, 19% of respondents said they had "much more" sympathy with Palestine than Israel. By May 2025, that group had become 0.6 points more favourable towards redistributing incomes, on average, on a ten-point scale, relative to other respondents (see chart). Over the two years they also became relatively more supportive of environmental protection, immigration—and the Green Party.

For the Greens' leader, Zack Polanski, like lefties elsewhere, Gaza has been a recruitment opportunity. Advocacy for Palestine is abundant on social media, where gut-wrenching images are shared far and wide. Once users go down the Gaza hole, Mr Polanski is only a few taps away. ■

The Gaza effect

Britain, relative change in political attitudes among pro-Palestine voters compared with other voters
May 2023-May 2025, ten-point scale



Sources: British Election Study; *The Economist*

Unwelcome guests

No entry

Britain's government prefers visa bans to free speech

SIR KEIR STARMER is not known for his decisiveness. But there is one issue that his Labour government has approached with uncharacteristic proactivity: free speech. In the most recent example his home secretary, Shabana Mahmood, banned Cenk Uygur and Hasan Piker, two left-wing American commentators, from entering Britain, days before they were to speak at a festival in London.

Both men claim to have been banned because of their criticism of Israel. It could also be due to their history of making statements that could be construed as support for a terror organisation (Mr Piker has said that if given the choice between voting for Israel or Hamas he would vote for Hamas). Whatever the reason, Ms Mahmood deemed that their entry "may not be conducive to the public good".

That language has its roots in the 1971 Immigration Act, which gave the home secretary power to veto visa applications from such individuals (and deport them without trial). At first it was used to exclude suspected Russian spies, which in practice often meant activists with communist leanings. During the 1991 Gulf war it was used to deport Iraqi nationals on national-security grounds.

The legal background changed after the terror bombings in London on July 7th 2005. In their wake Sir Tony Blair's government published an official list of "unacceptable behaviours" that could result in exclusion. Among them: expressing views which "justify or glorify terrorist violence" as well as those that might "foster hatred" or "lead to intercommunity violence". In the years since, the power has mainly served to prevent extreme Islamist preachers from operating in Britain.

The number of such bans had in fact been falling. In 2019 Britain blocked entry to 37 people. In 2024 (the most recent year for which data are available) it excluded just 15. But since then the government appears to have found a button it enjoys pressing. In April Kanye West, a rapper with a history of antisemitism, had his visa cancelled ahead of performing at a music festival. A month later Tommy Robinson, a far-right campaigner, saw several allies barred from attending his Unite the Kingdom rally in London.

Britain is hardly the only country to exclude people based on vague judgments. Australia often refuses or cancels visas on "character grounds". The Trump administration has directed immigration officials to search for "anti-American" attitudes on would-be immigrants' social-media feeds. In 2025 it cancelled the visas of at least six people accused of celebrating the murder of Charlie Kirk, a conservative activist.

The difference is that Britain appears to disproportionately target the most well-known political activists and celebrities. Mr West (known as Ye) is one of the world's most influential musicians; Mr Piker one of the most watched streamers.

This is no coincidence. Unusually for Britain, the process of denying a visa can be decidedly unbureaucratic. In most other countries it is left entirely to civil servants, who carry out predetermined checks and reach quiet conclusions. In Britain it is also a power the home secretary wields at his or her personal discretion.

This turns a counter-terror tool into a virtue-signalling one. It was public outrage that led John Reid, the Labour home secretary at the time, to ban Snoop Dogg, an American rapper, from Britain in 2007, after a brawl at Heathrow airport. In 2015, when a Conservative home secretary, Theresa May, banned Tyler the Creator, another rapper, for homophobic lyrics, she did so in an attempt to signal her wokeness. Now a Labour government accused of enabling both Islamophobia and antisemitism hopes to signal its intolerance of racism by banning anyone whose words might offend Britain's minorities.

If censorship were indeed the goal, it appears to have backfired. Days after being uploaded to YouTube, Mr Piker's video decrying his ban is already one of his most watched of 2026. Both men are well-known in America. Neither is terribly well-liked.

Politically, the bans reveal a conflict between two opposing definitions of free speech. America, at least in theory, is a land of free-speech absolutism. Europe, where governments routinely place limits on free expression, is not. Britain, forever somewhere between the two, is a battleground in this culture war.

Foreigners are generally held to a higher standard than citizens when it comes to free expression. This has long allowed the exclusion of Islamist preachers and neo-Nazi activists. But as definitions of extremism expand, and as fringe politics becomes mainstream, previously black-and-white cases become an increasingly controversial shade of grey.

Hypocrisy rules

Then there is the uncomfortable fact that, when it comes to free speech, almost everyone is a hypocrite. Few of the left-wingers outraged at Mr Piker's ban (such as the Green Party leader, Zack Polanski) cared about the far-right agitators unable to march with Mr Robinson. Nor would the conservatives incensed at their exclusion (like Rupert Lowe, leader of a far-right party, Restore Britain) argue for admitting extremist Islamist preachers. Britain's government, like many others, is on a political rack, stretched by competing ideologues who care little about free speech. In an attempt to please all, the government has taken to justifying previous bans with new ones. More likely is that it will annoy all—not least those who, unlike Mr Piker, believe in the liberal tradition. ■

Private schools

Lessons in austerity

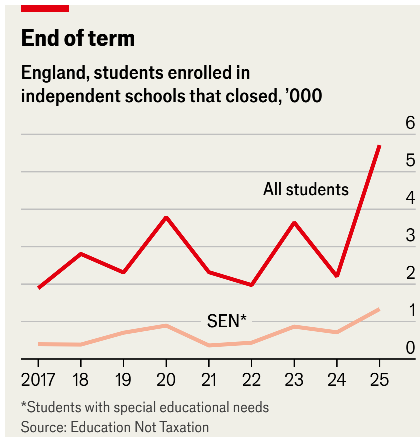
More pupils are abandoning private schools than the government predicted

MORE THAN 500 children attend St Joseph's College, a private school in Reading that prides itself on providing the "best value" education in its area. In mid-May it announced that, unless it can find a big cash injection, it will close in July. The school has blamed years of rising costs—worsened by the Labour government's decision to make private schools start paying full business rates and to levy value-added tax on their fees. Martyn Cook is among hundreds of parents now racing to find new schools for their children; having spent 20 years as an army officer, he has experience getting out of scrapes. "But when you have a problem and your kids are upset, emotionally it's very hard."

Eighteen months on from Labour's reforms, many private schools are finding things hard. Government data released on June 4th showed pupil numbers in mainstream independent schools in England are down by 5% (about 27,000 pupils) this year. That follows a 2.8% fall in 2024-25, the first year after Labour came to power. The declines have come mainly from fewer children joining private schools, rather than from an exodus of existing pupils. They have been most pronounced outside London—perhaps because it is in poorer regions that parents have been stretching furthest to pay for private lessons.

Exactly how far these declines have been driven by Labour's policies is open to question. Some of it is doubtless because the total number of school-age children in Britain is dropping (by around 1.2% in England last year). And well before Labour arrived in government, rising living costs were forcing many parents to think hard about their outgoings. But even taking that into account, it seems the reforms are having a greater impact on enrolment than was predicted. Back in 2024 the government forecast that imposing VAT would leave the sector with 6% fewer pupils by the 2030s, compared with what would otherwise have happened. It may drive more shrinkage than that.

A hot debate is whether these declines have begun pushing a lot of schools into bankruptcy. The government insists not: in fact, it says, more independent schools have opened than closed since its VAT policy was enacted. That is true, but misleading. The new openings are mostly of small "special" schools serving children with disabilities, for which there is booming demand. Fees for pupils in these institutions are largely paid by local authorities (which can claim back the VAT).



Focus only on "mainstream" private schools, and a murkier picture emerges. People are still opening these (seven of the 18 to open since the start of 2025 list their religious ethos as "Islamic"). But the long-term trend is consolidation: between 2016 and 2025 the number of mainstream schools in England fell by 11%, while the number of pupils educated in them dropped by only a bit. Nearly 60 closed in 2025 (out of 1,600). That was more than in 2024, but about the same as in 2023, before Labour was elected. Tracking closures that have been announced or threatened so far this year does not—yet—suggest that 2026 is certain to be vastly worse.


Doing the maths

Yet one recent change is very striking. The average size of the schools that go under seems to be jumping up. It has long been weeny schools, with as few as 50 pupils, that most often fail. But since January 2025 at least a dozen schools with more than 200 pupils have closed or announced that they are likely to do so—about as many as in the eight years that came before. If St Joseph's does close, it will be one of the biggest to run aground for a decade. As a result, the number of children being affected by private-school closures is growing (see chart). And private schools are leaving bigger holes in local communities when they go.

The bottom line

Do any of these trends imply that whacking private schools with VAT will not after all raise much money for government ones (Labour's stated motivation for the policy)? That depends on whose modelling you trust. Perhaps the most pessimistic forecast comes from the Adam Smith Institute, a free-market think-tank. It reckons the policy would need to shrink private schools by only 10-15% for it to end up costing more money than it raises (both because of the price of enrolling fugitives in the state sector and because of wider impacts on the economy). Yet this relies on some bearish assumptions—for example, that lots of people laid off by retrenching schools will struggle to find new work. And that parents whose children have been priced out of private schools will choose to work many fewer hours in future, now that they need not stretch to pay fees.

Forecasts from the Institute for Financial Studies, another think-tank, are more optimistic. It has long argued that the policy will generate decent revenues regardless of how many pupils flee to government schools. The money their parents save will probably be spent on other goods and services that also bear VAT, it believes (this might be true even if it is stashed away or invested for a few years first). And it points out that the price of accommodating more pupils in the state sector might be lower even than it is calculating, given that demographic decline is already creating spare capacity in classrooms.

There is a catch, all the same. It is that, even in the best case, taxing private lessons stands to raise sums amounting to only about 2% of what the government is already spending on state schools each year. For people who see independent schools as poisonous purveyors of privilege, this is a detail; shrinking the sector is the point. For everyone else, it looks like the government is causing a lot of hassle and heartache for a piddling sum. ■

BAGEHOT

Build a prime minister

Sir Keir Starmer is the politician voters asked for, not the one they need

ASK A TYPICAL British voter to design a prime minister and they might pick one with a distinguished career in public service. They would probably prefer someone pragmatic over an ideologue. And they would certainly prefer someone serious (if boring) rather than a showman. Out of a line-up, they might pick a moderately handsome middle-aged man in a suit.

It is not just Sir Keir Starmer's profile that could have been designed by an opinion-poll respondent. His government has rigidly pursued the poll-derived priorities of a typical voter. The public approves of its stringent new regulations on private landlords, its expansion of employment rights and its tax raid on expensive homes. Rail nationalisation and minimum-wage increases have strong support in surveys. And when the government has stepped out of line (such as cutting winter-fuel payments for pensioners), a U-turn has promptly followed. Voters want, voters get.

The experiment in government-by-focus-group extends to social policy, too. By popular demand Shabana Mahmood, the home secretary, has squeezed net migration down to its lowest level in years. The government outlawed support for Palestine Action, a controversial protest group, and permanently banned the use of puberty blockers for trans children, in line with the public's socially conservative instincts. To an uncanny degree Sir Keir has moulded himself and his policies to the desires of British voters.

Yet they hate him. His approval rating is one of the lowest ever recorded for a prime minister, approaching the disastrous levels of Liz Truss. "Build-a-PM", the focus-group approach to governing, simply doesn't work.

You might argue that this is the result of incompetence, or the cost of governing at a difficult moment. But Sir Keir had negative ratings even before he came to power. In 2024 Labour managed just 34% of the vote in an election fought against the quivering wreck of the post-Truss Tory party. Strikingly, polls show that the voters who supposedly stand to gain from Labour's policies have been the most eager to desert it. Low earners have left faster than high earners; private renters have flocked to the Greens; and trade unionists have abandoned the most pro-union government in generations. The fact that net migration has fallen to the lowest level since 2012 (excluding the pandemic years) hasn't dented the rise of Nigel Farage and his right-wing populist Reform UK party. Voters get, voters don't say thank you.

Instead, Sir Keir joins the long list of politicians who have lost themselves searching for the electoral equivalent of El Dorado. Opinion polls in many Western democracies have shown that most voters are economically leftist and socially illiberal. This quadrant is well-populated by voters and scarcely represented by politicians. Those who try to fill the gap tend to fail. Advocates of this approach often hailed the long-ruling Danish Social Democrats, whose migration-sceptical centre-left posture had supposedly crushed the far right. Inconveniently, the Social Democrats won their lowest share of the vote in over a century in March, while the anti-immigrant Danish People's Party made inroads. Sir Keir has arrived at El Dorado to find that there is no gold.

Chasing polls is a recipe for poor (and therefore ultimately unpopular) government. One reason is that it is often a mistake to take polls at face value. Ask voters about their preferences on migration, for example, and they will come up with proposals that would make Mr Farage blush. Yet many of the same voters tell pollsters they worry that Reform is too extreme (or even racist). During Jeremy Corbyn's leadership of the Labour Party his supporters clung to polls showing voters backed his hard-left economic initiatives. Yet plenty of them thought Mr Corbyn was a mad communist. (He led Labour to its worst result in 84 years.)

The bigger reason is that the public respects leadership, not followership. Walter Bagehot, the Victorian journalist and essayist after whom this column is named, wrote that voters "did not analyse very much: they liked to have one of their 'betters' to represent them." There is nothing incongruous about voters having one set of opinions and preferring another from their political leaders. People rightly expect their politicians to be more virtuous than them. Is it hard to believe they respect politicians who are more moderate than they are, too?

There is little evidence that today's voters are notably different to the ones who elected Sir Tony Blair three times in a row, or David Cameron twice. Neither of the two longest-lasting prime ministers of the 21st century were shy about presenting themselves as centrists. Nor did they feel obliged to substitute public opinion for public policy.

The Blair pitch project

Nowadays Sir Tony is a bogeyman, especially among his own Labour tribe. Sir Keir and his prospective successors fell over themselves to denounce his essay, published on May 26th, which called for a return to "radical centrism". Sir Tony's treatise advocated embracing artificial intelligence, deregulating the economy and cutting welfare spending. What sets his intervention apart is that it is an ideological approach to Britain's problems. He is right that moderate politics need not be a strange grab-bag of focus-group-approved policies of the sort offered by Sir Keir—a mix that is despised in practice. Centrism can have a clear purpose.

Rather than heed Sir Tony, Labour is flirting with another variant of build-a-PM. Campaigning in Makerfield, where through a by-election on June 18th he is hoping to return to Parliament, Andy Burnham is triangulating. The most likely successor to Sir Keir has backed Ms Mahmood's immigration reforms and called for Labour to double down on left-wing economics. It will take more than switching the messenger to save Labour. ■

Europe

Europe and Ukraine

Vision quest

BERLIN

America's disengagement means the war in Ukraine is now Europe's to manage. Does it have a strategy?

“THIS IS A moment of truth for Europe,” declared Ursula von der Leyen, president of the European Commission, when Vladimir Putin's tanks rolled into Ukraine in 2022. Now, after years of dallying, Europe might finally mean it. European Union members, plus other European countries such as Britain, are today responsible for almost all aid to Ukraine (see chart on next page). Military integration is moving ahead, and a Franco-British initiative to police a notional ceasefire has been set up. A €90bn ($105bn) loan to Ukraine will start flowing this month. Sanctions on Russia are growing tougher.

Meanwhile Ukraine's recent battlefield advances have revived a sense of diplomatic possibility. Europe wants to take over where American efforts have fizzled. “We will be part of the solution, and we should be part of the discussion,” said Emmanuel Macron, France's president, in February. For the first time, such words sound descriptive rather than pleading.

Europe's support, says Katarina Mathernova, the EU's ambassador to Ukraine, “has been more resilient than we could have dared imagine.” Yet although Europe's takeover gives it leverage, ministers and officials acknowledge that their governments are still groping towards a strategy that goes beyond maintaining Ukraine's survival. In recent weeks policymakers have prematurely debated sending an envoy to negotiate with Mr Putin (the array of names floated included Angela Merkel and Mario Draghi), without a clear sense of what Europeans hope to achieve. On May 28th Kaja Kallas, the EU's foreign-policy co-ordinator, deemed it wise to play down the speculation.

European officials agree that Mr Putin is in a tight spot. Yet few see any sign that he is willing to row back on his demands. That limits the potential for meaningful talks. One official says Europe will have nothing to offer Mr Putin except a gradual slowing of further sanctions. “We are not against negotiations if they are real,” says Margus Tsahkna, Estonia's foreign minister. “But there is nothing to talk about yet.”

The confusion reflects differing aims. Some European governments want to sound out Russia's red lines via “mediation” efforts, which could involve individual go-betweens rather than governments, or non-EU states such as Turkey. A serious negotiation with Mr Putin, in which Europe would sit on Ukraine's side, still appears to be a way off. “I think we need both,” says one foreign minister. Some of the most intensive discussions about potential talks are taking place among the E3: Britain, France and Germany. That could revive fears among eastern European countries such as Poland that western countries might seek a “reset” with Russia ▸▸

over their heads. Ukraine is also sceptical.

Should Mr Putin grow willing to compromise, a ceasefire would probably require Ukraine to accept a loss of territory in the eastern Donbas region. Beyond providing as-yet-vague security guarantees, Europe's best way of sugaring that pill is to speed up Ukraine's bid to join the EU, something Ukrainians have craved since the Maidan revolution of 2014. Last year suggestions emerged—during peace talks led by America—that Ukraine could join the EU as soon as 2027. But although Mrs von der Leyen and others are pushing to keep Ukraine's dream alive, that date is utterly implausible for a large, partly corrupt country with an income per person roughly one-third of Bulgaria's. Officials believe Ukraine would be lucky to join in a decade.

That leaves a growing gulf between Ukraine's sky-high hopes and many EU governments' willingness to let the topic slide. To arrest that, Friedrich Merz, Germany's chancellor, recently proposed an "associate membership" that would see Ukraine granted access to various EU institutions with limited or no voting rights, subsidies or single-market access. This is probably "as good as it's going to get for Ukraine", says Alexander Gabuev, the Berlin-based director of the Carnegie Russia Eurasia Centre, a think-tank. But the proposal has flopped among Ukrainians, who hear it as code for sitting in indefinite limbo. Volodymyr Zelensky, Ukraine's president, immediately dismissed Mr Merz's suggestion as "unfair".

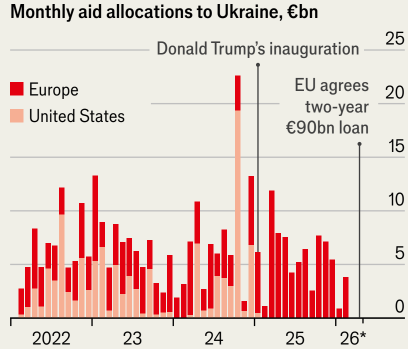
One or more negotiating "clusters" may be opened at an EU summit this month. But, as one European official says, "the accession discussion is hypocritical on both sides." Europeans think Mr Zelensky's failure to rein in expectations is irresponsible. They also worry that making an exception for Ukraine would upset aspirants in the Balkans. Meanwhile, among Ukrainians a new mood of scepticism towards the West is emerging. New polling finds that nearly three-quarters of Ukrainians still back EU membership—but that support has fallen most quickly among the young.

As the country has taken on a growing share of responsibility for its own defence, including the manufacture of arms and drone technology sought by partners across the world, it wants recognition of the shifting balance of power. "I see a deep change in Ukraine's identity," says Jana Kobzova, a Ukraine-watcher at the European Council on Foreign Relations. "Where they once saw the EU as a saviour, now it's about self-reliance. Many say, 'We are protecting you now.'"

Reformers in Ukraine still hope to use the EU's money and political pledges as a barrier against authoritarian drift. "EU accession is like a light in the tunnel for Ukraine," says Lana Zerkal, a Ukrainian diplomat. Conditions have been attached to the €90bn package, to Mr Zelensky's chagrin. The first stage of the accession process requires rule-of-law reforms by 2027 before funding is released. Yet the slow pace of reform in Ukraine frustrates European officials. "We need to see more effort in Kyiv," says one. "They need to help us advocate for them."

Muscle from Brussels

Monthly aid allocations to Ukraine, €bn



Source: Kiel Institute

*Aid data to February

Time is short. Although Ukraine's "long-range sanctions", as Mr Zelensky calls its drone and missile strikes inside Russian territory, have lifted spirits, no one knows how long that will last. Russia is escalating its attacks on Kyiv and other cities, and further attacks on power and water infrastructure could make next winter even harder than the last. For now, European arms and money keep Ukraine in the game. Last week Mr Zelensky struck a deal with Sweden for fighter jets that could help stop cruise missiles. But Europe cannot yet provide the anti-ballistic missiles needed to protect Ukraine's cities. Last week Mr Zelensky also sent a letter to Donald Trump appealing for Patriot interceptors.

Meanwhile Europe's own clock is ticking. Next year brings elections in most of its bigger countries, starting with France in April. Foreign-policy analysts worry that if the populist-right National Rally secures the presidency it would try to pull the plug on some of Europe's commitments, including fundraising. It would certainly oppose Ukraine's EU bid. "The French farmers have not woken up to this yet," says Fabrice Pothier, a former NATO official now at Rasmussen Global, a consultancy. "We have not started the hard part."

Intensifying discussions over aid, diplomacy and accession show that Europe is taking responsibility for the war on its eastern flank. But much of its plan still rests on hope: that Ukrainian resolve will not be broken, that Mr Trump can somehow be persuaded to turn against Russia or that Mr Putin can be forced to negotiate. "This is clearly Europe's war now," says Mr Pothier. "The question is whether it can be Europe's peace." ■

Military rivalry

Who's afraid of the Bundeswehr?

PARIS

France is uneasy about Germany's build-up

WHEN RUSSIA launched its full-scale invasion of Ukraine in 2022 France and Germany spent nearly the same amount on defence. By 2029 Germany's defence budget is expected to swell to at least €150bn ($174bn)—roughly double France's. For European security, German rearmament is plainly welcome. Yet in Paris the prospect also prompts discomfort. The risk, General Fabien Mandon, head of the armed forces, told a Senate hearing last month, is that in five years France "falls behind" its neighbour in the field it has hitherto dominated.

The Franco-German link was forged around an implicit equilibrium: France carries the military burden, while Germany provides economic might. As the EU's only nuclear power, and with a strong expeditionary and strategic culture, France is used to taking the lead. For example, Emmanuel Macron, the president, has partnered with Britain to set up a "coalition of the willing" for Ukraine to be deployed in the event of a ceasefire. Germany has signed up, but Friedrich Merz, the chancellor, is reluctant to commit ground troops. Indeed French military types are dismissive about Germany's low appetite for risk, and its tendency to need American reassurance. "We have to be able to think about waging war differently, and without America, but they are absolutely not ready to think about this," says a French military official. On most defence matters, the French still find that they are far more in tune with the British.

Across Europe Mr Merz's promise to make the Bundeswehr "the strongest conventional army in Europe", with a 40% increase in troops by 2035, is broadly applauded. Mr Macron has long argued for greater European "strategic autonomy". A bigger German contribution could help

Tanks but no tanks

achieve that ambition. Poland and the Baltics are reassured by the prospect, as is Italy. A poll last year suggested that 48% of Poles think a reinforced Bundeswehr would improve Poland's security, with just 25% disagreeing. Yet, behind closed doors, the French are uneasy—and not only out of frustration that they do not have the fiscal space to spend as much. "It's the elephant in the room," says a top French military figure. That Germany might have the biggest army in Europe is "unthinkable for us".

Germany has invaded France three times, but nobody in the French establishment seriously thinks it might pose a threat to its NATO allies. The popularity of the populist-right Alternative for Germany stirs concern, but mainly due to its pro-Russian tilt. Yet a desire to embed German power in larger organisations, the EU and NATO, has long guided French geopolitical thinking. "Beneath the relief", suggested Franziska Brantner, co-head of Germany's Greens, in a speech about rearmament last month, "[allies] also feel something they are too polite to say loudly: a quiet, persistent, historically rooted unease at the prospect of a continent in which the dominant military power, by a considerable margin, is once again Germany."

One genuine worry is industrial rivalry. France has leading defence firms such as Dassault, Thales, Safran and Naval Group, which have won big recent export contracts. But in other sectors, such as the manufacture of combat tanks, the two countries compete for exports. If Germany's extra spending goes on improving technology and more efficient production, this could leave France behind. As it is, infighting between Dassault (a French aircraft-maker) and the German division of Airbus over the joint Future Combat Air System—a pet project of Mr Macron's which includes a next-generation fighter jet—threatens the project's survival.

For France, any future imbalance in conventional forces will be countered by its nuclear deterrent. In March Mr Macron proposed a new doctrine of "forward deterrence", an arrangement with other European countries in which Germany will be the "key" partner. The idea is that European conventional forces should help "shoulder" the French deterrent, in exercises or deployments of France's nuclear-capable fighter jets. Indeed, Michel Duclos, of the Institut Montaigne, a think-tank, suggests that "forward deterrence" could be seen as a further way to bind an expanding German conventional force into a broader European project.

In the short run the political consequences of the spending gap may be limited, argues François Heisbourg of the Foundation for Strategic Research in Paris, notably because of France's deterrent. But were France to elect the populist-right National Rally (RN) in next year's presidential election, this would bring fresh tension. Jordan Bardella, a possible RN candidate, says France's nuclear deterrent should be extended only to allies who buy French, not American, fighter jets. Other European nationalists also want to attach strings: Poland's want German rearmament to be accompanied by war reparations.

For now, German leadership within the EU is likely to continue to lean heavily on its economic clout. Its strategic credibility remains to be earned. Yet General Mandon argues that France cannot be complacent even on this point. "In five years' time, the argument that we have operational experience and a certain culture will no longer hold," he told the Senate. "For the Americans, Germany is little by little becoming the European benchmark." ■

Spain

Playing for time

MADRID

Pedro Sánchez tries to ride out his fellow Socialists' scandals

Eight years ago this week Pedro Sánchez became Spain's prime minister after he organised and won a parliamentary censure motion against Mariano Rajoy, the conservative incumbent. The prompt was the conviction for corruption of former officials in Mr Rajoy's centre-right People's Party (PP). Now Spanish politics has come almost full circle. Having promised to regenerate Spanish democracy, Mr Sánchez finds himself weakened by scandals involving leading figures in his own Socialist Party. He faces calls for a general election that polls suggest the right would win. But he insists that his left-of-centre government will carry on until the end of the current parliament's term in July 2027 "and beyond".

Two of Mr Sánchez's closest aides in the party, José Luis Ábalos and Santos Cerdán, were indicted in 2024 and 2025 respectively for rigging public contracts. The prime minister claimed betrayal, apologised and vowed to carry on. But if anything, the latest blows are even more severe. Last month a high-court judge named José Luis Rodríguez Zapatero, a former Socialist prime minister praised by some as the guardian of the party's current values, as the suspected leader of an influence-peddling racket.

The judicial probe centres on Mr Zapatero's controversial ties to the dictatorship in Venezuela, and in particular on a €53m

Sticking it out

($62m) bail-out by Mr Sánchez's government of Plus Ultra, a Venezuelan-Spanish airline, during the pandemic. The judge claims that payments of around €2m to Mr Zapatero and his daughters for consultancy work were mainly a commission for arranging the rescue. Mr Zapatero, like the other Socialists targeted in judicial investigations, denies wrongdoing. Mr Sánchez has never clearly explained why Plus Ultra, which had only four planes, received a bail-out designed for Spanish companies of strategic economic importance.

Days later another high-court judge ordered police to search the Socialist Party's headquarters in Madrid. This was part of his investigation into an alleged plot by Mr Cerdán and others to smear or bribe police and prosecutors involved in other probes.

Mr Sánchez has admitted that the party has made mistakes. But several of his aides claim that the investigations are a co-ordinated attempt to bring down the government by unfair means. They complain of persecution and a double standard in which cases against the Socialists proceed more quickly than those involving the PP. They have half a point. Mr Sánchez's brother and his wife face criminal charges in lower courts over conduct that looks merely unethical, not illegal: accepting an apparent sinecure in a regional government and raising funds for a university chair respectively. In contrast, a case involving alleged abuse of power by a former interior minister in Mr Rajoy's government in 2013 has only now come to trial.

But both of the high-court judges leading the latest probes have unimpeachable reputations. The investigation into Mr Zapatero began with French and Swiss prosecutors. And the claims of persecution have diminishing returns. An unpublished poll suggests that only around half of Socialist voters believe them, notes Ignacio Urquizu, a sociologist and former Socialist MP.

The latest scandals have prompted two of the government's parliamentary allies, the Basque and Catalan nationalist parties, to call for an early general election. But they are not willing to bring this about by supporting a censure motion, since that would mean voting with Vox, a hard-right party. In private many Socialist mayors and regional officials say that Mr Sánchez's plan to ride out his term through July 2027 will undermine their chances in local elections, which are due next May. But few dare say so in public.

Contrary to appearances, Spain is not a particularly corrupt country. Graft is largely restricted to public contracting and party financing. Still, despite his promises, Mr Sánchez has done little to stop this. The cost of the political stalemate is mounting public cynicism towards Spanish democracy and its institutions. The sooner the country holds an election, the better. ■

Italian Mafia

Confiscating the Corleone loot

ROME

The last gasp of Cosa Nostra

IT BEGAN WITH a suspicious bank employee in Andorra, a mini-state between France and Spain. She wanted to know more about the €12m ($14m) in the accounts of a client, an Italian woman whose son claimed she had inherited it from her late husband. A tip-off reached an officer at the Italian embassy in Madrid, sparking a global investigation that lasted almost three years. On May 28th it culminated in the arrest of the woman, her son and her ex-husband, Giacomo Tamburello, who was very much alive and living under house arrest in Sicily, following a conviction for drug-trafficking. It also led to one of the biggest seizures ever co-ordinated by Italian law enforcement: at least €200m spread across nine jurisdictions.

According to the 226-page warrant, the assets represented more than just the fortune of an international drug baron. It claims that 65-year-old Mr Tamburello, his ex-wife and their son, Luca, were the custodians of the liquid assets amassed by a Mafia faction that in the 1990s declared war on the Italian state. Originating in the Sicilian town of Corleone and led by Salvatore "Totò" Riina, the *corleonesi* assassinated two anti-Mafia prosecutors, Giovanni Falcone and Paolo Borsellino, and brought terror to mainland Italy, planting bombs in Rome, Florence and Milan.

Italy's chief anti-Mafia prosecutor, Giovanni Melillo, linked the latest arrests and seizures to an attempt by the Sicilian Mafia, Cosa Nostra, to stage a comeback. Since the capture of Riina in 1993 (he died in jail in 2017), Cosa Nostra has been losing ground to the Calabrian 'Ndrangheta, the Neapolitan Camorra and foreign crime syndicates. Besides seizing the group's ill-gotten gains, Mr Melillo said, "we have also thwarted an attempt by Cosa Nostra to re-equip itself" with a unified organisation. That was an apparent reference to an outfit known as Cupola, which co-ordinated Cosa Nostra's activities and is believed to have been chaired by Riina.

On the lookout for loot

All this has yet to be proved in court; the three suspects deny wrongdoing. The prosecution relies in part on *pentiti* (penitents), the Italian term for witnesses who turn state's evidence. According to one, Mr Tamburello had been in business since 1983 with the *corleonesi*'s leading associate, Matteo Messina Denaro, who was captured in 2023 and died later that year. The warrant also includes a fragment of a conversation in a prison yard between Riina and another inmate in which he said he had entrusted his wealth to Messina Denaro, thought by some to have been Riina's successor as "Boss of All Bosses". Messina Denaro had investments in renewable energy, supermarkets, construction and tourism. Investigators say that by the time of his death he was worth around €4bn.

The assets seized from the Tamburello family included cash in more than 40 accounts scattered from the Caribbean to the Mediterranean, 12kg of gold ingots, a stake in a Lebanese bank held through a company registered in the Cayman Islands, six cars and 22 properties in and around Marbella in Spain, where Mr Tamburello's son, Luca, was a respected businessman. After a career in finance working for, among others, Société Générale in New York and Morgan Stanley in London, Luca had settled on the Costa del Sol. Until recently he was the managing partner of the Marbella branch of Berkshire Hathaway Home Services (BHHS), the property arm of the investment firm founded by Warren Buffett. A BHHS spokesman said he had not worked there since 2024. But as of last October Luca was described by the company as "our Costa del Sol CEO".

His father's arrangements were sketchier. A *pentito* said 10% of the profits were earmarked for Messina Denaro: "Otherwise he [would have] killed them." ■

CHARLEMAGNE
Bordering on success

Europe is winning the easy half of its migration battle

GIVEN ITS oft-proclaimed calling as a peace project, the European Union can sound oddly bellicose when it sets about crafting policy. There are trade and fiscal "bazookas" to blast away crises, "silver bullet" solutions for every problem, and "nuclear options" to be used as a last resort. Yet in the absence of an EU army or even a police force, the pen-wielding Eurocracy rarely gets its hands on anything that looks like an actual weapon. The only exception—tellingly—is the club's border-patrol agency. For over a decade after it was founded in 2005, Frontex agents wielded little more than whistles and admonishments as they helped national authorities keep out migrants. These days they also carry Glock 9mm handguns, FBI-style. In a union built to make war unthinkable, the first supranational weapon was issued not for defence against armies, but for keeping unarmed people out.

Whether because of the Glocks or, more likely, because of a slew of new measures in recent years, irregular migration into the EU has markedly declined of late. Illegal crossings spotted by Frontex are down by more than half over the past couple of years. Demands for asylum in EU countries have also fallen sharply. Though migration can ebb and flow according to unpredictable rhythms—a million-strong influx of Syrians and Afghans arrived in Europe in 2015 and 2016, years after strife in their respective countries had broken out—there is an odd sense of calm about the EU's external frontier these days. On June 12th a "migration package" of measures originally conceived in the depths of the crisis a decade ago will come into force, tightening border controls and sending irregular migration down further. Perhaps, maybe, conceivably, Europe has cracked the problem of new unwanted arrivals onto its shores. Alas, the politically toxic issue of migrants already in Europe, who are often poorly integrated, remains. Europe can be said to have half-solved one half of its migration problem.

Still, for the first time, a mood akin to optimism reigns among interior-ministry types. Illegal migration is the one issue that every EU leader knows can cost them their job if handled poorly. Officials in Brussels have thus worked up tangible ways to throttle unwanted arrivals. The most effective trick is to shower "transit" countries such as Tunisia and Egypt with cash if they prevent migrants from farther afield from travelling onwards to Europe. Such a deal with Turkey helped stem the crisis in 2016; it has since been expanded. The EU now works more closely with places from where migrants originate, even if that means talking to unsavoury regimes such as the Taliban in Afghanistan.

Things will get tougher yet for putative migrants. Beginning later this month, anyone who arrives irregularly in the EU with little chance of being granted refugee protection (because they come from countries deemed safe, such as Bangladesh) will be housed in detention camps at the border while their claim is assessed. Those who fail to qualify for asylum—currently a large majority of cases—would once have expected to spend years working in European countries' shadow economies as they waited to be expelled. No longer. Under a deal reached on June 1st, anyone whose bid for asylum fails might instead end up in "return hubs" in far-flung countries such as Uganda or Uzbekistan while the EU makes arrangements to repatriate them. The hope is that potential migrants choose not to make the trip in the first place.

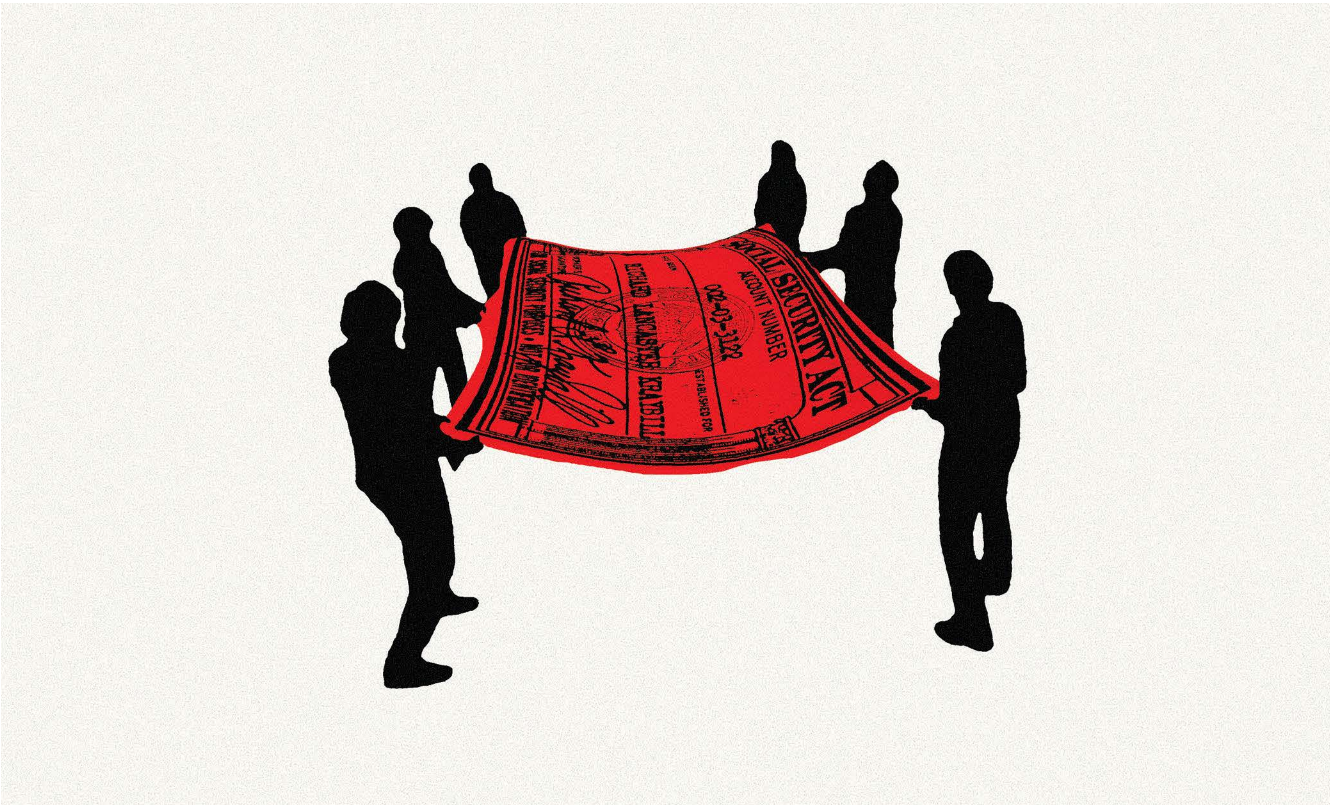
Europe deserves plaudits for stemming arrivals without resorting to the performatively cruel tactics used by immigration-enforcement goons in America. Though the tone around migration is harsher, and many NGOs are horrified by a strategy they say, plausibly, outsources Europe's problems to unsavoury regimes, the measures are on the whole pretty sensible. Yet plenty of potential pitfalls remain. Schengen, the passport-free travel scheme, has been partially suspended by various countries, including France and Germany, because of fears illegal migrants will roam from one EU country to the next. Nobody knows how well the pact would work if migration were to surge again: return hubs in Africa or Asia, which have yet to be set up, will be able to house only limited numbers of people. Attempts to "externalise" migrant processing, such as the centres Italy opened in Albania in 2024 to handle asylum claims offshore, have become mired in EU courts.

Not now, huddled masses

Migration continues to poison European politics. But these days it is not mostly because of new arrivals at the borders. Rather, hostility towards immigrants who arrived in the past, whether in 2015 or 1975, has propelled parties of the populist right to the top of the polls in Germany and France, and to power in Italy. Bashing people of foreign descent—most of whom settled in Europe legally or were born there, many of them citizens—has become routine across much of the political spectrum. On May 30th several hundred people attended a "remigration summit" in Portugal, including officials from the xenophobic Alternative for Germany. The idea that descendants of migrants should be encouraged to leave is plainly racist, yet no longer taboo. Jordan Bardella, who is leading the polls for the first round of next year's French elections, blamed migrants "physically in France but whose souls and hearts lie elsewhere" for a night of rioting following a football match.

For such parties, the issue of migration is far too potent to leave behind, even if the number of new arrivals falls. The integration piece of the migration challenge cannot be resolved with guns or pacts. Perhaps, if irregular arrival rates stay low for many years, some of the toxicity might dissipate. It needs to. Europe will require migrants in coming decades to offset its demographic decline. That does not mean opening its borders to anyone who chooses to move there. But it will mean, one day, welcoming some migrants with open arms rather than Glocks. ■

United States



Public finances

Project 2032

NEW YORK

America has six years to fix its disappearing Social Security trust fund

AMERICA'S SOCIAL SECURITY trust fund for the country's elderly citizens is now more than old enough to be drawing a pension itself. When the programme launched in 1940, its future must have seemed assured. Lots of money went in and little came out: for each retired person drawing benefits, more than 150 workers were contributing to the fund, which invested in Treasury securities.

Today, after years of demographic transformation—lower birth rates bringing fewer workers to the labour force, and longer lifespans for the fortunate recipients—the ratio of workers to recipients is less than three to one. In 2017 the reserves held in the trust fund peaked at $2.8trn. Since then, the fund's size has dropped by $400bn, with more money leaving it in payments to retirees than has entered it in the form of contributions. Outflows are accelerating, and some time around the end of the next presidential term, in late 2032 or early 2033, the fund will run dry.

Washington has a little more than six years to find a remedy, which means that senators elected in November may still be serving their term when the fund runs out. If nothing is done, the immediate consequences for pensioners will be dire. Payments will drop by around 23%, and will slide further in the following decades. The gap between the fund's revenue and payments last year is estimated to have been around $209bn, about 0.7% of GDP, a gap which would have to be covered by borrowing. The system has been in a similar position before, but that was then.

Big amendments to Social Security have been secured in different political contexts: in 1965 Lyndon Johnson harnessed a supermajority in both houses of Congress to ram through changes that expanded the programme. He created America's federal health-insurance schemes at the same time. In 1983, when the fund was months away from depletion, Democrats and Republicans inked an agreement that steadily increased the retirement age from 65 to 67 and broadened the tax base.

The changes required need not be drastic if they are made soon. Research published last year by Wendell Primus and Tara Watson of the Brookings Institution and Jack Smalligan of the Urban Institute suggests a series of fixes. They would raise payroll taxes fractionally, from 12.4% to 12.6%, and add some workers in local and state governments who do not currently pay into Social Security. At the same time, they suggest increasing retirement ages for better-paid workers from 67 to 70 and taxing their benefits more.

But getting the policy right is not the problem. The politics of Social Security and partisanship are both far more thorny than they once were. "A bipartisan group of people could pencil it out and we'd have a ▸▸

ALSO IN THIS SECTION

reform done, but that's completely different to the political calculus," says Daniel Bunn, president of the Tax Foundation, a fiscal think-tank.

Imagining a repeat of the aisle-crossing deal that fixed the system in 1983 is now extremely hard. Based on data from Voteview, a research project cataloguing every American congressional vote for almost the past century and a half, legislative polarisation has never been as high as it is today. What's more, President Donald Trump has shifted the Republican Party's position on Social Security, an area where the Democrats have tended to command more public trust. During the 2024 presidential campaign all discussion of reform to the system was avoided, and Mr Trump's platform promised no cuts and no increases to the retirement age.

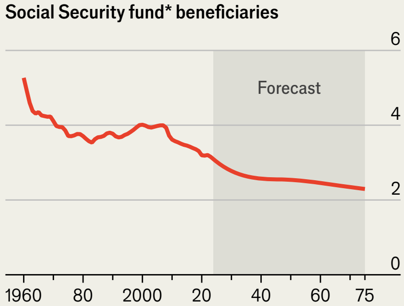
It is not just Washington inertia that makes reforms tough. In polling conducted by YouGov for *The Economist*, 71% of respondents believe Social Security spending should be increased, more than for any other category of government spending. In the same poll, 45% say it should be increased a lot. The proportion who wish it to be reduced is just 5%, slightly less than the share of Americans who believe that covid-19 vaccinations were used to microchip the population.

A small clutch of politicians have more inventive proposals. Senators Tim Kaine, a Democrat, and Bill Cassidy, a Republican, want the federal government to borrow a huge sum, $1.5trn, to invest in risky assets like stocks. The proposal meets one of the long-held criticisms of the fund: that it has been much too conservative. Given its long-term liabilities, they argue, the fund could have taken far greater risk and reaped greater returns.

But the proposal offers nothing to improve the finances of Social Security in the short, medium or even quite long term: Mr Cassidy and Mr Kaine propose that the new $1.5trn investment compound and grow in size over 75 years, after which its returns can offset the borrowing needed to keep Social Security running in the interim. The Centre for Retirement Research at Boston College estimates that would require the government to borrow $25trn.

Grey market

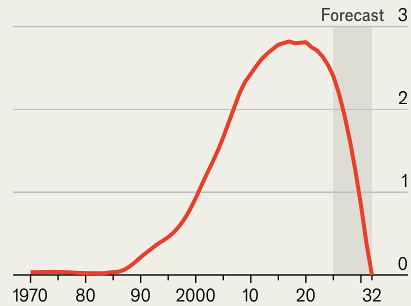
United States, ratio of covered workers to Social Security fund* beneficiaries



*Old-Age and Survivors Insurance Trust Fund
Source: Social Security Administration

Over the hump

United States, Social Security fund* reserves, $trn



*Old-Age and Survivors Insurance Trust Fund
Sources: Social Security Administration; CBO

America's public spending on old-age welfare, at 7.3% of GDP, is below the average in the rich world, and far lower than the double-digit figures in many European countries. But the American budget deficit is unusually large by rich-world standards, at almost 7% of GDP in 2025, compared with a little more than 2% among the other advanced economies.

Security theatre

Some analysts are less worried about the exhaustion of the account. Not only has the regime been rescued before, but in some ways it is an accounting trick. Had the federal government decided to finance Social Security payments from general taxation in 1940, rather than hypothecating American payroll taxes for the purpose, the government might have run smaller budget deficits in the past (when the trust fund was growing) and will run larger ones in the future (after its depletion). The net effect, they argue, is basically a wash.

There is some truth to the fact that the fund is a book-keeping oddity: the trust is money the government owes to itself. But if the fund is an accounting fiction, it is nevertheless a legally binding one. When the fund is spent, payments will fall automatically. The politicians who control Congress between now and then will determine its future generosity, funding model and fiscal sustainability.

The existence of the trust, and the hypothecated taxes which pay for it, provide some fiscal discipline. A direct connection between taxes paid by today's workers and benefits received by today's pensioners helps to ensure some element of intergenerational balance, so endless liabilities are not passed down to younger generations. But acting early to tackle well-known problems before they reach a crisis moment is not how Washington works. In the absence of that, expect yet more borrowing. ■

California votes

The blank-canvas candidate

LOS ANGELES

What would Xavier Becerra's leadership mean for the most populous state?

ON ELECTION NIGHT Xavier Becerra seemed to admit that his success in the primary to become California's next governor was a surprise. "Here in Hollywood's hometown, we love a good underdog story," he told supporters in Los Angeles on June 2nd. The location of his celebration was apt: the Plaza de Cultura y Artes, near where Los Angeles was founded as a Spanish pueblo in 1781. If current trends hold, Mr Becerra could become the first Latino elected governor of California.

The top two finishers in the primary, regardless of party, will face off in November's general election. As *The Economist* went to press, votes were still being counted. California accepts mail-in ballots postmarked by election day, so the process can take days, sometimes weeks. This year many undecided Democrats held on to their ballots until the final days of voting, perhaps prolonging the count further. As of June 4th it appeared that Mr Becerra and Steve Hilton, a Republican and former adviser to David Cameron, a former British prime minister, would advance. (Tom Steyer, the progressive billionaire running in third place, had yet to concede.) Because Democrats outnumber Republicans in California nearly two to one, Mr Becerra is overwhelmingly likely to defeat Mr Hilton in the general election.

Early in the campaign Mr Becerra—a former congressman, state attorney-gener-

Clapping is happy

al and cabinet secretary—was a non-factor. A rather milquetoast establishment Democrat, he got lost in a field that included presidential and Senate wannabes (Eric Swalwell and Katie Porter), a billionaire activist (Mr Steyer), a has-been (Antonio Villaraigosa) and an upstart (Matt Mahan). Three factors explain his ascent.

First is the downfall of Mr Swalwell. The Democratic congressman seemed on the cusp of pulling away from the pack in April when credible allegations of sexual misconduct annihilated his campaign and ended his congressional career. Around the same time, left-leaning voters grew anxious that the crowded Democratic field would split the vote, allowing two Republicans to advance to the general election. Polling suggests many of those voters then coalesced around the candidate they regarded as the safest choice: Mr Becerra. In the weeks since, his campaign has somehow turned affable cringe into an asset. "Competence is cool," Mr Becerra told one reporter. "Having experience is hot." (Some former Biden administration colleagues might observe that competence and experience are not the same.)

Second, it probably helped Mr Becerra that his main Democratic rival was Mr Steyer, a former hedge-fund manager who spent more than $200m of his own money on his campaign. If these primaries offer a lesson, it may be that Californians remain wary of wealthy candidates trying to buy their way into office. (Saikat Chakrabarti, a tech millionaire, also failed to advance in the race to succeed Nancy Pelosi as San Francisco's representative in Congress.)

Last is California's changing political geography. For decades San Francisco's political machine dominated Democratic politics in the state and beyond. It nurtured the careers of Nancy Pelosi, Gavin Newsom and Kamala Harris, among others. But its grip on the Golden State has weakened in recent years as political power has shifted south, to a younger and more Latino electorate. The old guard either stayed out of the governor's race or offered only tepid endorsements. Before Willie Brown, the former mayor of San Francisco and one of the city's remaining kingmakers, endorsed Mr Steyer, he expressed dismay at the field. "They are boring people," he told your correspondent earlier this year. "That's the problem. There's no life!"

What kind of governor would Mr Becerra be? He doesn't seem to know yet. His speeches consist largely of vague platitudes. On plugging health-care funding gaps, he says: "We're going to move forward." On keeping film production in California: "We have to fight tooth and nail." When your correspondent asked what accountability should look like for cities and counties trying to tackle homelessness, Mr Becerra replied: "You can see it with your eyes." Some voters don't mind his equivocating. "It's unrealistic to expect a lot of specifics," said Susan, an Angeleno who attended a rally for Mr Becerra in Los Angeles last month. His experience, she said, "is enough for me".

When Mr Becerra has ventured into specifics, he has sometimes displayed a shaky grasp of the state's problems. Asked during a debate how he would stop home insurers from fleeing California's dysfunctional insurance market, he suggested freezing premiums. Insurers, though, are leaving in large part because a ballot measure passed in 1988 limits their ability to raise rates. Perhaps over the next five months Mr Becerra will unveil a proper agenda for tackling California's problems, many of them self-inflicted. So far voters have rewarded him for his CV; they may eventually want to know his plans. ■

Reparations

Past and presents

EVANSTON

The suburb where woke never died

RAMONA BURTON, a 77-year-old resident of Evanston, a suburb of Chicago, remembers the first time she encountered blunt racism. When she was six or seven years old she visited her uncle in St Louis. The family were turned away from a restaurant because black people were not allowed to sit indoors. Before then, Ms Burton says, "I didn't really know what prejudice was, because I had black and white friends." Afterwards, she began to notice it. At school teachers treated black children differently, she says. Black families in Evanston lived in a more crowded, run-down neighbourhood. "Something's wrong here," she remembers thinking.

In 2022 Ms Burton was among the first beneficiaries of a scheme set up by the city in 2019 to pay "reparations" to victims of racism. She received $25,000, which she spent renovating her home. The money was exciting, she says. "I felt good that I could fix my house up." But, she goes on, it is hardly full recompense for what people of her race have suffered in America over the centuries. "I looked at it like this isn't 40 acres and a mule"—a promise made to freed slaves by William Sherman, a Union general, towards the end of the civil war.

Since 1989 three different black representatives in Congress have introduced HR40, a bill to create a commission to explore a federal reparations programme. Five states and some cities have also launched their own commissions. Yet the scheme in Evanston, a multicultural and deeply liberal spot that is the home of Northwestern University, is the only one to have actually paid out money. Its proponents hope it will inspire something bigger. With Donald Trump attacking DEI and the Supreme Court gutting the Voting Rights Act, that seems decidedly quixotic.

Since the programme started 127 people have received payments. In the early stages recipients were permitted to use the money only for home improvements. More recently money has been paid in cash. This summer another 44 people, selected by lottery from a pool of 465 applicants, will be next to benefit. In total $20m is earmarked to be given away. Most of the 11,000 black people in Evanston do not qualify.

For legal reasons the scheme compensates only people hurt by redlining and ▸▸

Wanted: catchier yard signs

other racist policies adopted by the City of Evanston in the first half of the 20th century. But Robin Rue Simmons, who developed the scheme, says the goals are bigger. This, she says, is about "the gravest crime against humanity, the institution of slavery and its legacies". Half the money comes from a property transfer tax, the rest from a tax on cannabis sales.

Ms Rue Simmons, who now runs a charity that campaigns for reparations more broadly, still believes that a nationwide scheme is possible and necessary for America to fulfil its promises of liberty and equality of opportunity. The Evanston scheme, however, is faltering. Cannabis-tax revenues have raised a fraction of what was hoped. At a meeting of the city council's reparations committee in March Krissie Harris, the chairwoman, reported that a "rebellion" against the project is part of the reason cannabis buyers are shunning the city's dispensaries. Judicial Watch, a right-wing group, is challenging the scheme in court on behalf of white residents, arguing that on constitutional grounds a government cannot discriminate by race.

Ms Simmons says that reparations are not only necessary on their own terms: they will also help protect black culture. Older residents, like Ms Burton, talk about discrimination in their youth, but also nostalgically about the strength of the community. Evanston, like the Chicago region in general, is becoming less black. Ms Burton worries this is weakening black political power. Mr Trump, she says, is "trying to take us back to Jim Crow", and younger people do not appreciate the threat. Yet having done up her house, she is following the exodus. She is going to sell it and move closer to her son in Atlanta. ■

Staffing

Who needs intelligence?

Bill Pulte's appointment as director of national intelligence reflects the office's declining stature

BILL PULTE, a 38-year-old Floridian, has run America's Federal Housing Finance Agency for little over a year, mostly in blessed obscurity. Now he is America's top spy. This might sound like the plot of a screwball comedy. Unfortunately it is not.

On June 2nd Donald Trump appointed Mr Pulte, whose previous experience includes stints in home construction and private equity, to serve as acting director of national intelligence (DNI). Mr Pulte will succeed Tulsi Gabbard, a former congresswoman who resigned on May 22nd, citing her husband's ill-health. Ms Gabbard, a long-standing anti-war advocate, had been sidelined from most important foreign-policy debates, including the decisions to attack Venezuela and Iran.

Mr Pulte does not carry the same ideological baggage as Ms Gabbard, whose views on Syria, Russia and Iran had made her an outlier in the Republican Party. But he is nonetheless strikingly unqualified for the job. The position of DNI was created 21 years ago, after the 9/11 attacks, to co-ordinate the work of America's sprawling intelligence bureaucracy, whose constituent agencies were once poor at sharing secrets with one another.

The law that established the Office of the Director of National Intelligence (ODNI) specified that anyone nominated to lead it "shall have extensive national security expertise". Every prior DNI has been either a former intelligence official, military officer or elected official. Mr Pulte is none of these things. His main qualifications for the role make sense only in MAGA-land.

The president has not said whether he intends to nominate Mr Pulte for the role on a permanent basis. That would require confirmation by the Senate, which could prove difficult. In 2019 Mr Trump chose John Ratcliffe, then a congressman, to be DNI. Mr Ratcliffe had sat on various national-security committees, including the House Permanent Select Committee on Intelligence. Yet Mr Trump withdrew the nomination after questions arose about Mr Ratcliffe's qualifications. (He later secured the job and is now director of the CIA.) By comparison with Mr Ratcliffe, Mr Pulte is an intelligence neophyte.


The head spook

His lack of qualifications would not be the only obstacle to Senate confirmation. Mr Pulte has appeared eager to use his access to privileged information to target figures who have drawn Mr Trump's ire. Last year he accused Lisa Cook, a member of the Federal Reserve Board, Adam Schiff, a Democratic senator, and Letitia James, New York's attorney-general, of mortgage fraud, referring their cases to the Justice Department. He also went after Jerome Powell, the Fed's chairman, whom Mr Trump was then seeking to remove.

Mr Pulte's willingness to weaponise his office is not unusual in this administration. Nor, increasingly, is the politicisation of the ODNI. Ms Gabbard caused an outcry earlier this year when she attended an FBI raid on a Georgia election centre which was the focus of Mr Trump's false claims that the 2020 election had been stolen. She also implemented Mr Trump's directive to create a "Weaponisation Working Group" to co-ordinate complaints against the nefarious Biden administration.

The prospect of Mr Pulte overseeing America's intelligence apparatus has alarmed some senators. Mark Warner, the Democratic vice-chairman of the Senate intelligence committee, accused Mr Trump of choosing "an official who has demonstrated not just willingness but eagerness to use the authorities of government to pursue political retribution". Mr Pulte, he added, appeared to have been selected "because the White House believes he will provide the narrative it wants, not the intelligence we need". Even some Republicans are uneasy. "We don't need a weaponised DNI," said John Thune, the usually compliant Senate majority leader. "We need professionals there."

They may not get much of a say in the matter. Mr Pulte can carry on as acting director for roughly seven months without being nominated or confirmed. Mr Trump could then nominate him, allowing him to remain in charge for months while the Senate considers his candidacy.

In truth, Mr Pulte's appointment reflects the long decline of the ODNI. The institution has shrunk in both size and importance in recent years. Ms Gabbard cut more than 30% of its staff, shedding hundreds of personnel. It has also been mired in turf wars with other agencies. The CIA, in particular, has reportedly withheld intelligence from the ODNI on topics including Iran. Many former intelligence officials have argued that the office needs reform. Mr Pulte is not what they had in mind. ■

Architecture

The jailscraper

NEW YORK

With no room for prisons, New York City is building up

CHARLES DICKENS was no stranger to grim prisons. When he was 12 his father was sent to a debtors' jail. The writer would later visit London prisons for research. Yet in 1842, when he went inside a New York City jail, he was horrified. "Such indecent and disgusting dungeons", Dickens wrote, "would bring disgrace upon the most despotic empire in the world!" Dark, cramped and prone to flooding, it acquired the nickname "The Tombs". Successive jails on the site would inherit it. In January ground was broken on the next generation of The Tombs. But rather than resembling a dungeon, the 1,000-inmate jail will reach to the sky. It will be 335 feet (102m) high, taller than the Statue of Liberty.

This is one of four new vertical jails that the city is building to replace Rikers Island, the Dickensian jail complex in the East River. Approved by the city council in 2019, the plan will cost $16bn and is already running half a decade behind schedule. For ease of access, the new jails will be close to the courthouses in Manhattan, Queens, Brooklyn and the Bronx, right in the heart of the boroughs' downtowns. That required architects to turn to the classic New York solution: building up. Although vertical jails have been built before, the cost and ambition of these is new.

Currently Rikers Island houses the bulk of New York City's 6,700 inmates, around 85% of whom are in pre-trial detention. The prison has a long history of brutality and neglect: in 2015, when levels of violence were so high as to be deemed unconstitutional, a federal monitoring team was put on the island. In the decade since, conditions have only worsened. "It would be a dream if we could even get back to [those] levels of violence," says Liz Glazer, who led the city's criminal-justice office under the then mayor, Bill de Blasio. The rate of use of force in the jails has more than doubled and the rate of death, in proportion to the population, is up by 82%. Last year a judge placed the jails under the control of an independent, federally appointed boss.

Panopticon and on

Replacing Rikers with court-side, vertical jails will come with its own problems. "It is completely unprecedented and 100% unique," says Rafael Mangual of the Manhattan Institute, a think-tank. "This is going to present challenges that I don't think anyone has foreseen." Neighbours who live near the sites, especially in Manhattan's Chinatown, have been outraged. Although the initial plan set a deadline to build the new jails and close Rikers Island by 2027, the latest estimates expect construction will not be completed until 2032.

Alongside the usual challenges of building in New York, and the novel one of taking a form associated with office buildings or apartments and incorporating fences, an exercise yard and guard tower, the architects are hoping their designs will be more just. The latest sketches for the new jails look more like university faculties than concrete fortresses. The lower floors house public lobbies, visiting areas and medical facilities. Higher floors have housing units with large terraces, complete with basketball hoops and plant beds. It is "not a little bit of light and air", says Beverly Prior, an architect and the project manager. "You will feel the heat, you will see the sunlight." The terraces are encased in a mesh that will both stop people getting out (or in), and also allow inmates to look up, at the sky, and not down, at those on the street (the mesh will also stop those on the street from looking in).

The designers have high hopes. "It is about building that empathy and starting to see what architecture can do," says Ms Prior. They think some features, such as single cells and positioning guards behind a desk, rather than in a tower or a glassed-in booth, can reduce violence by encouraging a better atmosphere. Although this style of jail has been around since the 1970s and is common in northern Europe, there is little quantitative research on its effects in America or in jails with high turnover, says Keramet Reiter of the University of California, Irvine. But done well it is a way for staff to feel that they have the tools they need to control inmates, she says, and make confrontations between jailers and jailed less explosive.

There are obstacles to overcome before the city gets to that point, though. The new jails will have a maximum capacity of 4,160, which is only 60% the current population of inmates. Getting numbers down is "an absolutely possible thing to do", says Ms Glazer, Mr de Blasio's former staffer, "but somebody needs to be in charge of it." One way is to reduce the length of time inmates are waiting for their trial, she says, but this requires co-ordination between courts, prosecutors and the police.

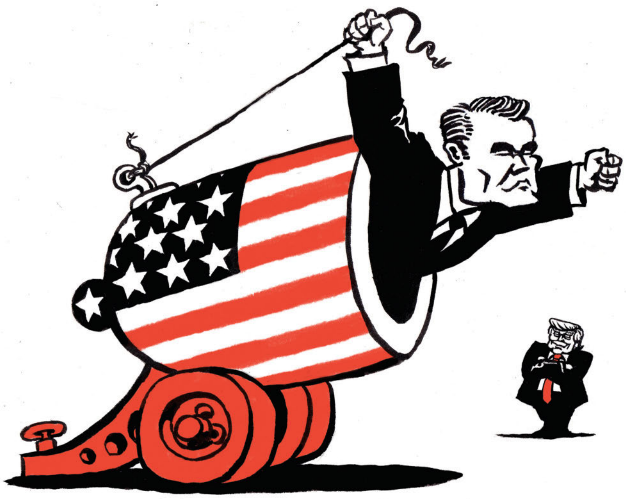
Another concern is the price tag: the total cost of two new prisons being built in Illinois is projected to be $900m. New York's four are expected to cost eight times more. The eventual cost of upkeep of the vertical jails could also be high, especially considering how reliant on lifts they will be, says Michael Jacobson of the City University of New York. Still, existing arrangements are hardly a bargain. Keeping a person on Rikers costs $450,000 a year.

Many previous attempts at jail reform in New York City have failed. Indeed, Rikers Island was once itself a vision of the future, a place where inmates would have more space and light than in those dank inner-city jails. But for Darren Mack, a former inmate on Rikers who is now a prison reformer, the jailscrapers present "a generational opportunity". "There is definitely a humongous improvement to the design and conditions," he says. ■

LEXINGTON

Secretary of culture war

Donald Trump says Pete Hegseth loves war. That should disqualify him



Of all the jokes President Donald Trump has told at his aides' expense, none has been more demeaning than his remark in late May about his civilian leader of the armed forces, Pete Hegseth. "He loves war," Mr Trump said during a cabinet meeting, grinning as he patted Mr Hegseth on the arm. Mr Hegseth, fawning, chortled along. If Mr Hegseth meant what he has often said about America's need to restore its warrior ethos, he should have winced instead. In the code of America's greatest generals, hatred of war has been as foundational as grim awareness of the necessity to prepare for it.

"War is mankind's most tragic and stupid folly," General Dwight Eisenhower told the graduating class of the United States Military Academy at West Point in 1947. Fifteen years later, General Douglas MacArthur, no one's idea of a pacifist, cautioned the cadets against becoming warmongers. "On the contrary," he said, "the soldier above all other people prays for peace."

Mr Trump may just have been teasing Mr Hegseth, as he had before, for his early advocacy of a war with Iran that is stuck in a costly stalemate. Yet with his knack for naming discomfiting truths, the president put his finger on an unsettling quality in his "secretary of war", the title that he and Mr Hegseth prefer. Where past military leaders treated violence as a tragic necessity, Mr Hegseth celebrates it as righteous and even thrilling. His favourite word—it does sound pretty cool—is "lethality". When he got his own chance to address West Point cadets, at their commencement on May 23rd, he deployed the word five times, not counting two mobilisations of "lethal". By contrast, "peace" clouded his vision of ferocity only once, thus: "You feel comfortable inside the violence," he instructed the cadets, "so that our fellow citizens can live peacefully. Lethality is your calling card."

The essence of Mr Hegseth's message would strike past leaders of the military as conventional: troops must be ready to fight and win. From his years in the National Guard, Mr Hegseth has a horror of being exposed as under-equipped. In his book "The War on Warriors", published in 2024, he twice refers to a recurring "standing-naked-in-front-of-the-class nightmare" about being on a mission. "I'm racked with anxiety," he writes. "Where is my weapon? I can't find my rifle. I'm hoping nobody will notice." (Well, Freud might have observed, sometimes a rifle is just a rifle.)

But, like hanging on to one's rifle, the readiness to kill when called upon has traditionally been only a baseline requirement in the eyes of America's greatest warriors. They have usually asked more of rising military leaders. When, as president, Eisenhower again addressed a West Point commencement, in 1955, he reflected on his own complacency upon graduating there 40 years earlier. The pace of change, the arrival of catastrophically powerful new weaponry, had since sharpened a "need for wisdom, and the caution that wisdom enforces". Cadets had to prepare not just to command but to understand the economic, political and spiritual aspirations of other peoples: "Your entire lives may and should be as seriously devoted to leading toward peace as in preparing yourselves for the tasks of war." For his part, MacArthur urged "the open mind of true wisdom, the meekness of true strength". Since the cadets must have known that President Harry Truman fired MacArthur in 1951 over resisting a ceasefire in Korea, his exhortation to leave politics to the civilians must have landed with particular force. "Great national problems are not for your professional participation or military solution," MacArthur said.

In his own speech, Mr Hegseth namechecked Eisenhower and MacArthur. But if technology is transforming the battlefield, if new threats darken the horizon, if the question of the military's role in politics is again being asked, the cadets got no guidance from the secretary of war. "The world today is at a crossroads," Mr Hegseth intoned, then swerved into a cul-de-sac, "just as it has been for the past 250 years." Iran merited a bare passing mention. He dwelled instead upon the menace of diversity, equity and in- clusion (DEI). "Woke and weak leaders" had tried to undermine West Point, but "you can't throw your pronouns at the enemy." It would not be surprising if DEI programmes committed some excesses for a time in the armed forces, as elsewhere in American life. But Mr Hegseth's hysteria is hard to square with his rapture for the proficiency of the fighting forces. If DEI delethalised the troops, where is the evidence? If the battle against DEI is won, as he says, why is he still fighting the last war?

The old-boys preference

When Mr Hegseth told the cadets, "You've seen an obsession with race and gender," he might have been speaking of his own pattern of stunting the careers of black or female officers. His boast that merit alone now determines promotion seemed a smokescreen for his efforts to promote loyalists, or possibly for himself.

Even before becoming chief of America's biggest employer and the world's mightiest military based on his performance as a Fox News commentator ("Central casting" was Mr Trump's high praise for him at that cabinet meeting), Mr Hegseth was not averse to seeking preferential treatment in hiring. When he rejoined the National Guard in 2019, there were scant openings in infantry battalions for majors like him. "Thankfully," he writes in "The War on Warriors", "my good friend" had just become the commander in New York. When Mr Hegseth telephoned, this "great dude" promised to hire him "even if they had to create an additional slot". But the perpetually aggrieved Mr Hegseth again winds up a victim because, he claims, the appointment was blocked for political reasons. One does not need DEI training to marvel at his sense of entitlement, or much common sense to long for a return to high standards for America's most important jobs. ■

The Americas

Brazil's election system

Rage against the machines

RIO DE JANEIRO

It is getting harder for the election authorities to persuade polarised Brazilians that the polls will be fair

IT IS THE only country in the world where all elections are entirely electronic. To celebrate the Brazilian system's 30th anniversary in May, the country's Superior Electoral Court (TSE), which oversees general elections, launched a mascot, Pilili, a friendly-looking voting machine with big round eyes. Yet Pilili and the court's extensive outreach to Brazilians have not shored up sagging trust in their voting system.

In 2009 45% of respondents told Latinobarómetro, a pollster, that they believed elections were clean, while 47% said they were crooked. By 2024 just 32% trusted them and 61% suspected fraud (see chart on next page). Views about voting machines have been shifting, too. In a recent poll 43% said they could not be trusted. In a survey by the same firm in 2022 only 22% said they had no confidence in the machines. It was in that year that Jair Bolsonaro, a right-wing populist who lost his campaign for re-election as president, flooded the internet with falsehoods about the machines. Those claims helped inspire an insurrection on January 8th 2023, when thousands stormed government buildings. Mr Bolsonaro is serving a jail sentence for trying to overturn the election result.

He was only Brazil's most radical manifestation of a declining trust in voting systems seen around the world. His son, Flávio, a senator, is running for president in October. In March, at the Conservative Political Action Conference, a right-wing gathering held this year in Dallas, Flávio claimed he would win if the election was "free and fair", suggesting any other outcome would show it was not. Many of the other MAGA types present have also stoked false rumours about dodgy voting machines. Though Flávio's campaign has faltered after leaked messages linking him to a corrupt banker, the Bolsonaro effect lingers: a sizeable share of Brazil's right is querying the voting machines, particularly on social media. Candidates disputed the general-election results in 2014, 2018 and 2022. If this year's outcome is tight, the loser may once again cry foul.

Distrust of the electoral system has been spurred by polarisation and online misinformation, not by proven fraud. But its technical nature helps false information about the system to spread. When voters enter a polling booth, the machine identifies them by their fingerprints. They then enter the two-digit ID of their chosen candidate. Votes are not recorded in chronological order, but at random, to preserve ballot secrecy. When polls close, at 5pm, a tally is printed out and hung up in the polling station for the public to see, the only paper record of the vote.

A polling officer then removes the memory sticks from each machine, and sends an encrypted electronic record of the tally to the TSE headquarters over a virtual private network. The software that does this was written by the TSE itself, and uses similar security protocols to bank transactions. Each machine has a unique digital signature for the electronic record ▸▸

transmitted to the TSE. If the signature on a batch of votes does not match the TSE's records, it will be barred from entering the network. By design, the machines lack the hardware to connect to the internet or bluetooth themselves. The memory sticks also carry a signature, so the machines will reject any that do not match.

"Even if you have one or a few bad-faith actors in the TSE, there are too many layers of security for them to be able to affect the system as a whole, or the vote count," says Carlos Alberto da Silva, a professor of cryptography at the Federal University of Mato Grosso do Sul. "Over the course of three decades, there has never been any evidence of electoral fraud in the Brazilian voting system," says Cármen Lúcia, until recently the TSE's president.

Brazilians know the election outcome within four hours of the polls closing. Voters can verify the result by seeing if the tallies in the polling stations match the electronic voter logs published on the TSE's website. An independent federal audit office also collects a large sample of paper tallies, comparing them with the electronic tally, then certifies the winner.

Brazil chose to go electronic to beat widespread electoral fraud in the days when politicians' henchmen often filled in many illiterate voters' paper ballots in advance. Voter rolls often included dead or fake people. Matters came to a head in 1994, during a blatantly marred election in Rio de Janeiro. Hundreds of ballots were written in the same handwriting. After that, the TSE convened a group of engineers and lawyers to come up with a solution. By 2000 voting was fully electronic.

To boost trust, the TSE organises hackathons in the run-up to the election. Any citizen over 18 can attend, with expenses covered. Participants have access to voting machines' hardware and software, and can attempt to compromise them. If a vulnerability is found, the TSE fixes it and asks participants back to repeat their attacks. It also lets universities, the army, the federal police, civil-society outfits like Brazil's bar association and political parties inspect the machines' source code. Marcos Roberto dos Santos, a cyber-security professor at Atitus, an institute in Rio Grande do Sul, has taken part in the tests four times. "If you have doubts or problems with the system, that's your right," he says. "Then go test it for yourself." After Mr Bolsonaro's loss in 2022, his party sued to have the results of the run-off annulled—but not those of the first round, in which it took the most seats in Congress.

Yet openness and cryptography have their limits. Trust in Brazil's courts is falling. In most countries, administrative authorities run elections, while courts try alleged violations separately. Brazil's TSE runs everything, including voting machines and software. It certifies the results and adjudicates disputes. Its membership overlaps with the Supreme Court, which many Brazilians regard with suspicion.

Suspicious times

Net trust in elections*, percentage points

Source: Latinobarómetro

*Respondents who answered "clean" minus those responding "fraudulent"

Big Alex's blunderbuss

Alexandre de Moraes, a pugilistic Supreme Court judge, oversaw Mr Bolsonaro's coup trial. During his tenure on the TSE it fined some who discredited the machines and banned Mr Bolsonaro from office. But the TSE "holds too many roles that could create conflicts of interest", says Diego Aranha, a Brazilian cyber-security expert at Aarhus University in Denmark. The country is so polarised that "any well-intentioned critic of the system becomes lumped together with *bolsonarismo*, even if the criticism is technical."

Some well-meaning critics suggest combining the machines with individual paper receipts, not just the polling stations' electronic tally, as in India. Brazil's Congress has repeatedly called for printouts to complement the electronic record, but the TSE has ruled against. In 2002 it ran a pilot in which printers were attached to machines but often jammed; hence, the TSE argued, such malfunctions could delay the count. It also claimed that individual records could compromise the ballot's secrecy, since gangs or local bigwigs could ask voters for proof of their vote. "In the Brazilian experience, the individual paper receipt has opened the door to coercion and control over voters, which undermines the process's legitimacy," says Ms Lúcia.

On May 12th Kassio Nunes Marques, who was appointed by Jair Bolsonaro to the Supreme Court, took charge of the TSE. Of the two other Supreme Court justices on the TSE, one is also a Bolsonaro appointee and the other has become closer to Flávio in recent years. Whereas Mr Moraes was accused of overreach, Mr Nunes Marques has said the TSE will interfere as little as possible this time around. That may assuage the *bolsonaristas*—for now. ■

The Bolivian way

Peasant power

LA PAZ

Protesters have held Bolivia's government to ransom for a month

When Túpac Katari, an indigenous leader, laid siege to La Paz for more than 100 days in 1781, the city folk were reduced to eating cats and dogs. La Paz today is not there yet. But its people are becoming increasingly desperate.

For a month protesters have blocked the roads into Bolivia's seat of government. They are demanding that President Rodrigo Paz resign. The price of fresh food has doubled. Petrol stations have run dry. Businesses are closing. Hospitals are running out of oxygen. But the blockaders have refused even to sit down with the government. The calls for Mr Paz to impose order are growing.

Mr Paz came to power seven months ago, ending 20 years of almost uninterrupted rule by the Movement to Socialism (MAS). Voters ejected that party because of economic mismanagement that led to biting inflation and fuel shortages. Many former MAS voters were wooed by Mr Paz's promise of gradual reform. But the economic problems have persisted. And those voters accuse Mr Paz of ignoring them since he took office.

As *The Economist* was published there were more than 80 blockades across the country. They are manned by the general workers' union, peasant federations and followers of Evo Morales, a former president and a founding member of the MAS. Blockades are a controversial political tradition in Bolivia. The blockaders inflict pain on everyone to make themselves heard. And they have mechanisms that help them keep going. "They're experts at cycling people in and out," says María Teresa Zegada, a political analyst.

If Mr Paz can convince them to talk, he might make concessions. But he has little room for manoeuvre. Offering cabinet posts to their organisations would anger the middle class, who would see it as a return to the old ways of the MAS. Wage rises would add to the fiscal deficit, which is set to hit 9% of GDP this year. Bolivians fear a repeat of the 1980s, when the government printed money to meet union demands, triggering hyperinflation. "The dilemma is between inflation and governability," says Gonzalo Chávez, an economist.

But at least the more radical protesters are refusing to engage in dialogue. At a meeting on June 2nd in El Alto, the largely working-class city adjacent to La Paz, their leaders slammed those suggesting negotiations as "traitors", saying that the blockades would continue until Mr Paz resigns.

Exasperated citizens are starting to demand that Mr Paz use force. Some have taken it upon themselves to remove blockades, raising the possibility of street battles. Mr Paz sent police to clear the blockades around La Paz two weeks ago, but they were back the following day. The next move could be to declare a state of emergency and send in the army. The defence minister resigned on June 2nd without providing an official statement.

But there are unhappy precedents for breaking blockades with military force. When President Gonzalo Sánchez de Lozada sent soldiers to clear blockades in El Alto in 2003 and dozens of civilians were killed, it sparked a general strike that led to his resignation and exile. That is surely on Mr Paz's mind. "They must have doubts," says Gonzalo Colque, an economist. "Because the resistance of the people in the blockades would likely be iron." ■

Colombia's next president

Bound to be an extremist

BOGOTÁ

Spurning the centre, Colombians must choose the hard left or hard right

PITY THE traditional centrist politician in Latin America. Time and again they campaign claiming that voters are tired of extremes. And time and again, from Argentina to Chile and now in Colombia, they get hammered. In the first round of Colombia's presidential election on May 31st nearly 85% of voters chose either the right-wing populist Abelardo de la Espriella or the deeply leftist Iván Cepeda. Mr de la Espriella is now the favourite to win the run-off on June 21st. He surprised pollsters by winning almost three percentage points more of the vote than Mr Cepeda, who had been leading in the polls. The establishment centre-right candidate, Paloma Valencia, who was polling close to Mr de la Espriella a few weeks ago, crashed out, taking less than 7% of the ballot. Far from being tired of extremes, Colombians seem tired of the traditional centre.

Ms Valencia and her centrist ilk deserve much of the blame. Across Latin America they have spent years in power but have made little progress in solving the problems that most worry voters. Violence, insecurity and drug-trafficking are a scourge, and getting worse. Centrist failings have opened a gaping window for right-wingers inspired, as Mr de la Espriella is, by Nayib Bukele, the authoritarian president of El Salvador. (He has crushed gang violence by locking up a staggering 2% of the adult population.) Centrists have also done little to reduce the region's vast inequality, a gift to the hard left. And economic growth has been woefully slow: real GDP growth per person in Latin America in the decade to 2024 was just 4%—in total, not per year. Politicians of the extreme and populist variety have seized upon all these failures with exaggerations, sweeping denunciations and tall promises.

Colombia exemplifies much of this. It is one of the world's most unequal countries, marred by the violence of rebel groups. It produces about two-thirds of the world's cocaine. Colombians now have a stark choice in the run-off. Mr Cepeda promises left-wing economics, which is unlikely to solve Colombia's fiscal woes, and to double down on the policy of *Paz Total*, an effort to negotiate with all rebel groups at once. It has been failing under Gustavo Petro, the outgoing leftist president. Mr de la Espriella promises free markets, but has worryingly populist economic policies. He also plans a heavily militarised response to the rebels and to build ten mega-prisons in the jungle in the style of Mr Bukele.

Election night witnessed deep polarisation. Shamefully, Mr Cepeda and his ally Mr Petro both cast doubt on the results without providing evidence. Mr Petro claimed that "hundreds of thousands of votes were added" at some polling stations. Mr Cepeda warned of an alleged discrepancy involving 885,000 people and "atypical voting patterns". Mr de la Espriella was typically hot-headed in response. He called Mr Petro a coup plotter and said that Mr Cepeda was "disabled". He promised to defend democracy "by reason or force", adding that he is willing to "be killed for Colombia" if necessary. On June 1st Mr Cepeda changed his tune and said there had been "no irregularities big enough to speak of fraud."

The short run-off campaign ahead will probably be nasty. Both sides will try to convince voters the other is an existential danger to Colombia while trying to persuade the small pool of centrist voters that they can be trusted. Mr Cepeda will relentlessly highlight Mr de la Espriella's past as a criminal-defence lawyer who has associated with former paramilitary leaders and defended a man who ran a notorious pyramid scheme in Colombia.

As rude as each other

On election night Mr Cepeda said his rival represented "mafia-style fascism". Mr Petro, who has already been pumping up the economy to try to help his ally, will probably splurge even more. Mr de la Espriella will continue to puff his claims that Mr Cepeda is a threat to democracy who wants to take Colombia on the same path as Cuba and Venezuela, calling him the candidate of drug-traffickers and rebels.

Mr de la Espriella is now the firm favourite. This has cheered markets nervous of Mr Cepeda. Colombian shares surged on the news of Mr de la Espriella's win. But the run-off could be tight. Mr Cepeda also outperformed recent opinion polls and won slightly more of the first-round vote than Mr Petro did four years ago. Back then Mr Petro went on to win the run-off, in part by boosting turnout.

But most expect Mr de la Espriella to buck that precedent. The latest polling gives him an eight-point lead in the run-off. Donald Trump has interfered in order to endorse him. If Mr de la Espriella wins he will have to deal with a congress where the left has a lot of influence. That confrontation could make his campaign look like an easy prelude. ■

An endless oscillation

THE TELEGRAM

Donald Trump could be the man to save Cuba

Ideological certainties have hurt Cubans for 70 years. Time to give cynicism a chance

FOR TOO long, dreams of heroic purity have harmed ordinary Cubans, both on the island and in exile. Cuba's dwindling population of perhaps 9m rose this morning to yet another day of sweltering, man-made misery. With food, medicine, electrical power and clean water in short supply, Cubans can expect no swift relief from the ruling Communist Party. The island's leaders are stubborn, lonely men. Fearing that openness will cost them control of their failed revolutionary project, they are trapped in a stance of fist-shaking resistance towards the world's richest country, less than 200km away.

At the same time, islanders may justly blame another group in thrall to dreams of unyielding defiance, namely, hardline Cuban-Americans. Cuba's current, extreme isolation may be the work of President Donald Trump. It is his administration that has cut the island off from supplies of oil from Venezuela, Russia and other old friends, triggering power cuts that last most of the day. In just the past few weeks, Mr Trump has frightened away long-standing foreign investors with financial sanctions of unprecedented severity. It is Mr Trump, bent on asserting "American dominance" over his neighbourhood, who sent special forces to snatch Cuba's close ally, President Nicolás Maduro of Venezuela, and who has since threatened Cuban leaders with their own "friendly takeover".

But Mr Trump's "maximum pressure" sanctions build on an embargo that was decades in the making, as successive presidents and congressional leaders bowed to Cuban-American exiles. The diaspora has long had influence as a voter-bloc, notably in Florida, home to 1m-plus Cuban-Americans, among them Mr Trump's secretary of state, Marco Rubio. Votes are not the group's only source of strength. After Fidel Castro led revolutionaries to power in 1959, Cuba became a front line between the free world and communism. Even after the Soviet Union fell, Cubans reaching America enjoyed immigration privileges as refugees from tyranny.

In Miami, Orlando Gutiérrez-Boronat, secretary-general of the Assembly of the Cuban Resistance, declares Cuba's regime closer to collapse than at any time in six decades. He was delighted by the Trump administration's indictment of Raúl Castro, the former president and the younger brother of Fidel. Mr Castro, who turned 95 on June 3rd, is charged with authorising Cuba's armed forces to shoot down two civilian aircraft in 1996, killing four Americans. "I hope he is snatched, I hope he is brought to justice," says Mr Boronat. Even failing an American raid on Havana, Cuban security forces and leaders know there is no impunity for their crimes, he says. Predicting growing protests, he expects a model of regime change resembling that seen in Poland and Czechoslovakia in 1989, "with a little bit of Romania", (a revolution that saw combat between regime security forces and a dictator's death).

Other prominent Cuban-Americans worry about a different model, when Mr Maduro's capture in Venezuela was followed by the installation of his former deputy, Delcy Rodríguez, as a more pliant autocrat. Though Mr Trump praises Ms Rodríguez as a "terrific person", the continued existence of political prisoners in Venezuela and Mr Trump's dismissal of Venezuela's democratic opposition causes angst. "Venezuela is not a model that the community will accept for Cuba," says Marcell Felipe, chairman of the American Museum of the Cuban Diaspora. His "ideal scenario" is a split within Cuba's leadership, allowing America to recruit a "white knight" to break the regime and bring about democracy.

Ricardo Zúñiga, a former diplomat who helped lead President Barack Obama's opening to Cuba, says Trump aides have not found a Cuban Delcy because "that is not how the regime works. It is a consortium of people with the guns and the will to retain power." He predicts a stalemate for a while yet, possibly involving military strikes that do not change much. He says previous attempts at engagement were thwarted by the Cuban regime's fear of reforms, but also by the modest carrots that presidents can offer, because by law only Congress can lift the embargo.

When political principle gets in the way

There, Mr Trump, a man untroubled by legal niceties or by the will of Congress, has an edge. Joe Garcia, a former Democratic member of Congress from Florida, thinks Mr Trump is better placed than any previous president to end the embargo. Miami hardliners will not rebel, he says. "If Trump says, we are going to kill them with capitalism and Marco Rubio says, they are going to have elections in three years, Cuban-Americans will go for it." In Congress, if some Republicans rebel, enough Democrats will vote with Mr Trump to lift the embargo for humanitarian reasons, he adds.

The Trump approach lacks ideological certainties of the past. Former Trump officials report that the president does not care greatly about "Cuba as Cuba", but would like "being the person who overturned the Castro government". Unmoved by cold-war pieties, his immigration officials have deported Cubans in their thousands and want Cuba to accept many more.

Some Cubans are ready for more pragmatism. In Hialeah, a blue-collar Miami suburb, recently arrived Cuban-Americans can be found queuing outside Cubamax, an online supermarket, travel and shipping company, to ship solar panels, rechargeable lamps, bicycles and dry food to relatives on the island. Mr Trump is less radical than Mr Rubio, says a former English teacher from Cuba, met sending rice and beans to his family. "Rubio wants regime change, but the way he wants it will lead to chaos," he says.

It should be no surprise if some are ready to abandon ideological rigidities. Purity of disapproval did not finish the Castro regime, which has outlasted 12 American presidents. If dealmaking does the job, and the regime is capable of responding in kind, Mr Trump will deserve any peace prize he wants. ■

SPECIAL REPORT

The US Treasury market

→ JUNE 6TH 2026

The $32 trillion question

Sunken Treasuries

Inflation, unpredictable policymaking and a mounting national debt are imperilling the world's most important asset, argues Mike Bird

IT IS THE nightmare scenario for any market: everyone rushes for the exits at the same time and trading seizes up. That kind of crunch was not thought to be possible in the most liquid market in the world. But in early 2020, as the covid-19 pandemic took hold and the global economy faltered, many companies, governments and individuals found themselves in need of immediate cash as their regular income dried up. The easiest asset to sell, precisely because of the supposed liquidity of the market, was American Treasury bonds.

Although Treasury prices usually rise in times of sudden stress in riskier markets, they instead began to slump, with few buyers on the other side of the wave of selling. Big banks, usually the biggest dealers in Treasury bonds, were feeling the pinch themselves, and so did not step in to facilitate the "dash for cash". Suddenly, an investment considered to be the ultimate safe asset, against which many of the world's other financial assets are priced, was becoming hard to sell. To stop the market from freezing up completely, the Federal Reserve had to start buying, eventually acquiring trillions of dollars in American government debt.

The episode was the opposite of what Alexander Hamilton had in mind in 1790 when, as America's first Secretary of the Treasury, he convinced sceptical colleagues that the federal government should take on the war debts of the new country's 13 states. The United States duly issued open-ended securities that paid 6% a year in interest—the first true Treasury bonds.

At the time, British government bonds were the world's most easily traded financial asset, and Hamilton looked at London's debt market with envy. Public debt, he felt, had to be secure and transferable. Such a market, he argued, attracts investors, and so reduces interest rates for everyone, not just the government. In modern terms, Hamilton dreamed of liquidity.

A market is liquid when an investor can buy or sell an asset whenever they want, safely and cheaply, with full knowledge of prevailing prices. In normal times no market on Earth promises more liquidity than the one for securities issued by the US Treasury. It is a near-$32trn colossus—vastly bigger than any other market for sovereign debt. The bonds are not just America's safe asset, but the world's. Discussions of how to price risk begin by comparison with the Treasury market. It is the lodestar of the global financial system.

Given its exalted status, it is striking how fast the Treasury market is changing. Over the past three years, the value of Treasuries outstanding has grown by 8% a year on average (see chart on next page). Two decades ago America accounted for 38% of the government debt of the G7, a club of the world's biggest rich economies. Now it accounts for 60%. In less than ten years the Treasury market is projected to grow to $50trn, over 60% bigger than today.

As the market has ballooned, the participants have changed, too. The most dependable investors—banks buying to satisfy regulatory requirements, foreign central banks building warchests for currency crises, or

Discussions of how to price risk begin with the Treasury market

The changes affecting the market are cause for alarm

the Federal Reserve itself—own less than a third of Treasuries, the lowest share in 30 years. They have been supplanted by buyers seeking returns rather than security. Hedge funds borrow against Treasury bonds to turn tiny opportunities for arbitrage into bigger gains. Insurers and pension funds are also big buyers, but their appetite depends on yields elsewhere, fluctuating exchange rates and the cost of currency hedges.

A bonding moment

The return of inflation in recent years, meanwhile, has dimmed the appeal of Treasuries for investors who want protection from stockmarket sell-offs. Since 2021 the prices of stocks and bonds have often fallen at the same time, driven by fears of rising interest rates. It happened again this year. Between the start of America's strikes on Iran and March 30th, the S&P 500 dropped by 8%, while yields on ten-year bonds rose from 4% to 4.3% (bond yields rise as their prices fall).

It is not just rising rates, however, that are undermining Treasuries' status as a safe haven; it is also policy-making caprice. Last year yields again rose as stocks declined when Donald Trump imposed swingeing tariffs on American allies and foes alike. Some foreign investors worry that one day, a similarly pugnacious administration might tax or otherwise meddle with their Treasury holdings. The theatrical dramas surrounding congressional budget negotiations, in which one or other of the two big parties regularly threatens to force an unnecessary default, reinforce such concerns. So does the slow deterioration of America's credit rating: last year Moody's demoted the federal government from triple-A, its highest rank. The firm's big rivals had already done so.

America's regulators, still a capable lot, have not been blind to the risks. They have opened permanent channels to allow banks and foreign central banks to borrow against the value of their Treasuries, boosting liquidity. Soon, much of the trading in Treasuries and borrowing against them will be conducted through a central clearing house, reducing the risk of sudden blow-ups. But like cartoon characters rapidly laying new railway tracks to keep a speeding train on course, regulators are making these rules as the market grows and changes. How well the rules work will become clear only during the next period of immense stress.

And stress is becoming more common. There have been several worrying episodes in recent years, in addition to the dash for cash. In September 2019 and in March 2023 the Federal Reserve intervened in funding markets to restore liquidity. Each of the individual changes affecting the market—the rapidly mounting debt, the resurgent inflation, the quixotic policymaking, the intermittent seizures—is a concern for global investors. Taken together, they are cause for alarm.

The risk is not so much, or not chiefly, that America might default on its debt. Rather, this special report will argue, the fear is that the Treasury market might gradually forfeit its status as the guiding light of global finance. That would make it more expensive for America's government to borrow. And since there is no good alternative to Treasuries, it would make the entire global financial system wobblier and riskier. ■

Plumbing new debts

US, federal debt held by the public, % change on a year earlier

Source: Federal Reserve

No longer special

US debt is losing its lustre abroad

A once-vital source of funding for the Treasury market is drying up

IN 1974, SOON after the first oil shock, William Simon, America's treasury secretary, flew to Jeddah to sign a secret deal with the king of Saudi Arabia. Among other things, he promised the Saudi government preferential access to American Treasury bonds. In exchange, the regime agreed to invest some of its immense oil revenue in American public debt.

Three years earlier Richard Nixon had ended the dollar's convertibility to gold, ushering in an era of floating currencies. Central banks found themselves having to manage exchange rates. Foreign states stocked up on Treasury bonds in part to stop their currencies from appreciating against the dollar. America's government needed foreign buyers, too: the more customers for its debt, the lower the interest it had to pay.

America's financial bureaucrats offered a sweet deal: the chance to bid for Treasuries at private auctions, with favourable tax treatment. Although the Saudis never became big buyers, foreign states bought \$2.3trn of Treasuries in the 2000s, bringing their holdings to \$2.9trn, after currency crises convinced Asian governments in particular that they needed stockpiles of dollar-denominated assets. If their currencies started sliding, the logic ran, they could stem the decline by selling Treasuries to buy domestic assets.

The largest stash was in China, which at its peak in 2013 owned \$1.3trn in Treasury bonds. They were mostly held by the People's Bank of China, which used purchases and sales of American government bonds to manage the value of the yuan. Many other countries did the same. In 2008 the share of American federal debt held by foreign governments peaked at 38%.

These purchases were a big boon. Among the largest estimates of their effect comes from Rashad Ahmed of the Andersen Institute, a think-tank, and Alessandro Rebucci of Johns Hopkins University. They suggest that an unexpected \$100bn investment by a foreign government can lower ten-year Treasury yields by a percentage point when it occurs, declining to about half a percentage point after a year.

What is more, foreign governments do not invest in Treasuries to make money, by and large. They want dollar assets simply as a precaution, to help defend their currencies if need be. That makes them an enviably staid, dependable source of funding.

However, for almost 20 years, the role of foreign governments in the Treasury market has been slowly shrivelling. They now hold just 13% of Treasuries, the lowest share in 30 years. In part, that reflects central banks' diversification. The dollar's share in global foreign-exchange reserves has slipped from 71% in 2001 to around 57% last year. Some of the drop stems from the long-term strength of the dollar, since central banks tend to buy dollars when they are cheap and sell when they are expensive, to keep their currencies from appreciating or depreciating too much. But the fall is also a function of the broader range of currencies central banks now hold. Their hoards include more Swiss francs and Canadian dollars these days, in addition to their stash of euros, yen and pounds.

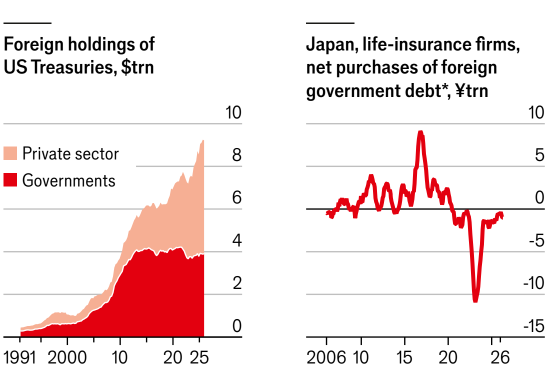
Foreign central banks have also become more hesitant to invest in Treasuries after witnessing the freezing of the Russian central bank's foreign assets in the wake of Russia's invasion of Ukraine. "It's a Rubicon that's been crossed," says a member of the Treasury Borrowing Advisory Committee, a private-sector panel that advises the Treasury. "They're afraid of the US government effectively confiscating their assets." In a survey last year by UBS, a Swiss bank, 49% of reserve managers expressed concern about the weaponisation of foreign-currency reserves, up from 14% in 2023.

That fear has driven some central banks to hold more reserves in gold instead. Since 2022 they have bought about 1,000 metric tonnes a year, on average, twice their purchases over the previous decade. Russia's and Turkey's central banks have been selling gold to weather the financial turmoil from the war in Iran.

Debt of a salesman

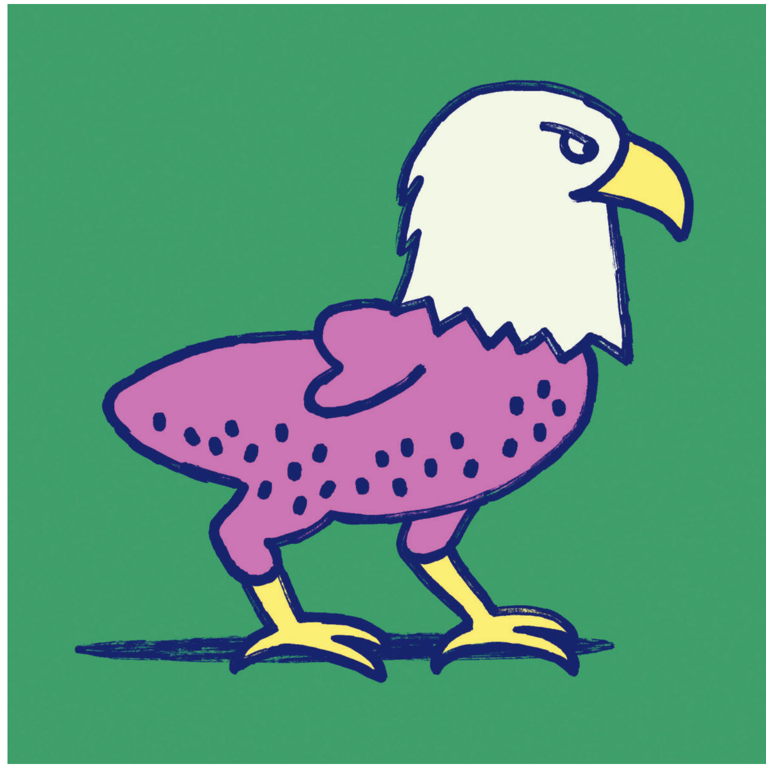
The biggest reason for the fall in central banks' share of Treasuries, however, has been the enormous expansion in the Treasury market. Over the past decade the world's stock of foreign-exchange reserves has grown by a little more than $2trn; America's federal debt has grown by $17trn. Even if every penny of new reserves had been held in dollars, America would still have needed to find lots of new customers for its debt.

Changing appetites



Sources: Federal Reserve; Bank of Japan

*Original maturities of more than a year



Since 2023 foreign commercial investors have had bigger holdings of Treasuries than have foreign governments. They now own a little more than $5trn-worth, or about 17% of the market (see chart). Last year alone they added $545bn to their stash.

But private investors, naturally, are far more interested in returns than governments, and so make far more capricious investors. For most of the past 15 years, yields on Treasuries have been higher than on their equivalents in Britain, continental Europe and Japan, which generated prodigious appetite for American debt. That is no longer quite so true. Rising long-term yields have made government bonds elsewhere in the world an increasingly competitive alternative.

Some private investors are already cutting their holdings of Treasuries. Alecta, a Swedish pension fund with more than $180bn in assets, began selling its Treasuries in waves at the beginning of 2025, citing America's swelling national debt. Denmark's AkademikerPension announced a similar decision to sell its modest holdings earlier this year. Degroof Petercam Asset Management, a Belgian firm, has also sold its holdings, citing vague concerns about valuation.

Japan's life-insurance firms provide an example of how quickly investors can lose a ravenous appetite for bonds. Between 2010 and 2019 they bought over 29trn yen ($280bn by exchange rates during that period) in foreign bonds (mostly American corporate and government debt). But since 2020 they have sold a net 20trn yen, with particularly large sales in 2022, when the Federal Reserve's rapid series of rises in interest rates drove up the cost of currency hedging for Japanese investors. For the insurers, whose liabilities are all in yen, owning American bonds no longer made sense.

There are other reasons to believe that broader demand for Treasuries from the private sector abroad ▸▸

Some private investors are cutting their holdings of Treasuries may be ebbing, especially where the longest-dated debt is concerned. "Arguably, ageing populations and declining fertility rates reduce the need for life-insurance products," notes Thomas Mathews of Capital Economics, a consultancy. Demand for life insurance tends to come from people of working age with dependent children. More old people and fewer children may, therefore, presage lower demand.

The shift among foreign buyers of Treasuries from unexacting central banks to commercial investors focused on returns suggests that demand for American debt will become more sensitive to price. To continue to attract buyers, yields will have to be higher than in the past, driving up the bill for American taxpayers. ■

Hedge funds

Collecting pennies in front of a steamroller

The Treasury market is relying more on risky investors as interest from other buyers dwindles

THE SCALE of the Treasury market is mind-boggling. Some $1trn in securities change hands each day. Trillions more are used as collateral for short-term loans. Financial institutions of all stripes are involved: banks, central banks, high-speed traders, insurers, endowments, pension funds, hedge funds and so on.

It used to be that banks were the main facilitators of all this, acting as "market-makers" for other financial firms. As recently as 2009 about half of Treasuries with maturities of a year or more were bought at auction by the brokerage arms of investment banks, which then sold them on. But new regulations introduced after the financial crisis diminished banks' role as intermediaries in the Treasury market, by requiring them to fund themselves with more capital to underpin such mundane transactions. Dealer banks now buy just 12% of Treasuries maturing in over a year at auction.

Another prolific buyer has helped to fill the void: hedge funds. These try to profit from Treasuries in lots of ways, but one approach, called relative value, causes particular consternation. This involves exploiting tiny discrepancies in the prices of similar assets which will converge over time. Because the differences in price are minuscule, so are the profits. To make such trades worthwhile, hedge funds pursue them at huge scale using borrowed cash. To that end, they hold $2.4trn of long exposure to Treasuries—bets that the bonds will rise in value—in the form of the securities themselves and derivatives (see chart on next page).

The most common relative-value strategy is called the basis trade. It seeks to profit from piddling differences in price between Treasury futures (a contract to buy or sell a Treasury bond on a fixed date) and the underlying Treasury bonds themselves. Treasury futures are in huge demand from asset managers, because owning them involves less red tape than buying the bonds. That means that a given Treasury bond often trades at a fractionally lower price than the like futures contract. Citadel, ExodusPoint and other hedge funds sell futures contracts, use the proceeds to buy the relevant Treasury bonds for fractionally less, and then pocket the difference when the contract matures.

That the two assets will converge in price as they mature is a certainty, so the trade itself entails no risk. But to make it worth their while, the firms amplify their investment by borrowing heavily, which creates big risks. They typically pledge Treasuries as collateral. If the price of Treasuries falls, lenders may demand more protection. And if it falls far enough, borrowers can be forced to liquidate assets to repay their loans.

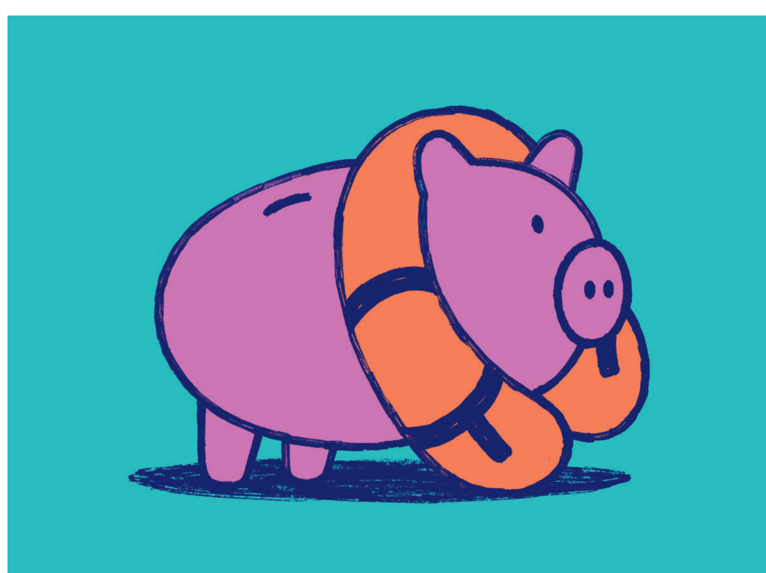
This dynamic can exacerbate the severity of swings in the Treasury market. During the dash for cash, hedge funds sold an estimated $172bn of Treasuries, contributing to the market's seizure. Since then, volumes of Treasuries borrowed for the basis trade have risen by 160%. Should another crisis arise, the basis trade will make it only worse.

Some regulators worry about the growing weight of hedge funds in the Treasury market. In 2023 Gary Gensler, then chairman of the Securities and Exchange Commission (SEC), one of several regulators with responsibility for the Treasury market, suggested that hedge funds should be regulated like the trading arms of banks. That drew howls of opposition from the likes of Ken Griffin, the founder and CEO of Citadel.

"The mirage is that it's the safest, deepest, most liquid market in the world," says Anil Kashyap, a professor at the University of Chicago and a former member of the Bank of England's financial-policy committee. "The reality on the ground is that the market now depends on people who are very highly levered being the marginal buyer of Treasuries."

Don't get squashed

Exactly how much leverage is involved in relative-value trades is disconcertingly uncertain. The Office of Financial Research, an arm of the Treasury Department, collates information about borrowing from hedge funds' corporate filings. It finds that, for every $26 hedge funds invest in relative-value trades, $25 are borrowed. Relative-value trades involving Treasuries,



which are relatively easy to borrow against, are likely to be even more heavily leveraged.

Some analysts worry that leverage could be higher still for certain investors. To win valued business from hedge funds, banks sometimes lend them more than their collateral is worth, a practice known as a "negative haircut". If a bank extends $110 of credit against a Treasury worth $100, that leaves no buffer if the bond falls in value. "If you're picking up pennies in front of a steamroller, those pennies grow pretty nicely with leverage, but you still have that steamroller risk," says Jonathan Wallen of Harvard Business School.

Hedge funds argue that all this borrowing is not as risky as it sounds. Firms may have investments that offset the risk of a sudden adverse lurch in the Treasury market. During the dash for cash, for instance, many held options that surged in value as markets tumbled. Others keep lots of cash to hand in case they suddenly need to post more collateral.

Sometimes, borrowing appears to be high on one side of the trade, but is markedly lower when the other side is considered too: a tiny or negative haircut on Treasury bonds may be combined with a more meaningful margin on the futures portion of the trade. Since the two trades usually offset one another, basis traders suggest the practice is safer than it seems. Still, according to a Fed report on financial stability last year, few of the banks lending to hedge funds actually engage in this kind of protection from blow-ups.

What is more, hedge funds were by no means the only sellers during the dash for cash. There were those supposedly reliable central bankers, who sold Treasuries to try to prop up the value of their currencies. And dull-as-ditchwater open-ended mutual funds sold an estimated $266bn of Treasuries in that quarter, considerably more than hedge funds.

In addition, hedge funds are performing a service when they pile into the basis trade, by ironing out a kink in financial markets. The voracious appetite of ordinary asset managers for Treasury futures would otherwise create a much bigger distortion. Arbitrage of this sort does not just make hedge-fund managers rich, the rich hedge-fund managers like to point out, it also makes markets more efficient.

Meanwhile, regulatory changes related to Treasuries transactions may alleviate the risks of the basis trade. At the end of this year the SEC will require much trading in Treasuries to be conducted through a clearing house, a step designed to make such transactions more reliable, by standardising collateral requirements, for instance. By mid-2027 a further slice of Treasury-related trading will be forced into clearing houses. All this will also give regulators a much clearer picture of what is happening in the Treasury market.

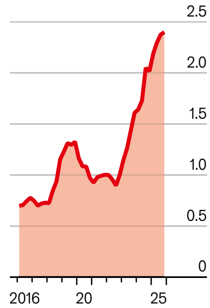
Research published recently by Barclays, a big British bank, argues that a change in bank regulations, too, may reduce the risk of the basis trade. Since new rules on leverage for banks were confirmed last year, giving them more leeway to grow their balance-sheets, banks have been hedging against shifts in interest rates by taking short positions in Treasury futures markets. That makes them natural counterparties to the asset managers who buy trillions of dollars of Treasury futures, and so, in turn, should lessen the opportunity for debt-bingeing hedge funds.

Some analysts have more novel proposals. Mr Kashyap, Mr Wallen, Jeremy C. Stein of Harvard University and Josh Younger of Tudor Investment Corporation, a hedge fund, suggested in research published in 2025 that the Fed itself could enter the basis trade to settle things down during moments of market turmoil. If hedge funds were dumping Treasury bonds in a panic, the Fed could buy Treasury bonds and short Treasury futures (essentially replicating what hedge funds do during normal times), which would lower the risk of market blow-ups without affecting monetary policy.

Anyway, whatever the remaining risks, as the Treasury market expands and the ranks of reliable buyers thin, regulators cannot be too choosy. Direct bidders (a category that includes all manner of investment funds) and indirect bidders (buyers acting through an intermediary) now account for a combined 75% of demand at auctions of Treasuries maturing in a year or longer, up from 45% in 2009.

The precise share of Treasuries sold to hedge funds is not known, but in private, financial officials say that the firms ensure that all the bonds on offer actually get sold, which is no small matter. Research published by the Federal Reserve last year shows that funds based in the financial haven of the Cayman Islands have become enormous players in the Treasury market, partly because of their role in the basis trade. The paper suggested that the Treasury's data on foreign holdings of American government debt undercounted the stockpile of hedge funds in the Cayman Islands by $1.4trn in 2024. Its new creditors may have troubling flaws, but America cannot afford to turn them away. ■

Hedge-fund Treasury relative-value trades
US, maximum size*, $trn



*Based on inferred upper bounds
Sources: BIS; OFR; *The Economist*

Hedge funds argue this borrowing is not as risky as it sounds

Balancing act

Partners in prime: A Fed-Treasury pact?

Kevin Warsh, the new Fed chair, and Scott Bessent have talked about working in tandem

NO FINANCIAL INSTITUTION or government agency matters more to the Treasury market than does the Federal Reserve. The central bank's responsibility for financial stability and monetary policy has made it a mammoth buyer of Treasuries in this century, snapping up trillions of dollars' worth after the global financial crisis in 2007-09 and again during the covid-19 pandemic. As a result, the Fed's balance-sheet is far larger than it once was: it held less than $1trn in assets two decades ago, but now wallows in around $6.7trn.

Kevin Warsh, who became chairman of the Fed in May, considers this an unhealthy aberration. He argues that the expansion of the Fed's balance-sheet has mostly enriched people who were already wealthy (because when the Fed splashes money around in financial markets, the prices of the assets held by individuals go up). Perhaps more worrying, he says, the Fed's repeated interventions muddy important market signals, and make it more difficult for investors to discern creditworthy borrowers from risky ones. He dreams of a Fed with a far smaller role in financial markets.

In Scott Bessent, the treasury secretary, Mr

Warsh finds a partner with similar views. Mr Bessent argued last year that the Fed's balance-sheet expansion had strayed into territory usually reserved for elected policymakers—showering favour on, say, the biggest firms that borrow in bond markets, while potentially making it harder for small firms to find credit to expand. Mr Bessent could pursue a strategy that would both limit the Fed's role in markets and reduce America's burgeoning interest bill.

Mr Bessent currently hopes for the Treasury to issue more short-term debt (known as bills), since the interest the Treasury has to pay on such bonds is typically lower. That might help with the interest bill, but it would make America's debt far more vulnerable to changes in interest rates, known as "rollover risk".

If the Fed wanted to look less meddling, the natural thing to do would be to rejig its holdings to match the maturities of the overall stock of Treasuries outstanding. That would leave it holding less long-term debt and more bills. A retreat from long-term bonds would probably have the opposite effect to that of its buying spree: interest rates on such bonds would have to go up to persuade private investors to pick up the slack. The Fed's share of the Treasury market has already been declining, from 26% of Treasuries in 2022 to just 12% today. (The Fed's balance-sheet has shrunk too, as it has let bonds it holds mature without replacing them, at the same time as the federal debt has surged.)

If the government's borrowing costs rise, so do those of everyone with a loan in dollars. Researchers like Andrew Lee Smith of the Kansas City Fed and Victor Valcarcel of the University of Texas at Dallas have shown how reductions in the Fed's holdings of Treasuries have led to higher long-term interest rates, as investors face a less liquid Treasury market and a little less certainty about the future. The increase seems to have come through the term premium, a tough-to-measure residual that compensates investors for the various uncertainties of holding long-term bonds.

Fed up already

Having a less active buyer in the Fed also increases risks to financial stability should there be a selling panic in Treasuries. Funding markets seized up in September 2019, causing the interest rates on overnight loans between large financial firms (known as the repo market) to spike dramatically, a problem which some economists attributed to the shrinking of the Fed's balance-sheet. And the same market looked stressed again in the final quarter of last year, after the Fed had stopped shrinking its balance-sheet.

In a moment of extreme dysfunction, most analysts believe the Fed would quickly reassert itself to bring stability back to the Treasury market. Mr Warsh himself has made clear that these moments are when the case for intervention is most compelling. "The Fed is always going to step in and do what it can, even if it blows up the balance-sheet," says Darrell Duffie, an economist at Stanford University. "But even with all guns blazing it can't stop Treasury-market dysfunction. It can only make it less bad." Mr Duffie notes that despite the Fed's intervention during the dash for cash in 2020, it took a number of weeks before the market returned to a state of relative normality.

Nellie Liang, a Treasury official during the Biden administration, says that in a fresh crisis the Fed's job would be complicated by a different set of economic conditions. When the Fed began buying Treasuries in huge volumes in March 2020, that suited both its monetary-policy and financial-stability objectives: soothing a chaotic market while boosting an economy in danger of freefall owing to the pandemic.

Today, that would not be the case. Inflation remains stubbornly above the Fed's target of 2%. If a Treasury-market blow-up were to come at the same time as a supply shock—a slump driven by sudden trade restrictions, or a surge in energy prices—the Fed's goals would be in conflict.

Mr Warsh has talked about the Fed and the Treasury working together to avoid a clash of monetary and fiscal policy. That may mean a formal arrangement whereby they co-ordinate how much debt the Treasury plans to issue, at what maturities, and what debt the Federal Reserve plans to buy.

But even without a formal understanding, there are ways in which the Fed's and Treasury's priorities may dovetail with one another. The Treasury debt held by the Federal Reserve has a much longer average maturity than the market more generally. If Mr Warsh nurses fears that the Fed is badly distorting financial markets, then holding more short-term Treasury debt and letting long-term bonds mature would more evenly spread the Fed's large footprint.

Although Mr Bessent criticised his predecessor, Janet Yellen, for raising the share of bills in total debt issuance from around 15% to 22%, the path he seems inclined to pursue looks likely to push it even higher still. If the amount of longer-dated debt issued by the Treasury does not increase, analysts at JPMorgan Chase, a bank, suggest that the percentage of issuance accounted for by bills would rise to 28% by the end of 2028. The share of bills was last so high in 2009 (see chart); the Treasury market was then around half its current size relative to the American economy.

Many investors and traders believe that more Fed demand for short-term debt would give Mr Bessent the opportunity to issue more Treasury debt in the form of Treasury bills. The yield curve, which plots bond rates at different maturities, is sloping upwards again: one-month Treasury bills yield 3.6% while 30-year bonds yield over 5%, so money can be saved by pivoting from long- to short-term debt. Mr Bessent's interest in stablecoins as a source of demand for short-term Treasuries (see next chapter) also indicates that he would be happy to increase the supply of bills.

Buying shorter-term debt would help to avoid the risk of gigantic losses like the Federal Reserve in-

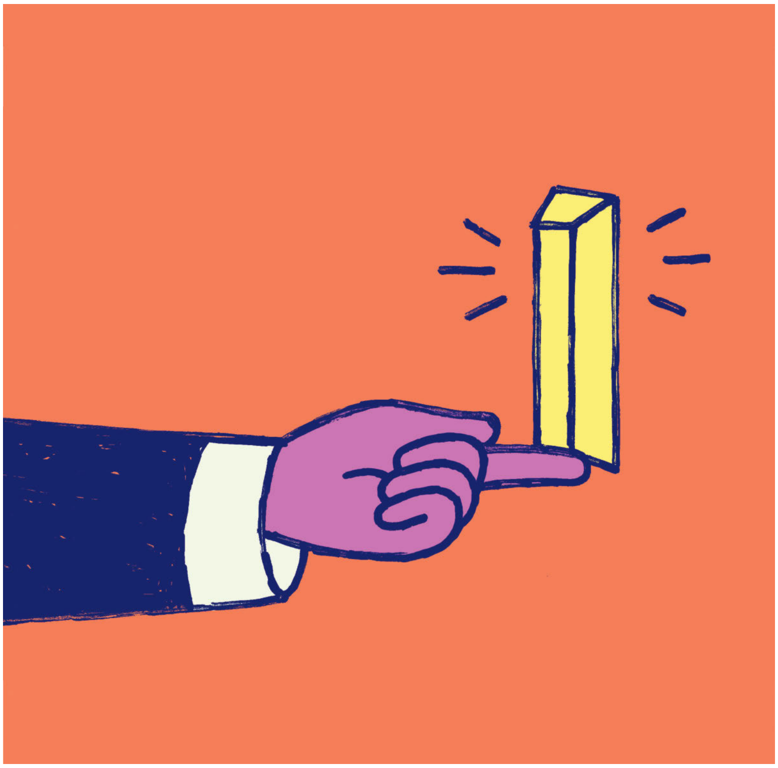
Mr Bessent hopes to limit the Fed's role in markets

Short-term thinking

United States

Sources: Bloomberg; Federal Reserve; JPMorgan Chase

*JPMorgan Chase heavy-bill-issuance scenario



flicted on itself in the aftermath of the pandemic. Its quantitative-easing programme in effect borrowed short by creating interest-paying reserves owed to commercial banks, while at the same time lending long, by buying long-term Treasuries. When interest rates surged, the value of its bond portfolio holdings plunged, while the Fed suddenly owed more interest to the banks it had borrowed from.

Mortgaging the future

But a pivot to short-term financing would carry risks for Mr Bessent too. For one, letting longer-term Treasury debt held by the Fed mature without replacing it will probably raise the crucial ten-year Treasury yield, the most monitored benchmark in the world for long-term interest rates. The rates of interest on America's 30-year mortgages are driven by the ten-year Treasury yield. Mr Bessent would struggle politically with any accord that is seen as raising costs for homeowners.

A shorter-term borrowing schedule also means that far larger quantities of debt must be issued at regular intervals, raising the stakes during any moment of funding stress. And if a lot of government debt is funded with Treasury bills, any increase in interest rates feeds through immediately into interest payments. That rollover risk would expose the federal government to much larger payments if rates rise suddenly.

A pivot to more short-term financing carries risks

Peter R. Fisher, who served as a Treasury official between 2001 and 2004, shares the sceptical view of the Fed's humongous balance-sheet held by Mr Bessent and Mr Warsh. But he is more concerned about the continued drift towards short-term borrowing under Mr Bessent. "He's got a very short horizon. You can tell he's a former hedge-fund guy," Mr Fisher says, referring to a propensity at hedge funds to take gambles. Doing that with investors' cash is one thing—with America's safest asset, quite another. ■

New players

Crypto to the rescue? Don't bank on it

Banks and stablecoins are growing parts of the Treasury market. But not by enough to fill the gap

"YOUR PIPELINE", according to a popular saying in the sales industry, "is your lifeline." The debt managers responsible for issuing Treasuries might not like to associate themselves with cold-callers. But with some once-reliable buyers of Treasuries no longer behaving so reliably, the task of searching for alternative customers is an increasingly vital one.

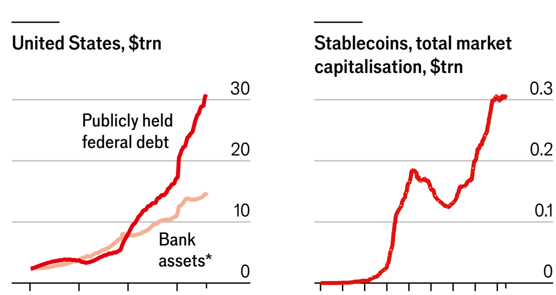
There are two types that optimistic boosters in the Trump administration hope will get more active: crypto-bros in khaki shorts and bankers in pinstripes. Both would help increase demand for Treasuries and potentially make the market function better—though they would do neither in world-changing proportions.

Take the crypto-bros first, who bring stablecoins to the table. Stablecoins are crypto assets pegged to a certain value—usually one-to-one with the American dollar. The GENIUS Act, passed by Congress last year, laid out who can produce them and what they can be used for. Crucially, the law requires that stablecoins be backed by a fully matching amount of short-term Treasury debt, maturing in less than 94 days.

The asset class has taken off quickly, more than doubling in size to $325bn in the past two years (see chart). Tether, the biggest stablecoin, holds $117bn in Treasuries; if it were a country, it would be the 18th-largest national holder of American debt, ranked between South Korea and the United Arab Emirates. Some policymakers, not least Scott Bessent, the treasury secretary, believe that continued rapid growth could make the coins an important source of demand for Treasuries. In November Mr Bessent suggested that the stablecoin market could grow tenfold by the end of the decade, driving demand for Treasury bills.

Standard Chartered, a bank, is even more bullish, predicting the market will grow to $2trn in less than two years. That kind of growth would spur some ▸▸

Drops in the bucket



Sources: Federal Reserve; RWA.xyz *Large, domestically chartered commercial banks

$1trn in additional demand for Treasury bills (not $2trn, since some of the gusto for stablecoins would probably eat into other sources of demand, such as money-market funds). That, along with a potentially greater appetite from the Federal Reserve (see previous story), would allow the Treasury to issue a far larger portion of its debt as bills, reducing issuance of longer-dated bonds and so lowering average yields.

But there is ample reason for scepticism. JPMorgan Chase, another bank, believes stablecoin growth will be much slower. It sees a market of $500bn-750bn as more plausible by the end of 2027. Indeed, since the end of October stablecoins' march has slowed almost to a standstill, with growth of less than 5%. That coincides with a slump in riskier crypto assets such as bitcoin. A similar pattern held between 2022 and 2024, when the stablecoin market actually shrank in size during another slump in crypto prices—reinforcing a perception of stablecoins as merely a vehicle for crypto investment. Indeed, without a recovery in crypto prices, even the pessimistic forecast for stablecoins (doubling by the end of next year) may prove too lofty.

Banks are still unlikely to fill the role they once did

The prodigious sums' return

Banks are an old source of demand for Treasuries that are making a comeback. They had been declining as players in the Treasury market since just after the global financial crisis, when Congress and regulators, keen to prevent more banks from going belly up, made it harder for them to grow their business—including trading or lending against American government debt. Now policymakers lament that such rules shifted

No other option

Could something replace the Treasury market? The alternatives are not appealing

THERE IS NO iron law dictating that the world's reserve asset be Treasury bonds. For centuries British gilts held that crown, until they were dethroned after the second world war. But there is no successor to Treasuries. The potential heirs lack size and other crucial features.

Since its construction in 1999, the euro zone has always been the most likely contender. But the European sovereign-debt crisis in the early 2010s blew up the long-term bond yields of countries like Greece, Italy and Spain.

More recently, the European Commission has started issuing debt. But these bonds do not yet meet the needs of investors even in Europe, much less globally. For one thing the market is far too small. The commission plans to issue €100bn ($116bn) in long-term debt in the first half of the year, compared with the $2.2trn planned by the Treasury Department.

More importantly, the bonds do not behave like assets backed by the combined heft of a European superpower, but ones issued by a supranational institution without tax-raising powers, supported by a varied group of sovereign creditors. As a result, the ten-year European Commission bond offers a yield of around 3.5%, meaning investors treat it as riskier than the bloc's most creditworthy governments (the yield on German government debt is 3%). The market is not ready to buy a European story of political unity.

The Treasury market is now concerningly large, but others are too small to compete. There are nine remaining nations with triple-A ratings from each of the three major ratings firms. The list includes Germany and a handful of thrifty northern European members of the euro zone, Australia, Canada, Singapore and Switzerland. Combined, their total government debt runs to around $7trn, less than a quarter the size of the Treasury market (see chart).

Gold, the favoured asset of panicked central banks, has few of the properties that are so valuable in Treasuries. Investors collect no interest income from a bar of gold, which means precious metals cannot play the role of a productive risk-free security. Even in the era of gold-backed currencies, when money could in theory be redeemed for gold, government bonds were still preferred as a safe asset, because they offered investors a yield, not just a parking space for their money.

As China has grown in economic heft, analysts have mused about whether it, too, might pick up the mantle of global financial superpower. But with its capital controls limiting flows of money in and out of the country, it is impossible to imagine China issuing an international safe asset that is genuinely liquid. In a crisis the shutters would come down, and foreign buyers would be unable to repatriate their money.

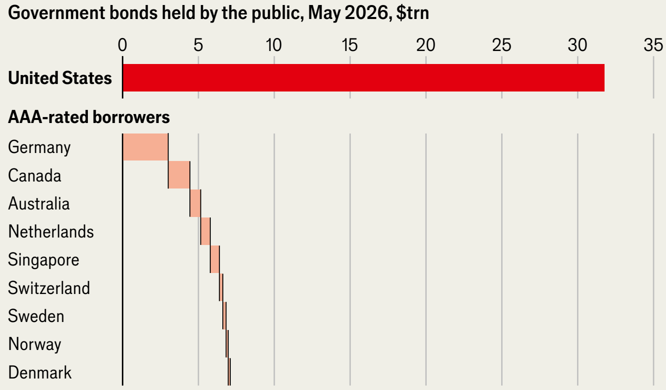
Some of the very highest-rated corporate bonds, short-term lending arrangements between large financial institutions, and debt secured against seemingly stable assets are often treated as very nearly safe, trading so closely in price to Treasury bonds that much of the time they seem to function in a nearly identical way.

But that is true only until it is not. During the global financial crisis of 2007-09, investors who had depended on near-safe assets like highly rated mortgage bonds to secure enormous leverage discovered that near-safety and safety are altogether different things.

There is nothing to say that the potential successors to Treasuries will not get their acts together, and provide the world with safe and reliable assets one day. But right now, none is up to the challenge.

You call that a knife?

Government bonds held by the public, May 2026, $trn



Source: Bloomberg

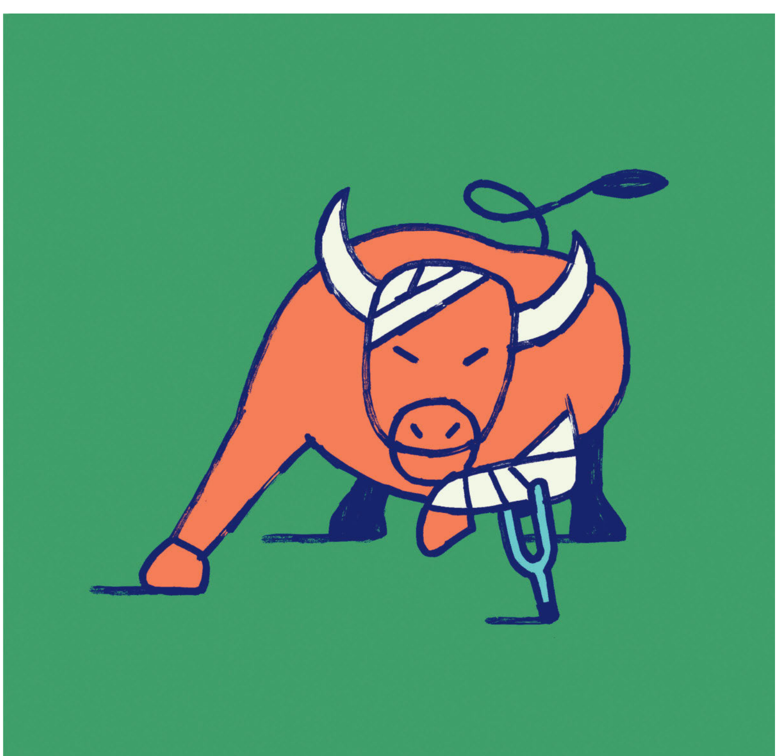
systemic risk elsewhere: when banks retreated, worryingly indebted investors stepped forward.

Loosening restrictions on banks would allow them to return to their previous role as the market's middlemen. In November, American regulators agreed to reduce a particular capital requirement for banks, known as the enhanced supplementary leverage ratio. That move enabled banks to hold (and buy and sell) more low-risk assets like Treasuries.

In anticipation of the change (which took effect in April) banks' activity in the market has climbed. Dealer holdings of Treasuries—the bonds held by banks in their role as market-makers, rather than for their own portfolios—had already increased from around $200bn at the end of 2021 to $542bn at the end of 2025. The new demand is welcome, but even more important is the fact that banks may now be more willing to trade through a crisis, keeping the market liquid.

More deregulation is on the way. Banks have won significant changes to the American implementation of Basel III, a package of international-banking regulations, and to the rules for the very largest lenders, known as globally systemically important banks. Those rules will be steadily loosened over the years to come, allowing banks to hold more assets without incurring a capital penalty, and enabling them to trade more actively in the Treasury market.

But banks are still unlikely to fulfil the role they once did, because the scale of the task has outgrown them. At the end of 2008, large commercial banks in America boasted total assets of $8trn, compared with a federal debt of roughly $6trn. By the end of 2025, bank assets had grown by around 80%, to a little less than $15trn, whereas the federal debt had ballooned by 380%, to a little more than $30trn. With such a mountain of debt, there are no new buyers or intermediaries, not even banks, who can reasonably keep up. ■



Debts of despair

Imagining a world without a safe asset

No corner of finance would be left untouched

AROUND THE time The Beatles were setting the standard for pop music, a group of academics—many of them future rock stars of investment—were doing the same in finance. They developed the Capital Asset Pricing Model (CAPM), which estimates the return investors should expect for taking on risks.

To work out that return on risk, they realised, investors would need to know what a riskless investment earned. An economist named William Sharpe aimed to find a "pure interest rate". Six decades later the CAPM drives trillions of dollars of investment decisions; the "Sharpe ratio", measuring risk-adjusted performance, is still used everywhere in finance. The supposedly riskless asset underlying these influential calculations is almost always a Treasury security.

What happens, then, if Treasuries are no longer deemed riskless? A lot more than the theory underpinning portfolio construction would be in jeopardy. Treasury-market prices are to investors like water to a fish. The assets are so fundamental to global finance that it is tough to imagine a world without them. It would be a world with higher interest rates, greater uncertainty and more risk. It would be more dangerous and difficult to navigate for investors and taxpayers not just in America, but in the rest of the world, too.

The world's safest assets encourage much risk-taking. If investors own an asset that they know will benefit during a sudden market spasm, a sell-off or a recession, they will be happy to take greater risk elsewhere. "If you don't have a safe asset", says Markus Brunnermeier, an economist at Princeton University, "it leads to less lending to risky projects, to a supply shock."

The privileges of being judged risk-free are visible across the economy. Banks have to hold far less capital against Treasuries than against other assets. The bonds can be used as collateral for loans in the enormous repo market, or to hedge risk in currencies and interest rates. The yields on any other dollar-denominated bond, issued by a firm, a foreign government or an American state or city are judged by their spread—how much higher they are than on Treasury bonds.

But wobbliness is beginning to show. Recently one of the most valuable attributes of Treasury bonds went up in smoke. For the first two decades of the 21st century, Treasuries tended to rally when equity markets slumped. Investors could protect themselves against turmoil in risky assets by holding American debt.

That negative correlation made Treasuries even better ballast than they had been in diversified portfolios—now they could, in theory, offset losses in equities. New investment strategies emerged. So-called risk-parity funds, which borrowed to raise their exposure to bonds and did well when stocks and bonds moved in opposite directions, boomed in size.

But high inflation in 2021 and 2022, then a spike in interest rates, ended that. Bonds and stocks sold off at the same time, burning the fingers of investors who thought they had diversified their risk (see chart).

Another new risk for Treasuries is that many market-shaking moments are coming from policymakers in Washington instead of from external economic shocks. Early in 2025, as word of steep new tariffs rattled markets, Treasuries offered no safe harbour: ten-year yields climbed by around half a percentage point over the course of a week, as investors rejected American assets indiscriminately. Gone was their "convenience yield", the dividend of seeming safe and liquid.

Yield to no one

A diminished Treasury market would have dismal knock-on effects. Research published in 2024 by Jason Choi of the University of Toronto and colleagues suggests that America's unique status as the issuer of safe assets saves the government more than half a percent of GDP each year in interest payments.

What is more, between 1994 and 2019, the rising share of Treasuries held by foreign central banks reduced America's neutral interest rate—the rate at which the country can sustain full employment and low, stable inflation—by 0.5 percentage points, by one estimate. The benefits of that accrue to businesses, homeowners, states and cities across the country.

Pricing the risk of corporate bonds is getting more difficult, too. The spread between AAA-rated corporate bonds and Treasuries of the same maturity has dropped to just 0.34 percentage points on average since the beginning of 2024, compared with an average of 0.64 percentage points from 2010-19. In September two bonds issued by Microsoft offered lower yields than Treasuries of the same maturity.

Such performance is common where debt is seen as high and risky, and it is likely to become more common in America. JPMorgan Chase, a bank, reckons the coming increase in federal debt—from 100% to 120% of GDP by 2040—may reduce spreads with the most creditworthy firms by half a percentage point.

Some on America's political right welcome a decline in the Treasury market. The Coalition for a Prosperous America, a pro-tariff lobbying group, want a "market access charge", or a tax on many American financial assets. That would, they say, reduce demand for dollars, weakening the currency and making domestic manufacturing more competitive. In November 2024 hedge-funder Stephen Miran suggested a "user fee" be charged on foreign holdings of Treasuries; Mr Trump put him on the Fed board (he has since left).

Misery loves company

United States, correlation between change in ten-year government bond prices and S&P 500 returns*

Source: LSEG Workspace *Moving five-year correlation

Investors saw last year what a political attack on foreign holders of American assets might look like. An early version of Mr Trump's One Big Beautiful Bill Act gave the White House the authority to withhold investment income owed to foreigners in retaliation for putatively unfair taxes on American firms overseas. The threat did not apply to holders of Treasury bonds specifically, but it was a worrying portent.

A self-sabotage of Treasuries might seem crazy. But issuers of the world's reserve assets have changed the rules before. The American government devalued the dollar against gold in 1934 and 1971, and the British government did the same with sterling, in 1931 and 1949. In each case foreign bondholders were sacrificed for the sake of domestic financial security.

If the Treasury market were to lose its special status, the consequences would be more extreme for much of the rest of the world than they would be for America. Foreign investors have relied on Treasuries as a safe asset in their portfolios, where their alternatives were far more volatile government bonds at home. They have nothing to replace Treasuries with.

The interwar period holds a troubling precedent. Britain's position as the world's supplier of safe assets snapped under the fiscal pressure of the first world war and the bursts of inflation that followed. But the Treasury market was not yet ready to take on the role. The era was marked by repeated financial panics, a downturn in the global economy and a fragmenting of global trade. Not having a single reliably deep reserve to turn to made all of that worse. A world where Treasuries are no longer reliable safe assets will be a world in which there are no plausible replacements at all.

The Treasury Department provides the world with something close to a public good. Mercantilist politics, nervous investors and a surge in American government debt are eroding its status. Global finance is in danger of losing its lodestar, making the job of keeping markets and economies on course a more treacherous and difficult one at home and abroad. ■

What happens if Treasuries are no longer deemed riskless?

Acknowledgments A list of acknowledgments and sources is included in the online version of this special report

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Middle East & Africa

Never-finished business

Season finale?

DUBAI

America and Iran are inching towards an accord that may not be sustainable

IT WAS ANOTHER dramatic yet desultory week on "The Hormuz Apprentice", a poorly rated reality-television show about Donald Trump's war with Iran. America's president said he was close to deciding on a deal to extend the ceasefire, only to demand more changes. Iran hinted it might abandon talks. Mr Trump said he too might "go silent". They kept talking anyway. Missiles flew from both sides, as they have for weeks, despite a nominal truce.

For all the twists and turns, each episode ends on the same cliffhanger. America and Iran agree on the contours of a deal: prolong the ceasefire by at least 60 days; reopen the Strait of Hormuz; and deliver limited sanctions relief for Iran, which would pledge to roll back its nuclear programme. This is merely an interim accord. The parties would still need to negotiate a detailed final pact. Only then would Iran fulfil its nuclear promises and receive greater economic benefits.

Yet negotiations have stalled on seemingly narrow disputes. Iran wants to unlock a fraction of its roughly $100bn in frozen assets once the interim deal is signed. Mr Trump insists on clearer promises that Iran will not pursue a nuclear weapon and will relinquish its stockpile of more than 400kg of near-weapons-grade uranium.

These seem like curious roadblocks. In theory, by the end of summer, Iran should hand over its uranium in return for a windfall. Why does it insist on a modest upfront payout of probably $6bn-12bn? Why is America's president so fixated on language about Iran's nuclear programme if it will not be binding anyway?

Both sides are behaving as if the interim accord will become permanent—or at least a long-term status quo. "It wouldn't be the first time," says an Arab diplomat in Washington. "We've seen Trump do this before."

An unfinished deal would resemble the ceasefire that Mr Trump pushed Israel and Hamas, Palestinian militants, to accept in October. Pausing the Gaza war was meant to be a first step, with further talks to secure Hamas's disarmament, Israel's withdrawal and Gaza's reconstruction. Eight months on, none of that has happened.

If an accord with Iran remains incomplete, the stakes would be far greater. Start with its nuclear programme. The highly enriched uranium might remain in Iran, where it is thought to be entombed in the facilities that America bombed last June. American and Israeli spies are no doubt watching them closely. Lindsey Graham, a Republican senator and ally of Mr Trump, suggests delineating a "circle of death" around the sites. "Anybody [who] goes inside...is going to die," he told NBC last month. Other Republicans try to downplay the issue: even if Iran could retrieve the uranium, its enrichment sites are in ruins.

Yet it would not take many centrifuges to spin up a bomb's worth of uranium. No surveillance programme is foolproof. Mr

→ ALSO IN THIS SECTION

Graham's scheme would require America to keep forces in the region on permanent standby. That seems a tall order. Though a vote on June 3rd by the House of Representatives to end the war is unlikely to do so, it reflects growing frustration with the conflict. If Iran cannot retrieve the uranium, it could still press ahead with other aspects of a nuclear-weapons programme: learning how to make uranium into a warhead and fit the warhead onto a missile. Leaving the stockpile in place would be an embarrassment for Mr Trump, who has long insisted that the war would end with Iran handing its "nuclear dust" to America.

Iran's biggest concern would be economic. The war has caused billions of dollars in damage and thrown 1m people out of work. Year-on-year inflation hit 77% in May, and 114% for goods; one think-tank in Tehran calls these the highest figures since the second world war. Any upfront payment would be swiftly spent.

It would be more significant if Iran secured a waiver to export oil—which the Americans have proposed in order to avoid the uncomfortable image of Mr Trump sending cash to the regime. His allies insist that this concession could be reversed if Iran reneges on the interim deal or fails to reach a permanent one. Yet Iran could take a similar position on Hormuz. If the temporary becomes permanent, America could be hard-pressed to reimpose sanctions without the strait also closing again.

A half-finished deal means it would not return to normal soon. Iran would have to remove mines from Hormuz and declare it safe. That would allow hundreds of stranded vessels to rush for the exit (though it will take weeks for all of them to depart safely). A trickle of oil, gas and other commodities would return to markets.

But shippers and insurers might hesitate to send vessels back into the Persian Gulf lest they get stuck. Oil and gas producers would have to decide whether to make costly repairs to damaged facilities, knowing they might be attacked again.

Disruptions in the Gulf would stretch far beyond hydrocarbons. If the ceasefire holds through the summer, tourists might drift back as temperatures cool. Yet any sabre-rattling could bring another wave of cancellations. Firms might hold off on expansions until the situation is clearer. Expats might decide they are tired of the uncertainty and seek employment elsewhere.

This is not ideal for anyone, but it is arguably least bad for Iran, assuming it can export some oil. America, Israel and Gulf states would be left with persistent fear of an Iranian bomb and prolonged economic uncertainty. That means it may not be sustainable either. The producers may take a summer break—or perhaps work on a spin-off set in Havana—but Mr Trump's show could be back on the air later this year. ■

Israel and Lebanon

Not now, Bibi

JERUSALEM

Can Donald Trump save Israel from itself in Lebanon?

FIRST CAME the announcement on June 1st from Binyamin Netanyahu, Israel's prime minister, and his defence minister, Yisrael Katz, that they had ordered the Israel Defence Forces (IDF) to "attack terror targets" in Dahiyeh in Beirut, Lebanon's capital. Then came more threats of attacks and a warning from the IDF telling residents of Dahiyeh, a stronghold of Hizbullah, the Iranian-backed Shia militia, to evacuate. Thousands had already fled. But for once Israel did not drop its bombs.

Instead, in the evening came what Donald Trump called "a very productive call" with Mr Netanyahu. According to Axios, a news website, it was an expletive-laden reading of the riot act by the president, who told Mr Netanyahu that "everyone hates Israel now." The result was a promise from Israel to refrain from bombing Beirut. Hizbullah, to whom Mr Trump also said he had talked—the first American president to do so (albeit through intermediaries)—also said it would not fire at Israeli towns.

It was a diplomatic blow for Mr Netanyahu. Mr Trump, once again, ordered the Israeli prime minister to hold fire. And Iran demonstrated that it can demand a pause in the fighting in Lebanon, protecting its proxy there, as a precondition for ceasefire talks with America. Just three months ago, Israel and America launched their war against Iran. Today, Israel has been relegated to being a bystander.

Yet Mr Trump has arguably done Israel a favour. He may have prevented it from blundering deeper into Lebanon. When Hizbullah launched rockets at Israel on March 2nd, in solidarity with Iran, the IDF believed it could finish what it had begun in 2024. Then, Israel battered Hizbullah. But the current fighting has been much less successful from Israel's perspective.

Weakened, Hizbullah has resorted to using cheap attack drones. The drones, and its remaining missiles, have not blocked Israel's incursions, but they have caused a steady stream of IDF casualties.

The lack of an effective response to the drones has put political pressure on Mr Netanyahu's government to bludgeon Hizbullah in whatever way it can. The prime minister has responded by ordering the IDF to advance deeper into Lebanese territory. Rather than repeating the devastatingly effective campaign of 2024, which was far more precisely targeted, Israel's current assault is beginning to resemble past wars Israel fought in Lebanon.

In 1982 Israel invaded to fight Palestinian militias who were using the country as their base for attacking Israel. The IDF remained in parts of southern Lebanon for the next 18 years, calling it a "security zone". When it finally withdrew in 2000, it left Hizbullah dominant.

In 2006 Israel responded to a Hizbullah attack on an IDF border patrol with massive air strikes on Dahiyeh and another invasion. That time the militia fought the IDF to a standstill after 34 days.

In all these years Israel faced the same dilemma in Lebanon. Despite its overwhelming military advantage, the eradication of Hizbullah as a fighting force is impossible. Capturing a new "security zone", as Mr Katz announced, has inflicted more suffering on the people of southern Leba- ▸▸

Where else can they flee?

non, where thousands have been killed and hundreds of thousands uprooted. And it is of dubious strategic value.

The alternatives are hardly enticing. A UN peacekeeping force in southern Lebanon has proved unable even to monitor Hizbullah's military build-up, let alone prevent it. And while the Lebanese government has committed itself to the idea of disarming Hizbullah, its army is still too weak to do so. Its politicians, meanwhile, are fearful of reigniting a civil war.

After talks in Washington, Israel and Lebanon did agree to renew their ceasefire on June 3rd. But the main aim of Mr Trump's latest intervention was to prevent Israeli actions from derailing America's talks with Iran, which he is keen to bring to a close (they have "started to get very boring", he moans). The president's notoriously short attention span may now be all that is standing between Israel and another bloody adventure in Lebanon. ■

Gulf authoritarianism

An easier target

DUBAI, KUWAIT CITY AND MUSCAT

Gulf rulers are driving their people away, just as they need them most

KUWAITIS HAVE come to dread Thursdays. That is when the latest list of citizens stripped of their nationality by the emir, Sheikh Mishal al-Sabah, is published. Rights monitors say he has deprived 70,000 people plus their dependants—about 16% of Kuwaitis—of their citizenship since May 2024. They also lose access to permanent government jobs, free health care and the right to own homes and control companies. Kuwaitis say such is the humiliation, some have killed themselves.

Kuwait is not alone. Gulf states face an unsettling strategic landscape: Iran and its militias in Iraq have lobbed missiles at them; Tehran's control of the Strait of Hormuz is throttling oil and gas exports; America's protection looks less reliable; and their business model is at risk. Unable to overcome these threats, Gulf rulers seem set on proving they remain strongmen at home. Under the cover of war, they have introduced emergency measures akin to martial law. Across the Gulf, tens of thousands have lost their citizenship or been expelled. Over 1,000 people have been arrested, including expats in the United Arab Emirates (UAE) accused of filming missile attacks. In April Kuwait tightened citizenship criteria. "A national purification," Sheikh Mishal has said.

All Gulf states bar Oman have treated their Shias, who share Iran's faith, as potential fifth columns. The UAE, home to hundreds of thousands of Iranians, has padlocked Iranian hospitals, schools and clubs. Iranian residents have been turned away, trying to return. "We should be desperate for people, given the exodus of foreigners during the war," says a Kuwaiti royal. "They don't see we are chasing our populations away." A disgruntled security official is blunter: "It's like cancer has taken over Kuwait. We're all suspects."

Even before the war, Sheikh Mishal had abandoned Kuwait's status as a democratic outlier among Gulf autocrats. In May 2024 he suspended the elected parliament, which dates to 1938. He has since ruled by decree. But he has grown more draconian since the war began. Talk shows have been banned. Diwaniyas—Kuwait's discussion forums—have been closed. Restrictions on the media extend even to WhatsApp groups of three or more. Municipal elections have been cancelled. "We've become a dictatorship," says one academic.

Some Gulf security analysts fear the purge could destabilise the region's smaller states. They are rich but have tiny populations and low birth rates. Larger neighbours—Iran, Iraq and Saudi Arabia—loom over them. Those stripped of nationality include foreign women married to Kuwaitis, oil executives, bankers and Kuwait's ambassador to Britain. The constantly shifting criteria for denaturalisation are unsettling. "Why should I sacrifice my life for a country that only alienates me?" asks a stateless civil-society activist. A retired general who mobilised Kuwaitis against Iraq's invasion in 1991 agrees. "I'm not sure everyone would fight for the country now."

Pressure on Shias and long-term Iranian residents is reviving sectarian sentiments that had been in decline. The UAE has closed Shia mosques and detained dozens of Shias, including at least two officials, on charges of belonging to a Shia terrorist group. Many Shias seek to display loyalty, replacing social-media profiles with images of their rulers and shedding the large tell-tale silver rings on their hands. To little avail. A high-ranking officer in Kuwait says hundreds of Shias have been demoted within the security services.

The rulers' push against their Shia population is matched by the pull of an emboldened Iran. Bahraini Shias held mourning ceremonies for Ayatollah Ali Khamenei, Iran's late supreme leader. Traditionalist Shias, who favour separating religion from politics, complain that pro-Iranian activists now dominate.

Oman stands apart, pursuing ties with Iran. It seeks to join it in charging ships to traverse Hormuz. It is the only Gulf state to keep daily flights to Iran. Alone among Gulf foreign ministers, Oman's signed the book of condolences opened by Iran's embassy after Khamenei's death. It hopes to capitalise on its position as one of only two Gulf states not entirely reliant on the strait, and to displace the UAE as the region's main trade gateway. To its delight, expats are relocating there, including Iranians from the UAE and Qatar. Its political system remains despotic. But unlike the others, it eschews identity politics. Oman's stockmarket has outshone the region over the past year. "Dubai's days are over," insists an Iranian coffee-trader who recently moved his regional headquarters to Muscat, the capital. "Now it's Oman." ■

Christian activism in Nigeria

MAGA missionaries

ABUJA

To win over Trump's America, local groups are adopting its tropes

A BILL CURRENTLY being considered by America's House of Representatives would attach new conditions to financial aid sent to Nigeria. Republicans in Congress say they want Nigeria's government to do more about the violence in the northern and "Middle Belt" states of the country. Specifically, they want it to ensure better protection of Nigerian Christians against "brutal persecution".

The bill would be a pain for Nigeria's government, which might have a harder time getting American aid if it passes. But it would be a victory of sorts for the country's Christian pressure groups, which have been lobbying Donald Trump's administration since the president's second term began last year. While Nigeria's government stresses the complexity of the coun-

Feeling cross

try's security crisis, Christian activists are finding it useful to follow American evangelicals in framing the violence in religious terms. Some even allege that a "genocide" of Nigerian Christians is under way.

Thousands of people, both Christians and Muslims, are killed in attacks in Nigeria every year, mostly in the north, where the state is weakest. The violence stems from jihadism, banditry and conflicts between herders and farmers. Only a small fraction of incidents involve Christians being directly targeted for their faith.

Yet pressure groups claim that Christians are systematically persecuted and demand American intervention. "If international attention is what is required to spur decisive governmental action, then the Christian community in Nigeria welcomes it," says Archbishop Daniel Okoh, who leads the Christian Association of Nigeria.

The archbishop and others echo a narrative forged in America that resonates with officials in the Trump administration. MAGA-friendly missionary groups argue that "mainstream media" underplay the threat to Nigerian Christians. To counter this, the groups package violent scenes into videos for social media to show "the truth" about persecution. "Not every video we see is doctored or manipulated," says Ebenezer Obadare of the Council on Foreign Relations, an American think-tank, "but at some point, you find it impossible to tell the difference."

One source of viral content is Equipping the Persecuted, an Iowa-based missionary group that runs a website called Truth Nigeria. The site says it reports on violence in Nigeria "with fearless honesty". But it pursues a clear narrative of Christian victims and Muslim perpetrators, mixing reports of attacks in Nigeria with MAGA-minded content such as reports on supposed mass vigils in Africa for Charlie Kirk, an American right-wing activist who was murdered last year.

Christian activists approve of the country's re-designation by America late last year as a "country of particular concern" for religious freedom. They have also welcomed American air strikes against terrorist groups in northern Nigeria and the dispatch of American soldiers to help the army fight militants.

Other benefits may come in the form of money and power. The bill making its way through the House recommends that some funds be dispensed to "faith-based organisations". Nigerian groups may get a slice of this pie, as well as a bump in donations from sympathetic American Christians. They may also hope for America to boost their influence vis-à-vis prominent Muslim politicians from northern Nigeria.

Yet their focus on the persecution of Christians is poisoning Nigerian politics. The president's national security adviser faces baseless accusations that he is in league with terrorists because he is Muslim and Fulani (a majority-Muslim ethnic group whose members are often stigmatised as jihadists and criminals). Mr Obadare warns that as next year's presidential election approaches, "there will be more killings, because those who want to use this issue as a cudgel to beat [the president] are going to try and stoke more tension." In Abuja, the capital, several people interviewed said they did not feel safe discussing the killing of Christians.

Even so, those wishing to draw American attention to security problems or political threats in Africa increasingly speak in terms of Christians' rights. In Tanzania, the repression of religious leaders who denounced election-time violence is being framed as a threat to Christians. Even the Rapid Support Forces, a party in Sudan's civil war that has itself been designated by America as a danger to religious freedom, is appealing to the Trump administration by stressing its army foes' ties to Islamists. The strategy looks likely to spread. ■

Transport in eastern Congo

It's all right, Goma (I'm only wheeling)

GOMA

War and Asian cargo bikes are disrupting the tshukudu, a quintessential scooter

FOR MANY outsiders the symbol of Goma is a young man with an automatic rifle. Last year the city in eastern Democratic Republic of Congo was captured by M23, rebels backed by next-door Rwanda. It remains occupied or, according to M23, "liberated". Recently its name may also have evoked images of health workers in hazmat suits, because of the Ebola outbreak that has spread from the province to the north.

The true symbol of Goma, however, is an idiosyncratic, man-powered wooden scooter known as a tshukudu. It looks as if it has been drawn by a child, with its simple, angled frame and two-metre-long deck. Yet as a way of carrying cargo in this chaotic city, it has proved perfect. It is narrow enough to zigzag through busy markets. Rubber strips around the wheels and a spring beneath the cow-horn handlebars help absorb the shock of potholes. It can bear more weight than a bicycle: riders brag about carrying loads of more than 500kg on a single tshukudu. At $200, with no petrol costs, it is cheaper than a motorcycle.

Wheels for deals

The tshukudu was apparently invented in the 1970s by farmers on the mountain slopes around Goma to take produce downhill. To this day tshukudus allow young men to make ends meet. "The tshukudu is good because we don't have jobs," says Sadiki, a 26-year-old whose heaviest load was 50 cans of petrol and who says he once carried a cow. "It was not alive," he clarifies.

The war between Congo and M23 is hurting business. Banks remain closed. Farmers have fled their land. Many aid workers have left. Sadiki says that shoppers who once bought 20kg of rice buy just 5kg at a time, so they need him less. Meanwhile cheap motorised cargo tricycles from India and China—known as "three hills" after the number of wheels—are competing for the remaining heavy loads. "The three-hill drivers are taking our market," sighs Bahati, 23.

Yet the city's emblem will endure. The UN peacekeeping mission that has been in Goma for 30 years once sponsored a tshukudu race; the winner painted his white with blue UN letters. Souvenir sellers flog little wooden versions. In the centre of town is a statue of a man on his tshukudu. (In a very Goma twist, the sculptor was an army colonel.)

As a small crowd waits to take selfies, a local guide watches and says: "When you go to Paris, you take a photo of the Eiffel Tower. When you come to Goma, you must take one of the tshukudu."

Asia

Insurgencies in Pakistan

Double trouble

ISLAMABAD AND KABUL

Violence is mounting at home while Pakistan's leader plays peacemaker abroad

TROUBLE AT HOME is bringing Asim Munir, Pakistan's military chief and de facto ruler, down to earth with a thump. Lately he has been playing the globe-trotting peacemaker. On May 22nd he was in Tehran, Iran's capital, for a second time in two months—visiting in an effort to help stop the conflict between America and Iran. Three days later he was in Beijing updating China's president, Xi Jinping.

Yet Field Marshal Munir's arrival in China was marred by grim news at home. In Balochistan, a vast state in western Pakistan, a separatist group had blown up a commuter train, killing 47 people. The attack was mounted by the Balochistan Liberation Army (BLA), which has also targeted Chinese infrastructure and people. The latest strike may have even been timed to humiliate the field marshal in Beijing. To compound his troubles, the BLA's campaign is only one of two insurgencies racking Pakistan. As he seeks to project strength abroad, militant violence in his country is the worst it has been in a decade (see chart on next page).

The train-bombing was the most daring in a series of attacks that the BLA, thought to have around 2,000 fighters, has carried out this year (the aftermath of an attack in 2025 is pictured). As well as murdering Pakistanis, the group has killed at least 20 Chinese nationals in the past five years, during attacks on energy and minerals projects that aim to discourage Chinese investment and embarrass the Pakistani government. "We promised [China] security and we failed," says Mushahid Hussain, a retired senator and chairman of the Pakistan-China Institute, a think-tank in Islamabad, Pakistan's capital.

Though its campaign is execrable, the BLA is probably a lesser worry for officials in Islamabad than a second set of adversaries: the Tehreek-e-Taliban Pakistan (TTP). Its 6,000 or so fighters dream of establishing their own godly emirate in north-western Pakistan. In slick videos on social media, available in Urdu, Pashto and English, fighters rail against the Pakistani state for being un-Islamic and enslaved by the IMF. A car-bomb that killed 21 police in a north-western province was just one of several attacks they carried out in May.

The TTP was once poor and ill-disciplined. In the 2010s the group relied on press-ganging penniless youths. Its violence was indiscriminate: in 2014 it attacked a school in Peshawar in Pakistan, killing 132 children. These days it is better organised and financed, and only targets Pakistani soldiers and police. Lieutenant General Tariq Khan, who led counter-insurgency campaigns before retiring from the Pakistan army in 2014, says it pays jobless youngsters 50,000 rupees ($180) a month. "They get money, food, uniform and recognition; it's a very attractive kind of thing." It has snipers, thermal goggles and Chinese-made drones, says Ihsanullah Tipu Mehsud, a Pakistani analyst.

Pakistan has long accused the Afghan Taliban of sheltering and supporting the TTP. Fed up, it declared "open war" on Afghanistan in February, bombing training camps and munitions dumps. It had already been expelling Afghan refugees, and since October has blocked trade across the two countries' border—depriving the Taliban of revenues worth around $300m per year, almost 10% of its annual budget. Pakistan has been hoping to press the Taliban to disarm the TTP or stop fighters crossing their shared frontier.

That is wishful thinking. TTP activity fell straight after Pakistan's military strikes, but has picked up in the past month. The Taliban's dominant factions see the TTP as kindred spirits; in the past they have waged jihad together. They also worry that efforts to disarm the TTP could cause fighters to flock to militant groups that are even more extreme, some of which oppose the Taliban. Thus the main effect of Pakistan's strikes on Afghanistan has been to unite the Taliban—and enrage ordinary Afghans. The UN says 372 Afghan civilians had been killed by Pakistani bombs by the end of March. Thousands more have been displaced. Delawar Khan, a 31-year-old man from the Nari district of Kunar Province, says his family and many others were forced to flee. Finding food and water became difficult.

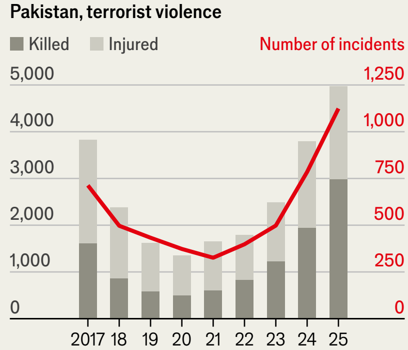
Pakistan has long claimed that India finances the BLA. These days officials also allege that it has been pumping money into Afghanistan, and even indirectly paying the salaries of TTP fighters. India denies this. It has certainly got friendlier with the Taliban in recent years, and both Pakistan and India have long histories of working through proxies. Yet governments often find it easy to blame foreign meddling for insurgencies caused by domestic grievances, says Adam Weinstein of the Quincy Institute, an American think-tank.

Western Pakistan, where both the BLA and TTP operate, has been left behind economically and exposed to decades of harsh treatment by the army and the police. Field Marshal Munir's brute-force approach to the insurgencies has left little space for political conciliation. "It will have hugely negative repercussions," says a former Pakistani diplomat.

In April Pakistan took part in low-level talks with the Taliban, at China's request. They ended without progress. Pakistan's response to the latest attacks has been restrained—perhaps because Field Marshal Munir hopes to host more talks between America and Iran, and does not want domestic trouble to mess that up. But what comes next is unclear. Some in Kabul, Afghanistan's capital, are worried that Pakistan might somehow try to force regime change. Asked if Pakistan would consider targeting not just training camps but Taliban leaders, one Pakistani official looks exasperated. "If they don't stop killing us." ■

Back to black

Pakistan, terrorist violence



Source: Pak Institute for Peace Studies

Politics down under

Cometh the hour

MELBOURNE

The rise of One Nation is melting Australia's politics

SEVEN YEARS have passed since Tony Abbott, an arch-conservative who served as Australia's prime minister from 2013 to 2015, lost his seat to an independent. Last month his stint in the political wilderness came to an end. On May 29th the Liberal Party, now in opposition, elected him as its president. Its members are counting on Mr Abbott and Angus Taylor, the party's parliamentary leader, to achieve an urgent mission: to help the right-of-centre Liberal-National coalition survive the stunning rise of Pauline Hanson, and her anti-immigration One Nation party.

One Nation's surge continues to smack gobs (see chart). In April Redbridge, a leading pollster, predicted that if an election were held immediately Anthony Albanese's ruling Labor Party would win 76 seats in the lower house, out of 150. But One Nation would become Australia's official opposition, with an astounding 53 seats—up from only two at present. The Liberal-National coalition, for its part, would limp home with a mere dozen. Since that research was published, things have only continued moving in Ms Hanson's favour. Another poll, capturing public feeling in mid-May, showed support for One Nation eclipsing even that for Labor.

One Nation is already proving that it can convert its strong polling into seats. It picked up seven of them at the state election in South Australia in March. In May One Nation's candidate won a federal by-election in southern New South Wales—in a constituency that had been held by the coalition for some eight decades. A state election in Victoria in November (considered Australia's most progressive state) will soon show whether One Nation is able to wrest seats from Labor too. The Labor government there is in trouble because of eye-watering state debt and scandals related to public infrastructure projects.

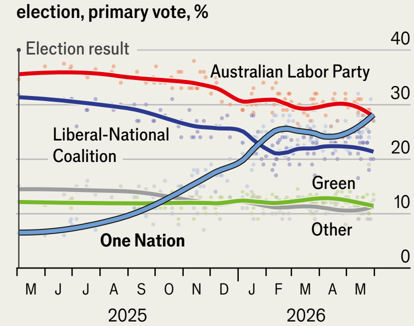
Dismayed by the direction of travel, a clutch of independent politicians who in recent years have secured seats in Australia's parliament are stepping up discussions about forming a new centrist party that might do better than the old guard. These so-called "teals" combine right-of-centre fiscal instincts with social progressivism and a climate agenda more aligned with the Greens. They already often vote as a bloc. Many have received funding from the same outfit, Climate 200, a vehicle for candidates who promise to cut emissions and restore faith in politics.

Zali Steggall, a barrister and former Olympian, is one of those arguing for a new centrist party. She was the novice candidate who managed to boot Mr Abbott from parliament, back in 2019. She says she is "genuinely worried about the rhetoric of One Nation, and where the coalition is moving to meet it"; she says Australian voters deserve more choice at the ballot box. Another factor accelerating things is looming changes to electoral-funding laws, due to go into force next year, which will hobble independent politicians at the next federal election in 2028.

The Liberals' decision to dust off Mr Abbott is a gamble. As prime minister he ditched a carbon price, launched a military operation to intercept asylum-seekers at sea and gave a knighthood to Prince Philip. Whether he can help change the coalition's fortunes in time for the next big vote is deeply uncertain. One thing is sure: the days when Australian politics were a cosy duopoly are long gone. ■

Nosing ahead

Australia, voting intention in federal election, primary vote, %



Source: National polls

Trump's Asia strategy

Don't mention Taiwan

SINGAPORE

America's secretary of war pulls his punches on China

FOR MORE than 20 years America's secretaries of defence have trekked to the Shangri-La Dialogue—a gathering of defence officials and analysts held annually at a hotel in Singapore—to give speeches that lay out their Asia strategy. When Pete Hegseth, the man currently in that job, spoke at the event last year he was a mere four months into his tenure. Much of the Trump administration's thinking was at the time still being forged. So on May 30th brass from dozens of countries crowded once again into a ballroom just north of the equator in the hope of understanding, as well as possible, how America's approach to Asia is developing. They left with only greater doubts about that country's commitments to its Asian allies, and in particular to Taiwan.

America's strategy, Mr Hegseth made clear, is one of geographic and diplomatic retrenchment. Under the Biden administration the Pentagon sought to build coalitions across all of what it called the Indo-Pacific, a vast area stretching from South Asia to California. By contrast, the Trump administration's focus is on the "first island chain", an archipelago that runs from Japan down to the Philippines. Holding that geographic area, American defence wonks believe, is the key to securing what Mr Hegseth called "a favourable balance of power" in Asia.

The second part of the Pentagon's strategy is a narrower focus on "hard" power, or military force. That again contrasts with the Biden administration, which emphasised the importance of a "rules-based" international order and sought signals of support even from countries that lack much military heft. "You can have all the rules you want, and rules are great, but if you can't back them up with hard power, the rules are not worth the paper they are written on," Mr Hegseth told the crowd. To that end, he called on America's Asian allies to assume more of the burden of their own defence by spending at least 3.5% of GDP on their own armed forces (most of them are nowhere near this).

The centrepiece of the Biden administration's strategy was a bloc made up of America, Australia, India and Japan called the Quad. Mr Trump has dramatically downgraded it. A Quad meeting in late May, in Delhi, attended by Marco Rubio, the secretary of state, achieved nothing of note. That makes sense for the new American approach: the Quad would seem to fit poorly into an Asia strategy focused on the first island chain and military power. India could hardly act in that region. And in any case, much of the Quad's work to date has skirted around actual military co-operation, due to India's concerns about appearing too close to America and its allies. Instead the club offered other countries what Mr Biden's team called "public goods": things such as vaccines that don't strike Mr Trump as a whole lot of fun.

A disappearing island

In his speech in Singapore, Mr Hegseth did not mention the Quad. Yet that was not the most glaring omission. He also avoided any mention of the region's biggest flashpoint, Taiwan. (Last year he had warned that a Chinese invasion of the self-governing island "could be imminent", while also adding that it "would result in devastating consequences".)

Mr Hegseth seemed to anticipate that his silence on Taiwan would raise questions about America's commitments to its friends and allies in Asia. (They grew nervous when, in February, it emerged that Mr Trump had delayed a congressionally approved sale of arms to Taiwan; they were shocked when Mr Trump revealed he had discussed sales to the island with Xi Jinping, China's leader, at a summit in May.) So Mr Hegseth sought to frame his silence as a principled effort to lower tensions, suggesting (implausibly) that the Trump administration did not practise "peacocking". In fact Mr Hegseth was probably trying to avoid saying anything that might cause a fuss before the next planned meeting between Mr Trump and Mr Xi, taking place in America in September.

Chinese officials liked what they heard (or, more precisely, what they did not). South-East Asian bigwigs report they are happy that tensions between the world's two big powers seem lowered. But Richard Haass, a former president of the Council on Foreign Relations, compares Mr Hegseth's silence on Taiwan to that of Dean Acheson in January 1950. Acheson was America's secretary of state in the early days of the cold war; he failed to say that South Korea sat within America's "defensive perimeter" in a grand speech setting out America's policy in Asia. Two weeks later, Joseph Stalin approved a North Korean invasion of the south.

There is some sense in the Pentagon's evolving approach to Asia. A strategy focused on the first island chain, and on hard military power, stands a good chance of deterring Chinese adventurism. If allies can increase their defence spending, that too will boost deterrence. Quizzed directly by journalists as he prepared to fly out of Singapore, Mr Hegseth insisted that America's policies towards Taiwan have not changed. But permitting any confusion on this matter is extremely risky. It invites the very challenges that the Pentagon's strategy is designed to ward off. ■

Industry in South Korea

Springing a leak

ULSAN

Worries about migration imperil a shipbuilding boom

"THERE'S NO WORK back home," says Wichit, a welder from Thailand. In Ulsan, a city in south-eastern South Korea, he's found plenty. He works for HD Hyundai Heavy Industries (HHI), a South Korean shipbuilder. Migrants such as Wichit are helping companies like HHI fulfil a boom in orders from foreign buyers for liquefied-natural-gas carriers and fuel-efficient container ships. Now their presence is making waves.

In 2025 South Korean shipbuilders took 21% of all global orders, the largest share after China, according to Clarksons, a British maritime-research firm. The government has recently offered to share the country's know-how to help Donald Trump "Make American Shipbuilding Great Again". Last year it pledged to invest $150bn in shipbuilding projects in America as part of its effort to wriggle out of tariffs.

Yet the yards face a big staffing problem. South Korea's population is one of the world's fastest-ageing. Many of the workers who powered the industry through a previous boom in the 2000s have retired or moved into management. Young South Koreans see shipbuilding as dangerous, laborious and low-paying: the fatality rate at shipyards is four times higher than in the average industrial workplace. So they have left shipbuilding regions in droves. In Ulsan only 24% of adults are under the age of 40. That has decreased by six percentage points in a decade.

Instead, shipbuilders have courted workers from countries such as Indonesia, Sri Lanka, Thailand and Vietnam. These days close to a quarter of the shipbuilding workforce is foreign—four times the share ten years ago. The government has encouraged this through changes to visa rules for skilled workers passed in 2022.

While shipbuilding bosses welcome the new arrivals, locals in places such as Ulsan are feeling miffed. Boom times for the maritime industry used to be good for many smaller businesses in coastal communities, says Lee Soo-won, an estate agent in Ulsan. Eateries near HHI always filled up when shifts finished. That is no longer so true. The migrant workers "barely spend and hardly eat out", says Ms Lee.

Many of them have to pay thousands of dollars to brokers who help them secure their visas, saddling them with debt before they even enter the country. They are also inclined to send much of their income home, rather than splash out in seaside towns. Wichit says that each month he sends 30,000 baht ($920) back to his family in Pattaya, his home in Thailand. That is roughly two-fifths of what he makes.

Locals' grievances are becoming more difficult to ignore. Recently Lee Jae Myung, the president, appeared to criticise shipbuilders' hiring and pay practices. Under pressure, the companies have started talking about giving contractors bonuses. They are promising to do more to help migrant workers move their families to South Korea (with the idea that this would reduce their desire to send money out of the country). Shipbuilding bosses have also started to make noises about reducing the overall size of their foreign workforces. Yet there is only so much they can do to tempt young South Koreans back. ■

Society in East Asia

Anything goes

TOKYO

Sex tourists fuel debate about policing vice in Japan

MAI, A 34-YEAR-OLD woman in Tokyo, used to work at a hospital. But when covid-19 overwhelmed the wards, she found her work too stressful. A single mother, she also needed money for her family. Lured by higher pay, she entered the sex trade, first working as a porn actress before becoming a *deriheru* or "delivery health" worker—slang for call-girls who visit clients at home or in hotels. For a two-hour session, she earns ¥30,000 ($190).

Mai is among hundreds of thousands of

Tokyo nights

women working in Japan's sprawling sex industry. The business, thought to be worth ¥2trn-5trn ($12bn-31bn) a year, is woven into male social life. One study in 2022 found that 48% of Japanese men had paid for sex at some point, compared with 11% in Britain. Hagiwara, a 63-year-old man in Tokyo, recalls being taken to a brothel by senior colleagues after joining a company, as a rite of passage. Emu, a man in his 30s, says "most men around me have been at least once."

Lately, however, lawmakers' tolerance for the industry has come under much strain. Two recent triggers have encouraged Japanese to re-examine the confusing thicket of laws and conventions that govern how sex work is policed. One was an outrageous crime: last year authorities rescued a 12-year-old Thai girl who had been trafficked to Japan and forced to work at a sex shop in Tokyo.

The second concern has been the growing visibility of women who sell sex around Okubo Park, near Tokyo's red-light district (where the haggling more ordinarily goes on behind neon-lit doors). Relatively few women are involved in this. Nonetheless, solicitation (waiting for or approaching clients in public) is illegal in Japan. The sight of women openly waiting for clients has unsettled the public.

Compounding the public debate is the fact that some of their customers are foreign tourists, lured to Japan by the cheapness of the yen. Videos of them approaching women in Okubo Park have spread rapidly online. "It is truly lamentable," said Kamiya Sohei, leader of the right-wing populist Sanseito party, in a video. Behind the outrage lies a sense of wounded pride: during Japan's boom years in the 1970s and 1980s, it was Japanese men who went abroad for sex.

The authorities have decided to act—at least where the streetwalkers are concerned. Recently women around Okubo Park have been detained or arrested. Yet campaigners say it is unfair that authorities have not also been trying to punish the buyers. "Women are taken away by the police—while the men who buy sex stand beside them smirking," says Kanajiri Kazuna of PAPS, a women's-rights group. In November an opposition lawmaker raised this disparity in parliament. In response Takaichi Sanae, the prime minister, ordered the justice ministry to re-examine current practices and consider reforms.

The prospect of change has sparked very broad debate about how Japan could improve its policing of sex work. Some Japanese feminists would like their country to implement the Nordic style of regulation adopted by Sweden, France and others, which criminalises buying sex while shielding sellers themselves from prosecution. "Buying sex is a form of violence ▸▸

against women," says Ms Kanajiri.

Other Japanese argue that getting tougher on buyers will drive sex work underground, leaving women more exposed to violence. Some want the industry fully legalised and regulated, as in Germany and the Netherlands. Nakayama Misato of Siente, a sex-work advocacy group, argues that criminalisation can mean that women are treated merely as victims, ignoring their agency. "Doing sex work is not a bad thing—it's a valid way of making a living."

To be more than skin deep, any changes would have to apply not only to streetwalking but to Japan's vast indoor sex-industry, the laws for which are riddled with loopholes and selectively enforced. Consider the practice of "soapland", in which customers ostensibly pay to be bathed; if sex happens to take place in the process, officials generally turn a blind eye. Takao Yasuo of Curtin University says this is typical of Japan's approach to regulating the sex industry. The priority is to keep vice decorously out of public view.

A big rethink seems unlikely. For now, the justice ministry is narrowly focused on street prostitution. Taking care of that is "the lowest-cost, highest-visibility form of enforcement available to the state", notes Mr Takao. "Many lawmakers, especially conservatives, are sensitive to the idea of women becoming sexually promiscuous," says Shiomura Ayaka, a lawmaker. Women openly soliciting sex in public have become symbols of social disorder. ■

ASHOKA
The republic of uncles

A meme rattles India's gerontocrats

LET ME TELL you how to identify an Indian uncle. A dead giveaway is the phrase "let me tell you". It is inevitably followed by a thesis on what really ails the country. Another hallmark is unsolicited advice, veering from career counselling ("only girls study literature") to dietary prescriptions ("eat five soaked almonds to build immunity"). But the defining feature of the Indian uncle is his bottomless disdain for the youth of today: feckless phone-addled softies, the lot of them. They need discipline.

The uncle reigns supreme across India's divides of religion, caste and language. He earns his radioactive confidence through the simple act of reaching middle age, thereupon instantly gaining omniscience. But despite proselytising the Way of the Uncle on WhatsApp, his authority extends only to his own circle. The uncles who run India, however, know no such boundaries. They inflict their fossilised notions upon the nation. India is a republic of the uncles, by the uncles, for the uncles.

Thus does the country produce such infantilising policies as Gujarat's plan to require parental sign-off before adult couples can legally marry. Or Goa's mandatory uniforms for adult students at its public colleges. Or Delhi, where adults can vote at 18 and marry at 21 but cannot enjoy a beer until they are 25.

Thus too are Indians subject to the pronouncements of learned higher-court judges, over 85% of whom are middle-aged men. The Calcutta High Court in 2023 advised young women to "control sexual urges" rather than "enjoy the sexual pleasure of hardly two minutes". A judge in Karnataka observed that it would be "better for the nation" if social-media access was restricted until the age of 18—or even 21. And on May 15th the chief justice of the Supreme Court lamented that "There are youngsters like cockroaches, they don't get any employment, they don't have any place in profession".

Within a day of the chief uncle's remarks, an Indian student in Boston had set up a joke political outfit, the Cockroach Janta Party. It swiftly drew over 22m followers on Instagram, more than twice as many as the ruling Bharatiya Janata Party (BJP), and gave rise to an infestation of commentary on the pent-up frustration of the young. The chief justice clarified he just meant people with bogus law degrees but could not resist adding that the "youth have great regard and respect for me." This is the delusion of every uncle.

The Indian uncle's toolkit for dealing with criticism is limited. At home it starts and ends with "Don't talk back okay!" The response of the Republic of Uncles followed the same instinct, backed by the might of the state. Domestic intelligence raised "national-security concerns". The government restricted the roaches' X account as a threat to the sovereignty of India. One BJP leader called the meme a "cross-border influence operation". It is inconceivable to the Indian uncle that young people might possess agency.

It is inconceivable, too, that the uncles might not know all. Half the population is under 30. India produces 5m graduates every year, but just a third find regular salaried jobs. Yet the uncles do not ask why job creation is so lacklustre. Easier to blame the youth. Some years ago Narayana Murthy, a septuagenarian billionaire, exhorted young people to work 70 hours a week, declaring that "India needs a stronger work ethic." Not to be outdone, the chairman of another firm advocated a 90-hour week: "What do you do sitting at home? How long can you stare at your wife?"

Many youngsters already work such hours. They go to school or university. They attend extra coaching classes. And when they get home they study some more. In May more than 2m candidates sat a national exam for around 130,000 medical-college seats. Nine days later the testing agency invalidated their efforts because papers had leaked. The same month 1.8m pupils received the results of class 12 exams—the single most important test in Indian schooling. Those, too, were full of errors. A parliamentary committee is investigating both fiascos. The uncles will grade the uncles.

It is a minor miracle that the youth, faced with parental pressure, overbearing states, systemic incompetence and poor job prospects, respond only with a silly meme. Their peers in Nepal, Bangladesh and Sri Lanka have been rather more heavy-handed with their own ageing leaders. Here is some unsolicited advice for the uncles of India: let the cockroaches have some fun on the internet. It is for your own good. And don't forget your five soaked almonds.

China

Economic opportunity

Falling behind

TIANSHUI

China's high-tech rise is leaving much of the country in the dust

LIKE MANY cities in China's hinterland, Tianshui, in the western province of Gansu, is full of dusty and disused factories. But over the past decade it has also become an unlikely high-tech hub. New industrial parks have sprouted, offering companies cheap energy, financing and land deals. The city has already built an exhibition hall to display the zippy products it hopes to make in the future, called "Tianshui Industry 2050".

All this will please officials in far-off Beijing. They want China's rust belt to reinvent itself with technology. Just recently they released yet another plan for urban renewal, calling for the transformation of stagnant cities into "innovative" places that can offer their inhabitants a "high-quality life".

Yet for all the fanfare, the people of Tianshui are not much better off. The new factories have failed to offset a broader slowdown in the city's economy: ten years ago Tianshui's GDP per person was 16% of Beijing's; now it is 14%. In 2025 the city's economy grew at a rate two percentage points slower than the national average. Nor, say locals, have the highly automated facilities created many jobs for them. Throngs of young people are leaving in search of better opportunities. Over the past decade, its population has shrunk by nearly half a million to 2.9m. At this rate, by 2050 there will be few workers left.

The tale of Tianshui shows the limits of China's big bet on advanced manufacturing. The Communist Party has decided the country's economic future lies in making world-beating technology. So hundreds of cities across the country are, like Tianshui, trying hard to do so. But while the high-tech drive has helped some brainy, connected and wealthy cities become even richer, most of those in the hinterland lack the supply chains or talent to take advantage of it. After all, some 60% of China's workforce—about 500m people—do not even have a high-school education. Many of them live in smaller and poorer cities.

For centuries Tianshui was more a cultural than an economic hub. Legend has it that China's first emperor, a serpent-bodied demi-god, was born there; Buddhist grottoes have been cut out of the cliffs nearby. But in the 1960s Tianshui industrialised. It became an important cog in the state-planned economy; its factories made tractors, ball bearings and matches.

A tale of two cities

Dormitories, schools and hospitals were built to cater to the swelling labour force. One of the workers was Ms Dong, now in her 80s, who enjoyed an ultra-stable "iron rice bowl" job at a printing press. She retired in her 40s with a good pension and a guarantee that her son could inherit her job. But most local factories were not competitive enough to survive China's bumpy transition to a more market-driven economy in the 1980s and 1990s.

In the past ten years a new generation of high-tech factories, making gizmos such as sensors and machine tools, has sprung up. But they have not brought many jobs with them. An exhibit at Tianshui's museum displays snapshots of the city's factory floors over the decades. Each shows fewer workers and more robots. Most of the factory positions that are available pay around 3,000 yuan ($440) a month, according to locals, half what they could get in a big city like Shanghai. "I'd like to stay here to settle down, but there's just no good jobs for young people," says Wen Jin, a 27-year-old Tianshui native who has moved to Jiangsu province, a wealthy eastern region. The city's best days are firmly in the past, reckons Ma Xin, another local in his 20s who is hoping to get out.

High-tech industries do create well-paid jobs as well, in research and development, for instance. But these positions are mainly clustered in big cities near China's coast, like Beijing, Shanghai and Shenzhen, which boast the best universities, brightest graduates and access to the densest supply chains. Tech-sector salaries in such places have shot up in recent years, some topping 1m yuan a year. But few parts of inland China have a chance of attracting such stellar jobs, explains Dan Wang of Eurasia Group, a consultancy. "The vast majority of Chinese cities are stuck with what they have."

Even as Tianshui is unable to gain from China's new economic model, it struggles with the problems of the old one. China's growth has slowed in recent years thanks, in large part, to a lingering property crisis that is gripping the country. House prices have fallen fastest in smaller cities like Tianshui. Unfinished concrete flats litter the city's outskirts; investment in property there fell by over 40% last year. This in turn has been a drag on consumption because people feel poorer. Total retail sales in Tianshui slipped by a little over 5% in 2025.

Gloomy walks through its malls reveal shuttered shops and empty restaurants.

There is a risk that these trends, multiplied across China's smaller cities, will cause the gaps between the country's haves and have-nots to widen further. The economic slowdown seems to have hit the poor hardest, according to data compiled by Li Shi, a professor at Zhejiang University in the eastern city of Hangzhou. In a paper published in April he cited surveys showing that China's bottom tenth of workers by income saw their wages rise by only 2% per year from 2018 to 2023, compared with an average annual growth rate of around 5%.

China's government knows that high-tech factories are not an economic panacea. Investment in machinery and other physical assets "has fuelled China's economic boom, but its returns have gradually declined", noted Xinhua, the official state news agency, earlier this year. China's latest five-year plan, which was released in March and covers the period to 2030, called for "investing in people" as well as factories, to make the economy more equal. In practice, that would mean much more government spending on education, particularly for children from poor families, giving them the skills and knowledge to get better-paid jobs.

But as the people of Tianshui would attest, that is easier said than done. The city's budget is far smaller than those of wealthy places—it spends less than one-third of the amount per pupil in school that Beijing does, for example. And the economic downturn threatens to turn this into a cycle of decline; the city's fiscal revenues fell by nearly a tenth last year. Few of Tianshui's students ever make it to the country's best universities. "It's too difficult for children to compete here," says Shi Tingting, the mother of a 12-year-old girl. "They end up trapped." ■

Scientists in government

Boffin rule

Tech rivalry is helping to reshape the ruling elite

It is often said that China is ruled by engineers. In fact, it is ruled by people with engineering degrees. President Xi Jinping, who studied chemical engineering, has probably not looked at a flow chart since his university days. Upon leaving school he went to work in the government for one of his father's old pals. Like Mr Xi, most of China's top leaders have spent their adult lives climbing the ranks of the Communist Party. Now, as China races to beat America to new technologies, true boffins are being given more power.

Some of China's most prominent chemists, physicists and computer scientists are being drawn into the party's upper ranks. Recent research by Li Cheng and Zhao Xiuye of the University of Hong Kong shows that more "academicians", an elite group of career scientists elected by China's academic bodies, are joining the party leadership and government. The number of such scientists with seats on the party's decision-making Central Committee has doubled in the past decade to 29 of the roughly 350 members. They are said to have been elevated to help set policies, and to guide capital and talent towards China's innovation machine.

Some of the experts remain in academia as presidents of universities and leaders of national laboratories. Others have hung up their lab coats for government jobs. Huang Ru, a leading specialist in microelectronics, spent most of her career as a professor at Peking University. This year Ms Huang was made a vice-chair of the National Development and Reform Commission (NDRC), the state planning agency, to oversee efforts to build home-grown semiconductors. She joins Xiangli Bin. Though not formally an "academician", he

helped build Beidou (China's answer to America's GPS navigation system). Mr Xiangli was appointed vice-chair in 2024 and helps implement innovation policy.

The drive for technological self-reliance is a whole-of-government effort. Huai Jinpeng, the education minister, for example, is an expert in networked computing systems of the sort needed to link up data centres. His deputy minister is a physicist who was most recently in charge of Zhejiang University, known for turning out talented engineers for China's artificial-intelligence labs. Both have seats on the Central Committee. It is likely that some of the academicians are members of an opaque party body called the Central Science and Technology Commission, created in 2023 to bring China's innovation drive directly under party control.

So far, Messrs Li and Zhao noted in a report for ThinkChina, a news site, that no recognised academician has made it onto the party's 24-member Politburo. Yet that body, too, has grown brainier: five of its members selected in 2022 could boast of serious scientific careers.

The personnel changes reflect a push to bring patriotic outside talent into policymaking in a critical area. Qian Xuesen, the father of China's project to acquire ballistic missiles, was given a seat on the Central Committee in 1969. As it was then, competition with America may be a disciplining factor today. Whereas other areas of policy, such as the economy, can be beset by ideological miasma, China's leadership demands results from its campaign to build new technologies. A technocratic approach may offer related advantages.

Bringing in outsiders may also be politically convenient. Academics often lack deep networks inside the government and are therefore politically weak and unthreatening to those who hold power. It also means they are less likely to be part of corrupt cliques. Back in 2022, anti-corruption authorities cleaned out a network of officials in charge of disbursing the China Integrated Circuit Industry Investment Fund, known as the "Big Fund", for apparently pilfering from its 343bn yuan ($51bn) in assets. A new team has been brought in to manage semiconductor industrial policy as a result, say analysts.

Is the push for technological self-reliance creating a new glidepath into China's ruling elite? The party has long grappled with how to select cadres that are both politically trusted and technically competent. Under the rule of Mao Zedong, those with revolutionary credentials ("reds") were pitted against the intelligentsia ("experts"). At the next five-yearly party congress, to be held in 2027, Mr Xi will once again reshuffle the leadership ranks. The best advice for ambitious reds may be to become a little more expert. ■

Finding fame

The success of a stickler

Ma Ning will proudly represent China at the World Cup

WITH A PHOTO from an aeroplane window and the caption "I'm ready, are you ready?", Ma Ning, a Chinese football referee, announced his departure for Miami and this year's World Cup. China's footballers will not be joining him. The men's team has not qualified for a World Cup since 2002, when it crashed out without scoring a goal. Though the country struggles to get its players to football's biggest tournament, it has become unexpectedly adept at producing referees.

Mr Ma hails from Liaoning, in China's rust belt. The province was once the heartland of heavy industry and state-owned enterprises, earning a reputation for bureaucracy and respect for procedure. Whether by temperament or upbringing, Mr Ma, nicknamed "Card Master", has made a career out of taking rules seriously. Supporters celebrate his willingness to punish offenders regardless of status or consequence; critics say he likes the limelight. Few referees attract as much scrutiny.

His breakthrough came in 2015, when he issued nine yellow cards and three red ones in a single match. Just last month supporters of Shanghai Port, a club in China's top league, marked Mother's Day by chanting insults about his mother. The abuse quickly spread online but Mr Ma appeared untroubled.

The hostility has done little to impede his notable ascent. In 2024 he became the first Chinese referee to oversee an Asian Cup final. And football officials in China have defended his decisions from backlashes. It will be his second consecutive appearance at the World Cup and may mark his debut as a referee at the tournament (previously he served as a fourth official).

The strangest consequence of Mr Ma's rise is the faith some supporters place in his impartiality. Unlike referees who may worry about the repercussions of their decisions for their own national teams in the World Cup, Mr Ma faces no such dilemma. China is unlikely to appear in the tournament soon. He has little to lose and much to gain. Despite being 46 years old, he does not seem to be eyeing retirement.

As sponsorship deals accumulate and followers flock to his newly created social-media accounts, Mr Ma's success has become a story in its own right. Chinese men's football, despite years of reform and personal backing from Xi Jinping, remains synonymous with corruption scandals, administrative dysfunction and chronic underachievement. For a country of 1.4bn people, China's most successful representative in world football is not scoring goals. But he's meeting his own regardless.

You're better off taking the stares

CHAGUAN

The very fastest fatigue

New rules aim to help delivery drivers but the economy will keep them down

CHINESE CITIES can look like a tableau of bold colours as delivery drivers on scooters—some yellow, orange or blue—zip through traffic bearing cargo to waiting customers. It is in the distant outskirts that the colours come to a rest. Amid the warrens of buildings, drivers rent cheap rooms, parking their scooters in the narrow streets and hanging their matching jackets from windows to air them out.

One colour absent from their uniforms—each associated with a different delivery service—is gloomy grey. But speak to them as they return home, and that is the dominant hue. For years the delivery industry attracted strivers who knew they could earn more than in factory jobs or who wanted easy cash while awaiting better opportunities. These days, the realisation has set in for many: this may be as good as it gets, and it is worse than it used to be.

"Whatever you do, nothing's easy," says Mr Wu, a driver for Taobao Flash, a delivery service. On his break after a long morning, he has taken off his orange jacket, revealing tattooed arms. He used to make seven yuan ($1) per order but that has fallen to four, in part because millions are chasing gig work as the wider economy slows. "After food and housing, there's barely anything left."

Many couriers have gruelling schedules—working as many as 14 hours a day and rarely taking time off. Being late cuts into earnings, so they race to beat deadlines. Accidents are common. Mr Guan, in the blue uniform of Shansong, a parcel service, accepts danger with fatalism. "There is nothing more frightening than not being able to eat," he says. "Every morning when I wake up, it's not safety I think about. It's about earning enough."

Chaguan spoke to these drivers in Yuxinzhuang, a commuter enclave in the north of Beijing. It achieved modest fame over the past month, sparked by a new documentary about migrant workers. The half-hour film, "2026 Chinese Delivery Drivers Survival Report", was an unflinching look at their lives, following them from their cramped quarters in Yuxinzhuang through Beijing's streets. The news website that hosted the documentary pulled it after a couple of days online. Whether because of official censorship or corporate pressure, it made for a Streisand effect with Chinese characteristics: the documentary ended up on YouTube, attracting viewers around the world.

In the past, Chinese media and officials have not shied away from discussing the pressures and perils faced by delivery drivers. Estimated to number as many as 20m, they are simply too ubiquitous and too woven into daily life to be ignored, bringing people food, clothes, medicine and more. During covid-19 lockdowns, they were a lifeline for many. They have been the subjects of articles, films, podcasts and books; indeed, a book by a former courier was a publishing sensation in China in 2023. Xi Jinping himself met delivery drivers on the eve of Chinese New Year a few months ago, noting that cities could not function without them.

Much of the commentary from state media conveys compassion, implicitly promising that the Communist Party is attuned to their challenges and will help them. At the street level, that is not the direction of travel. Many drivers point to the end of China's covid restrictions in 2022 as the moment when things started to sour. The hoped-for economic rebound never materialised and consumer spending—the ultimate source of demand for their services—has stayed sluggish ever since.

More controversial is the government's role as regulator and enabler of persistent problems. Many concerns focus not on drivers' wages but on their working conditions. Algorithms dictate order flows, pushing them to work faster. Delivery platforms almost always side with consumers in disputes. And drivers are typically contractors for third-party staffing firms, which allows big e-commerce platforms to avoid payments for medical insurance and pensions. This adds up to extreme hazards and scant buffers. Surveys of drivers indicate that roughly a third have been hurt on the job and only a fifth have insurance against workplace injuries.

On paper, rules to protect delivery drivers, introduced by the government in 2021, appear to be on the mark. They guaranteed minimum wages and required platforms to make order-dispatching algorithms more humane, for example. In practice, officials have generally failed to implement these standards and punish violations. In April the Communist Party's powerful Central Committee issued new labour rules for all gig workers, including delivery drivers. Yet these largely restate existing measures, fuelling scepticism about whether they will actually make a difference.

Tomorrow won't be better

Even if officials are stricter in enforcement, structural realities stack up against drivers. With a low barrier to entry, the delivery industry is a final refuge for those unable to find more stable jobs elsewhere, ensuring that wages will remain under pressure so long as the economy is weak. Most drivers come from poorer parts of the country and struggle to acquire residency rights where they work. That limits their access to local social services, from unemployment insurance to hospitals. They are vulnerable not just because e-commerce platforms exploit them but because the state has made them so.

Drivers cannot engage in true collective bargaining. They are allowed to join unions but these all fall under the party, which is more committed to stamping out occasional protests than uniting workers as a social force. "Everyone knows that organising is useless," says Mr Guan. After a bowl of noodles, he was heading back to the roads for an evening of work. Daytime deliveries had fallen well short of his target but he remained hopeful he would get there if he stayed out past midnight. "The point is not that it's exhausting. There's just no other way." ■

Business

The rise of Texas

Rodeo capitalism

AUSTIN AND DALLAS

Why the Lone Star State is America Inc's new centre of gravity

“JUST WHEN I thought I got him to fall in love with Tennessee, I shoulda known better than to take him back to Abilene.” So laments Ella Langley in “Choosin' Texas”, a song that has ranked near the top of America's music charts throughout 2026. Some of those listens may be coming from policymakers elsewhere in the country. Much like Ms Langley, they are losing to Texas.

On May 27th ExxonMobil's shareholders approved a plan to cut the oil giant's ties with New Jersey and reincorporate in Texas, where it has long had its headquarters. It is not alone. According to CBRE, a property firm, at least 184 companies shifted their headquarters to Austin, Dallas or Houston between 2020 and 2025, among them Tesla, a car company, and Caterpillar, a maker of construction equipment (see chart 1 on next page).

Texas is steadily establishing itself as America Inc's new centre of gravity. No state receives more business investment or is adding more people to its population. From 2020 to 2025 it created roughly a fifth of all net new jobs in the country.

In the early 2020s Texas was luring in remote workers fleeing high taxes, exorbitant house prices and bad policies in America's coastal metropolises, while benefiting from the Biden administration's subsidies for green energy and chipmaking facilities. Now the state's dominance in energy has made it a major beneficiary of the data-centre boom. Meanwhile, its technology and finance ecosystems have been deepening. This summer it will ring in its first standalone bourse, the Texas Stock Exchange, joining outposts of the New York Stock Exchange (NYSE) and Nasdaq already operating in the state. (Donald Trump has called the NYSE's new branch an “UNBELIEVABLY BAD THING” for his hometown of New York, even if his social-media venture was the first business to list on it.) The state's appeal to yuppies is also growing with every stream of a country song. It seems there is no part of America with which Texas is not competing.

To understand its ascendancy, start in Houston, heart of the Texan energy industry. Its oil-and-gas barons have been raking in profits as a result of the Iran war. But over the past few years the state has also become a hub for green energy (see chart 2). This year it is expected to build two-fifths of all new utility-scale solar in America, a technology for which its wide-open flatlands are ideal. (One project, Tehuacana Creek, is adding 837 megawatts, making it the largest that will come online in America this year.)

This investment bonanza has caused some hiccups along the way. In 2021 Tex-

ALSO IN THIS SECTION

as's grid suffered a series of critical failures during a winter storm. But the episode led to modernisation efforts—including big investments in battery storage—that state officials hope will position the system to deal with soaring demand better than many other parts of the country. So far the signs are positive. Despite huge increases in power consumption, Texas's retail energy prices are middling among American states. Since the crisis its grid has had only one emergency alert, notes Judd Messer of the Advanced Power Alliance, a green-energy lobbying group.

What is more, many of the data centres being built in Texas are powered off-grid, meaning they do not need to wait for an interconnection. That includes the gas-fuelled mega-project in Shackelford County commissioned by OpenAI, maker of ChatGPT, and Oracle, a wannabe hyperscaler. About half of the off-grid energy projects in America are based in Texas, says David Brown of Wood Mackenzie, a research firm.

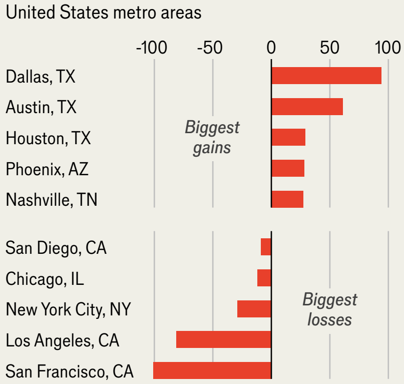
Loose planning rules help. Most of Texas's counties have limited control over development on land outside city limits, such as the Grimes County site where Mr Musk plans to build Terafab, a semiconductor facility the size of a European microstate. A sales-tax exemption for data centres, introduced in 2013, has further added to the appeal of building them in the state. JLL, another property firm, reckons that Texas may overtake Virginia, currently the state with the largest data-centre capacity, as soon as 2030.

Abundant energy and the freedom to build have also fuelled Austin's rise as a hub for advanced hardware. Its "Silicon Hills" are home both to established businesses, such as Dell, a computer-maker, and to buzzy startups, such as Apptronik, a robotics firm. Venture-capital (VC) investment in Austin reached a record $7.4bn last year, according to PitchBook, a data

Southern hospitality 1

Net change in number of company headquarters due to relocations*, 2020–25

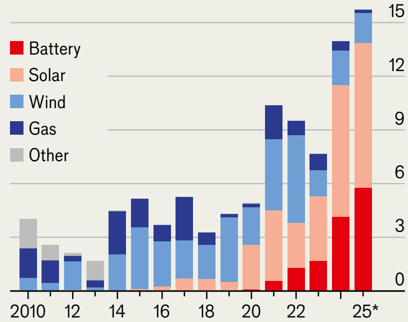
United States metro areas



Source: CBRE *Excluding intrastate moves

Bursting with energy 2

Texas, electricity-capacity additions, gigawatts



Source: EIA *Estimate

provider (see chart 3). The city is now America's fifth-most active for VC investment, up from tenth a decade ago. One floor of its largest startup incubator, Capital Factory, also hosts an outpost of the American army's innovation unit.

The investment wave in Texas has helped lure the financial sector to Dallas's "Y'all Street". Goldman Sachs is building a $500m campus in the city with room for 5,000 employees. JPMorgan Chase, America's biggest bank, now has more staff in Texas than in New York. There is plenty for them to do. Nasdaq's Texas branch, which opened in March, will host SpaceX, a rocketry firm, in conjunction with its sister exchange in New York.

Corporate lawyers in Dallas and other Texan cities will be just as busy. State officials are eager to supplant Delaware as America's corporate-law hub. In 2024 they established the Texas Business Court, presided over by expert judges capable of handling even the most complex disputes. Last year the state also introduced a measure to allow firms to prevent shareholders with a stake of less than 3% from suing them, and another to let only large shareholders put forward proxy proposals.

Those changes, along with other draw-cards such as low business taxes, are luring ever more companies to Texas. Bryan Hughes, a state senator and one of the architects of the business court, predicts that the reincorporation of a business of Exxon's size will cause a rush southwards: "The ice is broken."

Boot Scootin' Boogie

On South Congress Avenue, one of Austin's upmarket shopping streets, long lines stretch outside shops selling cowboy boots and shiny belt buckles. They reflect another of Texas's less-appreciated assets: its growing soft power.

Kendra Scott, a jewellery firm last valued in 2016 at over $1bn, is but one example of the state's growing list of successful brands. In 2023 it launched Yellow Rose, a cowboy-chic sub-brand that has been expanding rapidly as the ranch aesthetic has become trendy. (Even the Princess of Wales has recently donned cowboy boots.) Rodeo style is "not just a Texas thing" any longer, says Ms Scott, founder of the brand. She points out that Louis Vuitton now sells Western-themed products and singers such as Post Malone have begun making country music.

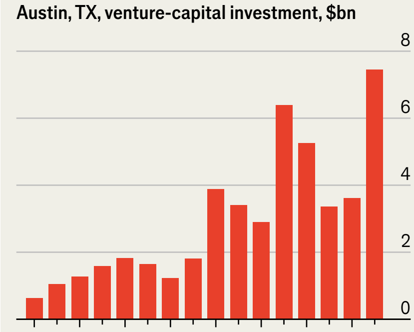
Ms Scott's is not the only Texan brand with national ambitions. Companies such as Yeti, a maker of supersize water bottles, and Buc-ee's, a roadside convenience store, are fast expanding outside the state. They serve as advertisements for the Texan way of life much as surf brands did for California or preppy retailers like Ralph Lauren did for the WASPy north-east.

Texas's growing cultural appeal is making it easier for firms to convince workers to move there, notes Richard Florida of the University of Toronto. That matters, because securing skilled workers will be crucial to Texas's continued ascent. Cultivating homegrown talent is a big part of Texas's economic plan, but in the short term the state will need to lure superstars from elsewhere. Abundant housing and low personal taxes only go so far. Many workers are put off by parts of the state's political agenda. Blue enclaves help. Showy displays of lib-owning, including those gleefully pursued by Texas's attorney-general (and Republican senatorial candidate) Ken Paxton, do not.

Texas's success should worry those in New York and California monitoring their tax take. At the same time it has spawned a number of imitators. Legislators in North Carolina have passed a plan to get rid of its corporate-income tax by 2030. Tennessee has copied Texas's strategy of offering firms shovel-ready mega-sites. Nevada is trying to launch its own business court. But none is close to competing with the Lone Star State, argues Michael Sury of the University of Texas at Austin. "Texas had the seeds already planted, but as we've started to attract more capital and firms, we're at an inflection point." ■

Bull market 3

Austin, TX, venture-capital investment, $bn



Source: PitchBook

BYD

Losing its spark

SHENZHEN

Can China's EV champion stay ahead in an industry defined by software?

FOR YEARS visitors to the Shenzhen headquarters of BYD, the world's largest maker of electric vehicles (EVs), have been treated to an explosive safety demonstration. As they peer into a chamber made with thick protective glass, a drill bores into a conventional EV battery, which erupts into flames. Then one of BYD's signature "blade" batteries is similarly pierced—without the subsequent blast.

BYD was built around batteries. And its founder, Wang Chuanfu, created his car empire using the same rigid vertical integration that made them successful. That entails everything from running its own lithium-processing plants to training its own artificial-intelligence models. On May 28th Mr Wang unveiled a semiconductor, designed in-house, that he claimed was the world's most powerful for self-driving.

With far fewer middlemen to deal with, BYD has managed to control costs even as they have surged for others, turning out ultra-cheap, high-quality models such as the Seagull, a compact EV that sells in China for around $10,000. Vertical integration is also credited with speeding up innovation, as engineers from different divisions collaborate on common problems. When supply bottlenecks have held rivals back, BYD has been able to step on the accelerator. It churns out new models faster than most, with several brands at different price points, some with captivating, quirky add-ons. Models from its luxury Yangwang brand can float in water or jump over potholes. One from Denza, another upmarket marque, can "crabwalk" sideways into parking spots. (It uses the brand "BYD" for its mass-market range.)

The company's strategy has served it well. Revenue has increased ten-fold in the past decade, to $116bn last year. In 2025 it sold more cars than Elon Musk's Tesla. Mr Wang is thought to be worth around $25bn. But the model is showing signs of weakness. Operating profit fell for the first time in four years in 2025 (see chart). In April sales fell, year on year, for the eighth month running. In the first two months of 2026, Geely ended BYD's run of more than three years as China's leading EV-seller, though BYD has since reclaimed top spot.

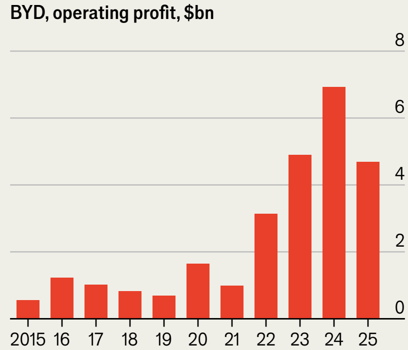
China's EV industry as a whole has been battered by a ferocious price war that has crushed margins. Yet BYD is also starting to look out of place as the market focuses far more on software and entertainment. Young would-be customers often inspect the large entertainment display panels on the dashboard before anything else. Several challengers, such as Xpeng and Li Auto, were founded by internet bosses.

Other carmakers have been forging partnerships with tech firms. Volkswagen has bought system know-how from Xpeng. A division of Huawei, a Chinese tech giant, is selling software and entertainment systems to no fewer than five carmakers. It has helped JAC, a stodgy state-owned firm, launch a luxury EV brand called Maextro that sells for more than $100,000. Geely has been inking deals left and right, for instance with StepFun, an AI startup, for autonomous driving and with iFlytek, another AI business, for voice recognition. In September it launched a computing platform for AI models with Thundersoft, a Chinese software developer.

By contrast, BYD is keeping things in-house. Max Zhang, a member of the team developing its autonomous driving system, points out that other carmakers are at the whim of their third-party suppliers for upgrades. Keeping that control is still the most important thing for BYD, he says.

Downhill drive

BYD, operating profit, $bn



Source: S&P Global

But autonomous driving is one area where the risks of BYD's vertical integration have become clear. Missteps are more difficult to correct. BYD has been quick to deploy its system in several models, including cheaper ones, even before the technology was mature. This has drawn rare direct criticism from competitors. Yu Chengdong, a Huawei executive, has said that "so-called 'good enough' and 'safe' intelligent driving are two completely different levels." Such remarks may explain why Mr Wang said on May 28th that BYD would be the world's first company to cover losses from autonomous-driving accidents. Visitors to its headquarters this year are treated to a new demonstration: a sporty model spins donuts in the car park while the driver takes his hands off the wheel.

BYD still hopes its batteries will set it apart. Its latest charging technology gets its EVs near to capacity in around ten minutes. An installation at its headquarters freezes an EV at -30°C to show off its resilience. Although competitors such as CATL, the world's biggest battery-maker, are reproducing many of its achievements, BYD believes it can stay one step ahead. Even so, it is getting ever harder to maintain an advantage from batteries alone. ■

Arms-making

Sheikh, rattle and roll

ABU DHABI

A new defence champion is rising up from the Gulf

THE PETRO-MONARCHIES of the Gulf are celebrated big spenders—not least by the West's defence industry. Their oil wealth pays for about a fifth of global arms imports, with a shopping list ranging from fighter jets to frigates. In a noisy, volatile neighbourhood, safety comes at a price.

Now the rich rulers are nurturing their own defence industries, hoping to reduce their reliance on the West. Not surprisingly, the Iran war has hardened this ambition. Saudi Arabia intends that by 2030 half its arms budget will be spent at home, up from a quarter today, and that Saudi Arabia Military Industries (SAMI) will be in the world's top 25 defence firms by revenue. Yet so far the state-owned enterprise, which has joint ventures with Boeing, an American aerospace giant, among others, mainly produces spare parts for American fighter jets and a few lines of armoured vehicles. Qatar's Barzan Holdings is likewise ambitious but small.

It is in the United Arab Emirates (UAE) where momentum is strongest. In 2019 ▸▸

around 25 Emirati companies were merged to form the EDGE Group, a national defence champion. It has since bought majority stakes in several foreign firms, and in May agreed to acquire 80% of Costruzioni Motori Diesel, an Italian engine-maker. It has stakes of 51% in ventures with two other Italian firms, Leonardo (in a range of areas) and Fincantieri (in shipbuilding), and a partnership with Germany's Rheinmetall (in air defence). In November it formed a joint venture with Anduril, a fast-rising American defence-tech firm, to make drones for the UAE and its allies.

Last year EDGE's revenue topped $5bn, with "healthy" profit margins. Orders of about $8bn brought the total outstanding to more than $20bn. Hamad al-Marar, the company's chief executive, estimates revenue will rise by a fifth over the next two years as these are fulfilled. Already it is among the world's top three makers of precision-guided munitions.

EDGE does not aim to localise everything and anything; rather, it prioritises systems and components deemed critical or whose supply chains might prove insecure. At the same time, its ambition is growing. The firm was already focused on owning IP. Now, says an executive, it is increasingly intent on producing it, too.

EDGE's expansion has led to a reduction in the UAE's share of global arms imports, to 2.7% in 2021-25 from 3.5% in 2016-20, according to SIPRI, a Swedish think-tank. But the company is not only producing for its home market. In fact it exports close to three-quarters of what it makes, to countries in Latin America, Africa and Asia. Even as regional competition rises, the state of geopolitics means there will be more places to export to, Mr Marar says. In January his company signed a joint-venture deal with Barzan, and it has licensed its vehicle technology to SAMI.

The UAE's growing defence prowess has stood it in good stead in the war. Iran has struck at the Emirates far more often than at Saudi Arabia or Qatar. About 80% of Iran's incoming Shahed drones were tackled by Emirati products, officials say. EDGE's electronic-warfare systems kicked into action, spotting incoming missiles and drones, and setting off jamming and spoofing, working in concert with American anti-ballistic-missile systems.

The upside is that EDGE's technology is now combat-tested, says Mr Marar. Of course, the war has created challenges as well: supplies stuck in the blocked Strait of Hormuz, for instance, are bound to delay production plans. Still, the Emiratis' efforts over the past few years to indigenise defence production now look farsighted. Even with powerful allies and brotherly neighbours, greater self-sufficiency is valuable. The UAE's defence champion might just give it the edge it needs. ■

Toys

Gotta build 'em all

A Lego-Pokémon partnership shows how toys and media are joining forces

Lego executives tried valiantly to present their latest products on June 2nd amid a din of chirping, croaking and snoring. The toy giant's newest range is part of a collaboration with Pokémon, a Japanese brand that has evolved from video game to multi-media phenomenon. Built-in chips let the creatures train, battle and noisily chat when put near each other.

Pokémon is the latest in a growing line of Lego tie-ups with media brands. Since the success of a Star Wars set in 1999, the Danish firm has sought licences everywhere from gaming (Nintendo) and Hollywood (Harry Potter) to sport (Formula One). Generic pirates and spacemen are increasingly squeezed off store shelves by the likes of Super Mario. Toys based on licensed intellectual property (IP) provide more than half of Lego's $13bn annual revenue, estimates Circana, a research firm.

The brickmaker is not the only example. Hasbro's Monopoly has versions that license everything from James Bond to Barbie. Funko, which makes the wildly popular Pop! dolls, offers likenesses based on athletes, actors and much else. Its slogan—"Everyone is a fan of something"—sums up the idea. The share of global toy sales based on licensed IP has risen from 25% to 37% in the past seven years, says Frédérique Tutt of Circana.

Lego shows how the strategy can work. Tapping into another brand's fanbase is less risky than investing in a new line of your own. It is also more agile: last year Lego went big on "Jurassic World" sets to coincide with a new movie; this year it will capitalise on Pokémon's 30th anniversary. IP also attracts adults, who might not buy an ordinary Lego castle but could be tempted by a $650 replica of one from "Lord of the Rings". Changing from a kids' company into an all-ages pop-culture brand has helped to nearly double Lego's annual revenue since 2020, to over twice that of Mattel, its nearest rival.

Working with partners isn't easy. Pokémon staff made weekly trips to Lego's headquarters in Billund. Twenty-five new types of brick were needed to get details like Pikachu's arms and Jigglypuff's ears right. And Lego has to send licensees a cut of sales—though the generally higher prices of its branded sets suggest it is passing some of the cost on to consumers.

Fast-moving online culture also presents challenges. Julia Goldin, Lego's marketing and product chief, says that social media make it easier than ever to spot trends—but harder to know which will endure. Creating a new Lego range takes a good 18 months, longer than the lead-time for firms making card games or plush toys. Lego's take on "KPop Demon Hunters", a surprise blockbuster film last summer, will not be out until later this year.

The company emphasises that it still builds its own brands. Botanicals, a newish floral range aimed at adults, will probably be its best-selling line this year. But third-party IP seems to be what its customers crave. On Lego Ideas, a forum run by the company where fans suggest new themes, requests include a "Happy Days" diner and a "Scooby-Doo" haunted house. Time for children—and perhaps adults—to make more space on the toy shelf. ■

I choose you!

Casinos

Rolling the dice

Two tycoons are betting big on a Las Vegas revival

CHANCE PLAYS a big role in Las Vegas. But two events in the space of a week seemed to be more than just coincidence. On May 28th Tilman Fertitta, a hospitality mogul, announced that he had agreed to buy Caesars Entertainment, a chain of more than 50 casino resorts, in a deal valuing the company at $17.6bn. Four days later Barry Diller, the high-rolling owner of People Inc, a publishing business, upped the ante with a bid for MGM Resorts that valued the casino operator at over $18bn.

It may seem a surprising time to be betting on the gambling industry, which has been on a painful losing streak. Online gaming has been disrupted by the arrival of "prediction markets" run by firms like Kalshi and Polymarket, which allow punters to bet on anything from sports results to American invasion plans. Meanwhile, bricks-and-mortar casinos have struggled as consumers have grown anxious about the state of the economy. Las Vegas, where MGM and Caesars operate glittering casino-resorts along the Strip, received 10% fewer visitors last year than at its pre-pandemic peak.

Having been dealt such a bad hand, many investors have folded. In the five years up until last week, MGM's share price had fallen by about 15%; that of Caesars, which is more leveraged and less diversified, had dropped by nearly three-quarters. Messrs Fertitta and Diller, however, seem to have concluded that the market has now reached the bottom.

Are they right? Many in Vegas—admittedly the world capital of optimism bias—believe that the industry is about to turn a corner. The city is "hitting an inflection point" in visitors' perception of the value it offers, says Barry Jonas of Truist, a bank which recently upgraded MGM from "hold" to "buy".

Some long-term trends in consumer behaviour also look to be playing out in casino operators' favour. One is the growing demand for live entertainment, something on which casino-resorts have placed big wagers in recent years. In the early 1990s gambling accounted for nearly 60% of the revenue of resorts on the Las Vegas Strip. Today it accounts for just over a third, as visitors to Sin City splash more of their cash on concerts, sports and various other diversions.

And although online betting has introduced new competition, it also presents opportunities for the gambling industry. MGM and Caesars both have betting apps which they use to acquire new customers, with the ultimate aim of luring them to spend an expensive vacation at one of their resorts. Online gambling is also helping to popularise what was once considered a taboo pursuit. As many as one in six Americans placed a bet on a sporting event last year, twice as many as two years earlier, according to polling by Ipsos.

What will MGM and Caesars' new owners do with the properties? Following Mr Diller's offer of $48.30 a share for MGM, the price initially rose to over $51, suggesting the market believed he would have to offer more to clinch a deal (though the price has since fallen back). If he does succeed in taking control, he may keep things at MGM much as they are: Mr Diller's firm already owns more than a quarter of the casino operator and he has a seat on its board. The media baron, who is busy restructuring the rest of his empire, is said to get along with MGM's current management.

Mr Fertitta's acquisition of Caesars, which seems like a surer bet to go ahead, may also bring more continuity than change. The buyers have already said that Caesars' boss will stay in place. But there may be benefits from tying up with Mr Fertitta's other properties, encompassing the Golden Nugget chain of casinos and his string of hotels and restaurants, including Morton's steakhouses and the Bubba Gump Shrimp chain. Visitors to Caesar's Palace might soon be able to celebrate their wins with a fillet steak—or drown their sorrows in a bowl of gumbo. ■

Strip tease

Correction: Last week, in "The millionaire machine", we wrote that one in six American businesses with at least one employee was part of a franchise. In fact, the figure is one in eight. Sorry.

Nvidia

Chip shot

TAIPEI

Jensen Huang wants to supercharge your laptop

FOR THE past few years, whenever Jensen Huang, boss of Nvidia, has taken the stage, he has followed a familiar script, unveiling ever more powerful semiconductors, software and systems for running artificial intelligence in data centres. No wonder: the AI boom has sparked a spending spree on giant server farms, and much of that money has flowed straight to the giant chipmaker. In the past four years, annual revenue at Nvidia's data-centre division has grown from $11bn to $194bn, pushing the firm's market value past $5trn, more than any other company ever.

But on June 1st at Computex, an annual tech-industry jamboree in Taiwan, Mr Huang did more than refresh Nvidia's data-centre wares. He unveiled RTX Spark, a chip to be launched later this year for personal computers (PCs), built in collaboration with Microsoft, whose software they will run. Nvidia is taking on Intel and AMD, the chipmakers that dominate the segment—and is betting that the next phase of AI will play out not just in data centres, but on devices at the edge.

In recent years PCs have been one of tech's backwaters. Evercore, an investment bank, estimates that in the past decade unit sales of chips for desktop computers have fallen by 4% a year, while those for laptops have been roughly flat. What is drawing fresh interest is the rise of "agentic" AI, software that can carry out complex tasks on its own. As it spreads, the number of tokens (the chunks of text processed by AI models) is expected to rise sharply. Model-makers and cloud providers are already straining to keep up. Offloading some work from the cloud to local devices could be cheaper and more efficient.

Nvidia argues that this will require a different sort of machine. PCs rely on central processing units (CPUs), general-purpose chips that handle everything from word processing to web browsing. CPUs may co-ordinate the work of AI agents, but the models those agents rely on need another type of chip: graphics-processing units, or GPUs, the market for which Nvidia dominates. With RTX Spark, Nvidia is combining the two types into a "superchip". The upshot, according to Mr Huang, is that the PC is being reinvented for the first time in 40 years, replacing the old model, in which humans did most of the clicking and typing, with one in which AI agents do much of the work. ▸▸

Success is far from assured. Nvidia is not a stranger to PCs; before the AI boom, it made a big chunk of its money selling GPUs for gaming machines. But in CPUs for PCs, it is a newcomer. Intel and AMD together supply more than four-fifths of all CPUs sold for PCs. As for software, Nvidia says it has worked with Microsoft for over two and a half years on the new chip. Even so, some analysts remain sceptical that developers and users will quickly embrace a new class of AI-first PC.

Yet Nvidia has plenty of advantages. For a start, it has piles of money to invest; analysts expect the company to generate roughly $200bn in free cashflow this year. It also has the clout to draw in partners and a brand that may help catch the attention of consumers. A number of the biggest PC-makers, including HP, Lenovo and Acer, have already signed up to offer the new chip in their devices.

Nvidia's move is another sign of how fiercely contested the chip business has become, with firms venturing ever further from their original turf. In March Arm, a British designer that licenses chip blueprints to others, announced its own CPU for AI data centres; RTX Spark uses Arm's designs for its CPU. A day after Mr Huang spoke at Computex, Lip-Bu Tan, Intel's boss, presented his own plans. Among them was an AI chip due later this year, aimed at running models in data centres. Intel, Mr Tan said, was "going to do really well". Mr Huang is equally confident. ■

BARTLEBY

By the book

A reading list to help you understand your next employer

WELCOME TO UNGOLIANT! As part of your onboarding process, we encourage you to read a few books before you actually start work. That will give you the best chance of understanding our unique culture.

If a reading list seems retro, it's not. "The Little Prince" has a special place in Netflix lore: Antoine de Saint-Exupéry is still quoted in the streaming firm's culture guide. The US Marines have something called "The Commandant's Professional Reading Programme", a kind of book club with bullets; marines are expected to read five titles a year from a list of recommendations on topics such as strategy, warfare and decision-making. "The Looming Tower", a history of the 9/11 attacks, and (more improbably) "Impro", a guide to improvisational theatre, have both featured on lists for Palantir employees.

Other forms of entertainment can also provide clues to how bosses want you to think. As a child Howard Schultz, the man behind Starbucks, was a big fan of the Gene Wilder version of "Willy Wonka & the Chocolate Factory". When he was planning the firm's first roastery, a premium retail outlet built around coffee, he invited a bunch of executives to his house to watch the film and use it as a source of inspiration.

At Ungoliant, you will never ever be invited to watch the boss's favourite childhood film. Willy Wonka is not a lodestar. But if you read these books instead, you will understand our values and how we like to work.

"The Trial" by Franz Kakfa. This tale of an ordinary person who is abruptly plunged into a nightmarish world of senseless bureaucracy is less a novel, more an employee handbook.

"Catch-22" by Joseph Heller. The title of Heller's novel is about an impossible wartime dilemma: pleading insanity as a reason to avoid flying missions is itself clear proof of sanity. At Ungoliant, if you do good work, you will be asked to move into a role managing people. If you do bad work, you will be fired. There is absolutely no way to carry on doing what you actually enjoy.

"The Waves" by Virginia Woolf. Streams of consciousness, individuals blurring into each other, entire lifetimes passing and an overpowering sense of confusion. This is the perfect introduction to office life.

"Say Nothing" by Patrick Radden Keefe. It doesn't matter what this book is about. It's just very good advice.

"Tomorrow and Tomorrow and Tomorrow" by Gabrielle Zevin. None of us have actually read this one but we think it must be a primer on project management.

"1984" by George Orwell. Some people apparently regard this book as dystopian, and it is true that the Party is a bit keener on sticks than carrots. But there's a lot to learn from its core messages: that harnessing data is a source of genuine competitive advantage and that it's better to work together towards a common purpose than pursue your own selfish aims. Winston Smith is clearly not a team player and we can all see how well that worked out for him.

"The Island of Dr Moreau" by H.G. Wells. The one thing you can say about Dr Moreau is that he dared to dream. Yes, his dream was heavily based on vivisection, and some of the consequences were rather unfortunate. But no omelette is made without breaking a few eggs. To be clear, Ungoliant has no current plans to turn animals into beast folk. But thinking differently and failing is far, far better than accepting arbitrary boundaries. Further reading: "Frankenstein", "Dr Jekyll and Mr Hyde".

"Emma" by Jane Austen. An inveterate meddler ends up getting everything she wants. Proof that micromanaging can really pay off.

"The Secret History" by Donna Tartt. An outsider joins a tight-knit group of people who are devoted to a single mentor figure and steadily loses all sense of morality. The fact that the characters wind up paying a heavy price for their behaviour is the only thing to quibble with in this book. In all other respects, it tells you just what you can expect from your time working here.

"Wolf Hall" by Hilary Mantel. A supremely capable operator scales the organisational ladder on merit but fails to remember that his fate is in the hands of a wildly capricious boss. All Ungoliantians matter, but only one of us has 85% of the voting rights.

If you read all of these and still turn up to your first day at work, you are just the kind of employee we want. We look forward to seeing you next month.

SCHUMPETER
Apocalypse soon

American capitalism has taken a millenarian turn

CHARLES MACKAY'S "Extraordinary Popular Delusions and the Madness of Crowds" (1841) is reviled by historians and revered among traders. The book is best known for its colourful passages on tulip mania in the 17th century and the South Sea bubble in the 18th. But those wanting to understand business in the 21st should instead turn to Mackay's chapter on the "epidemic terror of the end of the world".

Apocalyptic thinking is the strongest impulse in American capitalism today. Elon Musk, a character who could be straight from Mackay's pages, will soon float SpaceX, a rocket company whose professed mission is to avert existential threats to humanity by establishing a colony on Mars. Mr Musk is America's richest capitalist in part because he is its loudest Cassandra.

Mr Musk is rushing to list before two other prophets with similarly millenarian worldviews. Anthropic filed paperwork for a public offering this week. Dario Amodei, its boss, has made much of the destructive potential of his firm's Mythos model, which has thus far been kept from the public. OpenAI, run by Sam Altman, will probably file its paperwork soon. The lab recently published a utopian plan for the social contract after (or, rather, under) AI.

American business nowadays is best segmented not by industry but eschatology. The threat of war looms nearly as large in business as that of AI. Last year Alex Karp, the boss of Palantir, wrote a book arguing that the future of the West depends on high-tech defence companies such as his own. Palmer Luckey, the founder of Anduril, another defence-tech outfit, often talks up his expectation that China will try to invade Taiwan. Every firm selling critical minerals has a compelling story for why theirs would become painfully scarce in the event of such a conflict.

Much of Wall Street is in a fatalistic mood. Investor withdrawals from hitherto unknown private-credit funds recently shook faith in all private markets. The list of financial innovations central bankers say pose "systemic" risks to the economy is so long it's hard to believe the system hasn't collapsed under the weight of its own anxiety. One of these, cryptocurrency, is itself an intrinsically apocalyptic endeavour, since it claims to offer protection against government control and inflation caused by Uncle Sam's spending—on, among other things, defence.

Dates of previous calamities assume almost superstitious significance. The most read book on Wall Street last year was called "1929". A good bet for this year is "1873". Traders describe the stockmarket in terms of previous catastrophes. "Will 1999 turn into 2000 or 1987? Or will the clock reset back to 1996?" wrote a strategist at Deutsche Bank this week. That's before you even consider the prospect of a 1973. And surely a 1999 would increase the likelihood of another 2008?

A millenarian economy is necessarily a paranoid one. The appearance of comets has often foretold the end of the world. Nowadays a website tracks the private jets of the super-rich, supposedly because they would flee to safety in the event of a catastrophe. Economists anxiously examine America's remarkably resilient economic data for the mark of "K", the idea that the economy is unsustainably propped up by the super-rich while everybody else languishes.

Permitting disputes have become questions of national survival. "It's over. We're done, folks," warned the governor of Utah if America were to cede ground to China in AI (his constituents are up in arms about a massive data centre in the state backed by Kevin O'Leary, a TV star best-known for appearing on "Shark Tank"). Issues of contract have assumed cosmic importance. "I apologise, but the fate of civilisation is at stake," Mr Musk wrote to Mr Altman as they quarrelled over the governance of OpenAI.

Debates about regulating business have taken an evangelical turn. Peter Thiel, a tech investor, says AI will summon the Antichrist in the form of authoritarian rules. "Merely regulating it is insufficient," wrote Pope Leo XIV in a 40,000-word essay on AI last month. "It must be disarmed." A new tune by Charli XCX, a pop star, captures both the papal and the popular mood: "Spring, Summer '26/When the world is gonna end, no hope for any of it/ Yeah, we're walkin' on a runway that goes straight to hell."

If things are so dire, why are American stocks so expensive? It is often said that American markets today are a triumph of greed over fear. But this gets things the wrong way round. Firms are raising capital in proportion to the intensity of their apocalyptic vision, and are rushing to do so before the impending market collapse many of them expect.

Fear of missing out has been replaced with something more hysterical. The instinct to accumulate capital is greater if you believes your labour will soon become worthless, as some hedge-fund types think. They are betting the house. But their portfolios are often indistinguishable from those who think that is nonsense. Other than tech stocks, what else can they buy? If AI does create a new economy, it will be a fast-growing one where bonds are worth less because of inflation and higher interest rates. If it doesn't, it will wreck the existing economy and bonds will be worth even less. Every investor is an acolyte, whether they believe it or not.

The best of times, the worst of times

It is possible for a country to worry itself into irrelevance. But America is an experiment in terrifying yourself to riches. Predictions of total and irreversible change certainly have their uses: there is no stronger pitch to investors than claiming your business will end the world as we know it. That said, an economy which combines widespread distrust of business with a growing elite millenarianism is also a combustible one. Perhaps the danger is not 2008, 1999, 1973 or even 1873, but 1789. ■

Finance & economics

Economic ideas

Gen-Z socialism

From Zohran Mamdani to Zack Polanski, leftists embrace a new economics

DIFFERENT TIMES inspire different sets of leftist ideas. After the second world war, especially in Europe, socialism drew strength from heavily unionised heavy industry. It aimed not to abolish capitalism but to manage it, by nationalising utilities and redistributing income widely. After the financial crisis of 2007-09 "millennial socialists", as *The Economist* dubbed them, argued that the post-war European model had created leaders too distant from ordinary workers and too complacent about climate change. Their solution was to put workers on company boards, create employee-owned co-operatives and subsidise green technology, all to create a more durable, fairer and greener capitalism.

Now the latest wave of socialism is swelling. It is propelled partly by outrage over the humanitarian crisis caused by Israel's war in Gaza. But for many voters Gaza has come to stand for something larger: a sense that their governments lavish attention and money on things other than their citizens' problems at home. They desire the 21st-century version of the "square deal" offered to Americans by Theodore Roosevelt in 1904.

Today this means taking on a broken system that enriches powerful interests, the argument goes, since the modern economy screws over anyone who is not on the *Forbes* list. GDP is larger than ever, and yet the rent is too high, lunch costs $28 and good work is hard to find.

The new socialists thus want the state to dictate the prices of many goods and services, especially essentials such as food and rent. Where money is required it will come, almost exclusively, by squeezing the very wealthiest. It is a form of retail politics that appeals not to notions of the common good, as in prior waves of socialism, but to people's narrow self-interest. Lower my rent! Cut my bills! Give me free buses! Protect my job! The solutions are naive, and often unworkable. But the message is so simple, and so attractive, that this Gen-Z socialism is gaining adherents across the democratic world.

Zohran Mamdani, New York's newish mayor, is one. Katie Wilson, a fellow traveller, runs Seattle. Far-left candidates such as Graham Platner in Maine and Abdul El-Sayed in Michigan hope to become senators in November's midterm elections. In Wisconsin, another left-winger, Francesca Hong, is surging in the polls for the governorship. Betting markets put Alexandria Ocasio-Cortez, a socialist congresswoman from New York, second only to Gavin Newsom as the most likely Democratic nominee for president in 2028.

In Canada, Avi Lewis, the husband of Naomi Klein, a radical-left author, recently became the leader of the New Democratic Party, the third-biggest national party. In Britain the Green Party, led by Zack Polanski, is surging. In Germany, Die Linke, a left-wing outfit, is polling at its highest level in years. In France, Jean-Luc Mélenchon, an ageing leftist with youth appeal, is eyeing next year's presidential race.

Mr Mamdani wants to freeze rents on New York's rent-stabilised apartments, open municipally owned grocery stores selling cheap staples and offer universal free child care until the age of five. Before a ▸▸

recent state election Die Linke promised the abolition of "all fees from day care to university". Mr Polanski's Greens would impose rent controls and make buses free for young people; the Australian Greens would like to make all public transport free. "Think Costco—but run as a public service," says Mr Lewis of his plan to create public grocery stores across Canada.

Voters rejected millennial socialism. In 2019 Jeremy Corbyn, a baby-boomer beloved of young Britons, led the Labour Party to its worst result since 1935. Bernie Sanders, that movement's even wrinklier American face, lost the Democratic presidential nomination in 2016 and 2020. In France, Mr Mélenchon didn't make the presidential run-off. Socialists had to look for a new approach. The post-pandemic economy has provided the opening.

In the 2020s an unprecedented chasm has emerged between the economy on paper and the economy as lived experience. Even as the rich world enjoys low unemployment, record real household incomes and soaring stockmarkets, people have rarely been so gloomy.

Since 2022 American consumer confidence has hovered around an all-time low (see chart 1, left panel). During the pandemic, 20% of Europeans thought cost-of-living pressures or housing were one of the two biggest issues facing their country. Now 36% think this, even as concerns about climate change, unemployment and immigration fade away (see chart 1, middle panel). James Meadway, a socialist thinker, sums up the left's belief: economic growth "has become detached from improvements in living standards".

Greed is good when it's mine

People blame both businesses and the state for their predicament. A poll in 2024 by Navigator, a research firm, found that three in five Americans thought "corporate greed" was a "major cause" of inflation. This may be why they seem greedier themselves. The share of Britons who want the

government to "increase taxes and spend more" on public services has dropped sharply (see chart 1, right panel), while the share who think that income tax is "unfair" or "very unfair" has doubled since 2019. The share of Americans who believe their federal income tax is "too high" is hovering around a two-decade high. In France the share who trust the central government to use public funds well fell from 33% in 2023 to 22% in 2025.

People also increasingly blame technology, and especially artificial intelligence. They fear that mushrooming data centres will push up electricity prices and that AI powered by these server farms will take their job. More than 60% of Americans, Britons and Canadians say that AI products and services make them "nervous", compared with a global average of around 50%. A recent poll of young adults in America found that 59% thought AI was "a threat to their job prospects".

And if you think today's economy is a scam, Gen-Z socialists warn, just wait for the AI-powered economy of tomorrow. A tiny number of tycoons stand to gain unprecedented power and riches at the expense of everyone else. At a recent university ceremony, students booed Eric Schmidt, a former chief executive of Google, every time he mentioned the dreaded two letters.

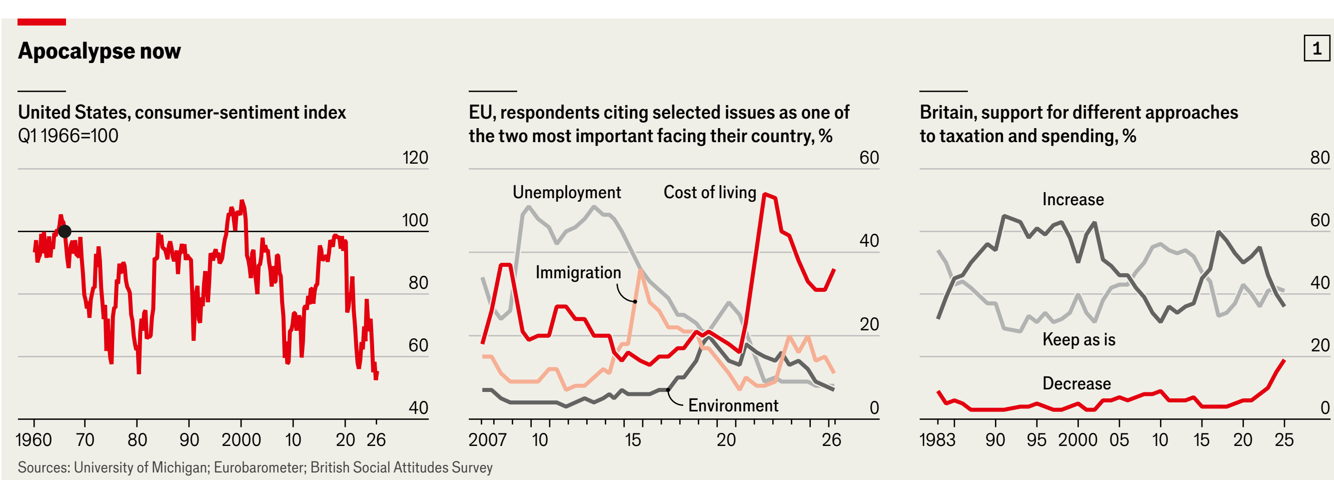
So what do people want done about all this? Voters are, on paper, less socialist than a few years ago. After jumping to a peak of 5% in 2018-21, the share of Americans who described themselves as "extremely liberal" has fallen to 3.4%. Yet this is not because people have become more right-wing, but because they have lost interest in -isms. A poll by Harvard University's Institute of Politics found that among young Americans, support for both capitalism and socialism fell sharply between 2020 and 2025 (see chart 2).

In place of ideology, people want someone to raise their incomes and cut their costs. Not since 1975 have so many Americans wanted government action to "improve the standard of living" of the poor, according to the General Social Survey, a long-running poll. They want someone to stop AI from wrecking society.

An influential group of socialist academics provides the intellectual ballast for these views. The work of Isabella Weber of the University of Massachusetts, Amherst, suggests that businesses' pricing power means that the modern economy serves executives and shareholders better than it does ordinary people. In a paper last year Ms Weber and her colleagues analysed companies' earnings calls, finding that many firms took advantage of inflation to "protect or even increase profits".

Many economists point out that wage increases, not price gouging, have driven much recent inflation. Nonetheless Ms Weber's ideas, along with associated ones such as the "K-shaped economy", where the rich win and everyone else loses, have gained traction.

Others go further, suggesting that economic growth can never give people what they really need. Jason Hickel (an anthropologist) and Kohei Saito (a philosopher) argue, among other things, that GDP growth is socially destructive, forcing people to work too hard to make ends meet. Mr Saito's "Slow Down: The Degrowth Manifesto" was a hit in Japan, selling more than 500,000 copies. Mr Hickel's



ideas are vague, but they are hip among European politicians; in 2023 Ursula von der Leyen, head of the European Commission, spoke at a "beyond growth" jamboree at the European Parliament.

In response to these political and intellectual developments, Gen-Z socialist politicians are trying out a new message. First, chuck out "woke" talking-points that, in a world of unprecedented anger about the economy and distaste for ideology, feel less urgent. No more talk of "structural racism" or DEI. The "climate crisis", the ultimate collectivist problem, gets relatively little airtime—even among Mr Polanski's Greens. Democrats have gone quiet about a "Green New Deal". Mr Platner even vows to abolish federal taxes on petrol, something unthinkable for a climate-cuddling millennial-socialist politician. Traditional tax-and-spend, the bedrock of old socialist thought, is also out.

Gen-Z socialism is instead all about making life more affordable and jobs more secure, especially against AI. Proponents favour just about anything that provides immediate relief over long-term investment projects with uncertain returns. Some want free public transport. Most love rent controls. Virtually all pledge to make child care free. Until what appeared to be a narrow defeat in a primary on June 2nd, Tom Steyer campaigned for governor of California on "a jobs guarantee for the AI era", promising "good-paying jobs and benefits for workers impacted by AI". Mr Lewis would pause data-centre construction in Canada and opposes "any attempts to replace public servants with chatbots".

The sharpest intellectual break between the Gen-Z socialists and their predecessors is in who pays for all these perks and protections. Leftists of yore envisaged broad-based tax increases. In the late 2010s Mr Sanders suggested levying a 4% surcharge on incomes over $29,000 a year (the vast majority of American households). To the extent that they propose tax rises, the new socialists focus entirely on the uber-rich (see Free Exchange). Mr Polanski wants an annual tax of 1% on wealth over £10m ($13m) and 2% over £1bn (Britain has just 100 or so billionaires). Mr Mamdani is implementing an annual surcharge on some luxury residential properties. Washington state is adopting a "millionaire's tax" of 9.9% on earnings over $1m.

Additional money will, the theory goes, come from making government more efficient. Verdant, Mr Meadway's think-tank, which is close to the Greens, has argued for a "DOGE of the left", named after Elon Musk's short-lived effort to eliminate wasteful federal spending under Donald Trump. On May 28th Mr Mamdani promised COGE—the Commission on Government Efficiency—for his city.

Most of these ideas are batty. Rent controls fail to make housing more affordable by discouraging investment in the sector, which in turn raises rents by constricting supply. Trying to stop AI will cause investment and jobs to move elsewhere. Efficiency savings are great on paper but hard to find in practice: just ask Mr Musk. And relying so heavily on taxing plutocrats is risky: there simply are not that many of them and they can move (as some have from California in anticipation of a potential extra tax on billionaires).

Free lunch isn't just for wimps

Regardless, plenty of non-socialists are entertaining policies to make Mr Mamdani proud. Middle-of-the-road Labourites are toying with price caps on groceries, centrist Democrats have proposed tax cuts for anyone outside the top few per cent of high earners and even MAGA Republicans are partial to pauses in data-centre construction. Whether or not more Gen-Z socialists succeed at the polls, Gen-Z socialism is not going away. ■

Giga-IPOs

A feast for the ages

How the stockmarket will swallow Anthropic, OpenAI and SpaceX

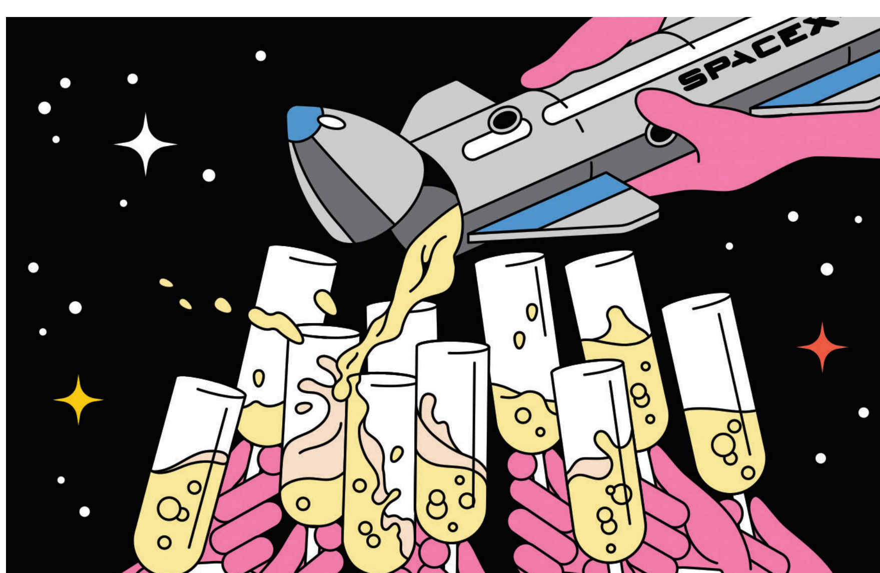
THEY PROMISE to be the biggest stockmarket debuts in history. On June 11th SpaceX reportedly hopes to raise $75bn from investors, by issuing shares that will begin trading on the Nasdaq exchange the next day. Elon Musk's rocketry firm will probably soon be followed by two other mammoth listings. Anthropic, an artificial-intelligence lab, filed draft paperwork for its initial public offering on June 1st; OpenAI, a competitor, is expected to do so soon. The two are rumoured to be seeking as much as $60bn apiece. Together, the three giga-IPOs may add as much as $4trn to the market value of listed American companies in a matter of months.

How on earth will the stockmarket handle this? Headlines predict a "trading frenzy". Steve Sosnik, chief strategist at Interactive Brokers, one of the world's biggest online trading platforms, has warned of the "existential risk" the listings pose. A particular worry is that compilers of stockmarket indices will grant the gigantic trio fast-track entry to their benchmarks. That would prompt tracker funds with trillions of dollars in assets to buy the newly minted shares days after they are issued. After exhausting a big pool of buyers straight away, who will be left?

The answer is: lots of investors in an extraordinarily deep and liquid market. Unprecedented as the serving of supersized IPOs is, America's extraordinary stockmarket will gulp it down. In the years to follow, though, expect some indigestion.

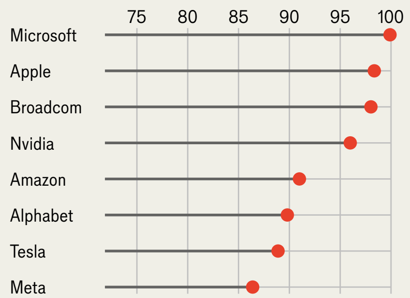
First put the giga-IPOs' size in context. In nominal terms, the record for capital raised by a debut listing is held by Saudi Aramco, which in 2019 pulled in $29bn ($38bn in today's money) when it floated in Riyadh. SpaceX, Anthropic and OpenAI are collectively targeting $200bn-odd. Yet this is a rounding error in America's bourses. Firms in the broad Russell 3000 share index have a total market value of $77trn; those in the narrower (but more widely tracked) S&P 500 index of big companies are worth $65trn.

As a consequence, investors in index funds will not immediately see their portfolios change much. Although Nasdaq has already shortened the "seasoning" period ▸▸



Ground control 1

Free float, % of total shares
Selected tech companies, May 29th 2026



Source: LSEG Workspace

before index inclusion to 15 trading days and FTSE Russell has slashed its waiting time to five days (with S&P Dow Jones reportedly considering something similar), most share indices weight firms in proportion to the value only of shares they have released for public trading (the "free float"). For SpaceX, this means just the $75bn or so of stock it intends to issue in June—so its initial weight in the S&P 500 will be around 0.1%. The NASDAQ 100 is an exception, and has changed its rules to weight companies at up to three times their free float, in an apparent effort to woo Mr Musk. Even so, SpaceX's probable initial weight in this $40trn index will be only around 0.5%.

Whatever floats your starship

This will change as more shares are released for trading. All of America's listed tech giants have free floats above 85% (see chart 1); the lowest is that of Meta, which went public in 2012 and has 13% of its shares still owned by Mark Zuckerberg, its founder. At first, "lock-up" provisions in the IPO prospectuses of SpaceX, Anthropic and OpenAI will prevent company insiders and early investors from selling their existing stakes and raising the free float. Over time, however, these will expire and trillions of dollars' worth of new shares will come to market.

SpaceX plans to release its locked-up shares in a series of tranches. If its IPO issues $75bn of shares, valuing the firm at its hoped-for $1.8trn, the initial free float will be 4%. None of Mr Musk's stake, which accounts for about half of the remainder, can be sold for 366 days after the IPO. This restriction also applies to some shares held by "certain significant investors".

Lock-ups on the rest, representing a little under half of SpaceX's value, will expire more quickly. After its first quarterly report, probably in August or September, insiders can sell 20% of their stakes. They can offload another 10% if the shares are then trading 30% or more above their IPO price. Extra tranches are due for release on set dates after the IPO, and after the second quarterly earnings report (see chart 2).

Insiders do not have to sell their shares, of course. Mr Musk, in particular, may hold on to his—most of which carry outsize voting rights and so cement his control of SpaceX. Similar considerations will apply to shareholders in Anthropic and OpenAI after the labs' flotations. So the addition of these firms to public markets will unfold over years rather than days.

Gradual does not, however, mean inconsequential. If history is a guide, those who buy the resulting shares stand a good chance of disappointment. Jay Ritter of the University of Florida has studied the post-IPO returns of stocks listed between 1980 and 2024. The average such stock returned 20 percentage points less than the broader market over the three years after its first trading day. Firms valued at more than 40 times their revenue underperformed by 58 percentage points. SpaceX, with a valuation of $1.8trn, would begin trading at over 90 times its revenue.

Blockbuster IPOs are also often taken as a sign that a bull market is nearing its peak—understandably, since firms want to sell shares for top dollar. The last surge in listings, in 2020 and 2021, came just before a bear market. Previous IPO booms, for instance in the late 1990s or the years before 2008, were followed by far bigger slumps.

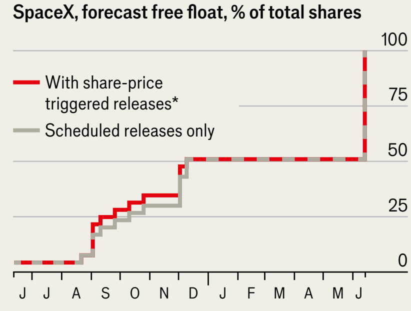
Today, if the giga-trio underperforms, it may even precipitate a stockmarket rout. All three firms are closely associated with progress in AI and so too, increasingly, is the wider market: America's ten biggest listed AI-related firms already account for two-fifths of the S&P 500's value. Bad news for SpaceX alone might not harm a tracker fund much; bad news for AI certainly would. Funds that weight each of an index's component stocks equally, rather than by market value, offer some protection from this. But they also amount to betting against the market—the opposite of passive investment.

A broader worry still is that the giga-IPOs herald more capital-raising, both by the newly listed tech giants and their older peers. For years, notes Victor Haghani of Elm Wealth, an investment firm, capital has been abundant and shares increasingly scarce. Tech giants have generated so much cash that they have been buying back shares rather than issuing new ones at the same time as white-collar workers have ploughed retirement savings into the market. This has driven up share prices.

Now the tech behemoths are slowing share buy-backs or halting them altogether, instead reinvesting their profits to develop AI. Several have turned to the bond market for more capital. This month Alphabet, Google's corporate parent, said it would issue $85bn in new shares. And the club's newest members are tapping the stockmarket. Simultaneously, white-collar workers are perhaps most in danger of seeing AI automate their jobs and immiserate their pension pots. Expect investors to go gaga for the giga-IPOs. A few years from now, though, the stockmarket may need to prepare for a capital diet. ■

Rocket stages 2

SpaceX, forecast free float, % of total shares



*Following strong share-price performance in first quarter after IPO
Sources: Company reports; *The Economist*

Monsoon derivatives

Making it rain

MUMBAI

Indians are now able to trade the weather

BY THE MIDDLE of June Mumbai, India's financial capital, should be drenched. The south-west monsoon, the seasonal storm which provides most of the year's water in South Asia, will bring torrential downpours to the city. Street food-hawkers and builders will curse. Slum-dwelling migrant workers may head home to villages to wait for the rains to pass. Some businesspeople and financiers, meanwhile, will be patting damp pockets full of rupees. On May 29th India's National Commodity and Derivatives Exchange (NCDEX) allowed traders to start placing financial bets on whether each month of this year's monsoon will be wetter or drier in Mumbai than the average of the past 30 years.

Weather derivatives, which pay out based on some clearly defined meteorological measurement, have been around in America since the mid-1990s. Earlier deregulation of American energy utilities led to a niche market in temperature derivatives, which companies could use to hedge their exposure to "cooling degree days", when air-conditioning demand spiked, or "heating degree days", when households and businesses fired up their radiators.

In contrast to conventional forms of insurance, holders have no need to prove that they have suffered a loss themselves. ▸▸

Instead, derivative contracts trigger automatically when some pre-agreed parameters are met. These could be a threshold temperature, wind speed or other variable recorded in a particular place—typically an official weather station. This avoids lengthy delays in getting money to where it is most needed. Last year Jamaica's government got a $150m payout after Hurricane Melissa's central pressure and storm path met the criteria defined in the "catastrophe bond" the Caribbean country had issued.

Rainfall derivatives are less common. The Chicago Mercantile Exchange, based in a city famous for its bone-chilling wind, launched rainfall, snowfall and frost derivatives in 2011 but scrapped them in 2014 for lack of demand. In the rich world, farmers, the most obvious beneficiaries of such protection, typically rely on crop insurance and other more conventional instruments. India's legions of smallholders are unlikely to be rushing into the Mumbai monsoon derivatives (not least because they care about the monsoon's effect on their tiny patch of land somewhere in the Indo-Gangetic Plain, not the coastal metropolis).

Instead, NCDEX is expecting custom from large corporations. Banks with portfolios of agricultural loans may be one group of buyers. Hydropower companies, whose dams catch water from across entire river basins, may be another. Solar-power producers, it suggests, could be sellers. So could hedge funds.

Whoever enters the contracts from either side must be ready to get soaked. Weather derivatives are even harder to price than stock options or commodities futures. The financial maths used in pricing conventional derivatives do not work because there is no underlying asset. Modellers must rely on weather forecasts. These are harder to get right for rain, which is sensitive to small atmospheric changes, than for heat. Meteorologists trying to forecast monsoon rains contend with "bursts", when clouds suddenly dump their cargo of rain in one spot, and "vagaries", the feedback between the land and the air which can lead to sudden shifts in the timing and intensity of rain.

NCDEX may also have focused on the wrong weather-related risk to start with. Temperature seems much more pertinent to India than rain. According to Pranjul Bhandari of HSBC, a bank, tracking it is now sufficient to forecast India's food inflation. Reservoir levels, which are vulnerable to evaporation in extreme heat, matter more than rainfall to farmers who use irrigation. In contrast to grains, which can be stockpiled after a good monsoon like last year's, perishable fruits and vegetables die in the heat and cows produce less milk. NCDEX is planning to launch a heat-linked contract one day. India's weather-exposed businesses are hoping this financial innovation, like the monsoon, arrives soon. ■

Are monsoon options bananas?

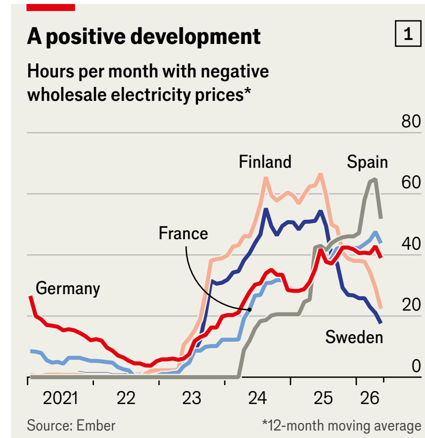
Energy prices

Peak negativity

European electricity markets are learning to deal with too much power

When European regulators were tweaking the continent's wholesale electricity markets some years ago, they added a price floor to short-circuit trading snafus. At minus €500 ($580) per megawatt-hour (MWh), it was more of a price basement. It was set so low in order to be triggered only in exceptional circumstances. May 1st, when bright sunshine and strong winds met low demand for electricity from Europeans enjoying a public holiday, may have seemed pretty ordinary. Yet the wholesale electricity price in Germany reached minus €499 per MWh. If this translated into retail prices, you would pocket €50 for charging your electric car.

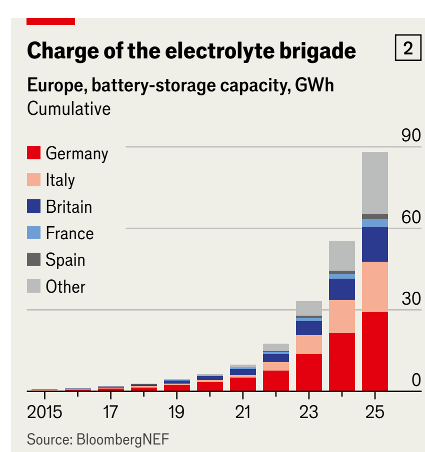
For economists, the number zero is not particularly special. If a price needs to be negative to clear a market, so be it. Solar plants and wind farms produce power at near zero marginal cost when the sun is shining and wind blowing. But because that is not necessarily when people need power, and because it is costly to stop producing, they may need to pay someone to absorb the excess electricity. As more renewables plugged into Europe's grids in the past few years, the number of hours during which buyers in the wholesale market, such as utilities and heavy industry, were paid to take electricity started rising.



Obviously, negative prices offer a strong incentive for anyone who can store electricity and then sell it for more than nothing when demand returns. In sunny California, where batteries are replacing fossil energy to cover the evening demand peaks after charging during the day, the number of hours with negative prices started to decline last year. Across much of Europe, May Day notwithstanding, it is beginning to plateau (see chart 1). The market, at last, is adapting.

Europe's installed battery capacity rose by 33,000MWh in 2025, to 90,000MWh or so (see chart 2). This is enough to store as much energy as all of Europe, including Britain, generates on average every quarter of an hour. BloombergNEF, a research firm, forecasts that capacity will rise by another 55,000MWh this year, enough to absorb roughly another ten minutes' worth.

End electricity use is also being successfully shifted into the cheaper hours of the day. Dynamic tariffs, which better reflect prices on wholesale markets, are becoming more popular, especially with owners of heat pumps and electric vehicles. Since January 2025 German providers have been required to offer customers at least one dynamic tariff. One Danish study found that though regular households mostly do not adjust demand to varying ▸▸



prices, those that use lots of electricity do. Another study that looked at German data from 2015-19, when those exposed to variable prices were mostly heavy users such as industry, found that price changes of about €25 per MWh led to shifts in demand of about 4%. A recent analysis by McKinsey, a consultancy, reckons that commercial and industrial consumers in Europe could save €8bn a year by 2030 if they made use of varying prices.

Electrons can move across space as well as across time. That requires strong grids. Europe is belatedly getting serious about expanding these. A new cable installed last year between Sweden and Finland is one factor explaining why hours of negative prices are, California-like, already declining in both countries. The Bay of Biscay interconnector between France and Spain is under construction and due to be completed by 2028. In 2025 Germany approved plans for 2,000km of new power lines, an increase of 45% from the year before.

So far in 2026 only 40 hours have been priced below minus €50 per MWh in Germany, to the relief of grid operators (who are on the hook there). Spain has had none. As the market continues to adjust, wholesale prices near zero will become more common. And with more variable tariffs, people's electricity bills will reflect this. As they face rising inflation—which reached an annual 3.2% in the euro zone in May, owing to high oil prices—Europeans can draw comfort from that sunny prospect. ■

BUTTONWOOD

A stables forecast

Share prices are buffeted by far more than just new information

"IF ECONOMISTS WISHED to study the horse," a dismal scientist once joked, "they wouldn't go and look at horses. They'd sit in their studies and say to themselves: 'What would I do if I were a horse?'" But at least horses tend to be spared such attention; finance types are not. And one economic idea is especially liable to get them snorting with impatience and asking whether the person who cites it has been near a trading floor.

This is the efficient-market hypothesis, the formal version of which says that investors, in aggregate, perfectly and promptly incorporate new information into asset prices. Those who invoke it can often mean something even stronger: that markets therefore provide the best possible forecasts of fundamentals like corporate earnings. In other words, the price is always right, as it surely would be if it were economists cantering around and making all the decisions.

Right now this Platonic ideal feels especially remote. Retail traders clamour for meme stocks, whipping up prices just to give short-sellers a thrashing. Shares in GameStop, an ailing video-game seller selected for such favour in 2020, are still worth more than 20 times as much as they were then. They have done about as well as Nvidia's, the biggest beneficiary so far of the artificial-intelligence revolution. Nvidia's fellow tech giants are racing to issue new stock and sell it to the public—a sure sign that they reckon the bull market is nearing its peak. Yet investors are still happily piling in.

Those financial economists who do visit the stables have known for nearly half a century that markets are far more volatile than they would be if new information were all that moved them. Robert Shiller, who won the Nobel prize in 2013, showed this for bond yields in a paper published in 1979 and for stock prices in 1981. Over the hundred years or so of data he studied, stock prices fell several times by much more than could have been justified even by a Depression-scale downturn. This made it implausible that investors were pricing shares based only on sober forecasts of their dividends.

More recently Mr Shiller's intellectual heirs have helped explain why—aside from people's occasional tendency to bolt off and join a stampede. The most persuasive theory, held increasingly by both researchers and academically minded investors, is the "inelastic-markets hypothesis", coined by Xavier Gabaix of Harvard University and Ralph Koijen of the University of Chicago. Its crux is that share prices, rather than being set by the dividends (or earnings) investors expect, are buffeted significantly and lastingly by capital flows. Messrs Gabaix and Koijen estimate that someone who buys $1-worth of shares with fresh cash pushes up aggregate stockmarket value by $3-8.

To see why, picture three types of investor. One is a return-chaser, who buys

more shares when they are on a tear and sells when prices are falling (think of retail traders or trend-following hedge funds). The second maintains fixed asset allocations: 60% to stocks and 40% to bonds, say (think of a pension scheme). The third is a value investor, only interested in buying shares at rock-bottom after a crash (think of Warren Buffett). Squint, and this stylised mix looks rather like the groups that dominate real-world markets. Importantly, any arbitrageurs—who efficient-market enthusiasts imagine might smooth out distortions and reprice assets according to fundamentals—are few, and tightly constrained.

Now imagine a retirement saver who wants to buy shares in a bull market. They cannot hit up the return-chaser, who wants more themselves. The fixed allocator can sell only if prices rise, since they must maintain their 60/40 split. The value investor, too, will sell only if shares get more expensive and hence, to them, less attractive. So the capital flow sends stock prices up, regardless of what anyone thinks about future earnings.

If the thoroughbreds manning trading desks get frustrated by economists touting efficient markets, they in turn may smirk at this explanation. It does, after all, sound quite like "prices rise to match supply to demand", without saying why demand rose to begin with.

That absence might in fact be a strength. Ordinary savers who buy stocks each payday do not generally base their purchases on predictions of stellar corporate earnings. Nor, necessarily, do institutional investors who are told to aim for a set return target and have few better shots. Their actions nevertheless push share prices up. Betting that this might forecast future champions seems like a good way to lose your shirt.

FREE EXCHANGE
How not to soak the rich

Some billionaires pay too little tax. But the case for broad wealth taxes is unconvincing

SUPPOSE YOU are the billionaire founder of Veblen Luxe SA, a European company selling solid-gold luggage tags. How should you organise your financial affairs? One option would be to hold your Veblen shares directly. But then you must pay income tax immediately when the company pays you dividends.

Your accountant might tell you it is wiser to put the shares in your holding company, Hespérides S.à r.l. In a holding company, dividends can pile up without triggering much of an income-tax bill. True, you cannot spend the cash. But it can still be used for investments and some expenses. If you persuade a bank to lend you your spending money against your Hespérides shares, and dividends pile up faster than your debts, you may be able to keep borrowing and postpone income taxes indefinitely.

It is such arrangements that Gabriel Zucman of the Paris School of Economics takes aim at in his short new book, "We Need to Tax Billionaires". Mr Zucman, whom your columnist interviewed for our "Inside Economics" show, has arguably surpassed Thomas Piketty, his compatriot and erstwhile co-author, to become the favourite economist of left-wingers everywhere. His latest thesis is that holding companies allow the ultra-rich to pay taxes at far lower rates than most of the public, and even those who support flat (rather than strongly progressive) taxation should support new levies on wealth to level the playing field.

For example, in Mr Zucman's native France holding companies enable billionaires to pay about 25% of their income in taxes, including corporate levies paid globally, he calculates. The average Frenchman, by comparison, faces an all-in effective tax rate of 51%. Mr Zucman sees this as an injustice and proposes to top up the annual tax bill of the ultra-rich to a minimum of 2% of their net worth. Last year he campaigned for such a levy in France.

Holding companies are more of a problem for European taxmen than for America's IRS. Uncle Sam has since 1934 imposed a 20% tax on the undistributed income of personal holding companies, after public fury when J.P. Morgan, a plutocrat banker, paid no income tax for two years running. Still, Mr Zucman says this Rooseveltian fix was incomplete. He notes that Warren Buffett's listed holding vehicle, Berkshire Hathaway, has not declared a cash dividend since 1967. Earnings pile up, free of income tax.

Wealthy Americans can also borrow against appreciating assets to fund their lifestyles. When they die, their heirs benefit from the "stepped-up basis", which disregards all previous capital gains when shares are inherited. If assets appreciate fast enough, and profits are reinvested, in theory a dynasty can avoid income and capital-gains taxes for ever. Mr Zucman says the tax rate paid by the wealthiest 400 Americans—those appearing in the *Forbes* rich list—is 24%, compared with 30% for the average citizen.

Mr Zucman's work often provokes controversy, because wealth taxes are unpopular among economists and because of regular disagreements about his data. His latest research, too, has brought about a data dispute. David Splinter of the Joint Committee on Taxation, a congressional body, says Mr Zucman and his co-authors have underestimated how much tax American billionaires pay. Mr Splinter makes different assumptions about capital gains, how *Forbes* fortunes are spread among family members, and state and local levies paid. He also includes transfers in income for all Americans and deducts tax credits from their tax bills. He finds billionaires' tax rate to be 38%, and that of middle-income Americans just 18%. Mr Zucman says Mr Splinter has made mistakes.

Whatever you make of his data, Mr Zucman has identified laxity in Europe's treatment of holding companies. He is also not the only person to note the injustice of the stepped-up basis and other loopholes like it elsewhere in the world. But is a minimum wealth tax the solution? It would be straightforward for Europe to copy America's treatment of holding companies, and for America (and others) to fix their capital-gains taxes. Instead, Mr Zucman arrives at his 2% minimum by supposing that billionaires can expect to earn a 6% return on their fortune, so a 2% net-worth tax approximates to a 33% income tax. In reality, though, it is one thing to ask the owner of Veblen Luxe to pay 2% of his net worth. It is another to shake down startup founders, with no cash profits, based on valuations that could collapse if their business goes awry.

And would the rate stay at 2%? Mr Zucman charges that opponents of wealth taxes resemble early opponents of income taxes. Yet critics of income taxes were, in hindsight, right to warn that the tax would grow significantly over time. And plenty on the left would not stop at 2%. Odds are that California's proposed 5% "one-time" tax on wealth will not be a one-off. From June 4th Mr Piketty can be found at the World Inequality Conference in Paris advocating a progressive global wealth tax starting at 1% annually above €2.2m ($2.5m) and rising to 20% above €553m. He has previously backed wealth taxes with top rates as high as 90%.

Crossing the Piketty line

It is unclear to what extent Mr Zucman endorses such extreme ideas. He supports experimenting with different rates. His suspicion of wealth runs deep: he says he sees little difference between those who get rich by capturing governments, like Russian oligarchs, and entrepreneurs who create new products. Wealth, he thinks, always brings dangerous political influence.

Yet the possible costs of deterring innovation are vast. Past research by William Nordhaus of Yale University has found that innovators capture for themselves just 2% of the value they provide to society; more recent work by Stefanie Stantcheva of Harvard finds that innovative effort is surprisingly responsive to tax rates. Closing tax loopholes is reasonable. Seizing the assets of society's most productive people is a road to economic ruin. ■

Science & technology

Future food

The proof is in the pattern

Agricultural startups are combining AI and genetics to launch personalised medicine for crops

GLOBAL INVESTMENTS in agricultural innovation are on the rise. Funds for agritech startups reached $16.2bn in 2025, according to a report by Agfunder, a venture-capital company. Of this, $9bn went to new research into boosting farm yields, up from $2.5bn in 2016.

The boost comes at an opportune moment. Food markets have been beset by volatility in recent years, first as a result of a global pandemic, then a war in Ukraine and now a new war in the Middle East. On top of this, global warming is causing droughts, soil salinisation and increasingly erratic and extreme weather. Yet the fundamentals of food production were last overhauled in the mid-20th century.

Happily, uncertainty can help to drive disruptive technologies. Global investment in agrifood technology spiked in 2021 as a result of the covid-19 pandemic, rising from $22bn in 2019 to a high of $55bn. "Volatility is very bad for people who want to eat, but good for tech adoption," says Adam Anders, a managing partner of Anterra Capital, a Dutch venture-capital company that specialises in food and agriculture technology.

At F&A Next, a recent gathering of more than 600 ag-tech illuminati and investors including more than 200 startups, held late last month at Wageningen University & Research in the Netherlands, several themes emerged. Innovators are developing pesticides that mimic molecules found in nature, based on a better understanding of how they already protect plants. Inspired by the rise of personalised medicine for people, they are also designing fertilisers, pesticides and other crop aides tailored to individual fields, according to the genetics of the plants and specific environmental conditions.

"The focus around sustainability is shifting from 'We should take care of our environment' towards 'The prices are going to rise sky high because of climate change'," says Cindy Gerhardt of Planet-B.io, a Dutch industrial biotech accelerator. "It is not about preventing climate change. It's about dealing with it and finding solutions, because otherwise prices are going to rise too high."

For some that means boosting yields and reducing losses by developing alternatives to the synthetic pesticides and fertilisers that have dominated since the green revolution of the mid-20th century. B-COS, a spin-out from Ghent University, is genetically engineering bacteria to produce molecules chemically similar to chitin, a compound found in the exoskeletons of insects and fungi cell walls.

Tomato and potato plants sprayed with the molecules are tricked into believing they are under attack and activate their natural defences against pathogens. B-COS is applying this approach to two new products: one to improve growth and drought-tolerance, and another which it claims can reduce disease by 40-50%. ▸▸

→ ALSO IN THIS SECTION

Inevitably, startups are exploring the opportunities presented by artificial intelligence. Many believe it will accelerate disruption in a sector that has historically been slow to reform. "It is going to help farmers connect what's going on in each square metre of their fields to things like weather forecasts, carbon capture and what consumers want," says Mr Anders.

The general idea of this kind of "precision agriculture" is to collect a huge amount of data on everything from the environmental conditions of individual fields—moisture, UV levels, temperature and more—to the genetic sequences of the bacteria and pathogens present in the soil, and those of the plants themselves. This is then run through algorithms that make predictions about the best conditions and treatments to extract the highest yield or highest-quality crop.

For example, EVJA, an Italian company, uses field-based sensors to gather data on local environmental conditions. This is fed into an AI model that spits out predictions about the risk of mildew, grey mould and other diseases. The system can also forecast crop yields, water demand and carbon emissions. Davide Parisi, the company's chief executive, claims its clients have reduced their water and fertiliser use by up to 40% while boosting their yields of leafy greens, tomatoes and potatoes.

Soilytix, a Hamburg-based biotech company, is doing something similar, but underground. It analyses the DNA of microbes present in soil samples and identifies any pathogens. Soilytix then uses this information to send farmers recommendations for which seed varieties they should plant in each plot, and to suggest how to adjust pesticide use to the conditions the plants will grow in. Like EVJA, Soilytix also analyses how much carbon is being sequestered in a plot.

Other startups are applying advanced breeding and digital technologies to produce more nutritious, climate-resilient crops with higher yields. Pádraic Flood, a plant geneticist, has founded Aardaia, a startup based on the Wageningen University & Research campus. The group is domesticating the aardaker, a wild "protein potato" which Dr Flood says has the potential to produce several times more protein per hectare than soyabeans. These days the aardaker, which has a nutty taste somewhere between a potato and a sweet chestnut, is primarily foraged, but in the 18th century it was grown commercially in the Netherlands.

Dr Flood is speed-breeding aardakers in growth chambers: by manipulating the frequency and amount of light that plants are exposed to, as well as temperature and moisture in the chambers, he can grow five generations of plants per year instead of just one. He uses machine learning to match the genetic data of individual plants to their yield, flavour and protein content. From this, he is better able to choose which plants to hybridise in order to produce an optimised aardaker with the perfect combination of yield, taste and nutrition. Dr Flood says he already has varieties that produce tubers with yields around ten times that of wild plants, and hopes to improve on that.

Radicle Crops, another Dutch startup, is taking a similar approach to optimise quinoa—also a high-protein crop but one that has the added advantage of containing all nine essential amino acids the human body needs but cannot make. The company is developing climate-change resilient varieties that are adapted to a variety of environments. It has begun a commercial roll-out of a hybrid variety which it says yields 25-45% more grain than previous varieties and does a better job of competing against weeds.

There is still a long way to go. In 2024, agricultural tech companies attracted just 1.3% of global early-stage venture-capital funding despite agriculture accounting for about 4% of global GDP. High-tech innovations will make their way into developed markets first before trickling into the global south. But if the lab rats have their way, and the funds keep flowing, a new age of precision agriculture is coming. ■

Ad astra per aspera

Rocket goes boom, so do Moon plans

Blue Origin's explosion could blow a hole in Amazon's plans and NASA's too

ROCKET LAUNCHES are always spectacular, but this was something else. On May 28th Blue Origin, a rocket firm owned by Jeff Bezos, was testing one of its New Glenn rockets at Cape Canaveral, in Florida. As its engines ignited a series of flashes could be seen. Then the entire rocket detonated, leaving an angry mushroom cloud looming above the launch site.

Shortly afterwards Blue Origin announced, in the prim language of official space flight, that it had suffered an "anomaly". Mr Bezos confirmed that no one had been hurt. But the blast, which lit up the night sky a dozen miles away and wrecked the firm's only working launchpad, may well have been the biggest in space flight since an N1, a large Soviet rocket, blew up on launch in 1969.

The explosion is a big setback for Blue Origin, which seemed to have hit its stride after years of slow progress. It is a headache for Amazon, another firm founded by Mr Bezos, which is trying to get Leo, a satellite-internet venture that aspires to rival Elon Musk's Starlink, off the ground. And it could delay NASA's plans to return to the Moon. Just two days before the explosion, America's space agency had detailed its plans for a permanent lunar base in a slick press conference that featured Blue Origin prominently.

Ferociter indeed

Explosions are not uncommon when testing new rockets. But explosions on the launchpad can destroy expensive ground hardware as well as the rocket itself. When a rocket built by SpaceX, Mr Musk's rocketry firm, detonated at Cape Canaveral in 2016, it took the firm 15 months to repair the damage. SpaceX had access to a second pad, meaning the accident did not ground its rockets. Blue Origin does not.

The full extent of the damage is not yet clear. Photos of the aftermath show a destroyed transporter-erector (the giant vehicle that hauls the rocket to the pad and then stands it upright for launch), the demolished remains of a lightning-rod tower and severe damage to another tower. Writing on X, Dave Limp, Blue Origin's boss, said that nearby tanks for propellant and water seemed unharmed, as did a booster stage inside a hangar not far from the pad. He then set a goal for Blue Origin to be flying again by the end of the year.

It is not just Blue Origin that will suffer in the meantime. In 2022 Amazon signed the biggest rocket-launch deal ever, booking up to 83 launches for its Leo satellite network, including up to 27 with Blue Origin. Leo aims to launch more than 3,000 low-orbit satellites to provide internet access from space. (Starlink already has around 10,000.) The firm is spending heavily. In April it bought Globalstar, another satellite operator that counts Apple as a customer, for $11.6bn, partly to gain access to its precious radio-spectrum rights.

Leo is already late. Amazon's licence requires it to have deployed half its constellation by July, a deadline it cannot possibly meet (the firm is angling for an extension). It will now be later still. Blue Origin is supposed to fly 12 missions for Amazon, with an option for 15 more.

In the worst case, deployment could slow to a crawl. Of its 83 intended launches, Amazon booked 38 on Vulcan Centaur, a rocket owned by United Launch Alliance, an American launch-provider. Vulcan Centaur uses the same BE-4 engines, made by Blue Origin, as New Glenn does. If the explosion is traced to an engine issue, then the Vulcan Centaur could end up grounded too.

Then there is NASA, which sees itself as in a race to the Moon with China. In 2021 NASA awarded SpaceX a contract to build a lander to ferry astronauts from lunar orbit to the Moon's surface. In 2023, worried about the risks of relying on a single supplier, the agency asked Blue Origin to build a lander of its own. SpaceX's lander is already late. With Blue Origin now out of action for at least the next six months, NASA's ambition to return humans to the lunar surface by early 2028 looks even more improbable than it already did.

NASA insists that, unlike in the 1960s, this time it wants to go to the Moon and stay there. On May 26th the agency outlined some of its plans for the eventual construction of a base at the lunar south pole. Blue Origin is to supply a lander capable of ferrying three tonnes of cargo to the lunar surface, to enable scouting missions and to pre-place useful bits of kit, such as lunar rovers, that will later be used by astronauts. Blue Origin's first Moonbase mission was supposed to depart as early as this autumn. Just two days after the plan was made public, those ambitions also went up in smoke. ■

Silent night

How to make drones squeal

Ultrasound can reveal their position even when switched off

SMALL DRONES are everywhere. Not just in Ukraine, but flying over air bases in mainland America and Britain, and hitting targets across the Middle East. The technology is cheap, easy to use and accessible, with groups like Hizbullah enthusiastically deploying small quadcopters to hit Israeli tanks. To make matters worse, existing air-defence sensors have been mostly designed to spot bigger threats like manned aircraft and missiles.

The challenge, then, is to develop systems that can spot small, low-flying drones that, like birds, may be skimming treetops and weaving amid other clutter. One approach is to redesign radar systems. Another involves the clever use of acoustics.

Radars emit pulses of radio waves and detect the reflections that come back. They work equally well at night and in bad weather and will spot anything in the air. But, says Thomas Withington, an electronic-warfare expert at RUSI, a think-tank, radar typically filters out small, low-flying objects, which are assumed to be birds.

Echodyne, a firm based in Kirkland, Washington, is developing a smarter alternative. Eben Frankenberg, the company's boss, says its radar uses three distinctive innovations to identify "smaller, slower, lower" threats.

Most modern radar systems generate their beams with arrays of solid-state emitters (LED-like devices that emit radio waves instead of light) rather than the moving dishes that were once the norm. These are effective but expensive. Echodyne's workaround is to use a small number of emitters with specialised antennas that adjust the waves they transmit. This is ideal for a low-power, low-cost system for short-range work. Mr Frankenberg claims their radar is an order of magnitude less expensive than traditional systems.

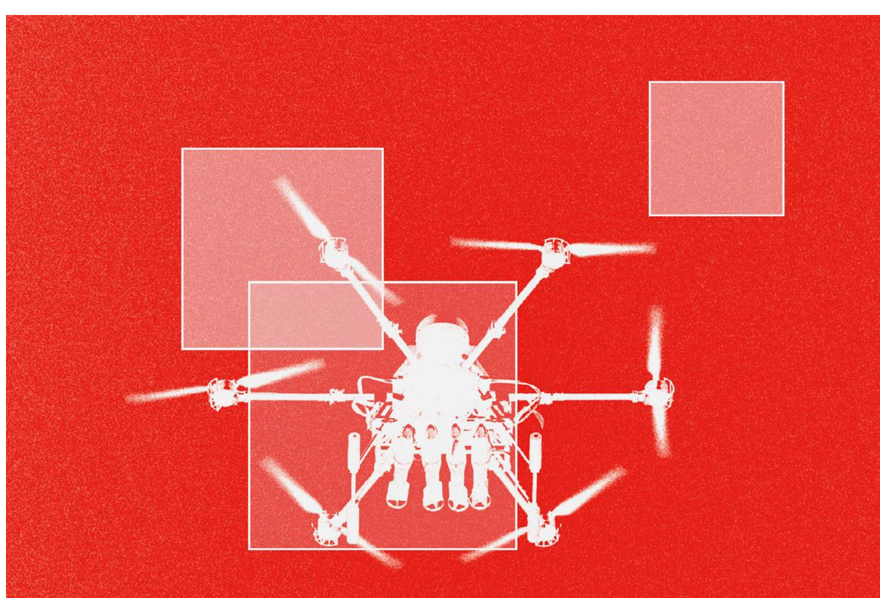
Echodyne's radar also rapidly shifts the "waveform" of its pulses, meaning their length, intensity and frequency. This allows the beam to switch between modes as it sweeps across the sky. Different waveforms, says Mr Frankenberg, are available for detecting targets in, say, open spaces or against busy backgrounds like buildings. Some waveforms have been designed to spot spinning rotor blades, a good way to distinguish a drone from a bird.

Finally, the system classifies the objects it tracks using a machine-learning model. It learns the patterns that correspond to each type of aerial track, from birds to balloons to quadcopters to fixed-wing aircraft, improving reliability. This is especially useful for picking out weak signals embedded in clutter, such as a drone flying against vegetation blowing in the wind.

These technologies allow Echodyne's EchoShield radar, a device that is the size of a laptop, to spot, track and classify even tiny drones out to a range of around five kilometres. The tracking is accurate enough to direct a camera, or a weapon, at the moving drone.

Another way to hunt for drones is to use sound, an approach pioneered by Ukraine. Fields and forests there are dotted with microphones that listen for the buzz of Russian drones. Prandtl Dynamics, a startup based in Toronto, has been working on ways to develop acoustic technology further and claims its kit can reveal the presence of a hidden drone nearby even before it is powered on.

It is a remarkable trick. Prandtl's system, called Dome, blasts out pulses of inaudible ultrasound. If a drone is in the area, this "acoustic interrogation" makes its electronic and mechanical assemblies vi-



brate, producing telltale squeaks. (The different components in a mobile phone, by contrast, would remain silent.) The idea, says Parth Mahendru, Prandtl's boss, is to turn a concealed drone into "a tiny speaker broadcasting its position". The firm says Dome has been able to find drones in a backpack, behind a rooftop ledge, and even, in some cases, inside a vehicle.

For now, these detections have been of stationary drones located a few tens of metres away. That is enough, though, to hand a security detail "a huge operational advantage", says Dan Stanek, chief operating officer at OTTO Engineering, an Illinois firm that supplies communications gear to defence, intelligence and security agencies including America's Secret Service. OTTO plans to partner with Prandtl on production. Joe Dai, Prandtl's chief technologist, says a small battery-powered model branded Dome-C, wielded like "a hand-held bug-hunting device", should be ready for market this summer.

Prandtl is also developing a bigger, plug-in version mounted on a tripod. Ultrasound emitted by Dome-O, as this larger model is called, also makes drones squeak. But Dome-O can be operated in conjunction with microphone systems, like those deployed in Ukraine, that detect drones in flight. Dome-O's pulses of ultrasound, broader than the narrow beams produced by Dome-C, flood a swathe of sky. They augment the acoustic signature already produced by a drone's motors, rotors and passage through the air, helping microphones pick it up at longer range.

In a noisy city, Prandtl's 16-microphone array, called Oscura, can spot and track incoming drones as light as 250 grammes out to about 200 metres. With Dome-O switched on, Mr Mahendru says, Oscura's range can reach 75 metres farther.

The set-up was put to the test in a counter-drone competition hosted by Canada's Department of National Defence in downtown Ottawa in November. Christian Labbé, a lieutenant colonel involved in the five-day trials, says Prandtl's technology was able to track drones amid construction noise, even when out of view. The kit is not yet ready for military use, he adds, citing false positives and the system's relative fragility. But it was deemed promising enough for Prandtl to tie for second place, bagging a C$375,000 ($270,000) "Diamond in the Rough" prize.

Echodyne, for its part, has already sold its radar devices to America's air force. The company's kit is now fitted to warships and set up to defend military bases. A vehicle-mounted version is in service, and the air force and others plan to deploy many more such systems. Such innovations are not about to end the reign of small drones, but the blind spots they exploit are, it seems, beginning to close. ■

Well Informed

Should you use a sleep tracker?

They are pretty accurate. But they could keep you up at night

NEARLY HALF of all Americans and around 40% of Britons now use a smartwatch, smart ring, phone app or another similar device to track their sleep. Are these gadgets accurate—and do their users get a better night's rest?

Not getting enough sleep can cause all manner of health problems, from dementia to diabetes. A new study, published in *Nature*, finds a U-shaped relationship between how long people sleep and markers of biological ageing. The researchers used data from the UK Biobank, a database containing health and lifestyle information on roughly 500,000 people. Those who got between 6.4 and 7.8 hours of shut-eye a night seemed to experience slower ageing in both brain and body than those who slept either more or less.

Sleep trackers promise to help people hit this sweet spot. Apps typically record movement and sound, sometimes inferring breathing rates from the audio. Smartwatches record movement and use photoplethysmography—measuring blood flow by shining low-intensity light onto the skin and detecting how much reflects back. This is used to estimate heart and breathing rates. Rings often measure skin temperature, too.

Most trackers are very good at distinguishing sleep from being awake. Several studies have compared them to polysomnography, which uses electrodes to record eye movements, brain activity, muscle tone and heart rate, and is the gold standard for measuring sleep. One paper, published in *Sensors*, a specialist journal, in 2024, tested three popular wearable trackers and found that all agreed with polysomnography around 95% of the time in telling sleep from wakefulness across the night.

When it comes to identifying the different sleep stages, trackers are less accurate. A good night requires cycling between rapid-eye movement (REM) sleep, in which dreams are had, and several stages of non-REM sleep ranging from light to deep. Wearables agree with polysomnography on sleep-stage classification only around 50-80% of the time. That merits a C+ to B+, says Rebecca Robbins, a sleep scientist at Harvard Medical School, who was involved in one of the studies. Not great—yet many devices include these metrics in their calculation of sleep scores.

Despite trackers' shortcomings, most sleep researchers and therapists view them positively. Dr Robbins says they give people a better, more objective sense of how long they slept (and may reveal they are in fact getting plenty of winks). Plus, they do seem to improve sleep habits. In a survey by the American Academy of Sleep Medicine 55% of adults who reported using sleep trackers said they had changed their behaviour after learning from the data. One small study, published in the *Journal of Clinical Sleep Medicine* in 2020, found that wearing a sleep tracker for a week improved self-reported sleep quality.

Too much data can have downsides, though. Unlike trying to eat healthily or exercise, putting more thought and effort into sleeping can backfire. As many as 30% of those who track their sleep report feeling anxious about the data they collect, a phenomenon researchers called orthosomnia. Concern about poor sleep is one of the most common causes of a sleepless night; only financial worries keep people up more often. But sleep data is not worth losing sleep over, because there is an alternative to sleep tracking: whether you wake up feeling rested is the best indicator of how good your night was.

Culture

Classics

Alexander the Greatly entertaining

A new book about the military leader wages war on boring histories

Alexander: God, King, Man. By Edmund Richardson. *Bloomsbury; 480 pages; £25. To be published in America by St Martin's Press in September; $33*

How do you measure the greatness of Alexander the Great? Perhaps by the size of the empire he conquered (it stretched 4,800 kilometres, from Athens to India). Or the speed with which he conquered it (about a decade). Or the cities he founded (between six and 17, many called "Alexandria").

Though, as a new book by Edmund Richardson, a professor of classics and ancient history at Durham University, shows, there are darker measures of this man. He has been called "mad", "Alexander the not-so-great" and "one of the greatest killers the world had ever known". This is with reason: some have estimated that almost 1% of the ancient world's population died as a result of his campaigns.

That has not stopped the adulation. If men think of the Roman Empire many times a day, historians seem to think of Alexander almost as often. He obsesses people: feature films glamorise him; documentaries follow in his footsteps; almost 5,000 books have dissected him. His acolytes have ranged from Julius Caesar to Napoleon to modern business gurus.

Like all history, these texts reflect their time. Machiavelli admired Alexander's manly leadership style (he killed his enemies). Modern texts take a more managerial approach: a professor at INSEAD, a business school, wrote an article titled "Eleven Leadership Lessons from Alexander the Great". This included advice to "Consolidate Gains" and "Invest in Talent Management". And, you might add, "Avoid Killing 1% of the Known World". (Tech bros and politicians, take note.)

Ancient statistics are iffy. But this book—a rip-roaring cradle-to-(drunken)-grave look at Alexander—offers other statistics, too. In its pages there are 11 instances of various body parts being severed (mostly heads, but sometimes limbs and penises); the word "murder" appears 38 times, and "kill" pops up around 100 times. It is brutal, violent and staggeringly bloody. It is, in other words, splendid fun.

It is also, in some ways, unusual. Everyone knows that history (the thing with battles) is divided into eras: the classical, the medieval, the modern. But history (the thing with books) is divided into eras, too. The past century alone has seen vogues for Marxist history, feminist history and—most recently—hand-wringing history. In recent years, people have fretted over the sins of everyone from Mahatma Gandhi to that notorious villain Jane Austen.

Classics, which has been accused of being "part of the scaffold of white supremacy", has been particularly apologetic, and has hurried to correct its "bias". One recent ▸▸

→ ALSO IN THIS SECTION

book on Alexander declared it was less interested in the man than in those who "suffered under his rule". It is doubtless very virtuous. What it is not is very interesting.

Mr Richardson's "Alexander the Great", by contrast, does not hand-wring. It rollicks. It rollicks through his childhood (he tames an untameable horse); it rollicks through his early battles (he conquers an unconquerable city); it rollicks through his myth-making (he undoes the undoable "Gordian knot"). It rollicks, of course, through his frolicking. Alexander's lovers included his friend Hephaestion, "360 of Darius's former concubines (one for each day of the Persian year) and a spectacularly handsome young Persian named Bagoas".

Where there is a good story to tell, Mr Richardson does not deconstruct or critique it. He tells it, with gusto. Take the siege of Tyre. When Alexander started to attack this city, he was not yet the "Great"—merely a slight, shortish, almost-boy with blond, curling hair, grown long in imitation of his hero, Achilles. The island-city of Tyre was magnificent. The stinking purple dye of its seashells made the clothes of the Mediterranean purple—and had made Tyre stinking rich. The city, in modern-day Lebanon, stood nearly a kilometre out to sea above looming walls and patrolling guards of warships. It was assumed it was unconquerable. You can see where this is going.

One man-made causeway, seven months and 2,000 crucified Tyrians later, and the siege was over. Though much like Alexander himself, this history does not hang about: it is up and off to India and, eventually, his agonising death in Babylon. Early slurs said he was killed by alcohol poisoning; Mr Richardson thinks drinking water and typhoid are more likely.

Its walk-on cast is starry and includes the philosopher Aristotle, his tutor, who gave Alexander an annotated copy of "The Iliad" and a love of literature (he slept with his copy). The detail here is delicious: you learn how to foil an enemy digging a tunnel into your city (pop in a pack of bears and a swarm of bees) and whether it is a good idea to herd cats into battle (as the idiom implies, it is not).

This book has been described by its publisher as a "revelatory retelling". But one of the newest and most interesting things about it is just that: it is interesting. For far too long history books have not tried hard enough to rivet readers. This is not a recent complaint. As Catherine Morland, the heroine of Austen's "Northanger Abbey", observed, it is odd that history "should be so dull, for a great deal of it must be invention".

One of the things people never seem to learn from history is how to write history well. In 1946 Samuel Eliot Morison, an American historian, accused historians of producing "dull, solid, valuable monographs that nobody reads outside the profession". In 2010 Gordon Wood, a professor, said that history writing was "in a crisis", as academics write reams but have "very few" readers.

This is partly, as a Marxist historian might say, explained by societal change: people are reading less of everything. Partly, too, they are consuming history in other ways: "The Rest is History" is one of the world's most popular podcasts. But another explanation is just that so much academic history is almost aggressively badly written. Recent academic treatises on Alexander are rich in words like "deconstruct"—but low on the rip-roaring.

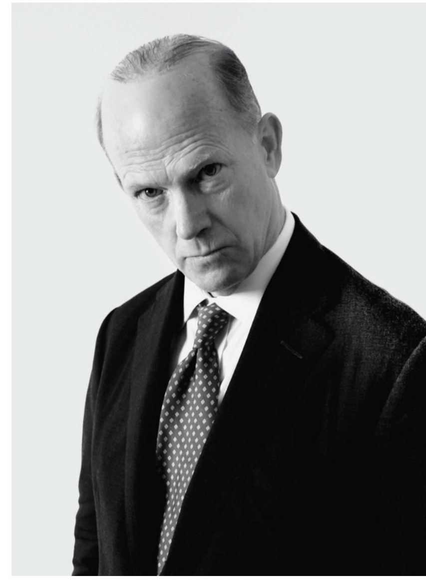
Some of this is necessary: history advances through analysis, not anecdote. However, though analysis is essential, being dull is not. Tom Holland, one of the hosts of "The Rest is History", says the "problem is those who can't kick an addiction to jargon". Too many "mistake writing stuff that is bloody hard to understand for being profound", agrees Harry Sidebottom, a classics lecturer at Oxford.

This book, which combines analysis with good old-fashioned fun, offers a lesson in how history can be both academically ambitious and readable. And why writers should talk a lot about the bears and the bees. ■

Literary agents

Jackals, parasites or heroes?

Middlemen. By Laura McGrath. *Princeton University Press; 296 pages; $29.95 and £25*



Wily Wylie

COCKTAIL PARTIES have seen worse pickup attempts. In 1989 Andrew Wylie, a literary agent, set his sights on Philip Roth. ("Every time I turned around, there was this guy," the novelist later said. "I discovered what it was like to be a pretty girl.") When Mr Wylie made his move, he declared that he could get Roth a three-book deal worth $2m.

Later, over lunch, he formally wooed him. Roth was underappreciated by his publisher, Mr Wylie asserted, and his potentially lucrative foreign rights were being neglected. He could handle the rights to Roth's 14 novels in 30 territories, which amounted to 420 contracts renegotiated every seven years. Roth's revenue could increase by up to 500%. It was an offer the writer—who had a mighty reputation but a puny bank balance—could not refuse.

Mr Wylie is famous, infamous even, in the publishing world: he earned the nickname "the Jackal", after persuading several authors to ditch their agents and join him. When he wanted to expand his network of contacts in China, he went so far as to call Henry Kissinger to suggest that he could become his agent and that Kissinger should write a book on China. That book went on to sell well, and Mr Wylie gained footing and a stronger Rolodex for future business there. Mr Wylie's strategy of focusing on foreign rights and sales "not only changed the fortunes of the writers on his list, but the shape of American literature abroad", writes Laura McGrath, an assistant professor of English at Temple University, in a new survey of literary agents.

Agents, Ms McGrath argues, have many functions. They are spotters, identifying promising writers. They are confidants, helping those writers to produce their best work. And they are negotiators, doing deals on behalf of authors and getting them more money so they can have more time to write.

That means agents are often controversial figures within the publishing world. In 1897 a British publisher described agents as "generally a parasite". (They take a commission of around 15% of an author's earnings.) They retain an aura of mystery. The literary agent's job is to "be invisible", Ms McGrath contends, working behind the scenes to create a star and thereby shape what gets written and what people read.

"Middlemen" is one of a pile of recent books offering a behind-the-scenes account of how literature comes to people's shelves. Ms McGrath is a lively writer, eschewing academic jargon in favour of anecdotes. She heads to the world's largest book fair in Frankfurt. She watches a group of agents evaluate the unsolicited manuscripts in the "slush pile". (Every agent's dream is to find a "Harry Potter"-like gem among the dross, as J.K. Rowling's agent did.) She describes the evolution of the "publishing lunch": Candida Donadio, who found Joseph Heller in the slush pile, once joked that she took three lunches in a day. (Today there are fewer stiff drinks and more talk about limp sales.)

Agents try to devise creative answers to marketing problems. For example, how do you sell a book by an unknown writer? Sterling Lord, Jack Kerouac's agent, started a trend when he worked with publishers to build hype around "On the Road"; they advertised Kerouac as "the voice of a new age". Agents ever since have hoped their debut novelists can make waves: first novels now account for between 15% and 25% of the fiction published every year. Many of these books fetch high advances that sales cannot recoup. Most American novelists now publish only one title.

Literary agents are never objective, and their personal preferences shape what is printed. Because most agents and editors live in New York, in 2000-22 more novels were set there than in the next 30 most populous American cities combined. And certainly the proliferation of agents—there are now more than 1,500 in America—has something to do with the proliferation of mediocre books. Many should have never have been printed. But what is striking, at a time when taste is increasingly shaped by algorithms, is just how much an individual agent's judgment still matters. ■

BACK STORY

Skip Intro? Lose the magic

Title sequences shape the way you watch TV. They are dwindling

TECHNOLOGY FORGES new art forms and destroys them. The printing press galvanised literature and rubbed out illuminated manuscripts. Cinema killed the music hall. Today a popular gizmo is threatening another intricate craft. The art form is the TV title sequence; the menacing tech is the little "Skip Intro" button that you reflexively click. The outcome is changing the way stories are told and watched on screen.

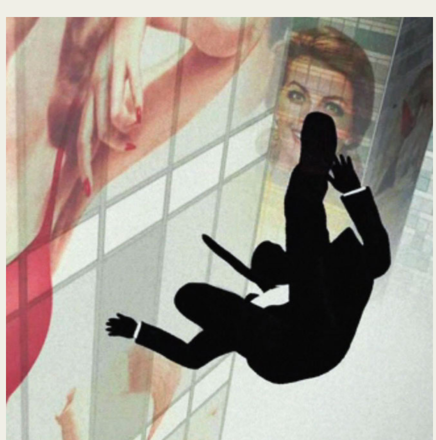
Once upon a time, TV titles were simple cards displaying static text. By the 1950s they served as prologues, introducing characters and catchphrases: "It's a bird! It's a plane! It's Superman!" say the wowed onlookers in the opening of "The Adventures of Superman". Titles incorporated cutesy animations (as in "Bewitched"), split-screen effects ("The Brady Bunch") and stunts (like the much-emulated bonnet-slide in "The Dukes of Hazzard"). Many came with earworm tunes, like the finger-clicking theme for "The Addams Family".

The form peaked in the era of prestige TV at the turn of the millennium. In the titles for "The Sopranos", the protagonist, Tony, is glimpsed through cigar-smoke and in a rear-view mirror. He is close yet elusive, as he remains for six seasons. The falling figure in "Mad Men" (pictured) embodies both glamour and mental disintegration. Finest of all is the ghostly imagery in the first season of "True Detective", a concise montage of its Louisianan themes: sleaze, pollution, faith, guilt and downright weirdness.

Such ingenious sequences are at once a compliment and a brag. Your time is so valuable, they flatter the audience, that even the credits will be exquisite. The brag is about the show, for which, implicitly, only a sublime introduction will do. They are summaries, mood-setters and advertisements, deft enough to intrigue new viewers and resonate with returning ones. Like the overture to an opera, they are an integral part of the drama.

Some of these shows aired without adverts, freeing up minutes for luxuriant openings. But the exigencies of streaming are changing. Adverts are creeping back, making time scarcer again. Meanwhile title sequences are an obstacle to binge-watching. Gorging fans do not need to be reintroduced to a story every hour. Many just want to get on with it.

Thanks to Skip Intro, they can. Noticing that users were fast-forwarding manually through titles themselves, Netflix devised the button in 2017; other streamers followed suit. By 2022 Netflix viewers were clicking it 136m times a day. Since then intro-skipping has snowballed. Across all the output on the BBC's iPlayer, use of Skip Intro in March was roughly double the level two years earlier. It has soared in the past six months. The underlying impatience is bad news for elaborate opening titles. "It sucks," says one exponent of this haiku-like genre.



Extended sequences are still airing. The cleverest are games or puzzles, such as the opening credits for "The White Lotus", in which the lewd images flit away just before you decipher them. But briefer alternatives are on the rise. In "Pluribus", a sci-fi parable, the title is formed by eerie, swirling dots; that is all. Some shows are reverting to the plain cards of yore. In "The Pitt", a hospital drama, this approach fits the air of austere verisimilitude. "Steal", a heist thriller, has only a brief flash of its title.

In the best known sequence of all, a tuxedoed man is tracked down the barrel of a gun. The James Bond titles will endure, as will others in cinema, where the audience is captive. But as they dwindle on TV, something is being lost. It isn't just that—as in the new series of "The Night Manager"—they may be the best bit of a show. Shrinking them undermines cliffhangers: roll straight into the next episode and you can't dangle in tingly anticipation for long.

More than that, titles can be a kind of spell; discard them and you may miss the magic. Like the flight to a holiday or dressing for a party, a title sequence is an in-between moment. It eases you from your own world, slumped on the sofa after putting the kids to bed, into the imaginary world of the show, whether that is a louche office in the 1960s or a Cajun crime scene. It is a crossing on which you suspend your disbelief.

Like making phone calls and shopping, watching TV has become immeasurably easier. These days you can see an abundance of programmes on a whim. Somehow, though, speeding things up has only made people more impatient; the yen for instantaneity is insatiable. If you are always hurrying, boundaries are skipped and nothing is special.

Summer flings

The best of the screen so far this year

Our recommendations of must-see and must-not-see TV series and films

The best

"Amandaland"
Amanda is back—as pretentious, dishonest and delusional as ever in the second season of this sitcom. Her pitiable attempts to make it as an influencer are extremely entertaining, thanks to the sharp script.

"Babies"
This show is heart-wrenching and beautifully acted. It explores how isolating infertility can be and reveals the cold and unsympathetic manner that couples encounter from doctors as they navigate the medical system.

"The Boroughs"
A widower discovers that otherworldly creatures are stealing precious years from the residents of a retirement community. The most unsettling thing about this series is not supernatural: it is the normal, natural process of ageing.

"The Christophers"
The greedy children of Julian Sklar (Sir Ian McKellan), an artist, want to forge the last series of his renowned paintings and sell them for a fortune. For all its talk of fakes, this film—about ageing, inheritance and artistic taste—is a real masterpiece.

"Dreams"
A wealthy female philanthropist (Jessica Chastain) has a secret affair with a young ballet dancer from Mexico, who crosses the border illegally to be with her in San Francisco. This film is a taut, chilling morality tale about passion and power.

"Half Man"
Niall and Ruben grow up together and develop an intense and twisted sort of brotherhood. This series is a nerve-shredding exploration of obsession, masculinity and trauma from Richard Gadd, the creator of "Baby Reindeer".

"Henry David Thoreau"
This three-part documentary from Ken Burns explores why the American naturalist is so alluring today. In an era when many are searching for meaning, Thoreau's life and writing offer succour.

"I Swear"
A biopic that is funny and full of heart. Robert Aramayo deservedly won awards for his performance as John Davidson, a Scottish campaigner who was diagnosed with Tourette syndrome as a boy.

"Kokuho"
This historical drama about *kabuki*, traditional Japanese theatre, has the compressed intensity of a story told in verse. Lush and painstakingly shot, the film follows the orphaned son of a gangster in his effort to become an actor.

"Legends"
In the early 1990s Britain was losing its war on drugs, so the government turned to an unusual bunch of fighters: civil servants. This is a thrilling and pacy series about little-known British heroes.

"Love Story"
This controversial hit series imagines what happened beyond the public eye, as John F. Kennedy junior, America's most eligible bachelor, wooed an elegant outsider before their deaths in a plane crash in 1999. A doomed fairy tale that is enthralling to watch.

"No Other Choice"
After a year of humiliating unemployment, a middle-aged man hits on a plan: he will murder everyone who is qualified for the job he is applying for. Ingenious, grisly fun, this film is the best South Korean satire since the Oscar-winning "Parasite".

"The Pitt"
This popular medical drama about an overworked, underfunded emergency room in Pittsburgh celebrates not brilliance or glory, but the simple act of being dedicated to your job. The show may remind older viewers of "ER", but it is grittier and more addictive than its long-running predecessor.

"Ponies"
The KGB surveils any Americans of any influence in Moscow. But Bea and Twila, as women, are classified as "persons of no interest". Thanks to a cold-war setting and ample skulduggery, this satirical comedy series is a lot of fun.

"Project Hail Mary"
This film is both a science-fiction caper and a buddy comedy about an astronaut and an alien. Though the film is too long, it stands out for its cinematography and droll script; Ryan Gosling is brilliant in the lead role.

"The Sheep Detectives"
This charming family-friendly film is a love letter to farm animals and golden-age murder mysteries. The script delivers both big laughs and unexpectedly moving moments, as it explores loss and memory.

"The Stranger"
A sumptuous and rich adaptation of Albert Camus's classic existential novel. This black-and-white film boasts beautiful cinematography, but also captures the ennui and despair of the book.

And the worst

To save you time, we wasted ours

"The Bride!"
In this frightfully bad film, a dead woman is reanimated to marry a lonely monster. The movie mixes too many genres, from sci-fi and Gothic noir to "Bonnie and Clyde"-style capers. This remake of a film from 1935 never fully comes to life.

"Imperfect Women"
This show is like buttered popcorn: bingeable but unsatisfying. Its big ideas—of how well you know your partner and what women hide from their closest friends—are handled simplistically.

"Ladies First"
A man whacks his head and wakes up in a world where gender roles are flipped. This over-the-top film offers endless scenes of men being sexually harassed and getting cosmetic surgery, while women eat burgers and pass wind.

"Michael"
This nauseating biopic is a sanitised and sanctified version of Michael Jackson's life story. For a movie about an oddball megastar who befriended a chimpanzee, much of it is also surprisingly dull.

"The Super Mario Galaxy Movie"
This video-game-inspired film is already the year's highest-grossing movie worldwide. It is also a gross misuse of your time. The plotless film carries you on a hallucinogenic and frenetic journey that only nostalgic gamers will enjoy.

"Wuthering Heights"
Emerald Fennell turns a haunting tale of class, obsession and revenge into a bodice-ripper. She rounds off the sharpest edges of the story and focuses on the erotic awakening of Cathy and Heathcliff.

"Your Friends & Neighbours"
Coop (Jon Hamm), a financier-turned-thief, does not know when to quit stealing from his neighbours. The writers of this show also don't know when to quit. The new season has all the flaws of the first, plus another: redundancy. ■

All shows and films were released in America or Britain in 2026 and are available to watch in cinemas or on streaming platforms.

Travel

Passport to everywhere

FUNAFUTI

Seeing the world with a competitive edge

TUVALU, MADE up of nine tiny islands in the South Pacific, is not your usual holiday destination. The former British colony, about halfway between Hawaii and Australia, is a haul to get to, served by only a few flights a week. Tourism barely exists. The main attractions are the airport runway in the capital, Funafuti, which transforms into a picnic spot and football pitch most afternoons, and the sleepy post office, which attracts enthusiastic stamp collectors. It is one of the least visited countries in the world.

None of that was enough to dissuade Ted Nims, an American who recently spent a week there and, in the process, checked off another country on his list: his 191st. The UN has 193 member states. Mr Nims is among a growing number of "country counters" trying to visit them all. Last year a record 82 people claimed to have achieved the feat of travelling to all 193 countries, according to NomadMania, an online hub for obsessive adventurers.

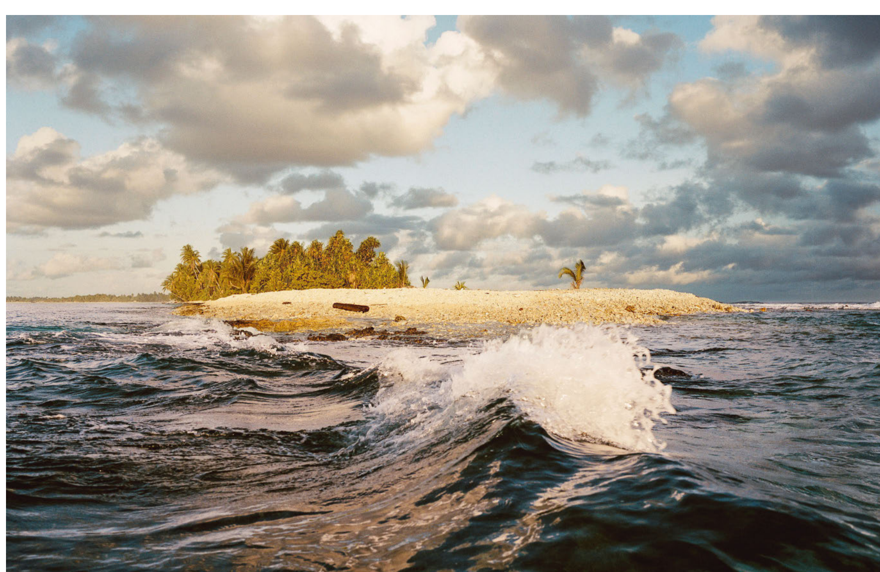
When the Travellers' Century Club launched in 1954, only a fortunate few could boast of having been to 100 countries, the minimum required to join. Today the social group is nearly 2,000-strong, having enjoyed what it calls a "pretty significant upswing" in recent years. Serious travellers are whiling away hours on platforms such as NomadMania and Most Travelled People, where there are leaderboards and debates about what counts as a visit. (An airport transit is acceptable to some but dismissed by the most hardcore as too easy.)

So much time on the road may sound like solitary play. But hostels and homestays offer a lot of fun and social contact, says Carol Wong, a Malaysian who recently visited Samoa (her 142nd country). It is the "fancy hotel" that is "very lonely", she says. Online, travel addicts share tips and socialise. Some destinations are so obscure that visitors seek advice from Facebook groups such as Every Passport Stamp, where questions range from the mundane ("Is the ferry from Kazakhstan to Azerbaijan operating?") to the unusual ("Has anyone ever explored Enewetak Atoll in the Marshall Islands?").

Seeing new places is all the rage, even if you do not want to fill your whole passport with new stamps. About half of Brits polled last year by ABTA, a travel industry association, planned to visit a new country, compared with 18% a decade earlier. "There's a braggadocious element," says Seth Borko of Skift, a travel-news website, who points to the impact of social media.

The scourge of overtourism plays a part, too, as travellers want to skip packed piazzas. Rising numbers of Americans travelling to Europe are opting for small towns or the countryside, according to Skift. The world's top ten most visited countries saw their share of international arrivals decline from about 60% in 1980 to 40% in 2024.

"I like to see places that aren't as touched by tourists," says Shang Qian Song, a 34-year-old Singaporean visiting Tuvalu, which may become one of the first countries to disappear because of rising sea levels. If you're counting on becoming a country counter, better pack your bag. ■



Are you down for the count?

Economic & financial indicators

	Gross domestic product, % change on year ago, latest		quarter*	2026†	Consumer prices, % change on year ago, latest		2026†	Unemployment rate, %		Current-account balance, % of GDP, 2026†	Budget balance, % of GDP, 2026†	Interest rates, 10-yr gov't bonds latest, %		change on year ago, bp	Currency units, per $ Jun 4th	% change on year ago
United States	2.6	Q1	1.6	2.2	3.8	Apr	3.7	4.3	Apr	-3.4	-6.5	4.5		3.0	-	
China	5.0	Q1	5.3	4.9	1.2	Apr	1.6	5.2	Apr‡§	3.2	-5.8	1.5	§§	-11.0	6.77	6.2
Japan	0.6	Q1	2.1	0.5	1.3	Apr	2.3	2.5	Apr	3.3	-1.8	2.6		115	160	-10.1
Britain	1.1	Q1	2.5	0.8	2.8	Apr	3.5	5.0	Feb††	-3.1	-5.1	4.9		28.0	0.75	-1.3
Canada	-0.1	Q1	-0.1	1.2	2.8	Apr	2.6	6.9	Apr	-0.4	-2.2	3.4		16.0	1.39	-1.4
Euro area	0.8	Q1	0.6	1.0	3.2	May	2.7	6.3	Apr	2.3	-3.3	3.0		52.0	0.86	2.3
Austria	0.9	Q1	0.8‡	0.8	3.7	May	2.9	5.7	Apr	1.2	-4.1	3.3		37.0	0.86	2.3
Belgium	0.8	Q1	1.0	0.9	4.1	May	3.2	6.2	Apr	-3.2	-4.9	3.5		53.0	0.86	2.3
France	0.9	Q1	-0.4	0.8	2.8	May	2.2	8.2	Apr	-0.6	-5.3	3.7		50.0	0.86	2.3
Germany	0.3	Q1	1.4	0.6	2.7	May	2.7	3.8	Apr	4.2	-3.7	3.0		52.0	0.86	2.3
Greece	2.5	Q4	3.2	2.0	4.6	Apr	3.4	9.5	Apr	-5.5	0.8	3.7		43.0	0.86	2.3
Italy	0.8	Q1	1.1	0.8	3.3	May	2.1	5.1	Apr	0.9	-3.0	3.8		29.0	0.86	2.3
Netherlands	1.2	Q1	0.2	1.0	3.4	May	3.1	3.9	Apr	9.3	-2.6	3.1		42.0	0.86	2.3
Spain	2.7	Q1	2.5	2.2	3.6	May	2.9	10.3	Apr	2.3	-2.4	3.4		26.0	0.86	2.3
Czech Republic	2.2	Q1	0.7	1.8	2.1	May	2.3	3.0	Q1‡	0.2	-2.6	4.8		70.0	20.9	4.8
Denmark	5.8	Q1	7.8	1.8	1.3	Apr	2.0	3.1	Apr	12.4	1.2	2.9		38.0	6.44	1.9
Norway	1.7	Q1	1.4	1.3	3.4	Apr	3.2	4.8	Mar‡‡	14.8	9.0	4.4		33.0	9.32	8.9
Poland	3.5	Q1	2.4	3.4	3.1	May	3.2	6.0	Apr§	-1.3	-7.0	5.7		26.0	3.66	2.7
Russia	-0.2	Q1	na	0.9	5.6	Apr	5.5	2.2	Apr§	2.2	-2.9	14.9		-42.0	73.3	7.5
Sweden	2.2	Q1	-0.6	2.3	0.8	May	1.8	8.7	Apr§	5.7	-2.0	2.9		56.0	9.41	2.3
Switzerland	0.5	Q1	2.6	1.0	0.6	May	0.6	3.1	May	5.3	0.2	0.4		21.0	0.79	3.8
Turkey	2.5	Q1	0.5	3.0	32.4	Apr	31.7	8.0	Apr§	-3.0	-3.6	32.2		113	46.0	-14.8
Australia	2.5	Q1	1.1	1.6	4.2	Apr	4.3	4.5	Apr	-1.9	-1.8	4.9		56.0	1.40	10.0
Hong Kong	5.9	Q1	12.2	5.0	1.8	Apr	2.1	3.7	Apr‡‡	6.6	-2.5	3.3		22.0	7.84	0.1
India	7.8	Q4	7.1	6.5	3.5	Apr	4.8	6.9	May	-1.8	-4.7	7.0		82.0	95.8	-10.5
Indonesia	5.6	Q1	6.0	5.2	3.1	May	3.5	4.7	Feb§	-0.9	-3.5	6.7		-12.0	17,954	-9.0
Malaysia	5.4	Q1	1.7	4.7	1.9	Apr	2.5	2.9	Mar§	2.5	-4.1	3.6		4.0	3.99	6.3
Pakistan	4.8	2026**	na	3.0	11.7	May	7.8	6.9	2025	-1.1	-4.7	12.8	†††	57.0	278	1.7
Philippines	2.8	Q1	3.6	2.7	7.2	Apr	6.8	5.8	Q1§	-4.0	-6.3	7.5		128	61.8	-9.9
Singapore	6.0	Q1	3.9	2.9	1.8	Apr	2.8	2.1	Q1	15.3	0.8	2.0		-31.0	1.28	0.8
South Korea	3.6	Q1	6.9	2.9	3.1	May	2.9	2.9	Apr§	8.2	-2.4	4.1		133	1,535	-10.2
Taiwan	14.5	Q1	6.9	10.5	1.7	Apr	1.6	3.3	Apr	27.4	1.8	1.7		13.0	31.5	-4.7
Thailand	2.8	Q1	2.7	1.8	2.9	Apr	2.9	1.0	Apr§	1.0	-5.5	2.2		45.0	32.7	-0.3
Argentina	2.1	Q4	2.5	3.1	32.4	Apr	32.6	7.5	Q4§	0.4	0.1	na		na	1,439	-17.7
Brazil	1.8	Q1	4.5	1.8	4.4	Apr	4.5	5.8	Apr§‡‡	-2.6	-7.3	14.5		57.0	5.08	11.0
Chile	-0.5	Q1	-1.1	1.4	4.0	Apr	3.7	9.1	Apr§‡‡	-2.2	-2.5	5.6		-25.0	896	5.0
Colombia	2.2	Q1	2.4	2.5	5.7	Apr	5.7	8.8	Apr§	-2.5	-6.6	12.3		-11.0	3,573	15.8
Mexico	0.2	Q1	-2.4	1.0	4.4	Apr	4.1	2.6	Apr	-0.3	-3.8	9.2		-18.0	17.3	11.0
Peru	3.5	Q1	3.2	2.5	3.9	May	4.1	5.0	Apr§	1.8	-2.4	6.0		-48.0	3.41	6.2
Egypt	5.0	Q1	-24.0	4.5	14.9	Apr	13.5	6.0	Q1§	-4.9	-7.5	25.9		94.0	51.9	-4.4
Israel	2.0	Q1	-3.3	3.1	1.9	Apr	2.2	2.9	Apr	1.8	-4.5	3.7		-85.0	2.87	22.6
Saudi Arabia	4.5	2025	na	-2.0	1.7	Apr	2.3	3.5	Q4	-2.2	-6.1	na		na	3.76	nil
South Africa	0.8	Q4	1.5	1.6	3.8	Apr	3.8	32.7	Q1§	-1.8	-4.4	8.5		-163	16.4	9.2

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted ‡New series **Year ending June ††Latest 3 months ‡‡3-month moving average §§5-year yield †††Dollar-denominated bonds Note: Euro-area consumer prices are harmonised

Markets

In local currency	Index Jun 3rd	% change on: one week	Dec 31st 2025
United States S&P 500	7,609.8	1.2	11.2
United States NAS Comp	27,093.9	1.6	16.6
China Shanghai Comp	4,084.0	-0.2	2.9
China Shenzhen Comp	2,812.9	-0.8	11.1
Japan Nikkei 225	68,402.1	5.2	35.9
Japan Topix	3,996.2	2.0	17.2
Britain FTSE 100	10,373.5	-1.3	4.5
Canada S&P TSX	35,169.5	2.2	10.9
Euro area EURO STOXX 50	6,107.8	0.6	5.5
France CAC 40	8,209.1	nil	0.7
Germany DAX*	25,124.2	-0.2	2.6
Italy FTSE/MIB	50,578.5	2.0	12.5
Netherlands AEX	1,049.1	0.9	10.3
Spain IBEX 35	18,272.0	-0.6	5.6
Poland WIG	136,401.0	0.3	16.3
Russia RTS, $ terms	1,117.3	-2.9	0.8
Switzerland SMI	13,305.7	-2.4	0.3
Turkey BIST	14,200.2	3.9	26.1
Australia All Ord.	9,017.2	0.8	nil
Hong Kong Hang Seng	25,633.2	1.2	nil
India BSE	74,346.2	-2.0	-12.8
Indonesia IDX	5,941.1	-3.1	-31.3
Malaysia KLSE	1,672.7	-1.5	-0.4

	Index Jun 3rd	% change on: one week	Dec 31st 2025
Pakistan KSE	170,190.6	-0.9	-2.2
Singapore STI	5,138.2	2.2	10.6
South Korea KOSPI	8,801.5	7.0	108.9
Taiwan TWI	46,459.2	5.0	60.4
Thailand SET	1,588.1	1.1	26.1
Argentina MERV	3,224,264.0	5.0	5.7
Brazil BVSP*	174,197.6	-0.9	8.1
Mexico IPC	68,890.3	-1.6	7.1
Egypt EGX 30	52,564.4	-0.2	25.7
Israel TA-125	4,226.5	-4.7	15.4
Saudi Arabia Tadawul	11,002.0	-0.2	4.9
South Africa JSE AS	114,006.1	-1.2	-1.6
World, dev'd MSCI	4,878.9	1.1	10.1
Emerging markets MSCI	1,789.1	2.9	27.4

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2025
Investment grade	86	93
High-yield	323	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 26th	Jun 2nd*	% change on month	year
Dollar Index				
All items	154.6	156.1	1.4	17.2
Food	147.3	147.0	-1.2	-2.6
Industrials				
All	160.7	163.6	3.4	37.9
Non-food agriculturals	149.7	154.3	3.5	25.7
Metals	163.5	165.9	3.4	41.2
Sterling Index				
All items	147.7	148.9	2.1	17.7
Euro Index				
All items	152.0	153.2	1.9	14.6
Gold				
$ per oz	4,509.6	4,503.5	-1.7	34.5
Brent				
$ per barrel	99.6	96.0	-12.6	46.3

Sources: CME Group; LME; LSEG Workspace; NOREXECO; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA *Provisional

For historical indicators data, visit economist.com/economic-and-financial-indicators

OBITUARY
Sonny Rollins

The saxophone colossus died on May 25th, aged 95

THOUGH HE LIVED a mere two blocks away, Sonny Rollins hadn't noticed those steps on Delancey Street before. One summer day in 1959, he climbed up. There, at the top, he found himself on the Williamsburg Bridge above New York's East River. Subway cars and traffic were rattling over, hooting boats passing underneath. All around him were pillars and abutments in which he could hide. Close above him was the open sky. Corny or not, it gave him a spiritual feeling to be there.

This was the ideal place to practise his music, which was not just any music. His tenor saxophone, endlessly inventive, seamlessly melodic, percussive or romantic, was already famous. Since 1953 he had been cutting records as the leader of small bands, but in 1956 came "Saxophone Colossus", which put him in the same league as his heroes Charlie "Bird" Parker and John Coltrane. He kept that status for the rest of his career, which contained more than 60 albums and two Grammys. But however much he was applauded, he was never satisfied with the way he played. Every so often the voice that kept talking inside him would tell him to improve himself. Hence, later, his time in an ashram in India, and hence his daily sojourns on the Williamsburg Bridge.

They went on for two years. Sometimes he would play for 15 hours or more, coming down only for bathroom breaks or a cognac at a bar he liked. In winter he played with gloves on. Some passers-by noticed his tall frame squeezed among the steelwork, and all heard his music, but few spoke to him. That was fine, because the only company he needed was his horn, which he was pushing further and further. Somewhere, at the bottom of the ocean, maybe, or beyond the stars—way beyond Sonny Rollins as yet—there was an ultimate sound. He had no ideas about what it might be, but he would know it when he heard it, and perhaps twice a year onstage he might get a snatch of it. Instantly it would fulfil him, and he would know that, at last, he was playing well. But not til then.

His head was already full to bursting with scraps of musical material he had laid down over the years. Etudes his brother played on the violin; Fats Waller on the family's piano roll; jukebox tunes in bars; pop songs and ballads from cheap gramophones, and the jazz that sounded all over Harlem from clubs and open windows. The pianist Thelonious Monk mentored him, and the saxophonist Coleman Hawkins lived nearby. He revered both of them, and from eight years old, toting the alto sax his mother had given him, he knew a musical life was for him, too.

His improvisations drew on all this. He loved playing quotes and, after any number of rhythmic and harmonic variations, each one could be joined to another. An aria from here, a Broadway ballad from there, a cheeky half-heard riff. It was as if all music had a natural unity, and he believed it had. He would walk onto every stage with his mind a blank, waiting for a fresh thought or a fresh note to fall upon it. His horn technique he knew he could trust completely, subconsciously, however complex or fast. He had a *thing* with his horn, a communion. (When he and his wife Lucille had to flee from their flat on 9/11, his saxophone was all he took with him.) But the rest of any piece, the emotion and the spirit, he left entirely to the higher powers to provide.

Because he played with Bird, Coltrane, the trumpeter Miles Davis and drummer Max Roach, he was often called a bebop star. But he wouldn't be pigeonholed that way. The freshness of bebop when it appeared in the 1940s, For Free Mags Check sastatus. com with its speed, intricacy and long solos, certainly suited him; its strictures didn't, because he was naturally free. He often fused jazz with calypso in homage to his mother, who came from St Thomas in the Virgin Islands; "St Thomas" was one of the most celebrated tracks on "Saxophone Colossus ". Another, "Blue 7", mixed jazz with blues. He married it to Latin dance rhythms, to funk and even to rock, in a brief collaboration with the Rolling Stones on "Tattoo You" in 1981. (He wasn't too proud to play a backbeat.) For a time he got rid of pia- nists, who annoyed him because they limited his harmonic range. He liked trios: a drummer and a bassist, faithfully following along. And he could lead them anywhere for his jazz—especially, he felt, on the albums "Freedom Suite", "A Night at 'The Village Van- guard'" and "Way Out West"—which was big-picture stuff in which everything came together. It was the unification of music; it was all one. God, perhaps.

His serenity, onstage and off, disguised his rough road to fame. Because as a young man he saw Charlie Parker as his Messiah, and Bird was on drugs, he used heroin himself to see if he could end up playing like that. All it did was set him to stealing, for which he eventually served ten months at Rikers Island. In 1955, after some tough rehabilitation, he was clean again, and stayed that way. It was Bird himself who had told him to stop and consider what he had to give to music.

That set him thinking. He had always considered music as a gift to *him*, ever since he had blown his first notes as a child. He had been in seventh heaven then. And it continued with each performance, as (with few exceptions, but some down days) he revelled in the gift he had been given. But the question was, was he truly giving back to his audiences, or just playing for himself? To mangle his own Golden Rule a bit, was he doing unto others as had been done to him?

He never really found the answer to that question. But he was looking for that as much as for the ultimate sound. It seemed to be his karma, ever, to search for these things. Well, he'd got a lot of bad stuff he was paying for. But that was the purpose of being in this inconsequential world. To learn; to try to get wisdom; to come back and try again, if you didn't. And to keep on pushing that music, as he had on the Williamsburg Bridge; which, for his multitudes of admirers, was gift and glory enough. ■

Cartier